



REPUBLIC OF KENYA

TRADE, TOURISM AND INDUSTRY SECTOR

**SECTOR REPORT FOR THE MEDIUM
TERM EXPENDITURE FRAMEWORK**

2010/11-2012/13

FEBRUARY 2010

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ABBREVIATION AND ACROYMNS

AGAs	Autonomous Government Agencies
AGOA	African Growth and Opportunity Act
AIA	Appropriation in Aid
BDS	Business Development Services
BoK	Bomas of Kenya
BPO	Business Process Outsourcing
BPRT	Business Premises Rent Tribunal
BSCs	Business Solution Centers
BSPS	Business Sector Programme Support
BQ	Bill of Quantity
CBOs	Community Based Organizations
CET	Common External Tariffs
COMESA	Common Market for Eastern and Southern Africa
CSOs	Civil Society Organizations
CTDLT	Catering Tourism Development Levy Trustee
DANIDA	Danish International Development Agency
EAC	East African Community
EAPCC	East African Portland Cement Company
EC	European Commission
EDF	European Development Fund
EEC	European Economic Commission
EPA	Economic Partnership Agreement
EPC	Export Promotion Council
EPZs	Export Processing Zones
EPZA	Export Processing Zones Authority
EU	European Union
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GOK	Government of Kenya
ICDC	Industrial and Commercial Development Corporation
ICT	Information, Communication and Technology
IDA	International Development Agency
IDB	Industrial Development Bank
IGAD	Inter-Governmental Authority on Development
IPRs	Industrial Property Rights
IPR	Institute of Primate Research
JICA	Japan International Cooperation Agency
JLBS	Joint Loan Board Scheme
JPC	Joint Permanent Commission
KCC	Kenya Cultural Centre
KEBS	Kenya Bureau of Standards
KENAS	Kenya National Accreditation Service
KEPLOTRADE	Kenya Post-Lome Trade Negotiations Programme
KIBT	Kenya Institute of Business Training
KICC	Kenyatta International Conference Center
KIE	Kenya Industrial Estates

KIPI	Kenya Industrial Property Institute
KIRDI	Kenya Industrial Research and Development Institute
KITI	Kenya Industrial Training Institute
KNADS	Kenya National Archives and Documentation Service
KNLS	Kenya National Library Services
KNTC	Kenya National Trading Corporation
KTB	Kenya Tourist Board
KTDC	Kenya Tourist Development Corporation
KUC	Kenya Utalii College
KWAL	Kenya Wine Agencies Limited
MDGs	Millennium Development Goals
MICE	Meetings, Incentive, Conferences and Exhibitions
MSMEs	Micro, Small and Medium Enterprises
MSMIs	Micro, Small and Medium Industries
MTEF	Medium Term Expenditure Framework
MTP	Medium Term Plan
NEMA	National Environmental Management Authority
NGO	Non Governmental Organization
NMC	Numerical Machining Complex
NMK	National Museums of Kenya
NTBs	Non Tariff Barriers
OVOP	One Village One Product
PBGs	Producer Business Groups
R&D	Research and Development
RoO	Rules of Origin
SAGAs	Semi-Autonomous Government Agencies
SME	Small and Medium Enterprise
SMIs	Small and Medium Industries
TTF	Tourism Trust Fund
TTI	Trade, Tourism and Industry
UNDP	United Nations Development Programme
UNESCO	United Nations Education Social and Cultural Organization
USAID	United States Agency for International Development
WB	World Bank
WTO	World Trade Organization

EXECUTIVE SUMMARY

The Trade, Tourism and Industry (TTI) sector comprises of the following sub-sectors: Trade, East African Community, National Heritage and Culture, Tourism and Industrialization. On average the Sector contributes about 30% to the Kenyan Gross Domestic Product (GDP) and therefore plays a major role towards regional integration, poverty reduction and creation of employment opportunities.

The sector was instrumental in realization of goals and objectives of ERS and some of the key achievements include: increase in the volume of exports; deepening of the EAC integration; promotion, preservation and conservation of the rich and diverse cultural heritage; increased international tourist arrivals and foreign exchange earnings; and growth in the manufacturing sector. The Sector also plays a significant role towards achievement of the targets set in the Kenya Vision 2030 and the Millennium Development Goals (MDGs).

The Sector is expected to spearhead the national economic growth and contribute towards overall national goal of increasing the GDP growth from the current 1.7% to the envisioned 10% per annum. This will be achieved through creating an enabling environment for business, investments and industrial development; promotion of exports; promotion of sustainable tourism; fast tracking the East African Community integration; and preservation of national heritage and culture.

The expenditure trend in the sector over the review period has been in favor of development whereby the recurrent budget decreased from Kshs. 6.35 billion in 2006/07 to Kshs. 5.98 billion in 2008/09 which reflects a 5.83% decrease whereas, development budget increased from Kshs 1.469 billion in 2006/07 to Kshs. 1.928 billion in 2008/09 which reflects a 32% increase.

For the MTEF period 2010/11 to 2012/13, the Sector has identified six priority programmes for implementation namely: Trade development; East African Community matters; National Heritage and Culture; Coordination and Regulation of the NGOs Sector; Tourism Promotion and Marketing; Industrial Development and Investment.

To implement these programmes the sector will require a total of Kshs **33.94** billion in 2010/2011, Kshs **42.64** billion and Kshs **45.13** billion in 2010/11 and 2011/12 respectively. However, these resource requirements are far much above the proposed GOK allocation for the medium term. For instance, the proposed government allocation for 2009/2010 is Kshs. **11.74** billion against the resource requirements of Kshs **33.94** billion.

Despite the important role the Sector plays in economic growth and development, it faces a number of emerging issues and challenges which include: high cost of energy and power fluctuations; erosion of preferential market access; global rise in food prices; piracy in the Somali coastline; inadequate funding from the exchequer; negative publicity and travel advisories to Kenya; low product and market diversification; and influx of sub-standard, counterfeits and contra-band goods.

To sustain the Sector's contribution to the economy, a number of interventions and strategies need to be put in place to address emerging issues and challenges in the Sector. Some of the strategies and interventions are: increase resource allocation for the sector; improve security in the country; fast track regional integration initiatives; promote investments targeting the tourism industry; develop infrastructure and expand the product choice and range of tourism facilities to include cultural tourism, sport and community based tourism will assist the sector to achieve the goals set in the Vision 2030.

CHAPTER ONE

1.0. INTRODUCTION

1.1. Background

The Trade, Tourism and Industry Sector comprises of five Sub-sectors namely; Trade, East African Community, National Heritage and Culture, Tourism and Industrialization. The sector is mandated to enhance national cohesion and provide an enabling environment for the development and promotion of tourism, trade, investment and industrialization for improved livelihood of all Kenyans.

The sector contributes significantly to the overall national development agenda. Over the review period, Trade and Tourism contributed approximately 10 % each to the GDP. The sector also oversees the fast tracking of the EAC regional integration initiatives which include East African Customs Union and Common Market. In addition, the sector provides a platform for a robust and competitive manufacturing base.

In the year 2008 the value of domestic exports rose by 23.3 percent while imports grew relatively faster at the rate of 27.4 percent. The leading export earners were horticulture, tea, articles of apparel and clothing accessories, and soda ash, collectively accounting for 51.3 per cent of the total domestic export earnings. The tourism sub-sector on the other hand witnessed one of its worst performances in recent history. This was mainly as a result of the political violence that erupted in the country during the first quarter of year 2008 and the subsequent negative travel advisory towards the country by major tourism source countries. As a result, tourism earnings decreased from Ksh. 65.2 billion in 2007 to Ksh. 52.7 billion in 2008, representing a 19.2 percent drop. The volume of international arrivals decreased sharply by 33.8 percent from 1.8 million in 2007 to 1.2 million in 2008. This was attributed to cancellations of reservations and termination of ongoing holidays as a result of ensuing political uncertainty.

The manufacturing sub-sector also recorded the lowest growth of 3.8 percent in year 2008 compared to 6.5 percent in year 2007. However the value of manufacturing rose by 14.5 percent from Ksh. 626.2 billion in 2007 to Ksh. 712.2 billion in 2008. The contribution of manufacturing to GDP grew insignificantly from 10.4 percent in 2007 to 10.6 percent in 2008. During the review period the anti-counterfeit bill was enacted in December 2008. In regard to EAC integration initiatives mainly EAC Customs Union and Common Market the sector realized an expanded market which translated to increased trade volumes of 20.9 percent and 30.9 percent in 2007 and 2008 respectively.

As envisioned in the first medium term plan (MTP) of the Vision 2030, the Sector is expected to spearhead the national economic and social recovery and contribute towards overall national goal of increasing the GDP growth from 1.7 % in 2008 to approximately 10% by 2012. This will be achieved through expansion of tourism earnings by increased international tourists' arrivals from about 1.2 million in 2008 to 2.55 million as well as increased spending per visitor from current Kshs 40,000 to Kshs 70,000 over the MTEF period. In addition the sector intends to set up special economic clusters and zones as well as hawkers markets and industrial parks.

1.2. Sector Vision and Mission

1.2.1. Sector Vision

A harmonious and globally competitive society that thrives as a destination of choice for trade, tourism, investment and industrial development with citizens operating freely across borders.

1.2.2. Sector Mission

To facilitate sustainable trade, investment and tourism, vibrant industrial base, regional integration and preservation of national heritage and culture for sustainable development.

1.3. Strategic goals and objectives of the Sector

1.3.1. Strategic Goals

- i. Facilitate trade and investment;
- ii. Spearheading EAC regional integration;
- iii. Promote and preserve national heritage and culture;
- iv. Promote sustainable tourism
- v. Promote industrial development and entrepreneurship

1.3.2. Strategic objectives

- i. Undertake policy, legal and institutional reforms for the development of the sector;
- ii. Improve business environment for trade, tourism and investment;
- iii. Support entrepreneurship, industrial development, research and innovations;
- iv. Establish an effective coordination mechanism for EAC Programmes;
- v. Promote Kenya's cultural and natural heritage;
- vi. Improve records and archives management; and access to public library services;
- vii. Make Kenya a leading tourist destination with diverse and high quality products

1.4. Sub-sectors and their mandates

1.4.1. Trade

- i. Formulation of Trade development policy
- ii. Promotion of retail and wholesale markets
- iii. Development of Micro and Small Business (MSEB)
- iv. Fair trade practices and consumer protection
- v. Private sector development
- vi. International trade affairs such as COMESA and WTO

1.4.2. East African Community

- i. Formulation of policy on the East African Community;
- ii. Coordination of government participation in the East African Community meetings and institutions;
- iii. Coordination of the Implementation of the East African Community regional programmes;
- iv. Implementation of the East African Treaty; and
- v. Promotion and fast tracking of East African integration.

1.4.3. National Heritage and Culture

- i. National Heritage Policy
- ii. National Culture Policy
- iii. National Archives/Public Records
- iv. National Museums and Monuments
- v. Historical Sites
- vi. NGO Co-ordination
- vii. Promotion of Culture
- viii. Development of Fine, Creative and Performing Arts
- ix. Permanent Presidential Commission on Music
- x. Kenya National Library Services

1.4.4. Tourism

- i. Formulation, coordination and administration of policy with respect to Tourism
- ii. Development and promotion of tourism

1.4.5. Industrialization

- i. Industrialization Policy
- ii. Industrial Property Rights Policy and Settlement of Industrial Property Rights Disputes
- iii. Quality Control and Standardization
- iv. Industrial Training and Capacity Building
- v. Training, Infrastructure and Business Development Services for Micro, Small and Medium Industries
- vi. Cement Production, Industrial Tooling and Machining
- vii. Industrial Research and Development
- viii. Finances and Venture Capital for Industrial Development
- ix. Development of Micro, Small and Medium Industries
- x. Provision of Market Linkages and Access to Finance for Micro, Small and Medium Industries

1.5. Autonomous and Semi-Autonomous Government Agencies

In fulfilling its overall mandate the sector is a host to the following Autonomous and Semi-Autonomous Government Agencies.

1.5.1. Autonomous Government Agencies (AGAs)

i. Industrial and Commercial Development Corporation (ICDC)

ICDC is charged with the mandate of providing finance and equity capital for expansion and development of new and existing medium size industrial and commercial enterprises in Kenya. This improves access to credit and the development of commercial and industrial sectors.

ii. Kenya National Trading Corporation (KNTC)

KNTC is mandated to distribute essential goods across the country with a view to promote domestic trade.

iii. Kenya Wines Agencies Ltd (KWAL)

KWAL is mandated to produce and distribute wines and spirits to both domestic and international markets hence promoting domestic and international trade.

iv. East African Portland Cement Company (EAPCC)

EAPCC is responsible for manufacturing and marketing cement and cement-based products both locally and internationally. This promotes the development of both domestic and international trade.

v. IDB Capital Ltd

IDB Capital provides medium and long-term finance and accompanying financial and corporate advisory services to medium and large-scale industrial enterprises, and the provision of working capital, machinery, and finance. This enhances industrial development and access to industrial credit to the local entrepreneurs.

1.5.2. Semi-Autonomous Government Agencies (SAGAs)

i. Export Promotion Council (EPC)

EPC is mandated to promote and diversify Kenyan exports and provide information on potential market opportunities hence improving access to traditional and new markets of Kenyan products.

ii. Export Processing Zones Authority (EPZA)

EPZA is charged with the mandate of promoting investments in the Export Processing Zones by both local and foreign investors. This will enhance investments by both local and international investors within the framework of export processing zones that will enhance export-led industrialization.

iii. Non-Governmental Organizations Coordination Board

The Mandate of the Board is derived from Section 7 of the NGO Act which spells out the activities and roles to be played by the Board. These are registration, Coordination, facilitation and monitoring of the NGOs sector in Kenya.

iv. National Museums of Kenya (NMK)

It is charged with the mission of collecting, documenting, preserving, studying and presenting our past and present cultural and national heritage. It is also required to enhance knowledge, appreciation, respect, management and use of these resources for the benefit of Kenya and the world at large. National Museums of Kenya also engages in bio-medical research at the Institute of Primate Research (IPR), which produces valuable research outcomes.

v. Kenya National Library Service (KNLS)

The Kenya National Library Service (KNLS) is a semi-autonomous government agency established by an Act of Parliament, Cap 225 of the Laws of Kenya. The objective of the KNLS is to develop and promote a reading culture through the provision of library and information service countrywide.

vi. Kenya Cultural Centre. (KCC)

The Kenya Cultural Centre was established by an Act of Parliament in 1956. The main objective of the Centre is to provide an avenue for developing, expressing and enjoyment of culture in all its forms. The SAGA owns the Kenya National Theatre.

vii. Kenya Tourist Board (KTB)

Its mandate is to market Kenya as a tourist destination both locally and internationally, with the aim of increasing tourists' arrivals and earnings.

viii. Kenya Tourist Development Corporation (KTDC).

KTDC is mandated to provide venture capital to the tourism sector through concessionary loans and find also provide business advisory services to tourism sector entrepreneurs.

ix. Kenya Utalii College (KUC)

Kenya Utalii College (KUC) is mandated to enhance professionalism in tourism and improve standards of service in the tourism industry through training.

x. Catering and Tourism Development Levy Trustees (CTDLT)

CTDLT is mandated to collect, control and administer the catering training and tourism development levy.

xi. Bomas of Kenya (BoK)

Its mandate is to preserve, maintain and promote the rich and diverse culture of the various ethnic groups of Kenya as a tourism product.

xii. Kenyatta International Conference Centre (KICC)

Its mandate is to manage and maintain KICC building, and to market the available conference facilities both locally and internationally so as to promote conference tourism.

xiii. Kenya Industrial Research and Development Institute (KIRDI)

KIRDI conducts research and development in all industrial and allied technologies including mechanical, civil, electronics, chemical engineering, energy, environment, and commodity technologies. The execution of this mandate will lead to technological advancement through research and development and this contribute towards the country industrialization process.

xiv. Kenya Industrial Estates (KIE)

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

xv. Kenya Bureau of Standards (KEBS)

KEBS is mandated to develop and enforce the standards of industrial products in order to achieve production of goods and services that meet global demands. This enhances quality of Kenyan products and improves access to both local and international markets.

xvi. Kenya Industrial Property Institute (KIPI)

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

xvii. Numerical Machining Complex (NMC)

NMC is charged with the mandate to manufacture metallic components and other industrial products to promote industrial development.

xviii. Anti-Counterfeit Agency

The Anti-Counterfeit Agency is mandated to enlighten and inform the public on matters relating to counterfeiting, combat counterfeiting, trade and other dealings in counterfeit goods in Kenya. In addition, the agency is mandated to devise and promote training programmes in combating counterfeiting, co-ordinate with national, regional and international organizations involved in combating counterfeiting.

1.6. The Role of the Sector Stakeholders

The sector links closely with a wide range of stakeholders whose performance relate in one way or the other with its mandate. These are individuals, groups, organizations and institutions that have interest in the sector or are impacted by the sector's activities.

The sector works with major stakeholders with various roles but not limited as explained below:

1. Government Ministries and Departments

The roles of Government Ministries and Departments are: provision of public security; collaboration in formulating policies and national development agenda; human resource management and development; facilitation of regulation and legislation; development of infrastructure; and resource mobilization.

2. State corporations

State corporations develop and ensure conformity to standards; issuance of certificates of origin; inspection and provision of permits; collaboration in research in various matters; promotion of marketing and investment; and promotion and preservation of diverse cultures and national heritage.

3. Private Sector

The role of the Private sector involves the advocacy on improvement of business environment; participate in joint Public-Private investments; provision of business information; offering quality goods and services; and self regulation within the business community.

4. Civil Society

Civil Society collaborates in consumer rights awareness; contributes to policy formulation; participates and supports the sensitization and advocacy on various sub- sectoral matters.

5. Development Partners

Development Partners provides technical, financial and other resources; capacity building and collaborate and create synergies.

6. Kenyan Communities

Kenyan communities provide manpower; market; and promote positive cultural diversity and cohesion.

7. Research Institutions

Provide information to guide policy formulation; provide market intelligence; broaden product base; and technologies to be adopted for value addition.

8. Media

The role of the media is to inform and sensitize the public on sectoral affairs; and provide constructive third party opinion.

Regional Trading Blocs

Provide accessibility to a wider range of products and services; offer wider markets; and free movement of persons, goods, services and capital.

CHAPTER TWO

2.0. PERFORMANCE AND ACHIEVEMENTS OF THE SECTOR DURING THE PERIOD 2006/07 – 2008/09

2.1. Performance of Programmes

The Sector has made various achievements as highlighted below:

2.1.1 Trade

1. Promotion of domestic trade

▪ Provision of credit to small scale traders

The Sub-sector administers a Joint Loan Board Scheme (JLBS) to provide affordable credit to small scale traders. Over the review period, the sub sector advanced Kshs. 33 million to the scheme. Table 2.1 below shows the performance of the scheme.

Table 2.1: Performance of Joint Loans Board Scheme.

Financial Year	Grants from the Central Government	Amount of Joint Board Loans given to traders (Kshs.)	Number of Beneficiaries
2006/07	11,000,000	44,498,730	1,199
2007/08	11,000,000	45,615,000	1,163
2008/09	11,000,000	47,030,000	1,059
Total	33,000,000	137,143,730	3,421

▪ Promotion of cross border trade

The Sub-sector held cross border meetings in Lunga Lunga, Taveta, Kajiado, Busia and Malaba to resolve trade barriers hindering cross border trade between Kenya, Tanzania and Uganda. The Sub-sector held a trade exhibition at the Busia border post to sensitize SMEs on both Kenya and Uganda on the available goods.

2. Promotion of regional integration and trade initiatives

(a) Regional Integration

(i) East African Community

The Sub-sector participated in the East African Community (EAC) negotiations for the outstanding areas of Customs Union to achieve full operationalization of the EAC Customs Union by 1st January 2010. The Common Market negotiations have been concluded and the Heads of States of EAC countries signed the Protocol on 20th November 2009.

(ii) Common Market for Eastern and Southern Africa (COMESA)

The Sub-sector participated in negotiations leading to the launch of COMESA Customs Union in June 2009 for a transition period of five years. COMESA is the leading destination for Kenyan exports.

(iii) Economic Partnership Agreement

Kenya, along with other EAC Partner States initiated a framework for establishment of an Economic Partnership Agreement (EPA) on 27th November 2007, with the European Union (EU). This cushioned the eminent disruption of trade that was to be phased out after expiry of Cotonou Agreement by 31st December 2007. The agreement also saved over 1.5 million jobs, safeguarded over US \$ 1billion investments and ensured market access of Kenyan products into EU market. The Negotiations for a comprehensive EPA between the EAC and European Commission (EU) begun in February 2008 and are still going on to finalize outstanding issues before signing of the framework of EPA.

(iv) South to South Cooperation

Kenya is a member of South-South Co-operation of developing countries which aims to promote and deepen the export base and markets for products in the South –South group of countries. The Sub-sector participated in the establishment of the South - South Standing Committee which was launched in 2007/08. Kenya successfully hosted the UN High Level Conference on South - South Cooperation from 1st to 3rd December 2009.

Table 2.2 below shows the value of Kenyan exports to EAC, COMESA and EU markets.

Table 2.2: Exports in (Kshs Millions)

Region	2006	2007	2008
EAC	53,050	64,122	83,942
COMESA	75,436	86,222	111,363
EU	65,480	72,612	89,183

Source: Economic survey, 2009

During the review period exports to the EAC increased by 20.9% and 30.9% in 2007 and 2008 respectively. Similarly, there was an increased in exports to the COMESA region by 14.3% and 29.2% in 2007 and 2008 respectively. Exports to the EU also improved with an increase of 10.9% and 22.8% in 2007 and 2008 respectively. Generally, Kenya saw an increased in exports with the bulk of the exports going to the COMESA region.

(b) Bilateral and Multilateral Trade Initiatives

▪ **Bilateral Trade Agreements**

Over the review period four bilateral trade agreements were concluded with Libya, South Africa, Turkey and Romania and a draft agreement with Djibouti has been negotiated. The Sub-sector has also initiated bilateral agreements which are pending conclusion with the following countries: Democratic Republic of Congo, Zambia, Ethiopia, Cuba and Botswana.

▪ **Trade Dispute Resolution**

During the period under review, the Sub-sector resolved four trade disputes with Pakistan and Egypt on rice, Sudan on sugar and Zambia on milk products and sugar exports. Other disputes under negotiation are exports of avocado and soda ash to South Africa, chicken and chicken products between Kenya and Uganda.

▪ **Joint Permanent Commission on Economic Co-operation**

The Sub-sector hosted joint permanent commission on economic co-operation (JPC) with Zambia, Tanzania, Burundi, Rwanda, Botswana, Cuba, Pakistan, Iran, India, South Africa, Egypt and Libya.

▪ **Commercial Offices Representation.**

During the review period, the Sub-sector opened one commercial office in China although it had envisaged opening two offices each financial year.

▪ **Business Fora**

During the period under review, the Sub-sector hosted the following business fora; between Kenya and South Africa in Nairobi and Pretoria, between Kenya and Democratic Republic of Congo in Kinshasa, between Kenya and India in Nairobi, between Kenya and Iran in Tehran and Nairobi. These fora brought together the business communities from both countries to exchange ideas on the business opportunities, challenges and how to address these challenges in order to strengthen trade between them.

▪ **Kenya Post-Lome Trade Negotiations**

The country position papers on negotiations in the above integration and trade initiatives are being funded through Kenya Post-Lome Trade Negotiations Programme (KEPLOTRADE). The overall objective of this programme is to facilitate Kenya's integration into multilateral trading system in the world economy through funding analytical studies in the different sectors of the economy to inform the preparation of negotiation positions/proposals in WTO, COMESA, EAC, EU and EPAs.

▪ **Africa Growth Opportunity Act (AGOA)**

The quantity of exports to USA under AGOA increased by 7.3% from Kshs. 19.2 billion in 2007 to Kshs. 20.6 billion in 2008. Further, Kenya successfully hosted AGOA forum in Nairobi between 3rd and 6th August 2009. The objective of the 8th AGOA forum was to assess implementation of AGOA over the years, identify successes and challenges and map future strategies to enable AGOA eligible African countries fully utilize the benefits of AGOA.

▪ **World Trade Organization**

The Sub-sector co-ordinates the domestication and implementation of the WTO agreements and provisions through:

- Development of effective trade remedy regime to address dumping, subsidies and import surges.
- Review of trade policy to enhance international trade. In respect to this aspect, the Sub-sector has developed a national trade policy.

Over the review period, the Sub-sector participated in WTO Doha Development Round Negotiations. In addition, two position papers on WTO Doha Development Round Negotiations covering agriculture, Non-Agricultural market access and services were prepared.

3. Export Processing Zones (EPZs) Investments

The Sub-sector promoted investments in the export processing zones. The EPZs gives incentives to foreign investors to manufacture goods for exports, bring Foreign Direct Investment (FDI) and create employment. Over the review period the performance of EPZs is as shown in the table 2.3 below.

Table 2:3: EPZs performance indicators

Performance indicators	2006/2007	2007/2008	2008/2009
No. of enterprises operating	71	72	77
Employment created	36,767	34,446	30,187
Value of exports (Kshs. million)	22,893	27,400	28,094
Value of investments (Kshs. million)	20,320	19,027	21,701
Local purchases (Kshs. million)	3,253	3,454	4,476
No. of Zones	39	41	38

Source: EPZA

4. Diversification of export markets

The Sub-sector promotes exports both regionally and internationally through:

Market development and diversification

The sub sector facilitates Kenyan businesses to penetrate and diversify into new markets, and consolidate existing markets through trade promotional events. During the period under review, the Sub-sector held 15 trade fairs in the following countries; Uganda, Rwanda, Sudan, DRC, Zimbabwe, Malawi, Tanzania, Spain, USA, and Germany.

▪ **Small and Medium Enterprise Export assistance**

This is achieved through provision of assistance to strengthen export supply base and mainstream them into export trade. During the review period the Sub-sector provided enterprise support services to mainstream SMEs to export business in the following areas;

product, market and adaptation, clustering SMEs in to producer groups, linking SMEs to export supply chain and quality and standard improvement.

- **International trade information services**

The Sub-sector provided trade information to business enquiries through business counseling, issuing of trade alerts via internet, export newsletter, dissemination workshops, seminars and onsite coaching.

- **Capacity Building**

The Sub-sector conducted trainings for exporters in four (4) regions namely; Nairobi, Mombasa, Eldoret and Kisumu, and five (5) modules were covered as follows; Export marketing, Export logistics and finance, market access and training of trainers.

Table 2:4. EPC Performance indicators

Performance indicators	2006	2007	2008
No. of trade promotional events- trade fairs and exhibitions held	20	26	15
No. of websites for SME exporters developed	20	21	60
No. of exporters trained	1,000	1,500	709
No. of outreach programmes/field visits to exporters conducted	180	192	709
No. of market /country export opportunity reports prepared	4	7	12

Source: EPC

5. Provision of entrepreneurial and management skills to Small and Medium Enterprises (SMEs)

The Sub-sector conducts entrepreneurial and management training to SME operators. During the review period, the performance of the Sub-sector is as shown in table 2.5 below:

Table 2:5. Ministry's entrepreneurial and management skills Performance indicators

Performance indicators	2006	2007	2008
No. of SME operators trained	2,480	1,097	2,122
No. of SMEs counseled	2,697	2,487	3,779
No. of past trainees followed up	308	485	289

Source: KIBT

6. Promotion of fair trade practices and consumer protection

The Sub-sector promoted fair trade practices and consumer protection as shown in table 2.6 below:

Table 2:6. Sub-sector fair trade practices indicators

Performance indicators	2006/07	2007/08	2008/09
Verification of weighing and measuring equipments	246,000	240,000	250,000
Investigation and prosecution	380	380	400
Enforcement of consumer protection Law; trading premises inspected	4,500	4,600	4,900

Source: Weights & Measures

7. Business Premises Rent Tribunal Services

The Sub-sector is mandated to provide business premises dispute resolution for the protection of tenants from eviction or exploitation by landlords. Over the review period the following key achievements were recorded as shown in table 2:7 below.

Table 2:7. Sub-sector Business Premises Rent Tribunal Services performance

Performance indicators	2006/07	2007/08	2008/09
Hearing and determination of Rent disputes cases	1000	1,100	3,398
Inspection of Business Premises	55	75	103

Source: BPRT

2.1.2 East Africa Community

Coordination of the implementation of the agreed EAC Regional integration decisions in Kenya

Enhance negotiations capacity

Over the review period, one of the targets the sub sector set was to enhance the capacity of those involved in negotiations as leaders of delegations in the various sectors especially in the EAC Sectoral Committees meetings, task forces, and expert working groups with other EAC Partner States. This was to be realized through preparatory meetings and training on negotiation skills.

The various officials coordinating different sectors such as productive and services, social, economic, political and security were identified and appointed as EAC desk officers in their sub sectors. Preparatory meetings were entrenched as a pre-requisite to attending EAC meetings as per the EAC calendar of events. Further, negotiating teams were identified and Terms of References

(TOR) prepared. In addition, a capacity building workshop on Regional Integration was undertaken and all desk officers were invited.

Implement the Mechanism for reporting and follow up of EAC projects and programmes

Under the EAC integration process, there are numerous Council decisions, projects and programmes whose implementation needed to be continuously monitored, evaluated and any problems addressed. This was not possible because there was no established mechanism to monitor the same.

During the review period, the sub sector set to come up with a system to be able to monitor the same. A system dubbed as the EAC Decisions and Process Monitoring (EDPM) System was developed. This is a computer programme that will assist the sub sector to monitor EAC projects and programmes, and liaise with implementing ministries/agencies to address any constraints identified.

Implementation of EAC decisions therefore improved through a monitored EAC Decisions implementation Matrix. The EAC Sectoral Council successfully adopted the Implementation Matrix for EAC Decisions as a reporting format for all its sittings.

Physical monitoring of the removal of NTBs at the entry points

Under the review period, the sub sector coordinated the establishment of National Monitoring Committee for the identification and elimination of Non Tariff Barriers (NTBs). The sub sector also undertook a physical monitoring exercise specifically to monitor the status of identification and removal of NTBs as part of the implementation of the EAC Customs Union. The exercise involved visits to key Kenyan border points with the EAC Partner States namely: - Namanga, Malaba, Taveta and Busia, and a report on the same were finalized. The sub sector further held quarterly meetings of the National Monitoring Committee (NMC) that involves all the stakeholders as identified in the established NTBs Monitoring Mechanism. In this regard, minutes of the meetings together with the updates of the implementation status of the “Time Bound Programme for the elimination of NTBs” were developed and submitted to the EAC Secretariat.

Negotiation of the Common Market Protocol

Since the commencement of the negotiations in April 2008, the sub-sector successfully coordinated and lead the Kenyan delegation as the head of delegation in the following EAC Common Market Protocol negotiation meetings through scheduling of inter-ministerial and stakeholders’ consultative meetings. Serena Hotel in Kigali, Rwanda from 14th – 22nd April 2008;

- i. Grand Regency Hotel in Nairobi, Kenya from 16th – 23rd August 2008
- ii. Source du Nil Hotel in Bujumbura, Burundi from 20th – 27th September 2008
- iii. Imperial Royal Hotel in Kampala, Uganda from 6th – 15th October 2008
- iv. Bwawani Hotel, Zanzibar, Tanzania, from 3rd – 9th November 2008
- v. Lake Kivu Serena Hotel, Rubavu, Rwanda 1st – 10th December 2008
- vi. Imperial Hotel, Kisumu, Kenya From 29th January - 6th February 2009
- vii. Source du Nil Hotel in Bujumbura, Burunid from 2nd – 10th March 2009
- viii. Imperial Royal Hotel in Kampala, Uganda from 8th – 9th April 2009,

- ix. 10th Summit of EAC Heads of State, Ngurdoto Mountain Lodge, Arusha, Tanzania, 29th April 2009
- x. Ubungo Plaza, Dares-Salaam, Tanzania, 17th -27th May 2009
- xi. Serena Hotel in Kigali, Rwanda from 8th – 17th June 2009.

1. National publicity and advocacy of EAC regional Integration initiatives

Under the review period, the sub sector raised the profile and knowledge of EAC matters in the country by undertaking the following activities;

- Continuous Publication and distribution of the Ministerial brochures;
- Publication of a quarterly “Jumuiya” newsletter;
- Re-Branded Website;
- Continuous Posting information in the ministry's website;
- Held press briefings after conclusions of major EAC activities
- Developed a communications strategy for EAC activities
- Initiated the ISO Certification process;

2. Establishment and operationalization of a National EAC resource centre

Under the Customs Union, EAC Partner States agreed to implement two programs namely; Common External Tariff (CET); and Tariff Reduction. Implementation of these two programs have led to significant reduction of tariff levels from 45% in 2005 to as low as between 0% and 10% in 2008. The CET has also been used to regulate the imports from 3rd party countries. Rwanda and Burundi have also fully joined the Customs Union Protocol.

In spite of these developments, there are a number of Non Tariff Barriers (NTB) that have been identified in each Partner State. These NTBs have far-reaching negative effects on the flow of trade in the region. Kenya has a large share of these NTBs, which are in the forms of roadblocks, multiple inspection of transit of cargo, cumbersome and lengthy procedures at border points among others. The primary reason why these NTBs occur is the lack of appreciation by other Government Departments that Kenya is party to the EAC Custom Union.

In order to respond to the problem of NTBs and to prepare for the Common Market Protocol, it has become necessary to bring the Community, Government institutions and departments closer to each other so as to establish a sharing platform. For this reason, the sub sector proposed the establishment of Regional Integration Centres (RICs) and regional monitoring and evaluation systems have been proposed. This will entail developing a monitoring, evaluation and a tracking system, as well as establishing the physical presence at key border posts with sole purpose of assisting to harmonize the understanding of Custom Union and Common Market issues.

Therefore, in the review period, the Ministry managed to introduce a Development Vote for the establishment of the resource centres. Terms of Reference (TOR) for a consultancy to study on how best to establish the resource centres have been developed.

2.1.3 National Heritage and Culture

1. Promotion of National Heritage and Culture

- Developed 14 Cultural Centres across the country as avenues through which intercultural dialogue took place.
- Held 120 community cultural events and 45 international cultural exchanges
- The Sub-sector collected and preserved cultural artifacts from Kenyan communities, conducted exhibitions, organized festivals, competitions, capacity building workshops/seminars and exchange programmes for artists in the Arts and Crafts industries from the district level to national level.
- Promoted and developed/revitalized the use of indigenous languages and oral traditions. The sub sector promoted use of Kiswahili language locally and internationally; protected threatened indigenous knowledge and encouraged learning of international languages for inter-cultural cooperation and dialogue through the establishment of language committees to advise on the use of indigenous languages. Further the sub sector rehabilitated the Swahili Cultural Centre and constructed the Research Institute of Swahili Studies in Eastern Africa
- Research carried out on all aspects of tangible and intangible cultural heritage and the findings disseminated.
- The Sub-sector participated in the development of a policy to facilitate development of traditional medicine and indigenous knowledge on traditional medicine
- Empowered cultural practitioners through provision of cultural grants. The survival of the Kenyan cultural heritage depends on the involvement and participation of community institutions, individuals and organizations in such activities as cultural festivals exhibition.
- Refurbishment of the Nairobi National Museums funded by the European Union and completed in December 2007.
- Developed the heroes' corner at the Uhuru gardens and carried out a national wide information gathering on the criteria for honoring heroes.
- Constructed the following; Wajir museum, Manga Museum in Nyamira, the third gallery in Kisumu Museum and the Koitalel Arap Samoei Mausoleum in Nandi.
- Rehabilitated the following; Tambach Museum in Keiyo District, the old law courts in Nyeri, the old DC's buildings in Shimoni and Malindi, the monuments in Takwa, Lamu, the Thimlich Ohinga in Migori District, Jomo Kenyatta house in Lodwar and Maralal.
- Held a youth training camp in music aimed at developing proficiency skills in music and dance for out of school youth; held short term skill development workshops for practicing musicians to improve their composition and performance skills; trained 50 practicing musicians from the secular, gospel and choral music scenes and presented them for international music examinations.
- Systematically documented, conserved and preserved music and dance heritage of Kenya for reference and prosperity.
- Finalized the culture and heritage policy, National Museums and Heritage Act 2006, draft Heroes and Heroines bill, NGO Sector Policy No. 1/2006, draft National Records Management Policy, draft National Audio Visual Policy, and draft National Music Policy.
- Constructed six (6) monuments and mausoleums for honoring heroes
- Published a Heritage Book that gives a comprehensive perspective of the Kenya's heritage.

2. Public Records and Library Services Programme

- Provision of advisory services to public offices on all matters relating to public records and archives management in 776 Government offices
- Acquired and provided custodial service to records and archives of national interest. The Sub-sector conducted records appraisals in 781 offices in Kenya
- Provided reference service and facilities to users of archival resources, 5,038 users were provided with reference service; digitized 4 million documents; restored 6,238 old and dilapidated records; Processed 2,237 publications; and the Sub Sector availed 7,036 documents to researchers on request.
- The National Bibliography of Kenya was updated and a bibliographic and reference services provided to users.
- 12 new libraries were established and 8 libraries renovated.
- Special services e.g. the Visually Impaired Persons (VIPs) were integrated in the system by provision of Braille books and audio navigators.
- New periodicals, new journals, Kenya Gazettes and newspapers were availed to Kenyans in KNLS libraries.
- Information materials were replenished and increased.
- 2 ultra modern libraries were initiated in Buruburu and Nakuru and are at 98% and 70% completion level respectively.

3. Coordination and Regulation of the NGOs Sector Programme

- Coordinated the NGOs/CSOs activities and provided them with the necessary information on national development agenda Vision 2030. This was achieved through the annual NGOs week exhibition and integrated management information system created for providing online services to NGOs across the country.
- Advised the Government on activities of the NGOs. This was achieved through the national validation survey; registration of NGOs continuously over the period; 24 field review visits gathering information on NGO activities and the annual returns on NGOs performance by their respective economic sectors.

2.1.4 Tourism

1. Tourism Marketing and Promotion

i) International Tourism promotion and Marketing

During the period under review, the sub-sector intended to increase arrivals from both the traditional and emerging markets so as to ensure Kenya becomes one of the top 10 long-haul tourism destination. International arrivals from traditional markets increased by 15.5% from 340,182 in 2006/07 to 392,889 in 2008/09. This was as a result of various highly targeted activities aimed at raising the profile of the destination while re-instilling confidence among consumers. The activities included familiarization trips for journalists and tour operators, participation in trade fairs and tourism bourses.

During the same period, the arrivals from the new and emerging markets reached 127,464 2008/09 from 55,540 in 2006/07 which was an improvement of 130%. This can be attributed to aggressive market recovery efforts as well as the gradual diversification strategy adopted by the Sub-sector through investing more in the new markets of Asia, Australia and Scandinavian countries

In terms of total arrivals from all international markets, arrivals rose from 1.8 million in 2006 to 2 million in 2007 before dropping to 1.2 million in 2008 following the post-election violence of early 2008. However due to aggressive marketing and campaigns running on CNN through funding from EC amounting to 6 million Euros, there is notable recovery trend. The sub-sector also developed Tourism video clips for on-line marketing which resulted to 634,072 direct mailing Website visitations per month.

The earnings from tourism grew from Kshs. 58 billion in 2006 to Kshs 65.2 billion in 2007 before plummeting to Kshs 52.7 billion in 2008 which was way below the medium term plan target of Kshs 99 billion. The downward trend was due to spillover effect of the post-election violence, high cost of jet fuel, global financial meltdown, and rise in commodity prices and exchange rate fluctuations that occurred in the year.

ii) Domestic tourism promotion and Marketing

The sub-sector in partnership with other stakeholders engaged in activities aimed at increasing domestic tourism participation. A World Tourism Week was organized in Western Kenya, there was participation in the ASK shows, coverage of Kenyans destinations through local medias as well as development of brochures.

The bed-nights by domestic tourists increased from 1.6 million to 1.8million. This can be attributed to aggressive domestic tourism campaigns by the sector players. The sub-sector through EU funding provided financial assistance to boost marketing schemes for new products development by small operators including packaging, participation in key promotional activities, development of marketing materials and websites.

iii) Conference Tourism Development

a) Promote and Market conference tourism both locally and internationally

During the period under review, the sub-sector hosted a number of conferences as indicated here below:

	2007/2008		2008/09	
	No of Delegates	No. of Events	No. of delegates	No. of events
International conference	10,800	13	10,210	13
Domestic/National Conf.	18,000	8	6,650	8
Trade fairs	-	7	275	7
Exhibitions	-	16	2,214	16
Corporate	58,015	164	85,577	164
NGO & Special	47,170	83	20,640	83
Ministries	29,910	344	44,180	344
Parastatals	34,600	2,818	18,742	2,818
Banquets	19,280	35	14,804	35

Economic Survey, 2009

b) Monitor the Quality and standards of conference facilities and advise both the private and public investors

The sub-sector initiated development of the MICE strategy which is in draft form. Research on MICE through the sponsorship of the Tourism Trust Fund was also initiated to inform on the marketing strategies.

iv) Cultural tourism development

During the period under review,

- Five new dances were introduced at the Bomas of Kenya Taarab Mpya, Nubian, Miri, Samia and Ilchamus (Njemps).
- Three cultures were edited and published. These were Ilchamus, Bajun and Nubi.
- Three (3) festivals were undertaken - Bukusu, Teso and Ilchamus (Njemps).
- Nine villages were rehabilitated - Kikuyu, Kalenjin, Taita, Mijikenda, Luhya, Somali, Embu, Luo and Kamba villages.
- The Agikuyu, Luo and Pokot costumes and artifacts were identified and promoted.
- The Abagusii cultural center was established.
- Bomas of Kenya hosted several cultural festivals and selected cultural ambassadors.
- Design of an amusement park at Bomas of Kenya was drawn.

v) Product Standardization and Classification

- 1,410 facilities were inspected. The target was 1400 facilities.
- The sub-sector established a 3 months before expiry on-line notification for renewal of expiring licenses. End user report modules were also developed, generated, pre-tested and documented. The Sub-sector has fully implemented information system after training the technical and operational staff.
- In order to track the re-classification process, the sub-sector adopted the East Africa standard criteria.
- The sub sector licensed 1,500 tourists establishments during the period under review while the review of classification criteria is still on-going

vi) Tourism Infrastructure development

- During the period under review, the sub-sector developed tourism area plans for Western, Mid Rift, TARDA Basin Rimoi and Samburu. Tourism area plans for Amboseli and Tsavo were initiated and work is on-going.
- Feasibility study for development of resort cities in Isiolo and Coast were initiated
- A draft strategic plan for youth and sports tourism was developed
- On the beach re-location programme, the sub-sector liaised with the Ministry of Public Works and Bill of Quantity (BQ) was finalized for beach markets along the access roads. In addition, 2,000 beach operators were sensitized.
- During the review period, the following activities were funded by TTF: Laikipia Wildlife forum; Mt Kenya tourism association; Bombolulu, and Giriama cultural village.
- During the period under review Levy funds collection was 917 Million from expected 931 Million.

2.1.5 Industrialization

1. Promotion of Industrial development

- The manufacturing sector reported an average growth of 3.8% in 2008, the lowest over the review period compared to 6.5 percent in 2007. The value of manufacturing output rose by

14.5 per cent from Kshs. 626.2 billion in 2007 to Kshs. 717.2 billion in 2008. The share of Manufacturing to GDP was 10.6% in 2008.

- A national and three zonal coordinating committees on OVOP have been formed. JICA and the national coordinating committee have undertaken capacity building among the Ministry staff and the stakeholders on OVOP concept. The zonal committees will work with local communities in identifying local resources and selecting OVOP projects. The sub sector has identified ten OVOP projects in Nyeri, Yatta and Laikipia in 2008/09.
- The Anti-Counterfeit Bill was enacted in December 2008 and the sub sector is in the process of operationalizing it.
- The subsector has developed a draft National Industrialization Policy and National Business Incubation Policy and has submitted the drafts to the Cabinet for approval.
- Industrial Master Plan finalized and implementation is on going
- The MSME competitiveness project has three components focusing on capacity building, access to finance and provision of Business development Services (BDS). Under the pilot value chain matching grant: coffee - 15 projects approved (12 under implementation); cotton -9 projects approved (8 under implementation); pyrethrum – 6 projects approved (4 under implementation). In financial year 2008/09 the sub sector recruited participant for Jitihada Business Plan competition. A baseline survey on MSME sector was conducted. The project has provided credit worth \$6 million to MSMEs under the Business Partner International Limited.
- The 4K (KIRDI, KIPI, KEBS, KNFJKA) initiative supported by Business Sector Programme Support project has developed an arc welding machine which meets international standards. The machine has been commercialized. The project has also developed a hand loom prototype that is ready for commercialization.
- The Business Sector Programme has also supported handicraft groups in Coast, Turkana and Kisumu in product development and marketing of handicraft products for both local and international markets. It also started projects on development, transfer and commercialization of fish leather processing technologies in Western Kenya and water hyacinth products in Nyanza.

2. Provision of Industrial Training

- The Sub-sector has provided specialized technical training to 1,000 people, introduced two training programmes and increased the number of lecturers. The number of students enrolled increased from 300 to 600. It has changed the three year craft courses to two years and reintroduced short term and new tailor made courses. A total of 253 trainees have enrolled in short term courses. 500 candidates have been trade tested and 115 trainees presented for industrial attachment in various industries.
- The administration block which is part of the building construction at KITI, Nakuru has been completed.

3. Standardization, Metrology and conformity assessment

- The Sub-sector has facilitated the establishment of Kenya National Accreditation Service - KENAS vide Legal Notice No. 26/2005 and is now an independent entity.
- The Sub-sector participated in various international technical committees of the IEC, ISO, ITU and Codex Alimentarius Commission and in October 2007 successfully hosted ISO TC 45 on Rubber and Rubber products.
- The Sub-sector expanded the measurement scope into ionizing radiation thus enhancing capacity and competence for calibration of hospital diagnostic and treatment equipment

such as x-rays thus offering measurement traceability in the field at protection and diagnostic level.

- Carried out training and certification on ISO 9001:2000 Quality Management System for the industries, government, state corporations and local authorities.

4. Support for business incubation for MSMEs

- In 2006/07 KIE gave credit to SMEs worth Kshs. 53.73 million. This resulted to creation of 207 new enterprises. However in 2008/09 the provision of credit to SME decreased by 59% from Kshs. 202.28 million in 2007/08 to 81.46 million in 2008/09. This resulted to a decrease in new enterprises created from 921 to 445.
- KIE trained over 5,040 entrepreneurs on business development services.
- KIE repossessed 33.8 hectares of land for industrial development across the country. This can accommodate 3,000 sheds in 38 locations.

5. Production of industrial products

- In 2008 the NMC developed a prototype horse power pump for irrigation and is ready for commercialization.
- Revived operations in the Foundry & CNC factory that stalled in 2002 and trained skilled foundry operators.

6. Promotion of Industrial Research and Development

Over the review period the following was achieved

- KIRDI developed honey processing technologies through research and development, reverse engineering and prototyping to support SMEs to add value to honey, honey products and by-products. It has transferred these technologies to 4 MSMEs.
- Leather processing and utilization technologies have been developed in KIRDI through R&D. The process of transferring these technologies to entrepreneurs to support value additions to hides and skins through production of wet blue from the hides is in progress. 20 SMEs have benefited. Pilot plant facilities have been adopted to support SMEs to convert semi-processed leather (wet blue) to finished leather products for local and export markets. 80 SMEs have benefited.
- Small Scale mini cotton gin was developed through reverse engineering and prototyping to add value to cotton at farm level. The process of transferring this technology to the entrepreneurs to support value addition is in progress.
- Fruit processing technologies have been developed through reverse engineering and prototyping to support SMEs to add value to fruits and vegetables. KIRDI is working with 50 SMEs in this line. In addition traditional food processing technologies have been transferred to 25 SMEs
- As a result of the technologies developed over 200 new MSMEs were formed and were assisted in value addition. 30 of the MSMEs graduated to the next firm size.

7. Promotion of Industrial Property Rights

2,067 Industrial Property Rights were registered.

2.2. Key Indicators of Sector and Sub- Sector Performance

The Sector measures its performance by the following key indicators as shown in table 2.11

Table 2.11: Key indicators of Sector Performance

Sub-Sector	Key indicators of Sector Performance
Trade	Percentage increase in volume of exports
	Percentage increase in contribution of Trade to GDP
	Amount of loans disbursed through the credit schemes
	Number of beneficiaries of the credit schemes
	Number of weighing and measuring equipments stamped and verified
	Number of MSMEs trained
	Number of bilateral trade agreements signed
East Africa Community	Number of drafts on negotiations of the EAC common market Protocol.
	Percentage increase in publicity and awareness on EA customs Union and Common Market
	Number of Non-Tariff barriers identified and eliminated
	Percentage Increase in volume of exports to EAC
	Percentage reduction of EAC internal tariff structure from highest of over 25% to zero rated level by 2010
	Degree of development and implementation of the EAC projects and programmes
	Number of documented EAC policies and advocacy issues
	Number of workshops/seminars conducted on EAC integration process
	Number of EAC Agreements and protocols identified, signed and ratified
National Heritage and Culture	Number of museums established and gazetted for preservation of national heritage
	Number of public offices where records management activities were undertaken
	Percentage of submissions of annual returns of NGOs
	Percentage of digitized public records and archives
	Number of authenticated NGOs operating in the country
	Levels of decentralization of NGOs Coordination Board services
	Number of completed regional museums and sites
	Number of heroes and heroines identified and honoured
	Number of mausoleums constructed
	Number of cultural groups and practitioners registered.
	Number of cultural centers constructed and operationalized.
Tourism	Number of bed-nights occupied by Kenyans
	Number of tourist establishments inspected
	Number of new tourist products developed
	Number of new source markets established
	Increase in tourism earnings
	Increase in international tourist arrivals
Industrialization	Percentage increase in market share
	Percentage increase in industrial investment
	Number of MSMEs graduating
	Percentage increase in long-term financing to Industrial sector

Sub-Sector	Key indicators of Sector Performance	
	Number of new industries located in the rural areas	
	Percentage increase in new innovations	

2.3. Expenditure Analysis

The combined recurrent and development budget for the sector over the review period increased from Kshs. **7.82** billion in 2006/07 to Kshs. **7.91** billion in 2008/09. This is mainly attributed to general increase in allocation to the sector. However, the allocation was lower in 2007/08 to Ksh. **5.68** billion. In 2008/09, the sector on average utilized 96% of its allocation compared to 84% in 2006/07 indicating an improvement in utilization of the allocated funds. To achieve the set targets there is need therefore for the sub-sectors to increase their absorption levels to the high target of 100 percent.

Table 2.12: Comparison between Approved gross budget estimates against the actual expenditure (Kshs Millions).

Sub- sector	Printed Estimates			Approved Estimates			Actual Expenditures		
	2006/07	2007/08	2008/09	2006/07	2007/08	2008/09	2006/07	2007/08	2008/09
Trade	2,932	2,704	1,383	3,884	1,151	1,916	3,358	1,020	1,855
East-Africa Community	658	421	458	774	360	455	756	358	453
National Heritage & Culture	943	1,117	1,807	943	1,713	1,777	924	1,675	1,767
Tourism	1,913	2,433	1,700	2,218	1,112	1,945	2,148	1,110	1,897
Industrialization	-	-	1,744	-	1,348	1,812	-	1,165	1,699
Total	6,446	6,675	7,092	7,819	5,684	7,905	7,186	5,328	7,671

2.3.1 Analysis of the recurrent expenditure

The recurrent budget for the sector over the review period decreased from Kshs. **6.35** billion in 2006/07 to Kshs. **5.98** billion in 2008/09 which reflects a 5.83% decrease. The decrease was mainly as a result of reduced allocation to the sector due to re-organization of the Government. In 2008/09, the sector on average utilized 98 % of its allocation compared to 96 % in 2006/07 indicating an improvement in utilization of the allocated funds.

Table 2.13: Comparison between Approved gross recurrent estimates against the actual expenditure (Kshs Millions)

Recurrent	Printed Estimates			Approved Estimates			Actual Expenditures		
	2006/07	2007/08	2008/09	2006/07	2007/08	2008/09	2006/07	2007/08	2008/09
Trade	2,317	2,110	1,026	3,109	946	1,521	2,945	907	1,451
East Africa Community	658	421	458	774	360	455	756	358	453
National Heritage and Culture	806	933	1,490	806	1,419	1,501	787	1,415	1,501
Tourism	1,700	1,660	1,222	1,661	992	1,507	1,643	985	1,474
Industrialization	0	0	1,008	0	890	992	0	834	979
Total	5,481	5,125	5,205	6,351	4,607	5,977	6,131	4,498	5,859

2.3.2 Analysis of the Development Expenditure

The development budget for the sector over the review period increased from Kshs **1.469** billion in 2006/07 to Kshs. **1.928** billion in 2008/09 which reflects a 32% increase. The increase was mainly as a result of increased allocation for tourism promotion and industrial research and development. In 2008/09, the sector utilized 94% of its allocation compared to 72% in 2006/07 indicating a significant improvement in utilization of the allocated funds.

Table 2.14: Comparison between Approved gross Development estimates against the actual expenditure (Kshs Millions).

Development	Printed Estimates			Approved Estimates			Actual Expenditures		
	2006/07	2007/08	2008/09	2006/07	2007/08	2008/09	2006/07	2007/08	2008/09
Trade	615	593	357	775	204	395	413	113	403
East Africa Community	-	-	-	-	-	-	-	-	-
National Heritage and Culture	137	171	317	137	293	276	136	260	266
Tourism	213	773	478	557	120	439	504	126	423
Industrialization	0	0	736	0	458	820		331	721
Total	965	1,537	1,888	1,469	1,075	1,929	1,053	830	1,813

2.3.3 Analysis of Externally Funded Programmes

The Sector had donor funded projects as indicated in table 2.15 below.

Table 2.15: Donor funded project (Kshs Millions)

Programmes	Name of the donor	ORIGINAL BUDGET ESTIMATE			ACTUAL EXPENDITURE		
		2006/07	2007/08	2008/09	2006/07	2007/08	2008/09
Kenya Trade Poverty	EEC/EDF	34	0	0	34	0	0
Kenya Post-Lome Trade Negotiation	EEC/EDF	89	117	168	89	117	168
Export Development Programme	USAID	42	40	40	42	40	40
Assistance to Micro and Small enterprise Programme(ASMEP)	EEC/EDF	0	0	6	0	0	6
Trade Training Programme for SME exporters	JICA	0	0	9	0	0	9
District Business Solution Centre	UNDP	0	0	35	0	0	35
Renovation of NMK	EEC	263	119	16	44	209	6
Tourism Diversification & sustainable Development	EEC/EDF	12	12	8	11	7	9
MSME competitive project	IDA/WB	0	100	265	0	0	253
Business Sector Programme support	DANIDA	0	0	149	0	0	28
Total		439	388	712	220	372	570

2.4. Review of Pending Bills/Claims

The sector had a pending bill of Kshs 205.86 Million over the review period. The trade sub sector accrued Kshs. 119 million in pending bills: Kshs. 12 million was for export promotion services on international media, Kshs. 15 million and Kshs. 92 million land rates payable to Municipal Council of Mombasa relating to landowners by EPZA at Kipevu and Mavoko County Council respectively. The industry sub sector accrued Kshs. 21.86 million which was attributed mainly to utility bills at KITI in Nakuru. The EAC has a pending claim of Kshs. 65 million in respect of Somalia peace talk process. The amount may vary depending on the court outcome.

CHAPTER THREE

3.0. MEDIUM TERM PRIORITIES AND RESOURCE REQUIREMENT FOR THE MTEF PERIOD 2010/11 – 2012/2013

3.1. Prioritization of Programmes and Sub-Programmes by Sub-Sector

3.1.1. Programmes and their Objectives

3.1.1.1. Trade Development and Investment

The objective is to facilitate private sector led economic growth and globally competitive trade and investment climate for transformation of Kenya into a regional service hub and expansion of Kenya Exports

The Sub-Programmes under this programme are:

- i. Regional economic integration initiatives
- ii. Business premises rent tribunal services
- iii. Domestic trade
- iv. External trade
- v. Export promotion services
- vi. Fair trade and consumer protection
- vii. Export Processing Zones
- viii. Entrepreneurial and business management

3.1.1.2. Co-ordination of East African Community Matters

The objective is to effectively coordinate and monitor the implementation of EAC council decisions on all programmes

The Sub-Programmes under this programme are:

- i. EAC Customs Union and Common Market.
- ii. EAC Monetary Union and Political Federation
- iii. EAC cross-cutting and regional integration activities.

3.1.1.3. National Heritage and Culture

The objective is to harness, develop, preserve and promote Kenya's cultural and natural heritage and provide appropriate reading and information materials to all communities in Kenya.

The Sub-Programmes under this programme are:

- i. National Heritage
- ii. National Culture
- iii. Public records and archives management
- iv. Public library services

3.1.1.4. Coordination and Regulation of the NGOs Sector

The objective is to ensure sound management of the NGOs Sector for socio-economic development.

3.1.1.5. Tourism Development and Marketing

The objective is to ensure sustainable development of tourism

The Sub-Programmes under this programme are:

- i. International tourism promotion and marketing
- ii. Domestic tourism promotion and marketing
- iii. Conference tourism development
- iv. Cultural tourism development
- v. Product standardization and classification
- vi. Tourism infrastructure development

3.1.1.6. Industrial development and investment

The objective is to stimulate industrial technological activities that will enhance product value addition and diversification to ensure product competitiveness and create enabling environment for investment.

The Sub-Programmes under this programme are:

- i. Promotion of Industrial development
- ii. Provision of industrial training
- iii. Standardization, metrology and conformity assessment
- iv. Support for business incubation for MSMEs
- v. Production of industrial products
- vi. Promotion of industrial research and development, innovation, and technology transfer
- vii. Promotion of industrial property rights and arbitration
- viii. Standards and labeling

3.1.2. Programmes, sub-programmes, expected outcomes, outputs and key performance indicators for the sub-sector

The Sector's expected outputs and key performance indicators are as shown in table 3.1

Table 3.1: Sector's expected outputs and key performance indicators

Sub-Programme	Expected Outputs	Performance Indicator
Programme 1 - Trade Development and Investment Outcome – Increased volume of exports		
1. Regional Economic Integration Initiatives	<ul style="list-style-type: none"> ▪ COMESA policy organs meeting 	<ul style="list-style-type: none"> ▪ Developing list of sensitive products. ▪ Realigning national tariffs to COMESA common external tariff ▪ % of divergence and convergence of national tariff to COMESA CET.
	<ul style="list-style-type: none"> ▪ Increase in exports earnings to COMESA and EAC 	<ul style="list-style-type: none"> ▪ Increase export earnings from COMESA from Kshs 111,362M in 2008 to 133,634 M in 2010 ▪ Increase export earnings from Kshs 83,941M in 2008 to 100,729 M in 2010 from EAC
2. Business Premises Rent Tribunal Services	Business premises Rent disputes cases heard and determined	<ul style="list-style-type: none"> ▪ 3,400 cases heard and determined
	Circuit sitting sessions conducted	<ul style="list-style-type: none"> ▪ 28 circuit sitting sessions conducted
	AIA collected	<ul style="list-style-type: none"> ▪ Kshs.8.5 millions AIA collected
	Court references filed	<ul style="list-style-type: none"> ▪ 2,600 cases filed
3.Domestic Trade	loans disbursed and recovered under Joint Loan Board Scheme	<ul style="list-style-type: none"> ▪ Kshs.60 million disbursed through Joint Loans Board scheme ▪ Kshs.40 million recovered from JLB loans
	Inspections of joint loans board (JLBs) carried out	<ul style="list-style-type: none"> ▪ 30 Joint Loans Board inspection carried out
	Number of Joint Loans Board beneficiaries trained	<ul style="list-style-type: none"> ▪ 1350 beneficiaries of Joint Loan Board loan trained
	Amount of grants given to District & Municipal Joint Loan Board	<ul style="list-style-type: none"> ▪ Kshs 100 million given to District & Municipal Joint Loan Board as grants
	Number of cross border trade meetings held	<ul style="list-style-type: none"> ▪ 6 cross border meetings held
	Percentage contribution of wholesale & retail trade activities to GDP	<ul style="list-style-type: none"> ▪ 30% increase in contribution of wholesale & retail trade to GDP
	Number of Producer Business Groups (PBGs) formed to improve the supply chain	<ul style="list-style-type: none"> ▪ 1500 PBGs formed
	Number of district trade development offices opened	<ul style="list-style-type: none"> ▪ 2 district trade development offices opened
Number of Business Solution Centres (rebranded District Dev Offices) established in the districts	<ul style="list-style-type: none"> ▪ 4 Business Solution Centres (BSCs) established in the districts 	

4.External Trade	Value of growth of exports to EU markets	<ul style="list-style-type: none"> ▪ Increase export earnings from Kshs 98,513 M in 2008 to 118,215 M in 2010
	Value of growth of exports under AGOA framework	<ul style="list-style-type: none"> ▪ Increase export earnings from Kshs 15,691 M in 2008 to 18,829 M in 2010
	Number of Trade agreements negotiated and signed	<ul style="list-style-type: none"> ▪ 4 bilateral trade agreements signed with Djibouti, Ethiopia, DRC Congo and Cuba ▪ Interim multilateral trade agreement signed (EPAs)
5. Export Promotion Services	Number of international trade fairs and bilateral visits made.	<ul style="list-style-type: none"> ▪ 16 international trade fairs in Uganda, Tanzania, DR Congo, Spain, Rwanda, Sudan, Zimbabwe, USA (Super Floral Show) USA (New York Gift Fair) German(Ambiente Gift Fair) German (Fruits Logistica), Nairobi (AGOA), China (Shangai Expo 2010) UK (International Spring Fair) UK (Royal Agricultural Show), Malawi, Egypt and Zambia.
	Number of markets/country export opportunity reports	<ul style="list-style-type: none"> ▪ 16 markets/country Export opportunity reports prepared.
	Number of exporters trained	<ul style="list-style-type: none"> ▪ Outreach programme to 200 exporters and producers of export goods and services conducted ▪ 12 export promotion village for SME's operated by youth, women and marginalized groups developed ▪ Training and marketing manuals developed and 500 SME's trained
6. Fair trade practices and Consumer protection	Number of Zones where Legal Metrology & Testing Equipments have been calibrated & verified	<ul style="list-style-type: none"> ▪ All standards in 21 Zones verified ▪ 240,000 weights and measures equipment verified across the country ▪ 10,500 new equipment verified
	Number of weights and measures cases investigated and prosecuted	<ul style="list-style-type: none"> ▪ 600 cases of trade malpractices investigated and prosecuted
	Amount of AIA collected	<ul style="list-style-type: none"> ▪ Kshs.21 million AIA revenue collected
	Rehabilitated W&Ms complex	<ul style="list-style-type: none"> ▪ Improved service delivery
	Number of consumers educated	<ul style="list-style-type: none"> ▪ Six million consumers educated through media

7. Export Processing Zones	Value of investments in EPZs	<ul style="list-style-type: none"> ▪ Increase value of investments in EPZs from Kshs.21,701M. in 2008/09 to 23,377 in 2010/11
	Jobs created in EPZs	<ul style="list-style-type: none"> ▪ Increase jobs created in EPZs from 30,187M in 2008/09 to 34,687M in 2010/11
	Enterprises established	<ul style="list-style-type: none"> ▪ Increased number of enterprises operating in EPZs from 77 in 2008/09 to 89 in 2010/11
	Value of exports from EPZs promoted	<ul style="list-style-type: none"> ▪ Increased export earnings from EPZs from Kshs. 28,094M in 2008/09 to 32,880 in 2010.
8. Entrepreneurial and Business Management	MSMEs operators trained	<ul style="list-style-type: none"> ▪ 2,122 MSMEs operators trained
	Business research, consultancy and counseling services conducted	<ul style="list-style-type: none"> ▪ 3779 MSMEs operators counseled through business clinics
	Follow-ups made on past KIBT trainees	<ul style="list-style-type: none"> ▪ 289 past MSMEs trainees contacted

Programme II - Co-ordination of East African Community Matters

Outcome – Effective coordination of EAC Programmes

Sub-Programme	Expected Outputs	Performance Indicator
1. EAC Customs Union and Common Market.	Increased Trade volumes within EAC	<ul style="list-style-type: none"> • Increase in EAC trade volumes
	Fully fledged EAC Customs Union	<ul style="list-style-type: none"> ▪ Zero EAC Tariff Regime
	Increased free movement of persons, Labour, Capital, Goods, Services, right of establishment and residence	<ul style="list-style-type: none"> ▪ Increase in EAC Cross Border Investments
2. EAC Monetary Union and Political Federation	Monetary Union establishment process initiated	<ul style="list-style-type: none"> • High Level Taskforce (HLTF) established and operational
	Harmonized EAC macro economic convergence	<ul style="list-style-type: none"> ▪ Number of Agreements, protocols and policy documents
	Increased awareness and publicity on EAC Political Federation among Kenyans	<ul style="list-style-type: none"> • Communication strategy ▪ Establishment of 3 regional integration centres
	Fast tracked EA political federation	<ul style="list-style-type: none"> ▪ Implementation of stakeholders engagement strategy
3. EAC cross- cutting issues and Inter	A harmonized EAC implementation and operational framework	<ul style="list-style-type: none"> • No. of Agreements, protocols and policy documents

	A harmonized EAC-SADC-COMESA Regime	<ul style="list-style-type: none"> • Bilateral and Multilateral Trade agreements
	Strengthened strategic partnership in the EAC	<ul style="list-style-type: none"> • An engagement Strategy
Programme III: National Heritage and Culture		
Outcome: Increased sense of national identity, cohesion and patriotism		
Sub-Programme	Expected Outputs	Performance Indicator
1. National Heritage	Heroes and heroines honoured	<ul style="list-style-type: none"> • Development of Koitalel Arap Samoei Mausoleum in Nandi ▪ Development of the Heroes and heroines corner
	Develop heritage infrastructure	<ul style="list-style-type: none"> • Rehabilitate 6 heritage site – buildings and monuments • Develop museum in Garissa • Construction of a heritage house ▪ Complete security wall at NMK headquarters
	Developed exhibitions that give a comprehensive account of Kenya’s history.	<ul style="list-style-type: none"> ▪ Exhibitions developed further in 4 Museums across the country
	Develop research infrastructure	<ul style="list-style-type: none"> • Research materials collection Centre developed at NMK • Rehabilitate and develop research facilities at Institute of Primate Research (IPR) ▪ Grant IPR Government funding of Kshs 100 Million for its continuing research activities
2. National Culture	Increased investment in Creative/Cultural Industry	<ul style="list-style-type: none"> ▪ Host the 5th Session of UNESCO’s Inter-Governmental meeting on Intangible Cultural Heritage ▪ A Study completed indicating the full economic contribution and potential of the culture sector.

	<p>Developed structures and mechanisms for strengthening our culture.</p>	<ul style="list-style-type: none"> • Establishment of an International Centre for Arts and Culture. • Development of 17 Cultural centres across the country • Establish a National music center • 60 community cultural festivals held. • 12 visual arts exhibitions held • Annual Kenya music and cultural festival held ▪ 5 Intangible Cultural elements identified for safeguarding and 5 Intangible Cultural elements nominated for inscription by UNESCO
	<p>Cultural practitioners empowered.</p>	<ul style="list-style-type: none"> • Cultural groups benefit from cultural grants worth 25 million. • A music Development fund of 10 Million established. • 15 capacity building workshops held and 1500 performing artists trained and 1000 visual artists trained, facilitated to participate in foreign cultural programmes and choral, popular and gospel musicians with proficiency skills in music • 16 traditional medicine exhibitions to promote use of traditional medicine as alternative. • Annual National Youth training camps in music held ▪ An award scheme to recognize and award excellence and contributions to the development of music and dance established

	Kenyan music and dance developed and promoted.	<ul style="list-style-type: none"> • annual National Symposium on Kenyan Music held to discuss research findings on Kenyan music and dance • Publish annual Kenyan Musicology, folklore and Musicians Biographies Journal • A database of Kenyan Musicians, music, music and dance groups developed • Relevant and quality items of performance that promote local music and musicians during state, National days and other public functions developed • 100 recordings of Kenyan Music and Dance collected, catalogued and archived. • An operational music archive and library developed • 150 Audio visual recording of the music and dance of Kenyan communities for reference and posterity
3. Public records and archives management	Preservation of records for posterity enhanced	<ul style="list-style-type: none"> • Acquire Archival materials from 390 public offices • 7.5 million Pages of documents digitised. • Retrieval of migrated Archives from UK and survey of Archival Institutions holding materials related to Kenya in UK, USA and India • 100 documents microfilmed. ▪ Restoration of 3000 documents
	Records management best practices in public offices	<ul style="list-style-type: none"> • Records management policy disseminated • Records management activities including records survey, records appraisal, sensitization workshops undertaken in 890 offices. • 15 public offices advised on the ▪ Establishment of documentation link centre.
	Access of archival materials provided to researchers and members of the public.	<ul style="list-style-type: none"> ▪ 6000 users served at the Kenya National Archives.

	Additional records and archives storage space provided.	<ul style="list-style-type: none"> • Construction of purpose built Archives Building • Installation of Mobile shelves in all the records storage areas • Open Records Centres in Central, Eastern and North Eastern Provinces • Provision of off- site storage for archival materials microfilm and digitized copies for security. ▪ Installation of automatic fire suppression system for security of archival material
4. Public library services	A comprehensive database on all Kenyan Authors and their works	<ul style="list-style-type: none"> • National bibliographic information collected, maintained and ISBN issued ▪ Establish the National Library
	Developed structures and mechanisms to facilitate the development of a reading culture	<ul style="list-style-type: none"> • Establishment of a national Library • Nakuru library developed • Establish 3 new libraries across the country • Support community based libraries by equipping & refurbishing of facilities ▪ automate 10 libraries to enhance service delivery
	Provision of additional library information materials	<ul style="list-style-type: none"> ▪ 120,000 additional book stocks made available
	Promote Reading Culture	<ul style="list-style-type: none"> • 100 children/community reading tents held across the country • Research to assess impact of community based libraries toward national development.

Programme IV: Coordination and Regulation of the NGOs Sector

Outcome: A fully integrated NGO sector to the national development agenda

Sub-Programme	Expected Outputs	Performance Indicator
Coordination and Regulation of the NGOs Sector	NGO board services decentralized	<ul style="list-style-type: none"> • 2 regional offices opened
	Information on NGOs' activities availed to government.	<ul style="list-style-type: none"> • 2700 NGOs' returns analyzed and Govt. advised • Install Geographical information system (GIS)

	Improve the legal, policy and regulatory environment for the NGO/CSO sector	<ul style="list-style-type: none"> • Review of the NGOs Act • Develop a code of conduct for NGOs • Development of Audit Procedures for NGOs
Programme V – Tourism Promotion and Marketing		
Outcome - Increased tourism Contribution to the GDP		
Sub-Programme	Expected Outputs	Performance Indicator
1. International Tourism promotion and marketing	Increase in number of international tourist arrivals	<ul style="list-style-type: none"> ▪ International arrivals to increase from 2 million to 2.2 million
	Increase in tourism earnings	<ul style="list-style-type: none"> ▪ Tourism earnings to reach Kshs.99.05 billion from 84.3 billion
	Increase in average spending per visitor	<ul style="list-style-type: none"> ▪ Average spending to increase from Kshs 40,000 to Kshs 50,000
	Increase accessibility between Kenya and new source markets	<ul style="list-style-type: none"> ▪ 1 new route established(source market)
	Skills in the workforce upgraded	<ul style="list-style-type: none"> ▪ 185 trained
	Public sector integrity mainstreamed	<ul style="list-style-type: none"> ▪ Risk assessment report ▪ Corruption prevention plan
2. Domestic Tourism promotion and marketing	Increased bed-nights by domestic tourist	<ul style="list-style-type: none"> • Bed-nights by domestic tourist increase from 1.8 million to 2 million
3. Conference Tourism Development	Increased MICE capacity	<ul style="list-style-type: none"> • 1 new mice facility • KICC upgraded to a convention centre
	New investments in hotels promoted	<ul style="list-style-type: none"> • One 4-5 star hotel in a major city
4. Cultural Tourism Development	High quality home stay sites licensed	<ul style="list-style-type: none"> • 250 home stays licensed
	Home stays established	<ul style="list-style-type: none"> • 200 new home stays established
	Amusement park at Bomas of Kenya developed	<ul style="list-style-type: none"> • Feasibility study and design complete
	Cultural festivals held	<ul style="list-style-type: none"> • 4 festivals
	Cultural ambassadors identified	<ul style="list-style-type: none"> • 8 cultural ambassadors
	New Traditional Villages constructed at Bomas	<ul style="list-style-type: none"> • 4 new villages
5. Product Standardization	Criteria for hotel and restaurant classification Reviewed	<ul style="list-style-type: none"> • Classification criteria report

	Tourist establishments classified and re-classified	<ul style="list-style-type: none"> • 130 establishments
	Tourist establishments licensed	<ul style="list-style-type: none"> • 1500 Establishments
	Data-bank for all tourists facilities developed	<ul style="list-style-type: none"> • Software in place
	Tourists establishments inspected	<ul style="list-style-type: none"> • 1400 establishments
	Crisis management centre equipped	<ul style="list-style-type: none"> • Centre fully operational
	Beach operator's markets constructed	<ul style="list-style-type: none"> • 1 market
	Beach operators sensitized	<ul style="list-style-type: none"> • 2000 operators
	Training capacity for the sector expanded	<ul style="list-style-type: none"> • Output of skilled to increase by 60 per annum.
6. Tourism Product Diversification	New products launched	<ul style="list-style-type: none"> • Four (4) new tourism product launched
	Capacity on CBOs in tourism enhance	<ul style="list-style-type: none"> • 20 CBOs trained
	SMEs strengthened	<ul style="list-style-type: none"> • 7 SMEs funded
	New tourism circuits enhanced	<ul style="list-style-type: none"> • Western Kenya circuit enhanced
	New niche products developed	<ul style="list-style-type: none"> • Sports tourism • Water based tourism
7. Tourism Infrastructure Development (Resort cities development, KTDC)	Tourism area Management plans developed	<ul style="list-style-type: none"> • 1 plan
	Construction of Isiolo resort city	<ul style="list-style-type: none"> • Feasibility study and design completed
	Existing hotels upgraded	<ul style="list-style-type: none"> • 50 hotels assisted
	New hotels established	<ul style="list-style-type: none"> • Bed-capacity increased by 1000 per annum
Programme: Industrial Development and Investment		
Outcome – Increased contribution of industry to GDP		
Sub-Programme	Expected Outputs	Performance Indicator
1.Promotion of Industrial development	Conduct feasibility studies on the development of five SME parks and two special economic zones	Feasibility studies and acquisition of land
	Construct phase II of the constituency industrial development centres	Phase II of the Industrial development centres constructed in 210 constituencies

	Funding for MSMIs	Industrialization fund established
	Products developed under 4K initiative	Four products (fruit pulper, hand loom, fish leather, light emitting diode) developed under 4K initiative
	Projects supported under One Village One Product (OVOP)	Thirty three OVOP projects supported
	Increased in industrial investment in local authorities and municipalities	Twenty investment fora held in local authorities and municipalities
	Improved availability of industrial Information	Industrial Information Centre established
	Reduced incidents of counterfeiting	Operationalize anti-counterfeit Agency
2.Provision of Industrial Training	Students trained in entrepreneurship	600 trainees trained
	Increased number of courses offered	2 new courses introduced
	revenue collected	Kshs. 9.2 million collected
3.Standardization, Metrology and conformity assessment	Standards developed	396 standards developed
	Increased level of conformity to standards	85 % level of conformity to standards
	Regional laboratories and offices constructed in Miritini	Regional laboratory and offices in Miritini
	Improved radiation testing	Complete radiation testing project
4.Support for business incubation for MSMEs	Industrial sheds built	10 industrial sheds built
	Credit disbursed to MSMEs	Kshs. 100 million
	Business development services provided	Business development services provided to 70 entrepreneurs
	MSMIs linked with large enterprises	30 MSMIs linked with large enterprises
	MSMIs graduated	15 MSMIs graduated
	Increased MSMIs growth and development	48% capacity utilization
5.Production of industrial products	Production of Industrial replacement parts & spare parts.	Assorted industrial replacement parts worth 70 million produced
	Production of engineering materials & alloy steels	Non-ferrous & ferrous engineering materials worth 15 million produced
	Improved skills in the metal sub sector	30 skilled operators trained

	Production of agricultural & irrigation equipment for value addition.	100 5-Horse Power Pumps for irrigation produced
	Production of transmission units for the Industrial sector.	500 transmission units produced
	Production of aluminum & copper alloy castings	12 tons of aluminum and copper alloy casting worth 12 million produced
6. Promotion of Industrial Research and Development, Innovation, and Technology Transfer	Development of technologies for value addition	10 prototypes developed
	Micro industries graduated to Small and Medium	45 Micro industries graduated
	Technologies commercialized	5 technologies commercialized
	Technologies transferred	10 technologies transferred
7. Promotion of Industrial Property Rights and arbitration	IP registration	1800 certificate issued
	Industrial Property Disputes settled	All Industrial Property Disputes heard
	IP Publications	1200 IP publications expected
	Increase IP public awareness	4 industrial visits 4 seminars held
8. Standards and labelling	International test procedures for energy efficiency for electrical appliances adopted	Adoption of appropriate international test procedures, adoption and use of relevant test for appliances and equipments
	Selection and adoption of appropriate international label classification	Minimum Energy Performance Standards (MEPs) introduced for efficient motors, domestic refrigerators and air conditioners

3.2. Analysis of Resource Requirements

3.2.1. Resource Requirements by Sector

The expenditure estimates for the sector in 2009/10 is Kshs **11.74** billion with Trade sub-sector receiving Kshs **2.70** billion EAC subsector Kshs **1.03** billion, Heritage and Culture sub-sector Kshs **2.23** billion, Tourism sub-sector Kshs **2.87** billion and Industrialization sub-sector receiving Kshs **2.89** billion. To facilitate the realization of the vision 2030 and to ensure implementation of the flagship projects under the Medium Term Plan (MTP), the sector requires enhanced funding to implement the six programmes listed above. The resource requirement for coming Medium Term Expenditure Framework (MTEF) period beginning in 2010/11 is Kshs **33.94** billion with projected estimates of Kshs **42.64** billion and Kshs **45.13** billion for 2011/12 and 2012/13 respectively.

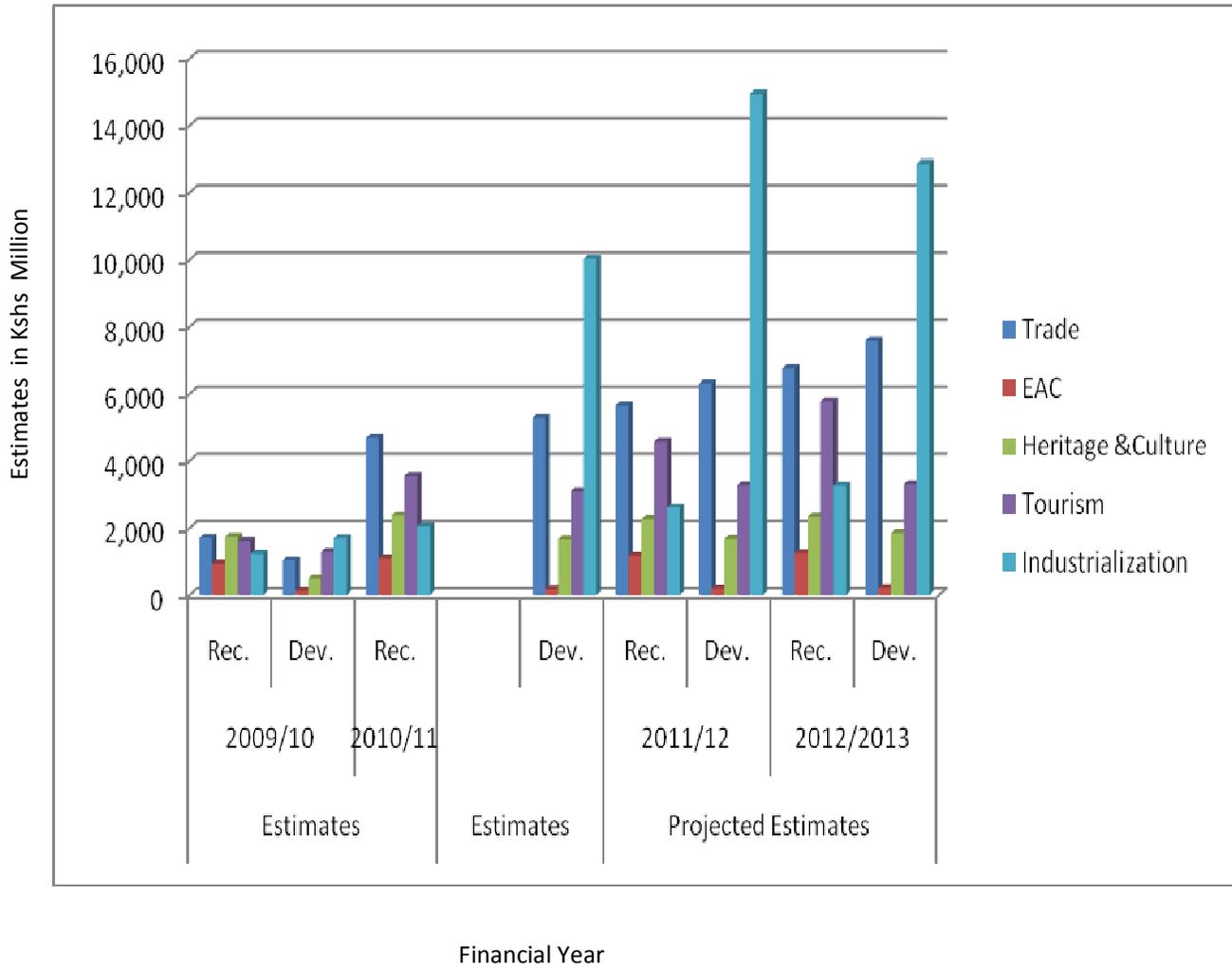
3.2.2. Resource Requirements by Sub-Sectors

Table 3.2: Resource Requirements by Sub-sector (Recurrent and Development) - Kshs. Millions

Sub-Sector	Estimates		Estimates		Projected Estimates			
	2009/10		2010/11		2011/12		2012/2013	
	Rec.	Dev.	Rec.	Dev.	Rec.	Dev.	Rec.	Dev.
Trade	1,696	1,011	4,706	5,261	5,648	6,313	6,777	7,576
EAC	912	121	1,070	180	1,155	195	1,222	208
Heritage & Culture	1730	507	2373	1651	2258	1666	2337	1844
Tourism	1,604	1,269	3,542	3,071	4,581	3,255	5,767	3,287
Industrialization	1,208	1,684	2,053	10,030	2,624	14,948	3,243	12,866
Total	7,150	4,592	13,744	20,193	16,266	26,377	19,346	25,781

From table 3.2 above the resource requirement for both recurrent and development expenditure is gradually increasing within the MTEF period for the whole sector except for the development expenditure estimates which has decreased from Kshs. 26,377 million in year 2011/2012 to Kshs. 25,781 million in year 2012/2013. This is also shown in figure 3.1 below.

Figure 3.1: Resource Requirements by Sub-sector (Recurrent and Development) - Kshs. Millions



3.2.3. Resource Requirements by Programmes and Sub-Programmes

Table 3.2: Resource Requirements by Programmes - Kshs. million

	Programme	Estimates	Estimates	Projected Estimates	
		2009/10	2010/11	2011/12	2012/13
1	Trade Development and Investment	2,707	9,967	11,961	14,353
2	Co-ordination of East African Community matters	1,033	1,250	1,350	1,430
3	National Heritage and Culture	2,092	3,672	3,538	3,767
4	Coordination and Regulation of the NGOs Sector	145	352	386	414
5	Tourism Development and Marketing	2,873	6,613	7,836	9,054
6	Industrial development and investment	2,892	12,083	17,571	16,110
	TOTAL	11,742	33,937	42,642	45,128

Figure 3.2: Resource Requirements by Programmes - Kshs. million

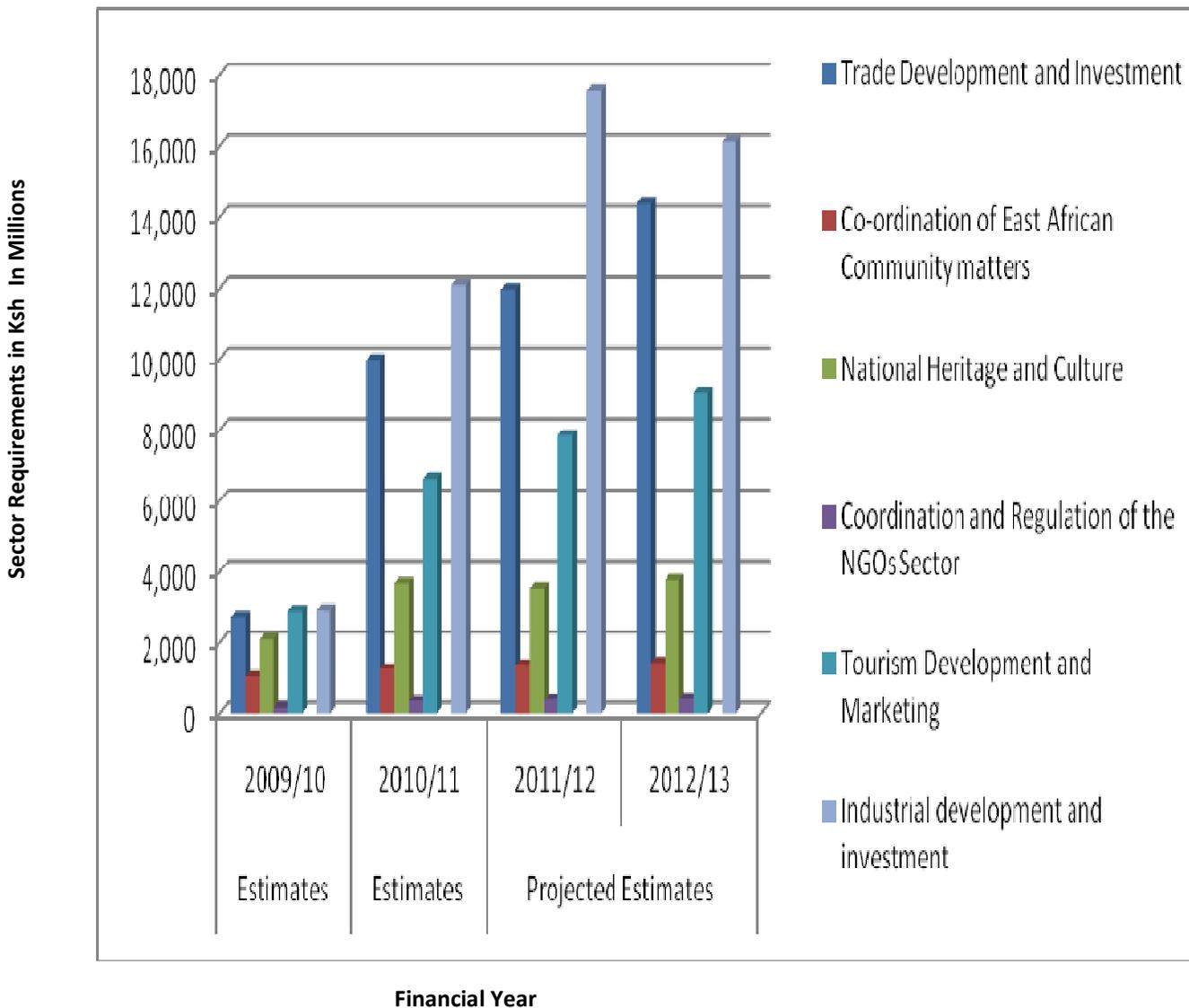


Figure 3.2 shows the resource requirement by programmes. Trade development, and industrial development and investment programmes shows sharp increases in the years 2010/11, 2011/12 and 2012/13 with tourism development and marketing showing moderate increase during the same period. The other programmes indicate minimal increase in the same period.

Table 3.3: Resource requirements by sub-programmes - Kshs. millions

Sub Programme Name	Printed Estimates 2009/10	Estimates 2010/11	Projected Estimates	
			2011/12	2012/13
Sub-Sector 1: Trade				
Programme 1: Trade Development				
1.1.1 Regional Economic Integration Initiatives	979	2,971	3,565	4,278
1.1.2. Business Premises Rent Tribunal Services	27	117	141	169
1.1.3 Domestic Trade	430	1,718	2,062	2,474
1.1.4 External Trade	532	1,227	1,472	1,767
1.1.5 Export Promotion Services	157	630	756	907
1.1.6 Fair Trade and Consumer Protection	218	872	1,046	1,255
1.1.7 Export Processing Zones	318	2,250	2,700	3,240
1.1.8 Entrepreneurial and Business Services	46	183	219	263
Total Expenditure by Programme	2,707	9,968	11,961	14,353
Sub-Sector 2: East African Community				
Programme 1: Co-ordination of East African Community matters				
2.1.1 EAC Customs Union and Common Market.	518	607	645	698
2.1.2 EAC Monetary Union and Political Federation	119	241	262	278
2.1.3 EAC cross- cutting and regional integration activities.	397	403	443	454
Total Expenditure by Programme	1,034	1,251	1,350	1,430

Sub Programme Name	Printed Estimates 2009/10	Estimates 2010/11	Projected Estimates	
			2011/12	2012/13
Sub-Sector 3: National Heritage and Culture				
Programme 1. National Heritage and Culture(Kshs Millions)				
3.1.4 Research, preservation and promotion of National Heritage	885	1177	1129	1160
3.1.4 National Cultural Services	284	832	750	763
3.1.4 Public records and archives management	185	676	732	900
3.1.4 Public library services	738	987	927	944
Total Expenditure Programme	2,092	3672	3,538	3,767
Sub-Sector 3: National Heritage				
Programme 3: Coordination and Regulation of the NGOs Sector				
3.2.2 Coordination and Regulation of the NGOs Sector	145	352	386	414
Total Expenditure programme	145	352	386	414
Sub – Sector 4: Ministry of Tourism				
Programme 1: Tourism Development and Marketing				
4.1.1 International Tourism promotion and marketing	966	2,763	3,751	4,868
4.1.2 Domestic Tourism promotion and marketing	353	489	652	694
4.1.3 Conference Tourism Development	0	361	560	275
4.1.4 Cultural Tourism Development	263	530	546	507
4.1.5 Product Standardization and Classification	173	778	856	1,204
4.1.6 Tourism Infrastructure Development (Resort cities development, KTDC)	1,119	1,691	1,471	1,506
Total Expenditure programme	2,874	6,612	7,836	9,054

Sub Programme Name	Printed Estimates 2009/10	Estimates 2010/11	Projected Estimates	
			2011/12	2012/13
Sub-sector 5: Industrialization				
Programme 1: Industrial development and Investment				
5.1.1 Promotion of Industrial Development	1,792	9,186	14,662	12,570
5.1.2 Provision of Industrial Training	70	107	112	117
5.1.3 Production of Industrial Products	50	810	1,178	1,729
5.1.4 Promotion of Industrial Property Rights and arbitration	116	264	295	347
5.1.5 Standardization, metrology and conformity assessment	230	900	510	540
5.1.6 Support for business Incubation for MSMEs	90	650	650	650
5.1.7 Standards and labeling	0	166	164	157
5.1.8 Promotion of Industrial Research and Development	544	790	803	805
Grand Total Expenditure for the Programme	2,892	12,083	17,571	16,110

3.2.4. Resource Requirements by Economic Classification

Table 3.4: Resource requirements for the Sector by economic classification Kshs. million

	Estimates 2009/10	Estimates 2010/11	Projected Estimates	
			2011/12	2012/13
(1) Current Expenditure	7,362	14,196	17,131	20,860
Compensation to Employees	1,006	1,254	1,336	1,459
Use of goods and services	2,212	6,163	7,364	9,173
Current Transfers Govt. Agencies	4,000	6,291	7,847	9,594
Other Recurrent	144	488	584	634
(2) Capital Expenditure	4,376	19,740	25,510	24,267
Acquisition of Non-Financial Assets	1,185	3,139	3,626	3,989
Capital Transfers to Government Agencies	2,357	8,767	8,776	9,639

Other Development	834	7,834	13,108	10,639
Total Expenditure	11,738	33,936	42,641	45,127

Table 3.5: Resource requirement for Sub-sectors by economic classification Kshs. million

	Estimate 2009/10	Estimates 2010/11	Estimates 2011/12	Estimates 2012/13
Trade sub-sector				
(1) Current Expenditure	1,907	5,159	6,512	8,292
Compensation of Employees	457	488	536	562
Use Goods and Services	1,011	3,905	4,838	6,159
Subsidies, Grants and Other Transfers	364	546	819	1,229
Other Recurrent	75	220	319	342
2) Capital Expenditure	795	4,808	5,449	6,062
Acquisition of non-Financial Assets	143	874	1,162	1,444
Capital Transfers to Gov. Agencies	652	3,934	4,287	4,618
Other development	0	0	0	0
Total Expenditure Vote	2,702	9,967	11,961	14,353
East Africa Community				
(1) Current Expenditure	912	1,070	1,155	1,222
Compensation of Employees	77	84	89	95

	Estimate 2009/10	Estimates 2010/11	Estimates 2011/12	Estimates 2012/13
Use Goods and Services	232	359	418	452
Subsidies, Grants and Other Transfers	580	585	598	612
Other Recurrent	23	42	50	63
2) Capital Expenditure	121	180	195	208
Acquisition of non- Financial Assets	70	104	113	120
Capital Transfers to Gov. Agencies	0	0	0	0
Other development	51	76	82	88
Total Expenditure Vote	1,033	1,250	1,350	1,430
National heritage and Culture				
(1) Current Expenditure	1,730	2,373	2,258	2,337
Compensation of Employees	185	301	247	253
Use Goods and Services	335	484	362	376
Subsidies, Grants and Other Transfers	1,210	1,588	1,649	1,708
Other Recurrent	0	0	0	0
2) Capital Expenditure	507	1,651	1,666	1,844
Acquisition of non- Financial Assets	48	-	-	-

	Estimate 2009/10	Estimates 2010/11	Estimates 2011/12	Estimates 2012/13
Capital Transfers to Gov. Agencies	292	681	606	625
Other development	167	970	1060	1219
Total Expenditure Vote	2,237	4,024	3,924	4,181
Tourism				
(1) Current Expenditure	1,604	3,542	4,581	5,767
Compensation of Employees	122	125	131	135
Use Goods and Services	386	852	913	1,091
Subsidies, Grants and Other Transfers	1,071	2,474	3,461	4,453
Other Recurrent	26	91	76	88
2) Capital Expenditure	1,269	3,071	3,255	3,287
Acquisition of non-Financial Assets	170	258	377	377
Capital Transfers to Gov. Agencies	1,069	2,316	2,102	2,066
Other development	30	497	775	844
Total Expenditure Vote	2,873	6,613	7,836	9,054
Industrialization sub-sector				
(1) Current Expenditure	1,208	2,053	2,624	3,243
Compensation of Employees	165	256	333	414

	Estimate 2009/10	Estimates 2010/11	Estimates 2011/12	Estimates 2012/13
Use Goods and Services	248	563	833	1,095
Subsidies, Grants and Other Transfers	775	1,098	1,320	1,592
Acquisition of Non Financial assets	20	135	139	141
2) Capital Expenditure	1,684	10,030	14,948	12,866
Acquisition of non- Financial Assets	754	1,903	1,974	2,048
Capital Transfers to Gov. Agencies	344	1,836	1,781	2,330
Other development	586	6,291	11,191	8,488
Total Expenditure Vote	2,892	12,082	17,571	16,108

Table 3.6: Resource Requirement by Semi-Autonomous Government Agencies - Kshs. million

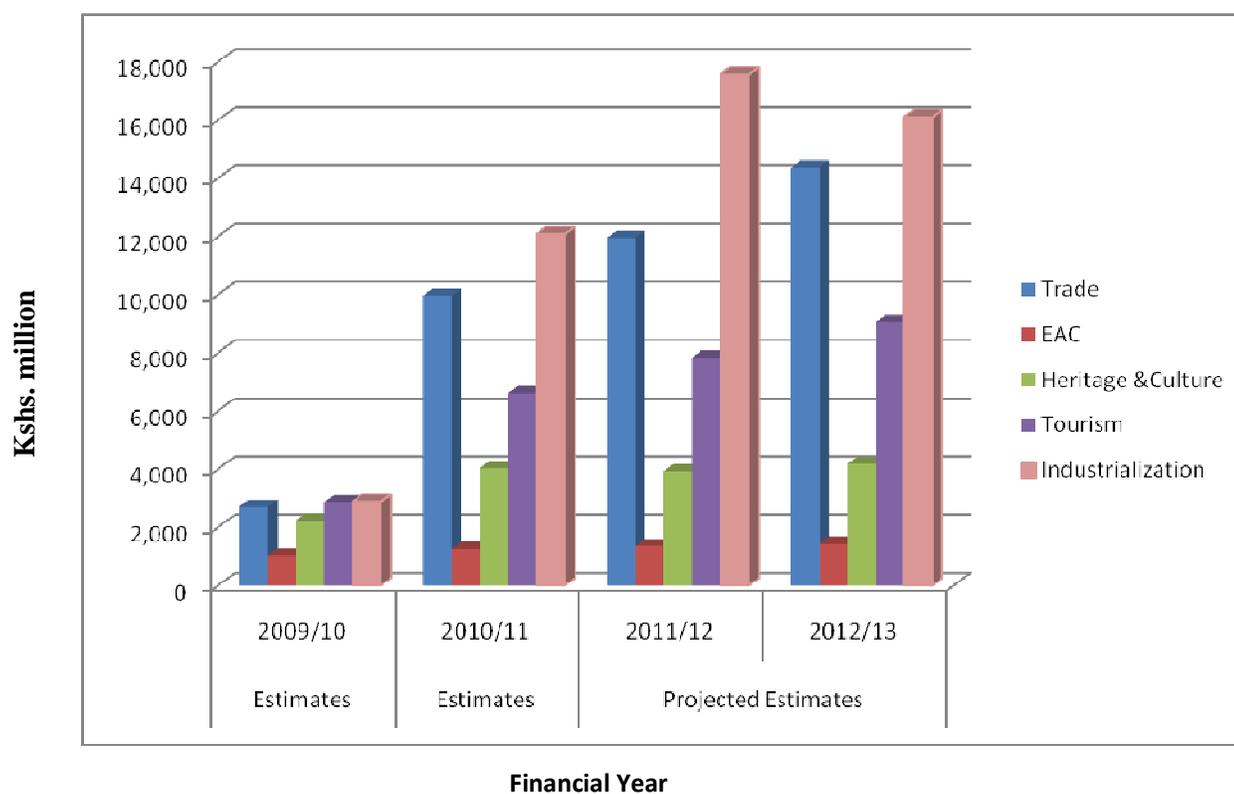
Sub-Sector	Printed Estimates 2009/10	Estimates 2010/11	Projected Estimates	
			2011/12	2012/2013
Export Processing Zones Authority	318	2,250	2,700	3,240
Export Promotion Council	157	630	756	907
National Museums of Kenya	696	1,061	1,016	1,049
NGO Board	130	327	357	384
Kenya National Library Service	696	1,061	1,016	1,049
Kenya Tourism Board	800	2,090	3,051	4,012
Kenya Utalii College	118	620	620	620
Bomas of Kenya	237	489	507	472

Kenyatta International Conference Centre	0	361	560	275
Kenya Tourism Development Corporation	800	1,200	1,000	1,000
Tourism Trust Fund	180	330	322	347
Anti-counterfeit Agency	100	326	483	672
Kenya Industrial Property Institute	105	248	280	331
Numerical Machining Complex	50	810	1,178	1,729
Kenya Industrial Research and Development Institute	544	790	803	805
Kenya Bureau of Standards	230	400	450	500
Kenya Industrial Estates	90	650	650	650
Total	5,131	12,347	14,328	16,416

Table 3.8: Resource Requirements by Sub-Sector - Kshs. million

	Sub- Sector	Estimates	Estimates	Projected Estimates	
		2009/10	2010/11	2011/12	2012/13
1.	Trade	2,702	9,967	11,961	14,353
2.	EAC	1033	1250	1350	1430
3	Heritage & Culture	2,237	4024	3,924	4,181
4	Tourism	2,873	6,613	7,836	9,054
5	Industrialization	2,892	12,082	17,571	16,108
	TOTAL	11,737	33,936	42,642	45,126

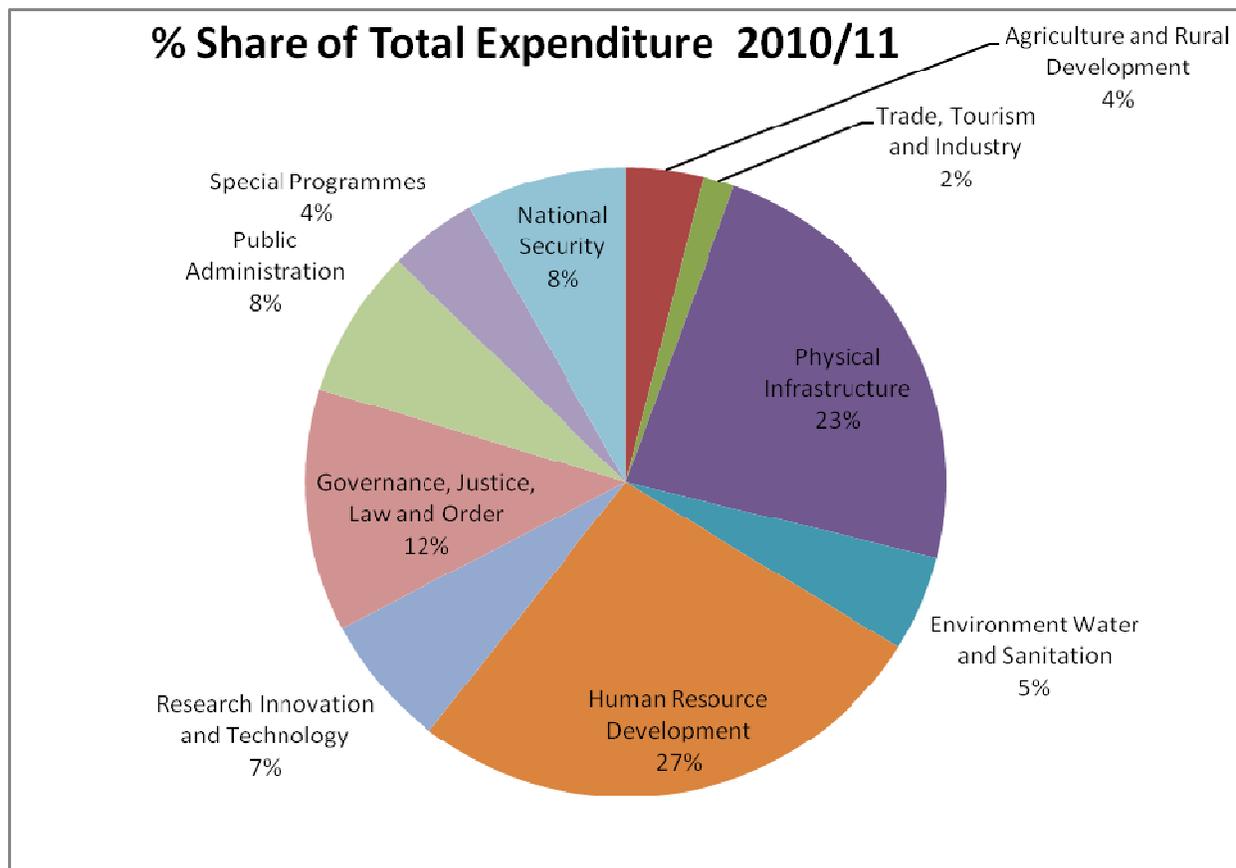
Figure 3: Resource Requirements by Sub-Sector - Kshs. million



3.8.1 Analysis of Total Expenditure Estimates ceilings for 2010/11 for all Sectors

Name of the Sector	% Share of Total Expenditure 2010/11
Agriculture and Rural Development	3.9
Trade, Tourism and Industry	1.6
Physical Infrastructure	23.3
Environment Water and Sanitation	4.9
Human Resource Development	26.7
Research Innovation and Technology	6.8
Governance, Justice, Law and Order	12.4
Public Administration	7.6
Special Programmes	4.5
National Security	8.1
Total	100

Figure 4: Analysis of Total Expenditure Estimates ceilings for 2010/11 for all Sectors



The above chart s displays that despite the importance of the sector as envisioned in the Vision 2030, it continues to receive the lowest budgetary allocation compared to the other sectors as shown in the table and figure above.

Table 3.9: Summary of Resource Allocation by Programmes - Kshs. Millions

	Programme	Estimates	Estimates	Projected Estimates	
		2009/10	2010/11	2011/12	2012/13
1.	Trade Development	2,279	2,060	2,201	2,347
2.	Co-ordination of East African Community matters	968	986	1,070	1,172
3	National Heritage and Culture	2,041	1,963	2,113	2,313
4	Coordination and Regulation of the NGOs Sector	145	145	145	150
5	Tourism Development and Marketing	2,873	2,480	2607	2762
7	Industrial development and investment	2,268	2,098	2,214	2,334
	TOTAL	10,574	9,732	10,349	11,078

Table 3.10: Gross Resource Requirement Compared to BOPA ceilings - Kshs. million

	Resource requirement 2010/11	BOPA 2010/11	Difference
Recurrent	13,744	6,382	(7,362)
Development	20,193	3,350	(16,843)

Total	33,937	9,732	(24,205)
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Table 3.11: Gross Resource Allocation by Sub-Sector – Summary – Kshs. million

	Sub- Sector	Estimates 2009/10	Estimates 2010/11	Projected Estimates	
				2011/12	2012/13
1.	Trade	2,279	2,060	2,201	2,347
2.	EAC	968	986	1070	1172
3	Heritage & Culture	2,186	2,108	2,258	2,463
4	Tourism	2,873	2,480	2,607	2,762
5	Industrialization	2,268	2,098	2,214	2,334
	Total	10,574	9,732	10,349	11,078

Table 3.12: Resource allocation vs. requirements 2009/10 – 2011/12 – Kshs. Million

	Sub- Sector	Resource Requirement 2010/11	Estimates BOPA allocation 2010/11	Projected Estimates			
				2011/12		2012/13	
				Resource Requirement	BOPA Allocation	Resource Requirement	BOPA Allocation
1	Trade	9,967	2,060	11,961	2201	14,353	2347
2	EAC	1,250	986	1,350	1070	1,430	1172
3	Heritage & Culture	4,024	2,108	3,924	2,258	4,181	2463
4	Tourism	6,613	2,480	7,836	2,607	9,054	2762
5	Industrialization	12,082	2,098	17,571	2214	16,108	2334
	TOTAL	33,936	9,732	42,642	10,349	45,126	11,078
	Resource	24,204		32,293		34,048	

Shortfalls			
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The above table compares the BOPA allocation against the resources requirement for the various sub-sectors. It also captures the resources gaps for the period 2010/11-2012/13. The table reveals huge allocation gaps in the sector. The resource gaps indicate the fact that it may require a miracle for the sector to fully implement its key programmes/projects planned for the period.

3.13: Detailed Resource Allocation by Sub-Sector - Recurrent

Proposed Resource Allocation – Recurrent						
Vote	Ministry		2009/10	2010/11	2011/12	2012/13
Vote 16	Trade	Gross	1,696	1765	1706	1802
		A.I.A	105	105	105	105
		Net	1,591	1,660	1601	1697
		Salaries	457	501	475	485
		Transfers	480	540	480	480
		Others	759	724	751	837
Vote 24	EAC	Gross	912	977	1005	1032
		A.I.A	0	1	1	1
		Net	912	976	1004	1031
		Salaries	79	142	145	150
		Transfers	578	497	510	515
		Others	255	338	350	367
Vote 41	Heritage & Culture	Gross	1,779	1,840	1856	1883
		A.I.A	21	22	22	22

		Net	1,758	1,818	1834	1861
		Salaries	185	215	219	225
		Transfers	1,216	1,256	1256	1256
		Others	378	369	381	402
Vote 46	Tourism	Gross	1,874	1,771	2090	2280
		A.I.A	270	271	271	271
		Net	1,604	1,500	1827	2009
		Salaries	120	125	127	130
		Transfers	1,307	1,150	1400	1500
		Others	447	496	571	650
Vote 60	Industrialization	Gross	1,208	1,097	1297	1333
		A.I.A	109	109	109	109
		Net	1,099	988	1188	1224
		Salaries	165	218	250	258
		Transfers	775	555	695	695
		Others	268	324	352	380
	Total Net Estimates		6,964	6,942	7454	7822

3.14: Resource Allocation - Development

Vote	Ministry		2009/10	2010/11	2011/12	2012/13
Vote 16	Trade	Gross	1,011	873		
		GOK	688	550		
		Loans	0	0		
		Grants	323	323		
Vote 24	EAC	Gross	121	225		
		GOK	56	160		
		Loans	0	0		
		Grants	65	65		
Vote 41	Heritage & Culture	Gross	459	481		
		GOK	428	450		
		Loans	0	0		
		Grants	31	31		
Vote 46	Tourism	Gross	1,277	1,190		
		GOK	1,269	1,190		
		Loans	0	0		
		Grants	8	0		
Vote 60	Industrialization	Gross	1,685	1,516		
		GOK	1,169	1,000		
		Loans	265	265		
		Grants	251	251		
	Total GOK		3,610	3,350		

CHAPTER FOUR

4.0. CROSS-SECTORAL LINKAGES

4.1. Introduction

In the execution of its mandate, the sector interacts directly and indirectly with all the sectors namely, Governance, Justice, Law and Order; Agriculture and rural development; physical infrastructure; environment, water and sanitation; Macro working group; human resource development; research, innovation and technology; Public Administration and International Relations; and national security. This is because the performance of the sector directly and indirectly affects the other sectors through forward and backward linkages in the economy.

4.2. Sectoral Linkages

The sector has linkages with other sectors in the following ways:

(i) Diversification of Exports

The TTI sector works with other sectors such as Agriculture and Rural Development; and Public Administration and International Relations to sensitize exporters on the need to diversify the Kenyan exports so as to fully exploit opportunities in the international market. Also, they liaise in organizing trade fairs and promotional events in the international markets where exporters show case their existing and new products.

(ii) Trade negotiations

The sector is the national focal point for co-ordination and implementation of trade negotiations under the Common Market for Eastern and Southern Africa (COMESA), WTO, EPAs and EAC. The sector participated in negotiations leading to the launch of COMESA Customs Union in June 2009 for a transition period of five years. In addition, the sector coordinates the implementation of the EAC Customs Union protocol, elimination of Non-trade barriers and harmonization of trade documentation procedures.

(iii) Provision of Investment incentives

The sector works with others sectors such as the macro working group to give investment incentives to foreign investors that manufacture goods for exports. This as a result creates employment and brings the much needed foreign exchange to the country.

(iv) Improvement of enabling Business environment

The performance of the TTI sector is impacted by a multiple of regulations administered by other sectors and Local Authorities. This includes a number of licenses and permits issued and

administered by Ministries, Government agencies and Local Authorities. In creating an enabling environment for businesses to thrive, the sector works closely with the Public Administration Sector through the Ministry of Finance.

(v) Public Records and Archives Management

The sector ensures that all records created by public offices are well managed. The sector also collaborates with all other sectors in records management through the Kenya National Archives and Documentations (KNADs). All government departments work closely with KNADs on records management, destruction and archiving. The archives serve as reference points to all government Ministries and departments and especially the Judiciary and State law offices that require reference materials held at KNADs.

(vi) National Cohesion

The sector promotes, preserves and maintains Kenya's rich and diverse cultures for national cohesion and identity. This contributes immensely to developing, understanding and appreciating the diverse cultures of our nation. The sector works closely with the Governance, Justice, Law and Order sector that is mandated to build national cohesion.

(vii) Security

Security is a great concern especially in the tourism, trade and industry sub-sectors. These sub-sectors are very fragile mostly the tourism industry that flourishes only if the destination is safe. To ensure provision of secure environment for investments and tourism development, the sector collaborates with National Security; and Governance, Justice, Law and Order Sectors.

(viii) Infrastructure

The tourism industry and access to markets are hampered by the poorly maintained infrastructural systems and inadequate hospitality support facilities. To enhance these systems, the TTI collaborates with the physical infrastructure sector to ensure continuous flow of tourism services and other goods and services to the markets. The sector is working with the physical infrastructure sector to build a Free Trade port in Mombasa. The port will facilitate the movement of import and export goods in and out of the country.

(ix) Environment

Globally, environmental issues are emerging as some of the key factors in considering tourism destinations and business investments. The impacts of the ever increasing human population, climate change among others, are some of the environmental challenges facing the sector. The sector works closely with Environment, water and irrigation sector through NEMA that conducts Environmental Impact Assessment (EIA) for the new and existing businesses.

(x) Land

Land is a major resource upon which tourism, trade and investments thrive. The sector collaborates with the Agriculture and Rural development; Environment, Water and Irrigation Sectors to ensure conflicts such as human-wildlife conflict and compulsory acquisition of land for trade and investment are addressed.

(xi) Research and Development

Research, innovation and technology transfer are key to the sector's development. To promote the development of R&D, the sector collaborates with Macro Working Group; Research, Innovation and Technology sector; and other institutions for increased R&D investments to ensure increased productivity.

(xii) Financial Access

Financial access is crucial for the growth and development of the sector. To ensure financial access to the SMEs, industrial and tourism establishments, the sector works closely with Special Programmes and Macro Working Group sectors.

(xiii) Human resource development

To ensure provision of skilled and motivated manpower the sector works closely with the Human Resource Development Sector. This is important to the sector in provision of quality services and products.

CHAPTER FIVE

5.0. Emerging Issues and Challenges

The TTI Sector is faced with various challenges and emerging issues despite its remarkable contribution to the national economy. These challenges and emerging issues need to be addressed in order to enable the sector to achieve its full potential. The emerging issues and challenges that constrain the sector's achievement of full potential include:-

- (i) **Inadequate funding**
The sector's funding has been inadequate to enable it achieve the intended outputs. This being the productive Sector which has potential to contribute immensely in the national GDP gets a small percentage in allocation of national resources as compared to other sectors.
- (ii) **High Cost of doing business**
The sector has faced high cost of doing business which has made it uncompetitive as compared to its neighboring countries. These costs arise from the high cost of energy, water rationing, intermittent power interruptions, and high telecommunication tariffs.
- (iii) **Inadequate capacity for quality service delivery**
There is a deficiency in terms of capacity which includes understaffing, inadequate facilities and equipment, inadequate office space and field representation and limited ICT connectivity in field offices. Moreover, many industries face the challenge of meeting product quality standards to enable Kenyan products be competitive in the global markets.
- (iv) **Declining local and foreign direct investments**
The sector has faced declining investments both Local and Foreign Direct Investments (FDI) whereas such investments in neighbouring countries such as Tanzania and Uganda have been increasing. This could be attributed to Kenya's poor business environment, which has caused many business enterprises to scale down or close down, or simply relocate to other countries with better business environment.
- (v) **Narrow export base and low value addition**
Most industries are still engaged in the production of low value-added and limited range of products due to limited technological capability and information on international trade opportunities. An over-reliance on the few traditional exports has, over the years, led to a fluctuation in foreign exchange earnings despite the country pursuing an export-led growth strategy. These factors have contributed to limited scope for product diversification and expansion of export base. The narrow product range and focus on few markets have restricted the growth of Kenya's exports and global competitiveness of its products.

(vi) **Membership to multiple regional trading arrangements**

Kenya is a member of various trading blocs such as EAC Customs Union, COMESA Free Trade Area, and IGAD among others. The CET, Rules of Origin (RoO) and other measures such as axle-load limits and transport insurance requirements in these blocks are not uniform. This poses a challenge to the business community in complying with these different RoO, technical barriers to trade and other non-tariff barriers. The sector is faced with the challenge of dealing with unfair competition that is posed by the flow of exports through other partner states which belong to another trading blocks when the Rules of Origin are not strictly enforced.

(vii) **Difficulties in Market Access**

Access to markets by Kenyan products to some countries is threatened by new trading arrangements that require compliance with WTO. Under the new trading arrangements Kenyan products face stiffer competition in the preferred markets. The challenge facing the sector is to develop strategies to improve competitiveness of Kenyan products in preferred markets.

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

The entry into the local market of substandard, counterfeit and contra-band products has unfairly reduced the market share for locally manufactured products. Counterfeit trade has also discouraged innovation efforts, reduced the government revenue base and is a health-hazard to consumers. Inadequate understanding of the intellectual property system and its enforcement has not only contributed to this influx but also negatively impacted on local industrial growth. The sector recognizes the Government efforts in establishing the Anti-Counterfeit Agency and expects that enough measures will be put in place to reduce this menace.

(ix) **Limited access to financial services for industrial development and entrepreneurship**

Lack of access to formal financial services such as credit products and trade guarantees have inhibited the competitiveness and growth of MSMEs. In addition, high insurance premiums and interest rates hinder credit affordability by MSMEs, women and youth. Furthermore, the current financial products available are mainly short and medium terms loans while industrial development requires long term financing. This has therefore, limited the availability of finance for industrial, trade and tourism development.

Women and youth form the bulk of the Kenyan population yet they have not been able to participate effectively in the national development due to a myriad of problems. It is observable that they often lack the collateral to access credit from many of the available financial institutions. In this regard, the Government should continue to boost the women and youth funds to enhance affordable credit to these groups.

- (x) **Weak policy, legal, regulatory and institutional framework**
There is no comprehensive policy and legal framework to guide various sector activities. In addition, various policy instruments are contained in various policy documents and legislations which are scattered and administered by various institutions. Furthermore, incorporation of businesses, registration of business names and arbitration of commercial court cases are centralized in Nairobi. This translates to higher formalization costs for businesses located outside Nairobi. Moreover, although the single business permit reduced local authority licenses, it is still costly and encumbered with inappropriate implementation mechanisms
- (xi) **Overlaps and ambiguity in mandates and functions**
Unclear boundaries on the mandates and functions of Ministries and Government agencies have caused overlaps in policy implementation.
- (xii) **Low adoption of ICT**
The low levels of penetration and high cost of ICT infrastructure has hindered access and usage of ICT leading to increased costs of marketing, low access to technological and market information which has as a result led to slow process of industrialization.
- (xiii) **Product Quality and Diversity**
The sector is faced by in-competitiveness due to low product quality and diversity especially in the tourism industry. For instance, only 18% of Kenyan hotels are in the 4-5 star categories, which is lower than the premier tourist destination the country wishes to project. In addition, tourism activities in Kenya are currently concentrated in only six terrestrial parks and one marine park, which receive about 80% of visitors coming to the country.
- (xiv) **Environmental Issues**
Climatic change and unsustainable human activities has led to negative environmental effects including global warming and environmental degradation. These factors have adversely affected the sector. Secondly, environmental degradation has negatively affected water catchments areas and drying up of water bodies e.g. Lake Nakuru, River Mara and Mau Forest. This has resulted into loss of wildlife habitats and deaths among some species thus seriously affecting the tourism industry.
- (xv) **Global Financial Crisis**
The economic crisis that was experienced due to financial crisis led to high rates of inflation, energy prices, food prices, exchange rate fluctuation and sell off at stock markets. This led to increased production costs, low earnings from the sector's exports and tourism sub-sector due to decline in the number of tourists visiting the country. In addition, this has led to low investments both domestic and foreign hence reducing the sectors performance.

(xvi) Post-election crisis

The post-election violence in 2008 led to spill-over effects that resulted in substantial decline in growth for most of the sectors of the economy including the TTI sector. This negatively affected the trade and tourism sub-sectors as most of the major markets in US and Europe introduced negative travel advisories to their citizens. In addition, most businesses were closed down which led to a decline in the sub-sectors earnings.

(xvii) Piracy

The piracy menace that has been witnessed in the Somalia coast line has negatively affected the sector's performance especially the trade and tourism sub-sectors. This has also affected the flow of exports and imports.

(xviii) Constitutional Review Process

Kenya embarked on a constitutional review process two decades ago. This is a critical issue that will define on the country's future governance. This might affect the sectors future performance depending on the outcome of the review process.

(xix) Establishment of Truth, Justice and Reconciliation Commission (TJRC)

The TJRC which was established to address the historical injustices and to promote healing and reconciliation will be critical to the country's future governance. This might affect the sector's performance depending on the outcome of the commission.

CHAPTER SIX

6.0. Conclusion

The Trade, Tourism and Industry Sector contribute significantly to the national economy in terms of Poverty Eradication and creation of employment opportunities. The sector has been identified as one of the key priority sectors in the economic pillar of the Kenya Vision 2030 and its first Medium Term Plan (2008 – 2012). In addition, the sector plays a vital role in the attainment of national development objectives, including attracting Foreign Direct Investment (FDI) and the Millennium Development Goals (MDGs) number one on eradicating extreme poverty and hunger, and MDG number eight on developing global partnership for development.

To effectively execute its mandate, improve service delivery and achieve the sector's targets in Medium Term Plan, the sector requires additional budgetary allocations to implement its programmes and projects. Despite the important role the sector plays, the sector faces a number of challenges which hinders the full realization of its potential, the major one being inadequate funding from the Government. Although the proposed allocation of **Kshs.10.917** billion in the 2010/11 BOPA is notable, it is far below the requested **Kshs.33.937** billion. The proposed allocation represents only a 1.6% share of the total expenditure which does not reflect the critical role played by the sector in the economy's development.

In order to enhance Kenya's competitiveness, there is need for support and focus on the following:

- Increase funding to the sector
- Diversify the Kenyan exports
- Increase value addition for locally produced products
- Fast track regional integration initiatives
- Create an enabling environment for transformation of informal sector in to formal sector
- Encourage innovation in order to reap maximum gains from a changing international and regional trading arrangements
- Promote investments targeting the tourism industry
- Expand the product choice and range of tourism facilities to include cultural tourism, sport and community based tourism among others

CHAPTER SEVEN

7.0. Recommendations

In order to enhance the competitiveness of the sector there is need to:

i. Increase funding for the sector

The Government should recognize the important role played by the sector and increase the percentage share of the total expenditure allocated to the sector. Further, allocation should be in line with the sector's contribution to the country's GDP. The Government should also enhance the sector's collaborative mechanisms with the development partners in order to assist in meeting the financing gaps faced by the sector.

ii. Diversify the Kenyan exports

Strategies should be developed to improve competitiveness of Kenyan products in preferred markets. The Government should establish an Export Development Fund where exporters can borrow funds to increase their export diversification and general trade financing.

iii. Increase value addition for locally produced products

Encourage companies to produce high value goods to enhance their competitiveness in the international markets.

iv. Fast track regional integration initiatives

In order to realize the benefits from the EAC integration process, strategies and mechanism should be developed to fast track and disseminate benefits derived and to be derived from the implementation of the EAC integration pillars namely; the Customs Union, Common Market, Monetary Union and Political Federation. This will entail the development of elaborate publicity and awareness mechanisms, a monitoring and evaluation system, as well as establish the physical presence of the integration process at key border posts with the sole purpose of assisting to harmonize the understanding of not only EAC integration initiatives but also EAC- -COMESA- SADC tri-partite regime.

v. Create an enabling environment for transformation of informal sector in to formal sector

In order to assist the SMEs to overcome the structural deficiencies that inhibit them from benefiting from the emerging trade environments, there is need to transform the informal sector into formal sector. These structural deficiencies include inadequate market information, logistics, inability to meet market requirements and other support services. Formalizing them will assist them to form effective linkages with major consumers of their produce, increase their knowledge

about latest marketing techniques and trends and enable them access adequate capital. This will entail encouraging SMEs to form producer business groups among others.

vi. Promote investments targeting the tourism industry

As the Government continues to increase the marketing and promotion budgets, efforts should be made to facilitate more investors in the accommodation facilities for tourists. This could include tax incentives, availing long term credit facilities and improvement of the general investment climate.

vii. Expand the product choice and range of tourism facilities to include cultural tourism, sport and community based tourism among others

In addition to the current tourist facilities, the Government should market Kenya's indigenous rich diverse cultures as a source of tourist attraction. This should include cultural homes, dressings and festivals, indigenous foods and customs. Furthermore, Kenya has a great international reputation in terms of sports. This can be enhanced by marketing Kenya as a sports tourism destination in addition to the existing tourism products. Moreover, the government should promote conference tourism through building more facilities in major towns within the country. Besides, the sector should strive to develop and implement a policy towards entrenching tourism in hosting conferences.

viii. Fast tracking operationalisation of Anti-Counterfeit Agency

To reduce the menace caused by entry into the local market of substandard, counterfeit and contra-band products there is need for the Anti-Counterfeit Agency to be funded so as to recruit technical staff and acquire suitable office space.

ix. Pending bills

The government should fast track the issues of pending bills.

x. Previous Financial year's recommendations

The sector forwarded the following recommendations in the MTEF 2009/10-2011/12 sector report:-

- Improving on security and infrastructure to allow 24 hour business
- Hasten Public Private Partnership (PPP) Legal Framework
- Acquisition of premises by Government to save on rent
- Privatization of AGAs and SAGAs
- Outsourcing some support services

The above recommendations have not been implemented and therefore the Government should address them as we move to the next MTEF phase.