



REPUBLIC OF KENYA

SECTOR PLAN FOR MANUFACTURING

The Principal Secretary

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STATEMENT BY THE CABINET SECRETARY THE NATIONAL TREASURY AND PLANNING

Kenya's long term development blue-print, Kenya Vision 2030, is in its third implementation phase under the Third Medium Term Plan (MTP III) 2018-2022. A total of 28 MTP III Sector Plans have concurrently been prepared through 25 MTP Working Groups and three (3) Thematic Working Groups. The Plans provide in detail policies, programmes and projects to be implemented in each sector for the period 2018-2022. The Plans also incorporate policies, programmes and projects necessary for the effective implementation of the "Big Four" initiatives namely: manufacturing and agro-processing; food and nutrition security; universal health coverage and affordable housing. Ongoing flagship projects and other priority programmes and projects carried forward from the previous Medium Term Plans will also be implemented. The Sector Plans have also mainstreamed key priorities outlined in the Manifesto of the Jubilee Government.

The MTP III and the Sector Plans have been prepared through a participatory and inclusive process involving representatives from the government, development partners, private sector, Civil Society, NGOs, organizations representing vulnerable groups, faith-based organizations and professional associations, among others and in line with the constitutional requirements.

The Sector Plans detail specific programmes and projects for implementation during the plan period, 2018-2022. The programmes and projects outlined in these plans will be implemented in close consultation and collaboration with county governments and in line with the Fourth Schedule of the Constitution. The Public Private Partnerships (PPPs) framework will be the vehicle through which the private sector will contribute to the implementation of programmes and projects highlighted in the plans.

The County Integrated Development Plans, County Spatial Plans and Ministries, Departments and Agencies (MDAs) Strategic Plans (2018-2022) will be aligned to the MTP III and the National Spatial Plan. Implementation of these plans will also be linked to the Results-Based Management Framework through Performance Contracts and Staff Performance Appraisal System.

A robust monitoring and evaluation framework will be put in place. In this regard, National Integrated Monitoring and Evaluation System (NIMES), County Integrated Monitoring and Evaluation System (CIMES) and the electronic Project Monitoring Information System (e-ProMIS) will be fully integrated with other governmental financial systems. This will ensure effective tracking of implementation of programmes and projects and also boost Public Investment Management.

In conclusion, I would like to appreciate the respective Cabinet Secretaries, Chief Administrative Secretaries, Principal Secretaries, staff in the MDAs and all those involved in the preparation of the Sector Plans for their valuable inputs. In addition, I commend staff from State Department for Planning led by Principal Secretary, Planning for the effective coordination of the MTP III preparation process.



Henry Rotich, EGH
Cabinet Secretary
The National Treasury and Planning

FOREWORD

Manufacturing is one of the key government strategic interventions that seeks to facilitate a higher growth to address existing challenges evidenced in MTP I and MTP II of the Kenya Vision 2030. The Sector incorporates the “Big Four” initiatives while taking into account emerging local, regional and global dynamics including mainstreaming of the Agenda 2030 on Sustainable Development, Africa's Agenda 2063, National Spatial Plan 2045, East African Community (EAC) Vision 2050, Climate Change and Disaster Risk Management.

Among the challenges that greatly affect growth and development of the manufacturing sector (locally produced goods) is the trading in counterfeit, sub-standard and contraband goods. Counterfeit trade discourages innovative efforts by SMEs, reduces Government revenue base and poses a health- hazard to consumers and the general public. This requires a multi-sectoral approach to curb and stop the inflow of counterfeits by strengthening the Border Control and Coordination Committees.

During the MTP III Plan period, the Sector will endeavour to create an investment led job creating economy driven by increased industrialization in manufacturing, high value agriculture, fisheries, marine services, ICT, a high stock of modern infrastructure and an improved environment in which business can thrive. This will build on the firm and stable macroeconomic environment and policies that support strong economic growth, price stability, sustainable debt levels, wealth creation and reduction in inequalities. The key focus areas for this Plan are: increasing the level of contribution of the manufacturing sector to the Gross Domestic Product, increasing the competitiveness of the Kenyan products, increasing the level of foreign and domestic investments, increasing the volume of Kenyan exports and creating over a million manufacturing jobs per year. The key priority projects, programmes and policies set will help in achieving the targets for the sectors.

The implementation and success of the Manufacturing Sector Medium Term Plan III will require concerted efforts of all the stakeholders including the public sector, private sector and the development partners. The Government will continue providing an enabling business environment through policy development and funding of key enabling projects and programmes for the private sector to thrive well and expand their manufacturing operations. The key to sustainable industrial growth and job creation lies in the growth of existing domestic firms and attracting more local and foreign investors to invest capital and expertise into the Kenyan economy.

Going forward the implementation of the key projects and programmes will be closely monitored to ensure the envisaged targets are achieved and positive benefits realized to the public at large. This Sector Plan will provide a solid basis for the sector's contribution towards the achievement of the Kenya Vision 2030. Finally, I thank all stakeholders for their participation during formulation of this Plan and call on their commitment towards its implementation.



Hon. Peter G. Munya, MGH
Cabinet Secretary,
Ministry of Industry, Trade and Cooperatives

PREFACE

The Manufacturing Sector Plan 2018-2022 is the third in the series of the sector plans for the implementation of the Kenya vision 2030. The Plan provides a framework for accelerating and consolidating growth of manufacturing growth and development in the medium term. It aims at accelerating and sustaining the momentum of industrial growth, mobilizing foreign and local investments into the sector, contributing substantively to the envisaged 10 percent growth in GDP per annum and employment creation.

The Plan draws extensively on emerging issues, challenges and lessons learnt during the implementation of the 2nd Medium Term Plan (MTP) 2013-2017, the “Big Four” Plan initiatives, the Kenya Industrial Transformation Programme (KITP) and the Second Manufacturing Sector Plan of Vision 2030 as detailed in various Annual Progress Reports as well as government strategic focus on promoting manufacturing in the country. The “Big Four” Plan has outlined strategic interventions that will greatly contribute to economic growth and prosperity for all Kenyans namely: increasing the share of the manufacturing sector to GDP to 15 percent by 2022; ensuring all the citizens enjoy food security and improved nutrition by 2022; expanding the universal health coverage; and constructing at least 500,000 affordable housing units by 2022. With the devolved governments, improved infrastructural development, exploitation of oil and natural gas, local content policies, emergence of the Blue Economy and new markets, and the business reforms currently being undertaken provide new opportunities and dimensions to the revitalization of the manufacturing sector.

Over the years, the Government has put in place several initiatives and efforts towards the development and growth of the industrial sector resulting into the country having a relatively larger industrial sector in the region. However, most industries are still engaged in the production of low value-addition and limited range of products due to limited technological capability. This has contributed to limited scope for product diversification and expansion of the exports market. Investment in the manufacturing sector has been low partly due to low investment returns attributable to the high cost of doing business which makes goods and services produced in the country uncompetitive.

Access to markets is essential for the development of the industrial sector. However, the country depends on a few traditional export markets for its industrial products. This Plan proposes programs to improve the quality and competitiveness of locally manufactured goods including SME products; measures to curb the influx of sub-standard, dumping and counterfeit goods; and measures to enhance value addition by harnessing existing agricultural, mineral, natural and forestry resources.

This Sector Plan has been prepared through a participatory and all-inclusive consultative process spearheaded by the State Department as the Chair of the Manufacturing Sector Working Group. All the implementing institutions/agencies are expected to implement the plan through their respective strategic plans and annual work plans. Monitoring and evaluation framework will be put in place to track the progress in implementation of various programmes and projects as outlined in the plan.



Betty C. Maina, CBS
Principal Secretary
State Department for Investment and Industry
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ACRONYMS AND ABBREVIATIONS

AGOA	African Growth and Opportunity Act
ACA	Anti-Counterfeit Agency
AFA	Agriculture and Food Authority
BDS	Business Development Services
BPO	Business Process Outsourcing
BRS	Business Registration Services
BT	Bacillus Thuringiensis
CAB	Conformity Accredited Bodies
CCTV	Closed-Circuit Television
CETP	Common Effluent Treatment Plant
CGs	County Governments
COE	Centre of Excellence
COMESA	Common Market for East and Southern Africa
DANIDA	Danish International Development Agency
EAC	East African Community
EPA	Economic Partnership Agreements
EALA	East African Legislative Assembly
EODB	Ease of Doing Business
EAPCC	East African Portland Cement Company Limited
EPC	Export Promotion Council
EPZA	Export Processing Zone Authority
EU	European Union
FDI	Foreign Direct Investment
FKE	Federation of Kenya Employers
GCI	Global Competitiveness Index
GDP	Gross Domestic Product
HCDA	Horticultural Crops Development Authority
IAF	International Accreditation Forum
ICT	Information, Communication and Technology
IDB	Industrial Development Bank
ICDC	Industrial and Commercial Development Corporation
IDC	Industrial Development Centres
ILAC	International Laboratory Accreditation Cooperation
ILO	International Labour Organization
ISO	International Organization for Standards
IDBC	Industrial Development Bank Capital Limited
FDI	Foreign Direct Investment
GHG	Green House Gases
KAM	Kenya Association of Manufacturers
KARI	Kenya Agricultural Research Institute
KDB	Kenya Dairy Board
KEBS	Kenya Bureau of Standards
KENAS	Kenya Accreditation Services
KENIA	Kenya National Innovation Agency
KENTRADE	Kenya Trade Network Agency
KenInvest	Kenya Investment Authority
KEPHIS	Kenya Plant Health Inspectorate Services
KEPSA	Kenya Private Sector Alliance

KEPTAP	Kenya Petroleum Technical Assistance Programme
KIBT	Kenya Institute of Business Training
KICD	Kenya Institute of Curriculum Development
KIE	Kenya Industrial Estates
KIPI	Kenya Industrial Property Institute
KIPPRA	Kenya Institute for Public Policy Research and Analysis
KIRDI	Kenya Industrial Research and Development Institute
KITI	Kenya Industrial Training Institute
KLDC	Kenya Leather Development Council
KNCC&I	Kenya National Chambers of Commerce & Industry
KNFJKA	Kenya National Federation of Jua Kali Association
KNTC	Kenya National Trade Corporation
KPLC	Kenya Power and Lighting Company
KRA	Kenya Revenue Authority
LAPSSET	Lamu Port-South Sudan-Ethiopia-Transport
MCDAs	Ministries, Counties, Departments and Agencies
MDA	Ministries, Department & Agencies
MDG	Millennium Development Goal
MEPS	Minimum Energy Performance Standards
MoALF&T	Ministry of Agriculture, Livestock, Fisheries and Irrigation
MoEN&F	Ministry of Environment and Forestry
MoDP	Ministry of Devolution and Planning
MoICT	Ministry of Information, Communication and Technology
MoITC	Ministry of Industry, Trade and Cooperatives
MoEACLSP	Ministry of East African Community, Labour and Social Protection
MoLPP	Ministry of Lands and Physical Planning
MoM	Ministry of Petroleum and Mining
MoSCA	Ministry of Sports, Culture and the Arts
MoEST	Ministry of Education
MoTI	Ministry of Transport and Infrastructure
MoEP	Ministry of Energy
MOICNG	Ministry of Interior and Coordination of National Government
MPYG	Ministry of Public Service, Youth and Gender
MRA	Mutual Recognition Arrangement
MSEA-K	Micro and Small Enterprises Association of Kenya
MSMIs	Micro, Small and Medium Industries
MSMEs	Micro, Small and Medium Enterprises
MSEA	Micro and Small Enterprises Authority
MTEF	Medium Term Expenditure Framework
MTP	Medium Term Plan
NEMA	National Environment Management Authority
NACOSTI	National Commission for Science, Technology and Innovation
NITA	National Industrial Training Authority
NKCC	New Kenya Cooperative Creameries Limited
NMC	Numerical Machining Complex
NLC	National Land Commission
NRF	National Research Fund
OAG	Office of Attorney General
OVOP	One Village One Product
PCK	Productivity Centre of Kenya
PPP	Public Private Partnerships

SADC	Southern African Development Community
SDG	Sustainable Development Goal
SEZA	Special Economic Zones Authority
SEZ	Special Economic Zones
SMEs	Small and Medium Enterprises
SGR	Standard Gauge Railway
SPS	Sanitary and Phyto Sanitary Standards
TBT	Technical Barriers to Trade
TNT	The National Treasury
TPCSI	Thika Production Centre for Shoe Industry
TVET	Technical and Vocational Education and Training
TVETA	Technical and Vocational Education and Training Authority
RECP	Resource Efficiency and Cleaner Production
R&D	Research and Development
UNDP	United Nations Development Programme
UNIDO	United Nations Industrial Development Organization
USD	US Dollars
VAT	Value Added Tax
WB	World Bank
WTO	World Trade Organization

EXECUTIVE SUMMARY

This Plan presents the projects and programmes to be implemented between 2018-2022 to address the identified emerging issues and challenges so as to achieve the aspirations of the manufacturing sector in Kenya. The plan is outlined in five chapters as follows:

Chapter one presents an overview of the Sector giving background information and setting the context in which the sector planning is being undertaken. The chapter discusses the achievements of the second medium term plan, challenges confronted in implementing the sector plan as well as lessons learned.

Chapter Two is on situational analysis highlighting the background of the manufacturing sector, sector performance, programmes under MTP II and their achievements.

Chapter Three addresses the challenges, emerging issues and opportunities in MTP II and which can be considered in the plan.

Chapter Four addresses the projects/programmes to be implemented in 2018-2022 that include; Ease of Doing Business; Textile and Apparel; Leather and leather products; Agro- processing; Special Economic Zones and Industrial parks; MSMEs Development programme, Manufacture of construction materials; Machinery, Equipment and Industrial Parts; Manufacture of Renewable energy and green products; Manufacture of electrical and electronics; Automotive, motorcycles, components and auto-parts; Iron and steel milling plant; Research, Technology & Innovation programme; Development of accreditation and standards infrastructure; Skills development for technical human resource for the manufacturing sector; Transformation of KITI to be a Centre of excellence; and Oil, Gas and Mineral Processing.

Chapter Five addresses the policy, legal and institutional reforms to be addressed in the plan period and the Annex 1 for implementation matrix.

CHAPTER 1: INTRODUCTION

1.0. Overview

Kenya aims to have a robust, diversified and competitive manufacturing sector to transform the country into a middle income economy by 2030. The sector has been identified as the key driver for economic growth and development under the “Big Four” Plan in Kenya. Its overall goal is to increase its contribution to Gross Domestic Product (GDP) by at least 15% by 2022; increase level of foreign direct investments to \$2 billion; and improve ease of doing business ranking from 80 in 2017 to 45 by 2022. This will propel Kenya towards becoming Africa's industrial hub. The Sector has a huge potential of investment attraction, employment creation, export expansion, stimulus for agricultural sector growth and provision of forward and backward linkages in all other sectors. The sector has a strategic role in technology and innovation as it is a major platform for diffusion of new technologies to other sectors of the economy.

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

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

Kenya's manufacturing sector comprises of micro, small, medium and large industries classified mainly by employment levels and capital investment. With the continued implementation of devolution improved infrastructural development, local content policies, exploitation of oil and natural gas, emergence of the new markets, and the business reforms currently being undertaken will provide new opportunities and dimensions to the revitalization of the manufacturing sector. The sector will therefore play a major role in realizing the aspirations of the MTP III.

The existence of international and regional agreements and obligations has presented an opportunity for the country to implement new plans, programmes and projects to achieve them. These include the East African Community (EAC) Industrialisation Policy 2012-2032; the EAC Industrialisation Strategy 2012-2032; EAC Vision 2050; African Union Agenda 2063; United Nations Climate Change Convention and the 2030 Agenda for Sustainable Development.

The Sector Plan includes situation analysis, emerging issues and challenges, projects and programmes for 2018-2022, policies, legal and institutional reforms to be undertaken in the planned period. The implementation matrix provides the expected outputs, performance indicators, implementing agencies, timeframe and the resource requirements for each activity/project.

CHAPTER 2: SITUATION ANALYSIS

2.0. Overview

In Second Medium Term Plan, 2013-2017 (MTP II), the Kenyan economy recorded average annual growth of 5.6 per cent during the period 2013-2016 against the target of at least 10 per cent. The manufacturing sector contribution to GDP was at an average of 9.8 per cent, while its annual average growth was 3.8 per cent over the same period. The growth was affected by increase in production of rubber & plastic products, animal and vegetable fats and oils, and beverages and tobacco. The formal employment grew by 4.7 per cent from 287.4 in 2014 to 300.9 in 2016.

The MTP II outlined the flagship projects, policies, programmes and projects towards delivering accelerated and inclusive economic growth, higher living standards, better education and health care, increased job creation especially for youth, commercialized agriculture providing higher rural incomes and affordable food, improved manufacturing sector and more diversified exports. This was aimed at transforming the country to achieve socio-economic development, equity and national cohesion, and provide a clear pathway to devolution. Table 2.1 outlines the economic growth, sector contribution to GDP, manufacturing sector growth performance as well as formal employment in the sector during the MTP II period.

Table 2.1: Sector performance during the MTP II period

Year	Economic growth in %	Manufacturing sector contribution to GDP in %	Manufacturing sector growth in %	Formal employment in Manufacturing Sector
2013	5.4	10.7	5.6	279,400
2014	5.4	10	2.5	287,400
2015	5.7	9.4	3.6	285,500
2016	5.9	9.1	2.7	300,900
2017	4.9	8.4	0.2	303,300

Source: Economic Survey 2018

Despite the increase in economic growth rate, the manufacturing sector contribution to the GDP declined from 10.7% in 2013 to 8.4% in 2017 while its growth declined from 5.6% in 2013 to 2.7% in 2016 before declining further to 0.2% in 2017. The formal employment in manufacturing sector increased from 279,400 jobs in 2013 to 303,300 jobs in 2017.

Table 2.2: The Sectors' output and compensation to employees

Year	Value of Output in Ksh. Billion	Value added Ksh. Billion	Compensation to employees Ksh. Billion
2013	1,737	506	127
2014	1,820	537	147
2015	1,977	588	163
2016	2,120	653	175
2017	2,204	648	189

Source: Economic Survey 2018

Manufacturing output increased from Kshs. 1,737,699 million in 2013 to Kshs. 2,204,805 million in 2017. The Sector performance was mainly driven by textiles and apparels, which on average grew by 12.1%, pharmaceutical products by 18.3%, beverages by 4.1%, and basic metals by 7.8%. Over the same period, there was a decline in assembling of motor vehicles, rubber products, tobacco products and fabricated metals. The drop is partly attributed to, among others, high cost of doing business and stiff competition from imports.

2.1 Achievements under the Second Medium Term Plan (MTP II), 2013 - 2017

During the MPT II period, the following achievements were realised:

2.1.1 Establishment of Special Economic Zones (SEZs)

The Special Economic Zones Act was enacted in 2015 and its regulations developed in 2016. This paved way for establishment of the Special Economic Zones Authority (SEZA) and master planning and prefeasibility study for SEZ at Dongo Kundu, Mombasa. The SEZA received and gazetted five (5) applications from private investors for establishment of private Special Economic Zones at different locations including Eldoret, Mombasa, Thika, and Athi River.

2.1.2 Development of SME and Industrial Parks

Land meant for the establishment of SMEs Industrial Parks was identified in Eldoret and Taita Taveta. In each, 135 and 20 acres of land were identified, respectively. The master plans and structural designs for the SME industrial parks were finalized and were at different stages of implementation. The Infinity Industrial Park, a private owned park in Nairobi, was also started.

2.1.3 Development of Industrial Clusters

Construction of basic infrastructure facilities for the Leather Park and industrial warehouses for textiles and apparels manufacturing were initiated in Athi River. Value chain studies on leather, textiles, wood, furniture and agro-processing were also completed.

2.1.4 Development of Integrated Iron and Steel Mill

To facilitate the establishment of an integrated iron and steel mill, the Scrap Metal Act 2015 was enacted, a feasibility study on the establishment of the integrated steel mill was completed and the National Steering and Technical Committees on its implementation inaugurated.

2.1.5 Skills development for technical human resource for the Manufacturing Sector

To provide skilled human resource for the manufacturing sector, the Kenya Industrial Training Institute (KITI) and Thika Production Centre for Shoe Industry (TPCSI) were equipped with modern machines and equipment for training in leather and textiles sector. The equipment for the Kariakor Common Footwear Centre for SMEs was procured. The Industry and Academia Collaboration Forum was established. A skills and gap analysis was undertaken and the review of curriculum for training on textile and leather areas to meet the emerging industrial needs was on-going. To further develop the requisite skills, fifty (50) youth were facilitated through the industrial attachment programme.

2.1.6 Transformation of KIRDI into a World Class Research Institution

The Kenya Industrial Research Development Institute (KIRDI) is a flagship project established to undertake industrial research, technology and innovation and disseminate findings that have an impact on economic and industrial development. The Government completed the construction of Kisumu Industrial Research, Technology and Innovation Laboratory and equipped leather laboratory. The construction of Research, Technology and Innovation Laboratory at South B, Nairobi, was 60% complete. The institution recruited

research scientists to undertake research work, incubated SMEs and business groups to undertake value addition on agricultural products.

2.1.7 Development of a Standards Infrastructure

The Sector is upgrading and equipping Kenya Bureau of Standards (KEBS) testing laboratories at Mombasa as part of capacity building in testing of oil and gas products. The number of accredited Conformity Assessment Bodies (CABs) increased from 13 in 2013 to 84 in 2016 and includes testing laboratories, calibration laboratories, medical testing laboratories, proficiency test service providers in the medical field, inspection bodies and certification bodies.

During period under review, KEBS acquired the KEBS plaza in Mombasa, and started the construction of offices in Kisumu and Eldoret. The construction projects were scheduled for completion in 2017/18. These capital projects are geared towards improving operational efficiency and increasing accessibility of KEBS services. The Government, through Kenya Accreditation Services (KENAS), achieved International recognition by signing of Mutual Recognition Arrangement (MRA) at the International Laboratory Accreditation Cooperation (ILAC) and the Multi-Lateral Arrangement (MLA) at the International Accreditation Forum (IAF) on the 26th of November 2017. This accredited conformity assessment bodies and users of accredited conformity assessments in Kenya a gateway to improve competitiveness and connect to the global value chains. An Internationally recognized accreditation reduces/eliminates need for multiple testing, inspection or certification thereby leading to efficiency and effectiveness of a trading system. This is a key requirement to the economic transformation envisaged in the Kenya Vision 2030.

KENAS was the first accreditation body in Africa to receive recognition to 5 scopes (Testing, calibration, medical testing, inspection and certification) and three sub-scopes (Quality Management Systems, Food Safety Management Systems and Environmental management systems) all at once. The number of accredited Conformity Assessment Bodies (CABs) increased from 13 to 84 and includes testing Laboratories, calibration laboratories, medical testing laboratories, proficiency test service providers in the medical field, inspection bodies and certification bodies. Certificates, test and inspection reports from these accredited bodies can now be accepted across the borders by other MRA signatories without additional tests, inspections or certifications providing a green channel for the services and products attached to the certificates and reports.

2.1.8 Branding and Marketing of Kenyan MSME Products

In the period under review, KEBS certified 8,243 products from large firms and 2,333 SMEs products. Similarly, compliance of products to standards in the market improved from 88% in 2013 to 92% in 2016, further improving consumer protection. During the same time, Kenya Industrial Property Institute (KIPI) enhanced intellectual property rights protection through opening of intellectual property desks at Universities and developed benefit sharing framework.

The Government initiated and partnered with stakeholders to put in place the Innovation Programme, dubbed Nairobi Innovation Week with a view to supporting the development of innovative and sustainable business start-ups. Kenya celebrates the United Nations declared Africa Industrialization Day, held annually on 20th November, by organizing an Industrialization week. The Government in partnership with the Kenya Association of Manufacturers now hosts the National Manufacturing Summit and Expo to showcase and market products manufactured in Kenya.

2.1.9 Natural Products Initiatives

The State Department of Investment and Industry initiated collaboration between the Ministry and Universities in development of anti-malaria drug, undertook value addition activities on natural products (including *aloe vera* to make soap and extracts). Making natural dyes for basketry project in Taita Taveta has been undertaken among others.

2.2 Other Achievements

2.2.1 Value addition and productivity improvement programme and Home Based Value Addition

Undertook value addition activities in tomatoes and fruit processing in Kagio, Kirinyaga County. KIRDI developed and commercialized 5 product prototypes; and provided incubation service to 1000 SMEs. The challenges faced included the slow uptake of the One Village One Product (OVOP) programme by the County Governments which has not been fully internalized/ understood and embraced, inadequate funding and personnel to undertake research on products and slow uptake of technologies / products developed on value addition activities by the SMEs.

2.2.2 Enhancement of Local Content in Government Projects

The Public Procurement and Disposal Act, 2015 was amended to provide for local content preferences in public procurement. A draft Buy Kenya Build Kenya Policy was also developed.

2.2.3 Energy provision for the Manufacturing Sector

Access to reliable and affordable electricity is vital for manufacturing businesses and SMEs. Under the Ease of Doing Business Programme the process, time taken and cost of power connectivity have been reduced. The number of businesses connected to power increased under the 'Last Mile' power connectivity programme.

2.2.4 Improvement of Business Climate

In order to improve the country's business environment it is necessary to reduce administrative and regulatory impediments to starting and growing micro, small and medium businesses. The Business Environment Delivery Unit was established. The Unit has re-engineered and remodelled 10 business indicators and developed business reforms for implementation.

Through this programme, the country was ranked as the 3rd most improved economy globally and the 1st in Africa by the World Bank for two consecutive years moving from position 136 in 2015 to position 80 in the World Bank 2018 Report. The target for the country is to be among the top 50 economies by the year 2020. Similarly, Kenya also improved from position 96 to 91 in the Global Competitiveness Index report 2017. The Kenya Investment Authority made progress in Operationalizing the One Stop shop/ Centre at their new premises in the UAP Towers to facilitate investment promotion.

2.2.5 Development of MSE Centres of Excellence (COE)

The objective of the programme is to promote technological transfer, capacity building, products designs and development and marketing of MSE products. During MTP II, Pilot MSE COE was started at Kariobangi MSE Demonstration Centre to upgrade the Centre to MSE Centre of Excellence where partial equipping of five

mechanical and automotive workshops constructed under Phase I was undertaken as follows: heavy metal plate shearing machine; 3No 270 litres compressor cylinder, 2No Hand held drilling, 3No Off angle grinding machine 220w; 3No Heavy duty toolkits; and 3 ton cranes.

2.3 Policy, Legal and Institutional Reforms

The following policies, legal and institutional reforms were undertaken:

- i. Implementation of the Sessional paper No. 9 of 2012 on National Industrialization Policy Framework, 2012-2030;
- ii. Implementation of the EAC Industrial Policy and Strategy, 2012-2032;
- iii. Enactment of the Special Economic Zones (SEZ), 2015 Act and gazettment of the SEZ. 2016 regulations;
- iv. Development of Anti-counterfeit policy and strengthen the Anti-Counterfeit Agency;
- v. Enactment of the Scrap metals, 2015 Act;
- vi. Fast tracking the development of the National Quality and Standards Policy;
- vii. Review of the Master Plan for Kenya Industrial Development;
- viii. Review of Sessional Paper No. 2 of 2005 on Development of Micro and Small Enterprises for Wealth and Employment Creation for Poverty Reduction; and
- ix. Implementation of Micro and Small Enterprises Act No. 55 of 2012.

Other business enabling legislation enacted and draft policy and strategies developed during the same period included:

- i. Insolvency Act 2015 and Insolvency Act 2015 Regulations;
- ii. Business Registration Service Act 15 of 2015;
- iii. Provisions of local content in the Public Procurement and Asset Disposal Act, 2015;
- iv. Kenya Accreditation Service Bill, 2017;
- v. Kenya Industrial Research and Development Bill, 2017;
- vi. Geographical Indications Bill;
- vii. Kenya Leather Development Authority Bill, 2017;
- viii. Kenya Industrial Transformation Programme (KITP): a ten year blue print for industrial transformation as a strategy for implementing the National Industrialization Policy;
- ix. Iron and Steel Development Strategy;
- x. Buy Kenya Build Kenya Policy;
- xi. Draft Local Content Policy;
- xii. Draft National Automobile Policy; and
- xiii. Draft Kenya Investment Policy.

CHAPTER 3: EMERGING ISSUES CHALLENGES AND LESSONS LEARNT

3.1 Emerging issues

3.1.1 Oil, Gas and Minerals

The discovery of oil and gas reserves provides a tremendous opportunity to promote and facilitate petrochemical industries to strengthen Kenya's manufacturing, boost economic output and create jobs. The utilization of these resources will also increase the value of locally available raw material which, in turn, will benefit the economy.

Kenya has numerous ores and industrial minerals which have been established to exist in substantial quantities. These minerals include soda ash, fluorspar, titanium, niobium and rare earth elements, gold, coal, iron ore, limestone, manganese, copper, lead, zinc, diatomite, gemstones, gypsum and natural carbon dioxide. However, the mining subsector is still dominated by the production of non-metallic commodities such as limestone, marbles and dolomites mostly utilized in cement manufacturing and construction industries. Metallic minerals currently produced include titanium, gold and iron ore. Kenya has huge opportunity to transform, grow and fast-track industrialization through mineral beneficiation and value addition.

3.1.2 Marine and Blue Economy

The sustainable exploitation of marine and coastal resources (the marine economy) is evolving as the new frontier for value addition, wealth creation and job opportunities. The vast opportunities of the blue economy such as fisheries, aquaculture, maritime transport services, ship building, off-shore mineral exploration and energy development among others is yet to be fully harnessed in Kenya. This provides an opportunity in fish processing, manufacture of fishing equipments, gears, ship building and implementing activities on waste management. To develop the Blue Economy in a coordinated way, the Government established the Blue Economy implementation Committee in 2017.

3.1.3 Regional integration

Kenyan has huge opportunities to exploit within the EAC, COMESA and Tripartite arrangement (EAC-COMESA-SADC). The EAC-COMESA-SADC Tripartite Free Trade Area was signed and ratified as well as the Continental Free Trade Area (CFTA). These will provide greater market access for Kenyan products. This includes positioning the export promotion programme under EPZ which limits domestic access to 20% that includes EAC and may ultimately include the tripartite arrangement. The SEZ and Industrial parks programme gives Kenya an opportunity to deepen the regional market access. In addition, there is need to review the EPZ domestic thresholds programme.

3.1.4 Emergence of global inward looking policies

Kenya has been negotiating within EAC for market access into European Union (EU) under the EPA. The impending exit of Britain from the EU may pose some challenges on the finalization and implementation of EPAs. Therefore there is need to find strategies to ensure penetration in EU market. The "America first" policy adopted by the US Government may also bring uncertainty to the sustainability of the AGOA programme.

3.1.5 Devolution

The Second Medium Term Plan was implemented during the initial stages of the devolved system of governance that had inadequate implementation structures. Most counties have set up departments responsible for infrastructure, trade, and industry and enterprises development. Consequently, there has been an improvement in infrastructure in rural towns such as installation of street lighting which have improved working environment for MSMEs. With devolved system of governance, the Sector is however faced with multiple licenses, duplication of some functions, and uncoordinated allocation of land for industrial and enterprise development. County economic blocs will help to enhance domestic market access through investment promotions

3.2 Challenges

Despite the Sector registering key success during the MTP period, it faced a number of challenges which include; inadequate basic infrastructure facilities; unavailability of industrial land; inadequate skills and capabilities in priority sectors; high cost and quality of energy and high operational cost; business environment (investor-friendly environment and policies); inadequate budgetary allocation; limited access to financial services for industrial development; climate change; and limited access to markets.

3.2.1 Infrastructure

The implementation of the Special Economic Zones and MSMEs industrial park requires huge provision of basic infrastructural facilities (including roads, power, and water) which are costly. This is vital for attracting investments in SEZs to support industrialization and encourage industrial dispersion. To address the infrastructure deficit, the Government will fast track the expansion, modernization and maintenance of roads, rail, airports, seaports and ICT networks to industrial areas and those areas of existing and high potential for industrial development.

3.2.2 Unavailability of Industrial land

The cost, availability and ownership of land are major constraint not only to domestic industrial investment but also to foreign direct investment inflows. The industrial land has not been comprehensively zoned by national and county governments. During the plan period, non-availability of suitable land hampered the timely implementation of projects and programmes such as SME parks, SEZ, industrial clusters among others. Similarly, FDI inflows were constrained by the high cost of land. In this regard, the National Land Commission will be expected to establish land banks for industrial development including implementation flagship projects which require sizeable and strategically located pieces of land in various parts of the country. The National Spatial Plan 2015-2045 has been completed and it provides for identification, planning and servicing of special sites for Industrial development.

3.2.3 Inadequate Skills and Capabilities in priority sectors

Currently, the Government has taken initiative to construct new technical training institutions where 60 are completed and 70 in progress. These training institutions lack adequate modern equipment for training resulting to skills gap necessary for industrial development. In addition, there is a mismatch between available technical skills and market demands due to poor linkages between training institutions and the industry. For the priority sectors being implemented, there is lack of skills beyond basics in textile and apparel production;

low expertise to produce finished leather and leather products; and existence of limited talent pool for engineers in key sectors of the economy (e.g. construction, oil, mining) and qualified professionals for business process outsourcing (BPO) activities; and limited MSME know-how.

The reforms being undertaken in the education sector, however present an opportunity for alignment of training programmes and required competencies by the industries. Competence-based curriculum development will be used to bridge the gap between trainings and industry demand. The skills development will also be matched with new technological advancements. In addition the emergence of the oil and gas sector, the country has an additional opportunity to develop specialized experts in petrochemical industry.

3.2.4 High cost and quality of energy and operations

Unreliable and high cost of energy for industrial enterprises and MSMEs; high cost of labour and transport make the production costly lowering the competitiveness of the products in world market. Low labour productivity in the manufacturing sector translates to high unit labour costs – the labour cost required to produce a standard unit of output. Furthermore, the MSMEs have lower capital intensity which lowers labour productivity. Interventions that would promote firm-level capital investments can mitigate this problem.

3.2.5 Unfavorable Business Environment

Attraction of foreign direct and domestic investments in the country has been hampered by the unfavorable business environment. Although there has been remarkable progress in the World Bank Doing Business rankings, more effort is still needed to achieve the top 50 within the next plan period. While there are also improvements on the World Economic Forum's Global Competitiveness Index, moving from up three places to position 96, there is need for further policy efforts to improve on the rankings.

3.2.6 Inadequate Financial Resources

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

Opportunities for PPP will be strategically marketed to attract investments. The Industrialization Fund will be operationalized to tap various funding sources.

3.2.7 Access to financial services for industrial development

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

The realization of sustainable and meaningful Industrial development in the country requires access to affordable long-term finance and credit facilities. The bureaucracies and collateral requirements banks impose serves to screen out the vast majority of MSMEs. It is hoped that with the introduction of the capping of interest, the financial sector has reduced the level of lending to the MSMEs sector. Further, the Government Financial Institutions including KIE, ICDC and IDB capital have not been able to adequately fund the industrial sector financial needs due to inadequate resources allocated to meet the increased demand. In an effort to address limited access to finance by MSMEs, credit guarantee schemes will be one of the initiatives necessary

to improve affordability of the financial services. Alternative funding mechanisms such as leasing and venture capital will be promoted to reduce overreliance on bank financing.

3.2.8 Climate Change

Climate change is one of the most serious global challenges of our time. Recurring drought and reduction in rainfall amount received leads to low supply of agricultural raw materials for processing and value addition. Increase in Green House Gas (GHG) emissions from the energy, transport, manufacturing, agriculture and mining sectors, will increase the climate change and global warming effects on human population, agricultural and livestock production.

The manufacturing sector will therefore produce innovative and appropriate technology products and also promote a low-carbon pathway that reduces consumption of energy, water and raw materials; minimising GHG emissions; waste and pollution. The national and county governments will both implement the agreed measures and action plans to mitigate the effect of climate change.

3.2.9 Product Standards and Customer Preferences

Rapidly changing consumer needs, preferences and quality requirements, both locally and internationally are causing a strain on many Kenyan manufacturers especially MSMEs. Compliance with international or national standards is critical not only for fair competition in the domestic market but also for creating a strong presence in the global export markets. A majority of MSMEs are unable to fully comply with these stringent standards requirements resulting in a reduced market access in the short term. In the long term, stringent quality standard substitute for demand conditions thus enabling MSMEs to build their global competitiveness. Capacity building will be necessary in areas of business development services, standards and conformity, certification and market intelligence on required and emerging standards.

3.2.10 Market Access

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

With the global reduction of import tariff under WTO regime, there has been significant increase in non-tariff barriers, technical barriers to trade, sanitary and phyto-sanitary measures and other non-tariff measures which has affected exports of Kenyan manufactured goods. Globalization presents an opportunity for availability of cheap and skilled labour, while change in tastes and preferences create further opportunities in food processing, settlement, packaging, health, clothing and mobility.

3.2.11 Counterfeit, Dumping and Substandard goods

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

Act already enacted and process establishing the Trade Remedies Agency commenced.

3.2.12 Innovation and Technology Development

Low technology utilization, low levels of innovation and use of outdated production systems has led to low productivity and competitiveness in the manufacturing sector. There are weak linkages between the technology and research institutions and the industry players. Low funding for R&D has also contributed to poor adoption of new technologies by the MSMEs. Further, inadequate awareness of the role of intellectual property rights in fostering socio-economic development is hindering the development, commercialization, registration and protection of new innovations in the manufacturing sector and patent rights for technological development. These challenges are more severe among MSMEs due to resource constraints.

To exploit opportunities availed by the growing regional and global market, the country needs to improve its competitiveness, productivity, and product quality through adaptation of appropriate technology and personnel certification.

3.2.13 Export Base and Value Addition

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

Implementation of existing incubation programmes, deepening the information data bases provided by the Export Promotion Council and development of technology adoption policy for implementation during the MTP period will enhance value addition.

3.2.14 Industrial subcontracting linkages

Limited enterprises' sub-contracting has been ongoing without an enabling policy framework. The absence of the policy has hindered the promotion and facilitation of industrial subcontracting among the large, medium, small and micro enterprises.

Majority of the micro and small enterprises are informal, have a high mortality rate and access to Business Development Services are limited, uncoordinated and unaffordable. There is also lack of data, system of information exchange and weak coordination of the initiatives. The sector will fast-track the sub-contracting policy, improve coordination and establish the system for data and information exchange.

3.2.15 Waste Management

Increase in enterprises that are not using environmentally sound technologies and practises has led to increased levels of environmental degradation. Measures will be put in place to promote green production and consumption to minimise waste through enhancement of environmental compliance, use of appropriate technologies and sound waste management. Such measures will further provides an opportunity to manufacture efficient equipment that minimise waste and waste utilization.

3.2.16 Security

The perception of insecurity and threat of terrorism has led to investors shying away from investing in certain areas of the country including those with rich resource endowment. In addition, the threat of terrorism has forced manufacturers to hire extra security, install CCTVs, and other security devices and this has increased their operation costs. This has negatively impacted on local and foreign direct investments creating inequity in the distribution of industrial investments

This threat, however creates an opportunity on the manufacture of ICT enabled innovations like CCTVs.

3.2.17 Local content preferences

The implementation of the local content preferences is hindered by lack of an enabling legal framework, low compliance to standards by MSMEs, laxity in developing the list of goods and services that qualify for local content preferences.

3.2.18 Weak protection of indigenous knowledge

The weak protection of indigenous knowledge and patenting of intellectual property rights, inadequate research and innovation initiatives on natural products; and unfair and inequitable sharing of benefits accruing from commercialization of natural products.

3.3 Lessons learnt

- i. The discovery of oil, gas and mineral reserves presents tremendous opportunities to promote petrochemical industries;
- ii. Compliance with international/and or national standards is critical in promoting fair competition in the domestic market and improving competitiveness in the global market; and
- iii. The vast potential in the Blue Economy presents opportunities for exploitation through the manufacturing sector.

CHAPTER 4. PROGRAMMES AND PROJECTS 2018 - 2022

4.0 Overview

The Kenya Industrial Transformation Programme and the “Big Four” Plan anchored under the Kenya Vision 2030, the country's economic development blueprint has identified opportunities that will more than double the amount of current formal manufacturing sector jobs to approximately 700,000 and add \$2.5 billion to the GDP. This will increase the current manufacturing sector contribution to the GDP from 9.2% in 2016 to 15% by the year 2022, enabling the country to further move from the lower middle income status to the upper middle income status.

During the Third Medium Term Plan period, the manufacturing sector will implement the following flagship projects and programmes: Ease of Doing Business; Textile and Apparel; Leather and leather products; Agro-processing; Special Economic Zones and Industrial parks; MSMEs Development programme, Manufacture of construction materials; Machinery, Equipment and Industrial Parts; Manufacture of Renewable energy and green products; Manufacture of electrical and electronics; Automotive, motorcycles, components and auto-parts; Iron and steel milling plant; Research, Technology & Innovation programme. Several other programmes and project will also be implemented during the MTP III period.

4.2 Flagship Projects

4.2.1 Ease of Doing Business

The sector will implement targeted business reforms to lower the cost of doing business to attract foreign and domestic direct investments; and increase job creation. It will also target to improve World Bank Ease of Doing Business ranking from position 80 in 2017 to 45 by 2022. The reforms will include enacting Bills that affect company registration; putting in place online systems for business registration; linking the stamp duty collection with Kenya Revenue Authority (KRA) systems; simplifying the process of land registration, continuation of the automation/digitization of processes; reducing the time taken to connect a business to electricity and, establishment of a one-stop shop centre by the Kenya Investment Authority to facilitate investors starting businesses and investing in the country.

The sector will engage County Government by enhancing business activity through harmonisation of business regulations affecting four (4) areas of the life of a business as measured at the sub-national levels in Kenya by the World Bank. These areas starting a business; issuing construction permit; enforcing contract and registering property. To further strengthen the business environment and participation of the private sector, the Investment Council will be operationalized.

4.2.2 Development of Industrial Clusters

Textiles and Apparel Production

The textile and apparel sector consists of three main value chain components: fibre production, textile manufacturing and apparel manufacturing. The subsector is a major driver of industrial export growth and has huge potential for growth and job creation. During the plan period the government will support farmers to plant cotton and give incentives to investors to build more ginneries and textile manufacturing plants. The Government will continue with the modernization of Rivatex East Africa Limited to vertically integrate textile

farming to factories/ginneries that converts cotton lint through various processes to finished fabrics. The Export Processing Zones will continue developing industrial space to attract investors in apparel. This will tremendously promote exports of apparel grown for USA market under African Growth and Opportunity Act (AGOA), accounting for over 30 per cent of total industrial export growth over the past five years.

The growth, however, has been concentrated in apparel and garment production which focuses largely on basics, such as jeans and T-shirts made from imported fabric. There is need to expand product range to high-value seasonal goods, restock and fast fashion. This presents an opportunity to also serve the local market and other markets with locally produced garments through policy measures like Buy Kenya Build Kenya. It will require the country to utilize suitable land to grow cotton and an integrated approach to link the apparel and garment production firms with local production of the fabric. This approach will stimulate the local production of natural (cotton, wool and silk) and synthetic fibres (polyesters). A total of 200,000 hectares of land will be put under BT Cotton production thus increasing the production of cotton lint from 5,500 to 20,000 tons.

Manufacture of Leather and Leather Products

The leather subsector consists of three main value chain components: hide and skin collection, tanning, and finished goods processing. The subsector remains a small contributor to Kenya's economy, representing about 0.3 per cent of GDP and 0.7 per cent of formal employment. However, it has large potential for economic contribution and job creation.

Most of the operational tanneries in Kenya produce primarily wet blue leather for export. Whereas 90 per cent of Kenya's USD 94 million exports are unfinished wet blue leather, the country imports 70% to 80% of its shoes (approximately 10 million pairs of new leather shoes and 20 million new non-leather shoes annually). Domestic production accounts for the remaining 20% to 30%, which is largely sold through informal markets. There is opportunity to move into the next levels of processing where reaching up to finished leather, could yield about four times the value-added potential, and up to finished leather products could yield about twelve times the value. This will transform the livelihoods of hundreds of thousands of families in pastoralist communities. Specific activities will include: completion of the infrastructural facilities (common effluent treatment plant, roads, water & power) at Kinanie Leather Park at Athi River, training of 5,000 cottage industries (cobblers), and construction of the Kajiado Leather factory.

Agro-Processing Programme

Agro-food processing has value-addition of about USD 1.3billion and is Kenya's largest manufacturing sector. However, it only contributes 3.2 per cent of GDP, 2.4 per cent of formal employment and 8.5 per cent for export. There are opportunities for agro-processing in crops (tea, coffee, nuts, legumes, cereals, fruits, vegetables, roots and tubers), livestock (dairy, meat) and fisheries (marine, fresh water and aqua culture). The Government will develop the Blue-Ocean Policy to guide the development of the fish processing industry.

During the plan period, tea, coffee, meat, sugar, dairy, fruits and vegetables will be processed locally in order to obtain more value (Kshs 535 billion to the GDP) and create an additional 200,000 jobs and create wealth for Kenyans. This will also help meet the demands of the growing population, expanding domestic and export market and growing middle class segment which requires processed foods.

4.2.3 Special Economic Zones (SEZ)

The programme will involve resettling 1,500 squatters to pave way for the development of Dongo Kundu SEZ

in Mombasa; and acquisition of 30,000 acres of land for the development of infrastructural facilities and locating 400 factories in the Naivasha industrial park. The SEZ Authority will also roll-out industrial parks and zones and develop world class infrastructure facilities at Athi River Industrial Zones.

The programme will address key factors that reduce Kenya's competitiveness as an investment destination through infrastructure provision, simplification of business regulations, value chain integration and clustering, expanded market access for SEZ goods and services, and reduced taxation. Enterprises at the SEZs will enjoy several tax incentives under a tightly monitored set-up to avoid losses of government revenue. The preferential tax terms will include Value Added Tax (VAT) exemption and reduction in corporate taxes.

4.2.4 SMEs Parks / Industrial Parks

Small and Medium Enterprises (SMEs) in the manufacturing sector form the bedrock of industrialization and it is recognized that SMEs play an important role in many developing economies. SME parks / Industrial Parks are transformative and high impact projects that are expected to create jobs and wealth.

In order to promote industrial dispersion and balanced economic development in the country, the national and county governments in conjunction with the private sector will collaborate in identification of land, infrastructure development and management of SMEs and industrial parks.

The parks will provide common manufacturing services and other Business Development Services. In addition, 290 SMEs support programmes will be established in constituencies and 47 SME centres of excellence will be rolled-out.

4.2.5 MSMEs Development Programmes

The Micro, Small and Medium Enterprises (MSMEs) play a strategic role in contributing to GDP, employment & wealth creation and poverty reduction. According to MSME Survey 2016 (KNBS) there are 7.5 million MSMEs that employ 14.9 million Kenyans. The survey also indicates that MSMEs contribute 28.8% to Kenya's GDP out of which 5.1% is from MSMEs in the manufacturing sector. Despite their pivotal role in job and wealth creation, poverty reduction and contribution to GDP, the sector faces a myriad of challenges that need to be addressed to enable them scale up and enhance their contribution to economic growth and development.

The MSMEs Development Programmes will include inculcation of entrepreneurial culture and skills development; development of Micro and Small Enterprises Centres of Excellence (MSE COE); provision of worksites; incubation, innovation and technology transfer; provision of financing; productivity and promotion of quality improvement of MSMEs products; intellectual property rights registration; and branding and market access to MSMEs products. The One-Village-One-Product initiative as one of the strategy for promotion of value addition to local resources will be implemented in partnership with the county governments.

The aim is to make the MSMEs products more competitive in the market both locally and internationally and have competitive and sustainable MSMEs in the Country.

In addition, the sector will implement a robust SMEs development and support programme which would formalize the large number of informal enterprises and support their growth from micro and small to medium enterprises, and eventually into large firms. This would contribute to the creation of at least 1 million jobs and contribute to tax revenues.

4.2.6 Machinery, Equipment and Industrial Parts

Most of the machineries and equipment used to perform various functions in industries, farms, transport, domestic and other sectors including health, ICT, building and construction are imported and a few are locally manufactured/ assembled. The country has potential to manufacture / assemble most of these machineries and equipment due to its competitive advantage of skilled labour, market size, availability of raw material and its strategic location in EAC and COMESA region.

Under this programme, the following will be implemented during MTP III period.

Manufacture of Agro Machinery, Equipment and Tools

Agro machinery are basically mechanical devices with different levels of automation used in farming and processing of agriculture, livestock and fisheries products. Agro machinery plays a key role in the Agriculture and Livestock, and Blue Economy sectors. The sub-sector contributes to the socio-economic development of the country by ensuring food security, creating employment and income for the majority of Kenyans and providing raw materials to the manufacturing sector. The sub-sector faces challenges posed by a number of factors among them inadequate machinery to increase efficiency & effective utilization of the productive resources which lead to low productivity and profitability that adversely affect a sizeable portion of the Kenyan population.

This inadequacy of the agro machinery creates an opportunity to manufacture them locally, and cover a wide range including tractors, farm implements, fishing implements; and processing machinery and equipment used throughout the entire value chain.

Manufacture of Industrial Machinery, Equipment, Tools and Parts

The industrial machinery and equipment consist of the manufacturing machines, power and hand tools used in industries to convert raw materials into required products, components and parts. They cover a very wide range to cater for the diverse manufacturing requirements. Some of the most commonly used include machine tools, metal forming and fabrication machines, custom made machines, and power and hand tools. Examples of industrial components are dies and moulds and gear drives while parts include products like gears and shafts.

The industrial machinery and equipment, tools and parts sub-sector is key to a successful and vibrant manufacturing sector as it enables development of the suitable manufacturing processes and support innovation. This sub-sector is therefore a required pre-requisite for manufacturing to make effective contribution to the economy.

4.2.7 Manufacture of Renewable Energy and Green Products

Kenya has unexploited potential to expand its green energy generation from geothermal, solar, wind, biomass, small hydro plants, biogas, and solid waste. There are, therefore, numerous opportunities in innovation and manufacture of equipment, components and accessories for renewable energy generation including photovoltaic cells, solar panels, wind turbines, biogas digesters, burners, batteries, inverters, among others.

4.2.8 Manufacture of Electrical Products and Electronics

The programme will involve manufacturing of tools and accessories, tablets, laptops and other electronic equipment to support the Digital Learning Programme (DLP). The sector will also put in place measures to attract at least 2 investors to operationalize electronic assemblies.

4.2.9 Automotive Parts, Motorcycles, Components and Auto-parts

The programme will involve production of automotive parts and components to lay the foundation for a globally competitive steel production industry and support establishment of an automotive industry in Kenya. The sector will also establish a motor free- trade zone in Mombasa and manufacture automotive and Standard Gauge Railway (SGR) components.

The automotive industry has a major impact on economic development and technological advancement with multiplier effects on upstream activities such as steel production, plastics and rubber, paints and adhesives, leather, electrical and electronic, sheet and fibre glass and petroleum products while the downstream activities include; financial services, sales and repairs, retail of auto parts and accessories.

4.2.10 Iron and Steel (Milling Plant)

Iron and steel is the foundation of industrial development as the products from this industry are widely used in all sectors of the economy including the construction industry and infrastructural projects. The Vision 2030, National Industrialization Policy identified this industry as one of the priority industries to drive the industrialization process in the short and medium term. The policy identifies the sector as strategic and defines the policy measures to be pursued to develop the sector. The manufacturing industry depends heavily on products from the iron and steel industry as witnessed in the motor vehicle industry, machine tool industry and farm machinery industry subsectors. Moreover, Vision 2030 has several infrastructural projects including the Lamu Port and Southern Sudan-Ethiopia (LAPSSET) Corridor Project, which covers roads construction, railway construction, ports and pipelines that require high quality iron and steel products.

The programme will entail development of iron and steel policy to support import substitution worth Ksh.26 billion. The implementation of this project will be undertaken through the Numerical Machining Complex (NMC) which has been identified as a focal point for promoting development of the iron and steel industry.

Further value addition and product development will be promoted under the subcontracting arrangements with SMEs.

4.2.11 Research, Technology and Innovation Programme

This will involve investing in research, innovation and knowledge management to facilitate capability accumulation and technological upgrade. Kenya's innovation system has recently emerged with a number of hubs, innovation centres and start-ups which will be complemented by the public research institutions in conducting industrial research, technology development and transfer improving product designs and promoting product innovations. It will also involve transformation of KIRDI into a world class research institution.

4.3 Other Programmes and Projects

Other programmes and project will be implemented during the MTP III for the Manufacturing Sector as indicated below:

4.3.1 Modernization of prisons industries

Kenya Prisons Service plans to revamp and revitalize prison farms and industries with ultimate goal of making prisons financial and food self-sustainable. The interventions proposed include;

- Modernization of number plate production by setting up a modern number plate lamination assembly at Kamiti Maximum Security Prison;
- Re-equipping and re-tooling Prison Industries by acquisition of modern industrial production machines; and
- Constructing additional workshops and showrooms in 8 stations (Chuka, Yatta, Mwingi, Kwale, Rachuonyo, Vihiga, Kaloleni, and Makueni) to enhance production and marketing.

Rehabilitation programme to strengthen vocational activities for skills provision to prisoners by administering trade tests to prisoners and providing working tools to all prisoners with trade test certificates upon release.

4.3.2 Development of Accreditation and Standards Infrastructure

The programme will enhance accreditation, certification, inspection and testing services that will facilitate trade and contribute to the protection of health, safety and the environment as well as improving the country's competitiveness. In addition, a Biomedical Metrology unit will be established at KEBS.

4.3.3 Skills development and Transformation of KITI to be a Centre of Excellence

There is a mismatch between available technical skills and market demands due to poor linkages between training institutions and the industry. The sector requires a critical mass of skilled workforce which includes Engineers, Technologists, Technicians and Craftsmen who are to work in the manufacturing sector. There is need to establish the linkage between the TVET institutions, Universities and industry players so to improve the ratio of engineers to population from 1:6700 to 1:3500, and improve employability of the workforce.

The objective of this transformation is to position the Kenya Industrial Training Institute (KITI) to support the country in implementing the "Road Map to Kenya's Industrialization" and in particular by providing skilled manpower to industry sector with special focus on leather and other priority areas. Short term training will be offered to meet the gaps in the industrial sector (stitching and cutting) for leather and establish production center/common manufacturing facilities.

4.3.4 Oil, Gas and Mineral Processing

Kenya has onshore and offshore oil and gas which can be exploited through value addition to transform, grow and industrialize the country's economy in the upstream, midstream and downstream. In the downstream the petrochemical industry is the foundation of a wide variety of industrial production processes such as plastics and container industry, textile industry, synthetic rubber industry, agricultural and fertilizer industry, pesticides, pharmaceuticals, etc. A number of other manufacturing industries, including cement, iron and steel, aluminum, glass, and paper are large consumers of energy and would greatly benefit from Kenya's petroleum oil and natural gas downstream sector through the establishment of a refinery. Similarly, Kenya has numerous industrial ores and minerals which include soda ash, fluorspar, titanium,

niobium and rare earth elements, gold, coal, iron ore, limestone, manganese, copper, lead, zinc, diatomite, gemstones, gypsum and natural carbon dioxide.

The sector is currently dominated by the production of non-metallic commodities such as limestone, marbles and dolomites mostly utilized in cement manufacturing and construction industries. Metallic minerals currently being mined include titanium, gold and iron ore. The country has huge opportunity to transform, grow and fast-track industrialization through mineral processing and value addition.

4.3.5 Buy Kenya Build Kenya Policy

In its quest to spur industrialization, the sector developed a policy that will ensure that MCDAs commit at least 40% of their procurement budget on procurement of locally produced products and services. It is expected that this will provide an opportunity for local suppliers to benefit from government procurement opportunities. For these suppliers to compete effectively there is need to ensure that they comply with the requirement of standards and the product specification.

CHAPTER 5: POLICIES, LEGAL AND INSTITUTIONAL REFORMS

The development and growth of the sector will be supported by the review and finalization of the following policy, legal and institutional reforms:

Policy Reforms

- Finalization of Intellectual Property Rights (IPR) Policy;
- Development of the Quality and Standards Policy;
- Review of MSEA Policy;
- Development of Kenya Leather Development Policy;
- Finalization of the Kenya Investment Policy;
- Development of The Buy Kenya Build Kenya Policy
- Finalization of the Iron and Steel Policy; and
- Finalization of development of the incubation and sub-contracting policies.

Legal Reforms

- Enact the Kenya Accreditation Services Bill 2017;
- Develop the Kenya Leather Development Bill;
- Enact the KIRDI Bill 2017; and
- Review the legal framework for Micro and Small Enterprises Authority (MSEA).

Institutional reforms

- Transformation of KIRDI into a world class research institution;
- Set up Conformity Assessment Bodies; and
- Transformation of KITI to be a Centre of Excellence.

ANNEX I: IMPLEMENTATION MATRIX

Programmes /Projects	Objectives	Expected Output	Indicator	Implementing Agency	Source of Fund	Indicative Budget (in Ksh. Millions)					
						Total	2017/ 2018	2018/ 2019	2019/ 2020	2020/ 2021	2021/ 2022
Ease of Doing Business	To reduce administrative and regulatory impediments to starting and growing businesses in the country	Improved business environment	EODB overall ranking 20 points improvement annually	MOITC KEPSA World Bank OAG, KRA MOLPP KENTRADE BRS KENINVEST Kenya Power	GoK World Bank	60	10	20	10	10	10
		Improved business environment and automated business processes				250	30	100	40	40	40
		Streamlined business processes implemented	No of business reforms implemented			1,400	250	250	300	300	300
		Harmonised regulations	No. of Regulations harmonised			490	90	100	100	100	100
Development of Industrial Clusters i) Cotton value addition	To improve cotton production and competitiveness and increase revenues	Increased production and increased revenue	Increase in revenue	MOITC, Rivatex, MOA and Farmers Associations and Cooperatives	GoK	565	55	310	200	0	0
ii) Training of textile & apparel workers	To improve skills of textile and apparel workers	Train 50,000 youth & women to enhanced local production capacity	Developed curricula; No. of textile workers/supervisors trained	KITI Rivatex	GoK	169	32.5	34	34	34	34
iii) Enhancement of Textile & Apparel Sector Competitiveness	To propel Kenya towards becoming a regional textile and Apparel	Improved quality of the products, designs and production techniques	No. of youth and women supported on skills development	EPZA, NITA, KITI, TVETA	GoK	1000	200	200	200	200	200

Programmes /Projects	Objectives	Expected Output	Indicator	Implementing Agency	Source of Fund	Indicative Budget (in Ksh. Millions)					
						Total	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022
hub.		Productivity Development Centres	No of skills and productivity centres equipped	EPZA, NITA, KITI, TVETA	GoK	100	20	30	30	10	10
		Reduced logistics cost	% reduction in cost	MoT/ Kenya Railways (SGR)	GoK	1,712	146	292	350	420	504
		Reduced power cost	% reduction of cost of power	MoE/Kenya Power	GoK	4,611	393	786	943	1,131	1,358
		Reduced permit cost	Reduced cost of work permits	MoCNG/Immigration Department	GoK	1,989	78	546	546	546	273
		5 million Square feet of industrial sheds constructed	No. of Square feet constructed	EPZA, Financiers, Private Developers	GoK Private Sector	9,000	3,000	2,000	2,000	1,000	1,000
v) Textile & Apparel Sector	To provide affordable industrial production facilities to investors To attract more investments into the textile sector	Increased investments in EPZs from \$350 million to \$2 billion	increase in the level of investments	MolTC (SDII), EPZA, KenInvest, EPC, Brand Kenya Board	GoK	388	52	84	84	84	84
EPZ Policy Review	To provide an enabling environment to investors	Increased market of EPZ products in EAC and COMESA markets	% increase in domestic sales	MolTC (SDII), EPZA, TNT, EAC, KRA	GoK	1,832	210	410	405	405	402
Leather and leather products	To propel Kenya towards becoming a regional leather and leather products hub	Completed CETP at Kenanie	Operationalized Kenanie leather industrial park	MolTC, KLDC, MoEP MoW&I, MoLHUD	GoK	2,500	2,900	4,365	100	100	100
		Developed and equipped factory	Leather Factory at Kajiado	KLDC, MoALF&I	GoK	1,800	100	1,700	50	50	60
		3 other leather parks developed	No of leather parks developed	KLDC	GoK	4,000	5	1,00	1,000	500	500

Programmes /Projects	Objectives	Expected Output	Indicator	Implementing Agency	Source of Fund	Indicative Budget (in Ksh. Millions)					
						Total	2017/ 2018	2018/ 2019	2019/ 2020	2020/ 2021	2021/ 2022
		Well-coordinated leather sector and policy developed	No. of Developed and reviewed policies	ACA, KEBS, KLDC IDB Capital	GoK	650	160	490	0	0	0
		Improved quality of leather and leather products	No. of tool kits manufactured for SMEs in footwear and leather goods production	KLDC KIRDI NMC KITI	GoK	568	83	335	50	50	50
			Train 5,000 cottage industries (cobblers)								
		Profiled investment opportunities in leather sector	Market intelligence report	MOITC, KLDC KENINVEST	GoK	200	20	30	50	50	50
Establishment & Operationalization of the Special Economic Zones Authority (SEZA)	To promote attraction of domestic and foreign investments to the economy, create opportunities for new industries and service enterprises and transfer of technology	Operationalize the Authority	SEZA in place	MOITC SEZA	GoK	1,850	230	350	400	420	450
Development of the Naivasha Industrial Park project		30,000 acres of Land acquired	No. of acres of land acquired	SEZA NLC MOLPP, NT	GoK	12,000	4,000	4,000	-	-	-
		Reports on feasibility study, Detailed Designs, SEA & Site Surveys	No. of reports	SEZA	GoK	800	100	300	400	10	-
		External road constructed	No. of KMS of paved road	SEZA MOTI	GoK	1,200	-	600	500	100	100
		Available and reliable power supply at the park	Industrial Power Sub-Station	SEZA MOEP Kenya Power	GoK	2,100	-	700	600	600	200

Programmes /Projects	Objectives	Expected Output	Indicator	Implementing Agency	Source of Fund	Indicative Budget (in Ksh. Millions)					
						Total	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022
SMEs Parks/Industrial parks	To promote industrial dispersion and balanced economic development in the country	Available and reliable water supply at the park	% level of completion	SEZA MOW&I	GoK	1,964	-	600	700	400	264
		CETP Constructed	% level of completion		GoK	2,500	-	500	800	900	300
		Land acquired and development of basic infrastructure	No. of Land parcels acquired	MOITC CG	-	-	-	-	-	-	-
		Master plans, Feasibility studies and SEA reports	master plan & feasibility study report profiled	Private sector KIE ICDC NMC MSEA	GoK, Private sector, CG	235 M	47M	47M	47M	47M	47M
		Developed SMEs/ Industrial Parks	No. of SMEs/ Industrial Parks developed		GoK, Private sector, CG	141 B	28.2 B	28.2 B	28.2 B	28.2 B	28.2 B
MSMEs development programmes	To improve Productivity, sustainability and competitiveness of the MSMEs	Jobs created	No. of Jobs created		GoK, Private sector, CG						
		SMEs parks promoted	No. of Investors attracted		GoK, CG	250	50	50	50	50	50
		Entrepreneurship skills developed	No. of MSMEs trained on Productivity and competitiveness	MOITC KIE MSEA KITI	GoK	1500	1500	1500	1500	1500	1500
		MSMEs formalized	No. of MSMEs formalized	KIRDI PCK KLDC, KIBT	GoK	50	10	10	10	10	10
		Improved quality of products types from MSMEs	No. of MSMEs products improved	MOITC KEBS	Donors	545	45	125	125	125	125
		Increased efficiency and	No. of staff recruited	MSEA	GoK	1,650	300	300	400	350	300

Programmes /Projects	Objectives	Expected Output	Indicator	Implementing Agency	Source of Fund	Indicative Budget (in Ksh. Millions)					
						Total	2017/ 2018	2018/ 2019	2019/ 2020	2020/ 2021	2021/ 2022
		service delivery									
		Branded, packaged and marketed MSMEs products	No of branded quality products	MOITC, KIPi Brand Kenya KEBS, KLDC KIRDI, KIE MSEA	GoK Donors	700	150	200	100	150	100
		Market accessed for MSMEs products	No of MSMEs facilitated to access local, regional and international market	MSEA Brand Kenya EPC	GoK	340	50	50	60	80	100
		Increased access to credit and Improved productivity of MSMEs	Amount of credit disbursed; No of jobs created	KIE	GoK	21,500	1,500	5,000	5,000	5,000	5,000
		Operationalize Micro and Small Enterprises Fund	Amount of funds accessed by MSMEs	MSEA County Government	GoK	7,000	2,000	1,500	1,000	2,000	500
		Increased investments in manufacturing sector	Amount of industrial credit	ICDC IDB CAPITAL	GoK	42,615	15,065	7,000	6,850	6,850	6,850
		Increased registration of IPRs	No of IPRs registered	MOITC, KEBS, KIRDI, KIPi, KENIA	GoK	750	150	150	150	150	150
		Increased product competitiveness	No of products Certified	KIRDI, KEBS KLDC, MSEA CGs	GoK	800	200	200	150	150	100
		Functional MSE Worksites	No of Functional MSE Worksites	MSEA	GoK	4,770	500	800	1,200	1,250	2,000

Programmes /Projects	Objectives	Expected Output	Indicator	Implementing Agency	Source of Fund	Indicative Budget (in Ksh. Millions)					
						Total	2017/ 2018	2018/ 2019	2019/ 2020	2020/ 2021	2021/ 2022
		Functional MSE COE	Number of MSE COE established	MSEA	GoK	14,100	2,400	3,000	3,000	3,000	2,700
		functional CDCs	Number of CDCs completed, equipped and Functional	MSEA KIE	GoK	8,162	632	2,000	1,845	1,845	1,840
		Operationalized MSE Tribunal and registrations	MSE Tribunal and Registrar in place	MOITC MSEA,	GoK	750	150	150	150	150	150
		Strengthen the capacity of MSE Associations and Umbrella Organization	Number of new MSE Associations registered No of umbrella organization registered	MSEA ; OAG; Registrar of MSEs;	GoK, ILO, UNDP, world bank,	70	10	15	15	15	15
		Youth issued with grants	Number of youth issued with grant	MOITC, MPYG, MSEA, NITA	GoK, World Bank	2,520	574	640	700	536	0
		Youth benefiting from BDS	Number of youth benefitted from BDS	MOITC, MSEA, MPYG							
		Increase in earnings for targeted youth	Percentage increase in earnings for targeted youth	MOITC, MSEA, MPYG							
		Improved policy environment for MSE sector	Revised sessional paper no.2 of 2005 on MSEs	MOITC, MSEA, TNT, MoEACLSP OAG	GoK	70	5	25	30	5	5

Programmes /Projects	Objectives	Expected Output	Indicator	Implementing Agency	Source of Fund	Indicative Budget (in Ksh. Millions)					
						Total	2017/ 2018	2018/ 2019	2019/ 2020	2020/ 2021	2021/ 2022
Agro processing - Food processing	To promote value addition to agricultural products (Dairy, Tea, Meat, fish, Animal feed, sugar, Fruit & Vegetables, Poultry, Piggery)	Established food hub and agro park at Nakuru and Taita Taveta	No of food hubs created Number of jobs created	MoITC, KDB MoALF&I, MoL&PP, IDB Capital, NKCC, KEBS, TEA BOARD EPC,CGs KenInvest AFA	GoK private sector, PPP	7,803	382	1,846	1,855	1,860	1,860
		Blue-Ocean Policy Established fish plant	Blue-Ocean Policy policy developed Fish plants established; Commercialization of I. Turkana fish; Aquaculture farming and processing	MOITC;MOALF&I; CG:LAPSET Authority	GoK Private Sector	5,000	500	2,000	1,000	800	700
Machinery, Equipment and Industrial Parts	To promote local manufacture of machinery, tools and equipment	Increased investments in the manufacture of Agro Machinery, equipment and tools	Volume of investments	MOITC MOEST MOE TVETA CG Private Sector NMC	GoK/ PPP	50,000	10,000	10,000	10,000	10,000	10,000
		Baseline line survey undertaken to establish the need Established transformer manufacturing facility	Baseline line survey Report % level of completion		GoK	100	25	75	0	0	0
Automotive motorcycles,	To promote the manufacture of	Developed Policy	Automotive policy in place	NMC MOE Kenya Power	GoK	980	0	980			
				MOITC MoE	GoK	100,000	20,000	20,000	20,000	20,000	20,000

Programmes /Projects	Objectives	Expected Output	Indicator	Implementing Agency	Source of Fund	Indicative Budget (in Ksh. Millions)					
						Total	2017/ 2018	2018/ 2019	2019/ 2020	2020/ 2021	2021/ 2022
components and auto-parts	automotive, motorcycles, components and auto-parts	Increased manufacture of components and parts locally	% of firms producing components and volume of local value add	TVETA Universities County Governments Private Sector NMC	GoK	500	100	120	150	65	65
		Enhanced capacity	No of people enrolled in the exchange program	MOITC Development Partners Private Sectors	GoK	50	10	10	10	10	10
		baseline survey undertaken	Baseline survey report	MOITC Private Sectors	GoK	50	25	25	0	0	0
		New investments in the ICT Sector	No. of reports	MOITC,MOICT, KENINVEST	GoK, PPP	65	15	25	25	0	0
Electrical and electronics parts Assembly	To promote manufacture of computer parts, Electronics and IT related components	Increased investments in the manufacture of Electrical and electronics	Value of investment	MOITC Universities MOEST	GoK PPP	2,000	500	800	500	200	500
Iron and steel	To promote local production of iron and steel products	Finalised iron and steel strategy	Strategy Report	MOITC, NMC Private Sector	GoK	20	15	10	0	0	0
		Quality and quantity of minerals established	Geospatial Survey report	MOITC MOM	GoK	30	10	20	0	0	0
		Established iron and steel plant	% of completion of Iron and steel plant	MOITC ,NT NMC, LAPSET Private Sector CGs	GoK PPP	139,224	500	16,100	75,400	37,724	9,500
Research, Technology and Innovation programme	To enhance capacity for research & technology development and innovation.	Equipped and operationalized Laboratories	No of laboratories equipped and operationalized	MOITC KIRDI	GoK PPP	500	320	180	0	0	0
		Equipped and operationalized Laboratories	% level of completion	MOITC KIRDI	GoK PPP	2,500	800	500	600	300	300

Programmes /Projects	Objectives	Expected Output	Indicator	Implementing Agency	Source of Fund	Indicative Budget (in Ksh. Millions)					
						Total	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022
Development of accreditation and standards infrastructure	To strengthen the accreditation and standards infrastructure	Strengthen the innovation & entrepreneurship ecosystem	No. of SMEs incubated and accessing grants; No. of tertiary students trained	MOITC WORLD BANK MOICT PCK	GoK WB	5,720	1,000	1,200	1,500	1,500	520
		Increased innovation, patent registration and prototypes	No. of new R&D projects & prototype; No. of patents registered	MOITC, MOEST NACOSTI KENIA, NRF Universities KIPi, KIRDI	GoK	50	10	10	10	10	10
		Increased commercialization of R&D	No of commercialized technologies	Research Institutions KIPi, KENIA Universities KEBS	GoK	700	300	100	100	100	100
		Accredited institutions developed standards for SMEs products Biomedical Metrology unit constructed	No of institutions accredited, No of standards developed % level of completion of the unit	MOITC, KEBS, KENAS	GoK Development Partners	600	50	300	150	50	50
Skills development and Transformation of KITI to be a centre of excellence	To train workforce on industrial skills, improve labour Productivity and strengthen the Academia-Industry linkages	Completed infrastructure and equipped facilities	% level of completion	MOITC KITI KLDC Development Partners	GoK	1,800	500	500	300	300	200
		Reviewed scheme of service and staff recruited	Scheme of service and no of qualified staff recruited	MOITC, KITI	GoK	10	5	5	0	0	0
		Reviewed curriculum	Curriculum in place	MOITC, MOEST KICD, KITI	GoK	55	20	20	15	0	0
		Established common manufacturing facilities	No of common facilities established	MOITC KITI	GoK, Development Partners	600	50	300	200	50	0

Programmes /Projects	Objectives	Expected Output	Indicator	Implementing Agency	Source of Fund	Indicative Budget (in Ksh. Millions)					
						Total	2017/ 2018	2018/ 2019	2019/ 2020	2020/ 2021	2021/ 2022
Oil, gas & mineral processing	To increase local content and value addition	Improved human resources capacity	Ratio of engineers, technologists and technicians to the population	MOEST TVETA Universities Research Institutions Private sector	GoK Development Partners	800	200	200	200	100	100
		Mapped minerals	Geospatial map	MoP&M, MOITC MoEP	GoK Development Partners	50	10	10	10	10	10
		Developed Regulatory framework for mining	Regulatory framework in place	MoP&M, MOITC MoP&M,	GoK Development Partners	20	10	5	5	0	0
		Developed legislative framework	Legislation framework in place	MoP&M, MOITC MoP&M,	GoK Development Partners	20	10	5	5	0	0
		Finalized oil and gas policy	Oil and gas Policy in place	MOM MOITC MoP&M,	GoK Development Partners	20	10	5	5	0	0
GRAND TOTAL						624342	96979.5	118745	170214	128743.25	99192

ANNEX II: MONITORING AND EVALUATION MATRIX

Programmes /Projects	Objectives	Expected Output	Indicator	Implementing Agency	Yearly Targets				
					2018/19	2019/20	2020/21	2021/22	2022/23
Ease of Doing Business	To reduce administrative and regulatory impediments to starting and growing businesses in the country	Improved business environment and automated business processes	EODB overall ranking 20% improvement annually	MOITC,KEPSA World Bank OAG,KRA MOLPP, BRS KENTRADE KENINVEST Kenya Power	82	72	62	50	45
					4000	4000	4000	4000	4000
					300	300	300	300	450
Cotton value addition	To improve cotton production and competitiveness and increase revenues	Increased production and increased revenue	Increase in cotton production (tons) Increase in revenue/investments (Ksh Billion) No of jobs created in apparel	MOITC, Rivatex	15000	15000	20000	25000	25000
Training of textile & apparel workers	To improve skills of textile and apparel workers	Enhanced local production capacity	No. of textile workers/supervisors trained	KITI RIVATEX	200	200	200	200	200
Enhancement of Textile & Apparel Sector Competitiveness	To propel Kenya towards becoming a regional textile and Apparel hub.	Improved quality of the products, designs and production techniques	No. of youth and women supported on skills development	EPZA, NITA, KITI, TIVETA	10,000	10,000	15,000	15,000	10,000
		Productivity Development Centres	No of skills and productivity centres equipped	EPZA, NITA, KITI, TIVETA	2	2	2	2	2
Completion of Phase II & Phase III of Athi River Textile Hub	To provide affordable industrial production facilities to investors	Factory sheds constructed	No. of square feet constructed (million square feet)	EPZA, Financiers, Private Developers	1	1	1	1	1
Textile & Apparel Sector Marketing, Investment Attraction & Facilitation	To attract more investments into the textile sector	Increased investments in EPZs	No. Investment forums held	MolTC (SDII), EPZA, KenInvest, EPC, Brand Kenya Board	2	2	2	2	2

Programmes /Projects	Objectives	Expected Output	Indicator	Implementing Agency	Yearly Targets				
					2018/19	2019/20	2020/21	2021/22	2022/23
Leather and leather products	To propel Kenya towards becoming a regional leather and leather products hub	Completed infrastructure development at Kenanie	Operational Kenanie leather industrial park	MOITC KLDC MOEP MOW&S MOL&PP	1	-	-	-	-
		Developed and equipped factory	Leather Factory	KLDC	1	-	-	-	-
		3 leather parks	No of leather parks identified Prefeasibility reports	KLDC	1	1	1	-	-
		Improved quality of leather and leather products	No. of SMEs trained in footwear and leather goods production No. of tool kits manufactured for SMEs in footwear and leather goods production	KLDC KIRDI NMC KITI	1,200 10,000	1,200 10,000	1,200 10,000	1,200 10,000	1,200 10,000
Establishment & Operationalization of the Special Economic Zones Authority (SEZA)	To promote attraction of investments to the economy, create opportunities for new industries and service enterprises and transfer of technology	Operationalize the Authority	SEZA in place	MOITC SEZA	1	-	-	-	-
		Infrastructure facilities development at Dongo Kundu	Infrastructure facilities developed						
		Resettlement Action Plan	Resettlement Action Plan developed		1 report				
Development of the Naivasha Industrial Park project	To promote attraction of domestic and foreign investments to the economy, create opportunities for new industries and service enterprises and transfer of technology	Land acquired	No. of acres of land acquired	SEZA, NLC Mol.&PP	10,000	10,000	10,000	-	-
		Reports on feasibility study, Detailed Designs, SEA & Site Surveys	No. of reports developed	SEZA	4	-	-	-	-
		Constructed industrial park at Naivasha	% of completion of the park	SEZA, MOTI, MOEP Kenya Power MOW&I	10	35	60	100	0

Programmes /Projects	Objectives	Expected Output	Indicator	Implementing Agency	Yearly Targets				
					2018/19	2019/20	2020/21	2021/22	2022/23
SMEs Parks/Industrial parks	To promote industrial dispersion and balanced economic development in the country	Master plans, Feasibility studies and SEA reports	master plan & feasibility study report _profiled	MOITC, CG Private sector KIE, ICDC NMC, MSEA	1	-	-	-	-
		Developed SMEs/ Industrial Parks	No. of SMEs/ Industrial Parks developed		8	10	10	10	9
		Jobs created	No. of Jobs created		100,000	100,000	100,000	100,000	100,000
MSMEs development programmes	To improve Productivity, sustainability and competitiveness of the MSMEs	MSMEs trained on Entrepreneurship skills	No. of MSMEs trained on Productivity and competitiveness	MOITC, KIE MSEA, KITI KIRDJ, PCK KLDC KIBT	40,000	50,000	50,000	60,000	60,000
		MSMEs formalized	No. of MSMEs formalized		1,100	1,300	1,500	1,500	1,600
		Improved quality of products types from MSMEs	No. of MSMEs products improved		100	100	100	114	100
		Branded, packaged and marketed MSMEs products	No of branded quality products	MOITC, KIPi Brand Kenya KEBS, KLDC KIRDJ, KIE, MSEA	10	10	10	10	10
		Increased market access for MSMEs products	No of MSMEs facilitated to access local, regional and international market	MSEA Brand Kenya EPC	3,600	3,600	3,600	3,600	3,600
		Increased access to credit and Improved productivity of MSMEs	Amount of credit disbursed (ksh Billion)	KIE	1	2	3	3	3
		No of jobs created	No of jobs created		150,000	150,000	200,000	250,000	250,000
		No of MSMEs incubated	No of MSMEs incubated		8,600	8,600	8,600	8,600	8,600
		Operational Micro and Small Enterprises Fund	Amount of funds accessed by MSMEs (ksh billion)	MSEA CGs	0	1	1	2	0.5

Programmes /Projects	Objectives	Expected Output	Indicator	Implementing Agency	Yearly Targets				
					2018/19	2019/20	2020/21	2021/22	2022/23
		Increased industrial credit advanced to manufacturing sector	Amount of industrial credit issued (ksh billion)	ICDC IDB Capital	15	7	6.8	6.8	6.8
		Increased registration of IPRs	No of IPRs registered	KIPI	10	20	20	30	20
		Increase number of product certified	No of products Certified	KIRDI, KEBS KLDC,MSEA, CGs	10	10	10	10	10
		Secured and developed MSE Worksites	No of Functional MSE Worksites	MSEA	50	80	100	100	98
		Established MSE COE	Number of MSE COE established	MSEA	2	2	2	2	2
		Completed and operational CIDCs	Number of CIDCs completed, equipped and Functional	MSEA KIE	30	30	42	30	30
		Operationalized MSE Tribunal and registrations	MSE Tribunal and Registrar in place	MOITC MSEA,	2	-	-	-	-
		Strengthen the capacity of MSE Associations and Umbrella Organization	Number of new MSE Associations registered No of umbrella organization registered	MSEA ; AG; Registrar of MSEs; MSEs Associations and umbrella organization	40 2	40 2	40 -	40 -	40 -
		Youth issued with grants to do business	Number of youth issued with grant	MITC, MPYG, MSEA, NITA	7,500	7,500	7,500	7,500	-
		Youth benefiting from BDS	Number of youth benefitted from BDS		2,000	2,000	2,000	2,000	2,000

Programmes /Projects	Objectives	Expected Output	Indicator	Implementing Agency	Yearly Targets				
					2018/19	2019/20	2020/21	2021/22	2022/23
Agro processing - Food processing	To promote value addition to agricultural products (Dairy, Tea, Meat, fish, Animal feed, sugar, Fruit & Vegetables, Poultry, Piggery)	Improved policy environment for MSE sector	Revised sessional paper no.2 of 2005 on MSEs	MITC, MSEA, NT, MEACLESS, AG's Office,	1	-	-	-	-
		Established food hub and agro park at Nakuru and Taita Taveta	No of food hubs created Number of jobs created	MOITC, MOAL&F MOL&PP, KDB IDB Capital NKCC, KEBS TEA BOARD EPC, CGs	1 10,000	1 20,000	- 30,000	- 40,000	- 40,000
		Established fish plant	Fish plants established	KenInvest AFA, CG	-	1	-	-	-
			Commercialization of lake Turkana fish 2 Aquaculture farming and processing investments	LAPPSET Authority	1	-	-	-	-
Machinery, Equipment and Industrial Parts	To promote local manufacture of Agro- machinery, tools and equipment	Increased investments in the manufacture of Agro Machinery, equipment and tools	Volume of investments (Ksh Billion)	MOITC, MOEST MOE&P, TIVETA CG Private Sector NMC	10	10	10	10	10
		Baseline line survey undertaken to establish agro machinery and equipment needs	Baseline line survey Report		1	-	-	-	-
Automotive motorcycles, components and auto-parts	To promote the manufacture of automotive, motorcycles, components and auto-parts	Developed Automotive Sector Policy	Automotive policy	MOITC	1	-	-	-	-
		Increased manufacture of components and parts locally	Increase local component manufacture to 60%	Private Sector NMC	10	20	30	40	60
		Enhanced capacity	No of people enrolled	MOITC	200	200	200	200	200

Programmes /Projects	Objectives	Expected Output	Indicator	Implementing Agency	Yearly Targets				
					2018/19	2019/20	2020/21	2021/22	2022/23
Electrical and electronics parts Assembly		for manufacturing	in the exchange program	Development Partners Private Sectors					
		Baseline survey undertaken	Baseline survey report	MOITC Private Sectors	1	-	-	-	-
	To promote manufacture of computer parts, Electronics and IT related components	New investments in the ICT Sector	No. of investment profile reports	MOITC, MOICT KENINVEST	1	-	-	-	-
		Increased investments in the manufacture of Electrical and electronics	Value of investment (Ksh billion)	MOITC Universities MOEST	2	2	2	2	2
Iron and steel	To promote local production of iron and steel products	Quality and quantity of minerals established	Geospatial Survey report	MOITC MOM	1	-	-	-	-
		Finalised iron and steel strategy	Strategy Report	MOITC, NMC Private Sector	1	-	-	-	-
		Established iron and steel plant	% of completion of the iron and steel plant	MOITC, NT NMC, LAPSET Private Sector County Governments	10	20	45	70	100
Research, Technology and Innovation programme	To enhance capacity for research & technology development and innovation.	Equipped and operationalized Laboratories at Kisumu	No of laboratories equipped and operationalized	MOITC, KIRDI	1	1	1	1	-
		Completed and equipped Laboratories at Nairobi	% of completion	MOITC, KIRDI	65	80	100	-	-
		Improved innovation & entrepreneurship ecosystem in the country	No. of SMEs incubated and accessing grants No. of accelerators and incubators No. of tertiary students trained	MOITC WORLD BANK MOICT PCK	50 8 160	50 8 160	50 8 160	50 8 160	50 8 160

Programmes /Projects	Objectives	Expected Output	Indicator	Implementing Agency	Yearly Targets				
					2018/19	2019/20	2020/21	2021/22	2022/23
Development of accreditation and standards infrastructure	To strengthen the accreditation and standards infrastructure	Increased commercialization of R&D	No of commercialized technologies	Research Institutions KIPi, KENIA Universities, KEBS	4	4	4	4	4
		Accredited institutions; Developed standards for SMEs products	No of institutions accredited; No of standards developed	MOITC, KEBS, KENAS	10	10	10	10	10
					20	20	20	20	20
Skills development and Transformation of KITI to be a centre of excellence	To train workforce on industrial skills, improve labour Productivity and strengthen the Academia-Industry linkages	Completed infrastructure and equipped facilities	% of completion	MOITC, KITI, KLDC	30	30	40	-	-
		Established common manufacturing facilities for leather and textiles	No of common facilities established	Development Partners	1	1	-	-	-
		Improved human resources capacity	Ratio of engineers, technologists and technicians to the population	MoEd., TVETA Universities Research Institutions Private sector	1:5500	1:5000	1:4500	1:4000	1:3500
Oil, gas & mineral processing	To increase local content and value addition in oil, gas and mineral	Developed oil and gas Local Content policy	Oil and gas Policy in place	MoP&M, MOITC MoE	1	-	-	-	-