



REPUBLIC OF KENYA

MEDIUM TERM EXPENDITURE FRAMEWORK

2014/15 – 2016/17

**REPORT FOR THE GENERAL ECONOMIC
AND COMMERCIAL AFFAIRS SECTOR**

NOVEMBER 2013

LIST OF ACRONYMS

ACA	Anti –Counterfeit Agency
ACU	AIDS Control Unit
ADB	African Development Bank
AGAs	Autonomous Government Agencies
AGOA	African Growth and Opportunity Act
AIA	Appropriation in Aid
AIDS	Acquire Immune Deficiency Syndrome
AIE	Authority to Incur Expenditure
ASK	Agricultural Show of Kenya
ASAL	Arid and Semi-Arid lands
ASMEP	Assistance to Micro and Small Enterprise Programme
BDS	Business Development Services
BICs	Business Information Centres
BIS	Business Incubation Services
BPO	Business Process Outsourcing
BPRT	Business Premises Rent Tribunal
BQ	Bill of Quantity
BROP	Budget Review and Outlook Paper
BSCs	Business Solution Centres
BSPS	Business Sector Programme Support
CABs	Conformity Assessment Bodies
CAMI	Council on African Ministers for Industry
CAMS	Computerized Audit Management System
CBA	Collective Bargaining Agreement
CBOs	Community Based Organizations
CDA	Coast Development Authority
CET	Common External Tariffs
CIDC	Constituency Industrial Development Centres
CMF	Common Manufacturing Facilities
CMP	Common Market Protocol
CNC	Computer Numerical Controlled

COMESA	Common Market for Eastern and Southern Africa
CSOs	Civil Society Organizations
CTDLT	Catering and Tourism Development Levy Trustees
DANIDA	Danish International Development Agency
DBSCs	District Business Solution Centres
DDA	Doha Development Agenda
DFID	Department for International Development
DIT	Directorate of Industrial Training
EA	East Africa
EAA	East African Affairs
EAC	East African Community
EACCMA	East African Community Customs Management Act
EAACT	East African Affairs, Commerce and Tourism
ECCOS	Ethics Commission for Cooperative Societies
EAMU	East African Monetary Union
EAPCC	East African Portland Cement Company
EC	European Commission
EDF	European Development Fund
EDSC	Engineering and Design Centre
EEC	European Economic Community
EOI	Expression of Interest
EPA	Economic Partnership Agreement
EPC	Export Promotion Council
EPZA	Export Processing Zones Authority
EPZ	Export Processing Zone
ESP	Economic Stimulus Programme
EU	European Union
FDI	Foreign Direct Investment
FKE	Federation of Kenya Employers
FTA	Free Trade Area
GDP	Gross Domestic Product
GECA	General Economic and Commercial Affairs
GJLOs	Governance, Justice, Law and Order

GOK	Government of Kenya
HIV	Human Immunodeficiency Virus
IC	Industrial Court
ICDC	Industrial and Commercial Development Corporation
ICT	Information, Communication and Technology
IDA	International Development Agency
IDB	Industrial Development Bank
IFMIS	Integrated Financial Management Information System
IGAD	Inter-Governmental Authority on Development
IP-ERS	Investment Programme for the ERS
IPRs	Industrial Property Rights
IPRs	Intellectual Property Rights
JICA	Japan International Cooperation Agency
JKUAT	Jomo Kenyatta University of Agriculture and Technology
JLBS	Joint Loan Board Scheme
JPC	Joint Permanent Commission
KEBS	Kenya Bureau of Standards
KENAS	Kenya National Accreditation Service
KEN INVEST	Kenya Investment Authority
KEPLOTRADE	Kenya Post-Lome Trade Negotiations Programme
KESSP	Kenya South Sudan Support Programme
KESSULO	Kenya South Sudan Liaison Office
KFCU	Kenya Farmers Cooperative Union
KIBT	Kenya Institute of Business Training
KICC	Kenyatta International Convention
KIE	Kenya Industrial Estates
KIPI	Kenya Industrial Property Institute
KIRDI	Kenya Industrial Research and Development Institute
KWRC	KIRDI Western Region Centre
KITC	Kisumu Industrial Training Centre
KITI	Kenya Industrial Training Institute
KLDC	Kenya Leather Development Council
KNTC	Kenya National Trading Corporation

KRA	Kenya Revenue Authority
KSLH	Kenya Safari Lodges and Hotels limited
KTB	Kenya Tourist Board
KTDC	Kenya Tourist Development Corporation
KTTI	Kenya Textile Training Institute
KUC	Kenya Utalii College
KVDA	Kerio Valley Development Authority
KWAL	Kenya Wine Agencies Limited
LAPSSSET	Lamu Port Southern Sudan Ethiopia Transport
LDC	Leather Development Centre
M&E	Monitoring and Evaluation
MDGs	Millennium Development Goals
MICE	Meetings, Incentive, Conferences and Exhibitions
MITC	Mombasa Industrial Training Centre
MoIED	Ministry of Industrialization and Enterprise Development
MOU	Memorandum of Understanding
MSE	Micro and Small Enterprises
MSEA	Micro and Small Enterprises Authority
MSMEs	Micro, Small and Medium Enterprises
MSMIs	Micro, Small and Medium Industries
MTEF	Medium Term Expenditure Framework
MTP	Medium Term Plan
NCSE	National Council for Small Enterprises
NCWTO	National Committee on World Trade Organization
NEMA	National Environmental Management Authority
NEPAD	New Partnership for Africa's Development
NGO	Non Governmental Organization
NIP	National Industrialization Policy
NITC	National Industrial Training Council
NIVTC	National Industrial and Vocational Training Centre
NKCC	New Kenya Cooperative Creameries
NMC	Numerical Machining Complex
NOCK	National Oil Corporation of Kenya

NORICEMAC	North Rift Cereal Marketing Cooperative
NQF	National Qualification Framework
NSSF	National Social Security Fund
NTBs	Non-Tariff Barriers
O&M	Operation and Maintenance
OVOP	One Village One Product
PAS	Performance Appraisal System
PBB	Programme Based Budgeting
PBGs	Producer Business Groups
PCK	Productivity Centre of Kenya
PER	Public Expenditure Review
PPP	Public Private Partnership
PPR	Programme Performance Review
R&D	Research and Development
RDAs	Regional Development Authorities
RECs	Regional Economic Communities
SACCO	Savings and Credit Co-operative Organizations
SADC	Southern Africa Development Corporation
SAGAs	Semi-Autonomous Government Agencies
SASRA	Sacco Society Regulatory Authority
SEZ	Special Economic Zones
SME	Small and Medium Enterprise
SMI	Small and Medium Industry
TARDA	Tana and Athi River Development Authority
TF	Tourism Fund
TVET	Technical Vocational Education and Training
TSA	Tourism Satellite Account
TTF	Tourism Trust Fund
UNDP	United Nations Development Programme
UNESCO	United Nations Education Social and Cultural Organization
UNFPA	United Nations Population Fund
UNWTO	United Nations World Tourism Organization
USA	United States of America

USAID	United States Agency for International Development
VAT	Value Added Tax
W&M	Weights and Measures
WB	World Bank
WTO	World Trade Organization

EXECUTIVE SUMMARY

The General Economic and Commercial Affairs (GECA) Sector comprises two Sub Sectors namely: East African Affairs, Commerce and Tourism sub sector; and Industrialization and Enterprise Development sub sector. The sector envisions a globally competitive economy with sustainable and equitable socio-economic development.

The Sector is among the key productive sectors identified for accelerating economic growth and development because of its immense potential for wealth, employment creation, poverty reduction, industrial development and achieving equitable distribution of resources. The Sector also plays a significant role towards achievement of the Vision 2030 and Millennium Development Goals (MDGs) through trade, tourism and investments to enhance economic growth. Exports from Economic Processing Zones (EPZ) under the sector stand at Kshs.41.41 billion while direct local employment in the EPZ stands at 32,516 people. Tourism earnings from the sector amount to Kshs.96.02 billion. It contributes significantly to the overall national development agenda accounting for about 33 percent of the overall GDP. It is a major source of government revenue in form of taxes, duties, license fees, entry fees, among others.

The sector aims at promoting regional integration and cooperation; growth and development of commerce; tourism promotion and development; savings and investment mobilization; employment creation; and industrial and entrepreneurship development. Key outcomes expected from the sector are: increased contribution of industry to GDP; increased contribution of cooperatives to the economy; deepened and widened EAC integration; increased contribution of domestic trade and tourism to GDP; increase in export earnings; and effective and efficient service delivery.

In the period under review (2010/11-2012/13), the sector achieved the following: Exports grew from Ksh.409.8 billion in 2010 to Ksh.517.9 billion in 2012 representing a 26.4% increase; Intra EAC trade continued to expand with Kenya recording a surplus balance of USD\$ 1,005.1, 1,021.8 and 241.5 million in the years 2009, 2010 and 2011 respectively. Kenya's exports to the EAC region expanded from Kshs.101.3 billion in 2010 to Kshs.134.95 billion in 2012; employment under industry grew by 5 percent with formal employment increasing from 261,300 in 2007 to 275,800 in 2011 while informal

employment grew by 17 per cent from 1.57 million in 2007 to 1.83 million in 2011. Value of exports from EPZ increased by 5.98% to Kshs.41.41 million in 2012 from Kshs.39.1 million in 2011; direct local employment in the EPZ also increased from 32,043 persons in 2011 to 32,516 persons in 2012.

The sector also exceeded its target of reviving dormant cooperatives (180 against a target of 100) and registration of new cooperatives (798 registered against a target of 400) for the FY 2012/2013. Appropriate model by-laws were developed leading to the registration of two diaspora SACCOs in U.K and U.S.A in a bid to facilitate structured remittances from the diaspora. In addition, the sector in collaboration with National Cereals & Produce Board procured and distributed about 10,000 tons of fertilizer for Co-operatives in Rift Valley and Western regions. Tourism Act was commenced, regulations and National tourism Strategy developed; Tourism earnings increased from Ksh.73.7 billion in 2010 to Kshs.96 billion in 2012; and visitor arrivals grew from 1.6 million in 2010 to 1.7 million in 2012.

Under the MTEF period 2014/15 to 2016/17, the Sector has identified seven (7) priority programmes for implementation as follows: Industrial Development and investment; Standards and business incubation; Cooperative development; Commerce, tourism promotion and investment; Coordination of the East African Community affairs; Trade and tourism development; and Planning, policy and administration services.

To implement the above prioritized programmes a total of Kshs.132.0 billion in 2014/15, Kshs.154.5 billion in 2015/16 and Kshs.172.7 billion in 2016/17 is required. This is to facilitate funding for three priority areas under industry namely: Special Economic Zones, Mombasa Free Trade Zone and forty seven (47) County Industrial Parks.

The Sector is currently faced with challenges and emerging issues which need to be addressed to enable the sector realize its goals. These challenges include: Inadequate funding for programmes; under developed infrastructure; low levels of awareness on opportunity and benefits arising from regional integration; low levels of savings, lack of a comprehensive policy, legal and regulatory framework; multiple trade regulations; influx of substandard, counterfeits and contra band goods; harsh investment climate; poaching;

weak linkages and collaboration among stakeholders; underdeveloped ICT infrastructure; low technology, innovation, research and development uptake; low levels of FDI, unstable macroeconomic environment; unavailability of land for enterprise development; limited human resource capacity; global economic environment; unwarranted travel advisories; and limited access to credit facilities and financial services. Some of the emerging issues include: climate change and security concerns.

To sustain the Sector's contribution to the economy and achievement of the Vision 2030, a number of interventions and strategies need to be put in place. These include: Enhanced resource allocation; Creation of an enabling business environment; Enhanced investment in business and physical infrastructural facilities and access to affordable financing and credit facilities; Fast track implementation of regional integration policy and strategy, regional initiatives to deepen cooperation in economic, social and political spheres; Mainstream Public Private Partnerships (PPPs); Fast track implementation of one stop shop in licensing of businesses; Enhanced productivity across all sectors; Promotion of cross-sectoral linkages; Fast-track the expansion, modernization and maintenance of infrastructure and ICT networks; Fast track the enactment and implementation of the Kenya Wildlife bill 2011; Build partnerships between the National and County Governments and capacity building at the local level; Enhance Security; and Transform the Tourism Police Unit to Tourism Protection Service as per the Tourism Act 2011.

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**CHAPTER ONE:
INTRODUCTION**

1.1 Background

The General Economic and Commercial Affairs (GECA) Sector comprises of two Sub sectors namely: East African Affairs, Commerce and Tourism; and Industrialization and Enterprise Development. The East African Affairs, Commerce and Tourism sub-sector is comprised of two state departments East African affairs; and Commerce and Tourism. The Industrialization and Enterprise Development subsector comprised of two Directorates: Industrialization; and Cooperative Development. The Sector has twenty four (24) Semi-Autonomous Government Agencies.

The Sector is a key contributor of economic growth of the country as reflected by its share in GDP which stands at about 33 percent. The Sector plays a key role in accelerating economic growth, employment creation, poverty reduction, industrial development and achieving equitable distribution of resources as well as attainment of Millennium Development Goals (MGDs) through trade, tourism and investments. Exports from EPZ stands Kshs.41.41billion while direct local employment in the EPZ standing at 32,516 people. Tourism earnings from the sector amount to Kshs.96.02 billion.

The Sector plays a significant role towards achievement of the targets in the Vision 2030. The second MTP of the Kenya Vision 2030 has identified the sector as a priority sector under the economic pillar with the focus being on promoting trade within and outside the country by strengthening economic partnerships with our neighbours in East Africa and the rest of Africa and improving the overall climate of doing business in Kenya.

The sector also works towards increasing tourism earnings with the goal for tourism under the second MTP being to turn the country into a top 10 long haul tourist destination in the world. In addition, Cooperatives will be strengthened to enhance collective marketing, mobilization of financial resources and technological transfer. Growth and diversification in manufacturing will also be promoted with the aim of increasing the contribution of the sector to GDP and foreign exchange earnings.

For the financial period 2010/11-2012/13 the Sector registered significant achievements in regard to the targets set despite limited resource allocation. The achievements were as follows:

Over the period exports grew from Ksh.409.8 billion in 2010 to Ksh.517.9 billion in 2012 representing a 26.4% increase. However, while exports increased, imports increased more rapidly than exports leading to widening of trade balance deficit. The Intra EAC trade continued to expand with Kenya recording a surplus balance of USD\$ 1,005.1, 1,021.8 and 241.5 million in the years 2009, 2010 and 2011 respectively. Kenya's exports to the EAC region expanded from Kshs.101.3 billion in 2010 to Kshs.134.95 billion in 2012. The implementation of the Customs Union continued, while the Common Market Protocol was successfully negotiated and officially launched. The Negotiations towards establishment of the EAC Monetary Union were initiated and are ongoing.

Under Tourism, the Sector's efforts were geared towards improving policy and regulatory framework. These included implementation of tourism policy under which the Tourism Act was commenced, regulations and National tourism Strategy developed. There was also remarkable growth in tourist arrivals and earnings as a result of aggressive marketing targeting the traditional, emerging, regional and domestic market segments. In addition, more tourism personnel were trained and the number of international visitor arrivals on business travel increased. The sector also attracted investments in international hotels as well as registered home stays as an alternative tourist accommodation. The sector also pursued tourism diversification programmes which included development of the niche products such as culture, agro and medical tourism as well as implemented the Vision 2030 flagship projects under the sector.

The manufacturing sector experienced depressed growth attributable to both internal and external shocks to post a 3.3 percent growth in 2011. The sector facilitated a significant growth in employment through promotion of industrial development recording a 5 percent growth in formal employment from 261,300 in 2007 to 275,800 in 2011 while informal employment grew by 17 per cent from 1.57 million in 2007 to 1.83 million in 2011. There are various projects and programmes under the promotion of industrial

development and investment, standards and business incubation which are projected to boost the sector's growth both in wealth and job creation

Under cooperatives, the sector achieved and exceeded its target of reviving dormant cooperatives (180 against a target of 100) and registration of new cooperatives (798 registered against a target of 400) for the FY 2012/2013. Appropriate model by-laws were developed leading to the registration of two diaspora SACCOs in U.K and U.S.A in a bid to facilitate structured remittances from the diaspora. In addition, the sector in collaboration with National Cereals & Produce Board procured and distributed about 10,000 tons of fertilizer for Co-operatives in Rift Valley and Western regions.

Some key challenges slow implementation pace of programmes affecting the overall sector performance. These include: Inadequate funding for programmes; under developed infrastructure; Low levels of awareness on opportunity and benefits arising from regional integration; Lack of a comprehensive policy, legal and regulatory framework; Multiple trade regulations; Influx of substandard, counterfeits and contra band goods; Harsh investment climate; Poaching; Weak linkages and collaboration among stakeholders; Underdeveloped ICT infrastructure; Low technology, innovation, research and development uptake; Limited human resource capacity; and Limited access to credit facilities and financial services; Travel advisories; and Global economic environment.

In addition, emerging issues such as security and climate change are of concern to the sector as they may have detrimental effect on sector goal achievement if not addressed. All these issues and challenges if not checked and addressed have the potential of increasing the cost of doing business in the country and reducing earnings from the sector affecting sector's performance and its contribution to GDP.

The focus for allocation of resources for the next three financial years will be on the implementation of the flagship projects under Kenya Vision 2030 and key priority programmes/projects in the Second Medium Term Plan. Priority has also been given to programmes aimed at addressing the needs identified by communities and stakeholders. The Sector's priority programmes for implementation during the MTEF period 2014/15 to 2016/17 are therefore: Industrial Development and investment; Standards and business

incubation; Cooperative development; Commerce, tourism promotion and investment; Coordination of the East African Community affairs; Trade and tourism development; and Planning, policy and administration services.

The sector received an allocation of Kshs.12.8 billion in the baseline year 2013/14 with Kshs.7.7billion equivalent to 60.16% being recurrent expenditure while Kshs.5.1billion is for development expenditure. The allocation is substantially inadequate and may not facilitate full realization of the sector's objectives for the financial year. Going forward the sector is requesting for a greatly enhanced allocation of Kshs.132.0 billion in 2014/15, Kshs.154.5 billion in 2015/16 and Kshs.172.7 billion in 2016/17. The following activities in three project areas will be undertaken in the next financial year thus the reason for the huge budget by industry:

- **Special Economic Zones:** Prefeasibility studies; Master planning of 3 SEZ in Mombasa, Lamu and Kisumu; Land transfer and resettlement costs and Development of infrastructure in the 3 Special Economic Zones.
- **Mombasa Free Trade Zone:** Land acquisition; Master Planning; Development of infrastructure and Marketing and promotion of Mombasa Free Trade Zone.
- **County Industrial Parks (47 Counties):** Prefeasibility studies (National); Master planning (47 Counties); Development of infrastructure in 5 pilot counties and Development of infrastructure in 10 Counties.

The preparation of this report was informed by the inputs from the affiliated sector ministries through their individual Programme Performance Review (PPR), Programme Based Budgeting (PBB) and Sub-Sector reports. The Sector ministries have based their resource requirements for the next MTEF period on the Vision 2030 Second MTP (2013 – 2017) and strategic plans.

1.2 Sector Vision and Mission

Sector Vision

“A globally competitive economy with sustainable and equitable socio-economic development”

Sector Mission

“To promote, co-ordinate and implement integrated socio-economic policies and programmes for a rapidly industrializing economy”

1.3 Strategic goals/objectives of the Sector

a. Strategic Goals

The Sector works towards achievement of the following strategic goals

- i. Growth and development of commerce
- ii. Tourism promotion and development
- iii. Promotion of regional integration and cooperation
- iv. Savings and investment mobilisation
- v. Employment creation
- vi. Industrial and entrepreneurship development

b. Strategic Objectives

In order to achieve the goals of the Vision 2030 and the Medium Term Plan, 2013-2017, the General Economic and Commercial Affairs Sector will focus on the following strategic objectives:

- i. To undertake policy, legal and institutional reforms for the development of the sector
- ii. Build Capacity for development of the Sector
- iii. To promote research and development (R&D) and adoption of innovation and technology
- iv. To broaden and deepen Kenya’s participation in the EAA
- v. Support growth and development of domestic and regional trade
- vi. Broaden and deepen export markets and products
- vii. To promote value addition, standardization and productivity improvement and market access
- viii. To promote micro, small, medium and large enterprises
- ix. To increase tourists arrivals and earnings.
- x. To mobilize savings and investment resources for industrial and enterprise development

1.4 Sub Sectors and their Mandates

The sector has 2 subsectors whose mandates are as highlighted below:

1.4.1 East African Affairs, Commerce and Tourism

- Formulation of National Policies on Regional Integration
- Co-ordination and implementation of Regional Integration initiatives (COMESA, EAC and COMESA-EAC-SADC Tripartite Free Trade Area)
- Coordinating the implementation of the EAC regional programmes and projects
- Implementation of the Treaty for the establishment of the EAC
- Kenya South Sudan Support Programme (KESSP)
- National Trade Policy Development
- Fair Trade Practices and Consumer Protection
- Promotion of Retail and Wholesale Markets and Trade
- Business Premises Dispute Resolution mechanism
- Promotion of Small Medium Enterprises and other interest groups through training, counselling, consultancy and Research
- Promotion of exports
- Tourism Policy Management
- Tourism Development and Promotion

1.4.2 Industrialization and Enterprise Development

- Buy Kenya policy
- Co-operative Policy and Implementation
- Co-operative Financing Policy
- Co-operative Legislation and Support Services
- Co-operative Governance, Education and training
- Co-operative Production, Marketing and Value Addition
- Co-operative Audit services
- Co-operative Savings, Credit and other Financial Services Policy
- Development of Micro and Small Business
- Industrialization Policy
- Kenya Property Rights Policy (Patents, Trade Marks, Service Marks, and innovation)
- Leather Development

- Micro, Small and Medium Enterprise Development and training
- Private Sector Development Strategy and Policy
- Promotion of Co-operative Ventures
- Quality Control including Industrial Standards
- Special Economic Zones
- Conduct Research and Development in Industrial and allied technologies

1.5 Semi-Autonomous Government Agencies

The Sector has twenty four (24) Semi-Autonomous Government Agencies which include:

- Bomas of Kenya (BoK)
- Tourism Fund (TF)
- Kenya Tourism Board (KTB)
- Tourism Finance Corporation (TFC)
- Kenya Utalii College (KUC)
- Kenyatta International Convention Centre (KICC)
- Export Promotion Council (EPC)
- Kenya National Trading Corporation (KNTC)
- Anti-counterfeit Agency (ACA)
- Export Processing Zones Authority (EPZA)
- East African Portland Cement Company(EAPCC)
- Industrial and Commercial Development Corporation (ICDC)
- Kenya Bureau of Standards (KEBS)
- Kenya Industrial Estates (KIE)
- Kenya Industrial Property Institute (KIPI)
- Kenya Industrial Research and Development Institute (KIRDI)
- Kenya Investment Authority (Ken Invest)
- Kenya Leather Development Council (KLDC)
- Kenya National Accreditation Services (KENAS)
- Kenya Wine Agencies Limited (KWAL)
- Micro and Small Enterprises Authority (MSEA)
- New Kenya Cooperative Creameries (NKCC)
- Numerical Machining Complex (NMC)

- Sacco Society Regulatory Authority (SASRA)

1.6 Role of Sector Stakeholders

The Sector works with various stakeholders from public sector institutions, private sector, education and research institutions, regional trading blocs, development partners, civil society, media, parliament and the commission on revenue allocation. These stakeholders are involved in formulation of sector policies as well as identification, implementation, monitoring and evaluation of projects and programmes within the sector. These stakeholders also play a key role in enactment of relevant legislation, harmonization of national laws and provision of enabling legal and regulatory frameworks. The Sectors' Public Private Partnership facilitates joint effort between the government and the private sector in sector policy formulation and implementation. Further, the private sector and the development partners have continued to supplement government efforts in resource mobilization. The following are the sector stakeholders:

a. Government Ministries and Agencies

These are major stakeholders in provision of public security; policy formulation and generation of national development agenda; provision of financial resources; human resource management and development; provision of enabling legal and regulatory frameworks; development of infrastructure; wildlife conservation; and resource mobilization.

b. Regional Economic and Trading Blocs

Regional economic and trading blocs such as EAC, COMESA and SADC provide accessibility to a wider range of products and services; offer wider markets; free movement of factors of production as well as harmonization of policies, standards and regulations.

c. Partner States

The partner states in regional economic and trading blocs are key stakeholders in ratifying and implementing appropriate Treaties and Protocols and ensuring consistency and clarity on policy issues.

d. Development Partners

These include bilateral and multilateral partners such as: World Bank (WB), International Monetary Fund (IMF), Japan International Cooperation Agency (JICA), and the European Union (EU). These provide technical, financial and other resources; capacity building and create synergies.

e. Private Sector

They play a key role in advocacy on improvement of business environment; creation of wealth and employment; formulation and implementation of various sectoral policies; development of trade, tourism and industry; joint Public-Private investments; provision of business information; provision of quality goods and services; and self-regulation within the business community.

f. Civil Society

Creates consumer rights awareness and protection; contributes to policy formulation; participates and supports sensitization and advocacy on various sectoral matters.

g. Education and Research Institutions

These institutions provide information to guide policy formulation; skills and knowledge; market intelligence; broaden product base; and develop innovations and technologies for value addition.

h. Media

Play a major role in advocacy and dissemination of information on sectoral affairs, and provide constructive third party opinion.

i. Parliament

This is a key stakeholder in enactment of relevant legislation, harmonization of national laws, and participates and approves the National Budget.

j. Commission on Revenue allocation

This is a key stakeholder that ensures equitable allocation of revenue raised nationally between National and County Government and amongst the County Governments.

CHAPTER TWO:
PERFORMANCE EXPENDITURE REVIEW 2010/11-2012/13

2.1 Performance of Sector Programmes-Delivery of Outputs

During the review period the following were the Sector programmes: Coordination of East African Community Affairs; Domestic Trade Development; Trade promotion and Investment; Trade General Administration and planning; Tourism Promotion and Marketing; Tourism Product Development and Management; Industrial development and investment; Standardization and Business Incubation; Co operative Development and Management; Co-operative Marketing; and Promotion of Research in Industrial Development

The Sector promotes market access through promotion of exports. Over the period 2010/11 – 2012/13 exports grew from Ksh.409.79 billion in 2010 to Ksh.517.85 billion in 2012 representing a 26.4% increase. However, while exports increased, imports increased more rapidly than exports leading to widening of trade balance deficit. The Intra EAC trade continued to expand with Kenya recording a surplus balance of USD\$ 1,005.1 1,021.8 1 and 241.5 millions in the years 2009, 2010 and 2011 respectively. Kenya's exports to the EAC region expanded from Kshs.101.31 billion in 2010 to Kshs.134.95 billion in 2012. The implementation of the Customs Union continued, while the Common Market Protocol was successfully negotiated and officially launched. The Negotiations towards establishment of the EAC Monetary Union were initiated and are ongoing.

Under Tourism, the Sector's efforts were geared towards improving policy and regulatory framework. These included implementation of tourism policy under which the Tourism Act was commenced, regulations and National tourism Strategy developed. There was also remarkable growth in tourist arrivals and earnings as a result of aggressive marketing targeting the traditional, emerging, regional and domestic market segments. In addition, more tourism personnel were trained and the number of international visitor arrivals on business travel increased. The sector also attracted investments in international hotels as well as registered home stays as an alternative tourist accommodation. The sector also pursued tourism diversification programmes which included development of the niche products such as culture, agro and medical tourism as well as implemented the Vision 2030 flagship projects under the sector.

The manufacturing sector experienced depressed growth attributable to both internal and external shocks to post a 3.3 percent growth in 2011. The sector facilitated a significant growth in employment through promotion of industrial development recording a 5 percent growth in formal employment from 261,300 in 2007 to 275,800 in 2011 while informal employment grew by 17 per cent from 1.57 million in 2007 to 1.83 million in 2011. There are various projects and programmes under the promotion of industrial development and investment, standards and business incubation which are projected to boost the sector's growth both in wealth and job creation

Under cooperatives, the sector achieved and exceeded its target of reviving dormant cooperatives (180 against a target of 100) and registration of new cooperatives (798 registered against a target of 400) for the FY 2012/2013. Appropriate model by-laws were developed leading to the registration of two diaspora SACCOs in U.K and U.S.A in a bid to facilitate structured remittances from the diaspora. In addition, the sector in collaboration with National Cereals & Produce Board procured and distributed about 10,000 tons of fertilizer for Co-operatives in Rift Valley and Western regions.

The specific outputs achieved by the programmes over the review period are as follows.

A. Coordination of East African Community Affairs

The Sector has continued to make progress in regional integration coordination by pursuing the objectives of the integration agenda through the four pillars of integration namely the Customs Union pillar, the Common Market pillar, Monetary Union and ultimately the Political Federation. Having concluded the protocols on the Customs Union and the Common Market Protocol, implementation of the already concluded protocols are at different levels while negotiations for the monetary union and laying foundation for the political federation is being pursued.

As part of the implementation of the Customs Union, three EAC Partner States which are sharing a common ICT platform are already applying common procedures. These Partner States include Kenya, Rwanda and Uganda whose revenue authorities have been interlinked through Raddex system. They are executing Common Customs Law – EACCMA, EAC Regulations and Duty Remission Regulations. Moreover all the Partner

States are implementing a Common External Tariff structure of 0%, 10% and 25% respectively and supported by EAC Rules of Origin. As a way of resolving and reducing NTBS, the number of road blocks along the Northern Corridor have been reduced from 134 in 2008 to a maximum 15 in 2010 and the sector has continued monitoring and resolving Non-Tariff barriers (NTBS) by undertaking a physical monitoring exercise of NTBs at border posts and along the transport corridors. Moreover, a national Single Window system has already been approved by the Cabinet pending its implementation.

The EAC Common Market Protocol was successfully negotiated and officially launched on June 30th 2010, by H.E. the President. The protocol became effective on the 1st July 2010 and provides for free movement of goods, services, persons, labor and capital; and the right of residence and establishment for EAC citizens across the Partner States.

Negotiations towards establishment of the EAC Monetary Union are ongoing; Macro Economic Convergence Criteria has been agreed upon; exchange rates, fiscal and monetary policies have been harmonized.

Under the political pillar ,EAC Protocols on Cooperation in defense, peace and security were signed; a log frame for implementation of counter terrorism strategy to, facilitate speedy conclusion of investigations and prosecution of suspects developed; and firearms' marking machines for serialization of guns to identify illegal firearms and address trafficking in small arms and light weapons acquired. An EAC Early Warning Mechanism (EACWARN) to facilitate anticipation, preparedness and early responses to situations that are likely to affect peace and security was developed and a Conflict Prevention, Management and Resolution (CPMR) negotiated. The EAC Protocol on Foreign Policy Coordination was signed by the Heads of State in December 2011 and ratified in 2012; and modalities for the issuance of Visa Consular Services on behalf Partner States concluded.

Under infrastructure the Athi-River-Namanga-Arusha road was completed; improvements were made in quality of the northern corridor road; three submarine fibre optic ICT cables were connected to Kenya; feasibility studies for the Lamu Transport Corridor and Tanzania-Kenya gas pipeline were undertaken and a draft report still in its formative stage and construction of a power transmission line between Kenya and Ethiopia started.

In addition the sector coordinated the process of establishing One-Stop-Border Posts (OSBPs) at Namanga, Taveta and Lunga Lunga. The OSBPs are intended to ease and promote intra-regional trade.

The Sector initiated the process of establishing Regional Integration Centres in all the major border posts of Malaba, Busia, Namanga and Lunga Lunga. Busia and Namanga were operationalised in 2011. Plans are underway to establish other RICs in Isebania and Taveta.

The Sector spearheaded the COMESA-EAC-SADC Tripartite Free Trade Area Negotiation leading to the Summit launch of the Free Trade Area negotiations on 12th June 2011.

EAC Industrialization Policy and strategy (2012-2032) was finalized and approved. Moreover, over 50,000 Kenyans in 104 Constituencies across 29 counties were sensitized in over 60 workshops on EAC Integration process and business opportunities with a larger number being reached via electronic and print media.

The Sector developed the draft Miscellaneous Bill to facilitate the implementation of the Common Market Protocol; and undertook an audit of EAC Protocols and Acts Vis –a-Vis the new Constitution.

The Sector coordinated Kenya's participation in a number of regional Programmes and Projects namely: - Lake Victoria Water Supply and Sanitation (LVWTSAN) Programme Phase II. –where the satellite towns of Towns Kericho, Keroka and Isebania had sewerage treatment works and Water Supply (Isebania) works designs completed in preparation for their implementation; and Trans boundary Water for Biodiversity and Human Health in the Mara River Basin (TWBHH-MRB) Project- Two studies Mara River Basin Ecosystem Strategic Environment Assessment (SEA) and Social Environmental Impact Assessment (SEIA) were completed and validated by stakeholders.

B. Domestic Trade Development

Increased Access to Trade Finance: The sector promotes the growth of SMES through provision of small scale loans. A total of Kshs.190 million was disbursed as grants to district and municipal Joint Loan Boards (JLB) for onward lending to the MSMEs, Kshs.548 million was disbursed as loans to 7,400 Micro, Small and Medium Entrepreneurs and Kshs.445 million recovered as loan repayments to replenish the JLB Scheme which is a revolving fund. A total of 8120 beneficiaries of the joint loans board scheme were trained on financial and general business management.

Increased Integration of Micro, Small and Medium Businesses into the Global Market Value Chains: To increase regional integration among cross border MSMEs across Kenya, Uganda and Tanzania borders, twenty four (24) cross borders trade committee meetings were held. In addition, two (2) regional Trade exhibitions were held in Nakuru and Mombasa. The exhibitions availed opportunities for exhibitors and visitors to network and identify future business prospects

Enhanced Accessibility to Business Information: In order to disseminate business information to the business community, twelve (12) Business Solution Centers (BSC) were established in Bungoma, Kitale, Eldoret, Bondo, Nakuru, Kisumu, Meru South (Chuka), Garissa, Kitui, Kericho, Wajir and Machakos and 6 Business Information Centers (BIC) in Kisumu, Mombasa, Embu, Kakamega, Nyamira and Homabay. A total of 856 interactive forums with stakeholders who included the business community and the general public were held to disseminate information on business information; investment opportunities in respective regions; government policies, legislations and regulations; and also discuss challenges affecting trade.

Improved Supply Chain Efficiency in Wholesale and Retail Trade Sector: The establishment of wholesale hub in Maragua and Tier “1” retail market in Athi River has been identified as key flagship projects. Towards achievement of the same, the following activities were undertaken: Land acquired and fenced in both Maragua and Athi-River; TOR for hiring a consultant to develop design plans prepared; Topological survey for Maragua done; Preliminary designs done for both Maragua wholesale hub and Tier 1 retail in Athi River; Preliminary estimates for final designs done for Maragua wholesale

hub and budget proposal for drawing of final designs for Tier 1 retail market in Athi River received from Ministry of Public Works. In addition, a concept paper to guide the construction of four (4) modern retail markets in Kwale, Kajiado, Kiambu and Kisumu was developed. The markets will facilitate trade by enhancing infrastructure and also serve as models that could be replicated across the country.

Fair trade practices and consumer protection: The sector promotes fair trade and consumer protection through department of weights and measures. Over the review period, a total of 814,686 weighing and Measuring Equipment were verified to ensure accuracy in measurement of traders' equipment with the National Legal Metrology Standards; 63,726 weighing and measuring Equipment were calibrated to ensure accuracy in measurements; 22 patterns of new types of weighing and measuring equipment introduced in the market were approved to ensure compliant as per the law. Further, a total of 20,364 trade premises were inspected to ensure uniformity in application of measurement units, correct usage of measurement equipment, correct packaging of goods for sale and correct description of goods and services in trade. 263 cases of noncompliance of the Weights and Measures Act and Trade Descriptions Act were investigated and prosecuted.

Promotion of Small and Medium Enterprises and other interest groups through training, counseling, consultancy and research: The sector provides entrepreneurial and management training, business research, business information, business consultancy and counseling services to SME operators through its Training institute, the Kenya Institute of Business Training (KIBT). The institute trained 10,069 SMEs on entrepreneurship and business management, counseled 8,359 businesses and conducted 18 business consultancies, followed-up 811 past trainees and developed Audio-visual training material (DVDs).

Business Premises Dispute Resolution mechanism: The sector through the Business Premises Rent Tribunal (BPRT) creates a harmonious environment between Land Lords and Tenants in controlled tenancies by offering legal protection to tenants against land lords and arbitration of disputes between the two parties. The Tribunal delivered 8642

rulings/Judgments, conducted 82 circuits sitting sessions and inspected 305 business premises.

Establishment of Special Economic Zones (SEZs): The rationale for establishing SEZs is to spur economic growth of the country and enhance global competitiveness. The specific objectives of SEZs are: to promote value addition; attract both local and foreign investments; expand and diversify production of goods and services for domestic and export markets; increase utilization of national and regional resources; streamline business and administrative environment; promote local entrepreneurship through Small and Medium Enterprises (SMEs); promote rural development and to enhance technology development and innovation. Towards the establishment of SEZs, the sector acquired and surveyed 2000 Km² and 700 Km² of land in Mombasa and Lamu respectively for the establishment of Special Economic Zones (SEZs).

Legal and Regulatory Framework: Under legal and regulatory framework, the following policies and Bills were developed: (i) A National Trade Policy and a draft Trade Development Bill to guide the implementation of National Trade Policy (ii) Special Economic Zones (SEZs) policy and Special Economic Bill.

C. Trade Promotion and Investment

Trade Promotion Events: The sector undertakes trade promotion activities with the aim of increasing exports and market access. Over the review period, 37 promotion events were coordinated and organised in regional (EAC, COMESA and rest of Africa) and international markets (EU, Asia, America) which helped in creating Market linkages for Kenya's export products, increased exports, establishing new markets, increased export earnings and creating jobs. Export promotion activities are informed by market research and feasibility studies which provide market information to determine demand for Kenya's product. Two researches were undertaken in Juba (Southern Sudan) and Kinshasa(DR Congo) which ascertained the viability of setting up and establishment of distribution /warehousing facilities.

The sector also undertook two(2) annual national exporters forum which were aimed at repositioning export trade agenda at the top hierarchy of public and private sector. 3

exporters county clinics were held which aimed at initiating and enhancing participation of counties in export trade.

In terms of exports, the value of exports from Export processing zones (EPZ) increased by 5.98% to Kshs.41 billion in 2012 from Kshs 39 billion in 2011. In addition direct local employment in the EPZ also increased from 32,043 persons in 2011 to 32,516 persons in 2012.

Information dissemination: The sector disseminated export trade information through responding to 2111 trade enquiries, delivery of 48 trade alerts and conducting 333 outreach programme which empowered exporters with export opportunities hence improving their competitiveness.

Capacity building of MSMEs in Export trade: Capacity enhancement was undertaken for 2262 SMEs on export trade by creating awareness on opportunities in export markets, mainstreaming of MSMEs into Export trade and increase productivity and competitiveness of exporters in the international markets. This led to increased participation of MSMEs in Export Trade.

Trade Negotiations: Kenya, along with other EAC partner states held several EPA negotiations with EU with aim of concluding the signing of comprehensive EPA by July 2012. Negotiations of the EAC-EU EPA are 98% complete with negotiations on the following having been concluded: Trade in goods; Fisheries; Customs and Trade facilitation, Sanitary and phytosanitary (SPS) and technical barriers to trade; economic cooperation and development. Pending work includes rules of origin, institutional arrangement, dispute settlement, article 16(2)-MFN and article 15-export taxes. Kenya as well as all the other 17 countries has upto the 30th September 2014 to ratify the EPAs in order to continue enjoying market preferences in the EU market. The EAC partner states are addressing the deadline through commitment to negotiate and conclude outstanding issues before the deadline of 1st October 2014.

Bilateral Trade Agreements (BTA) were negotiated with Democratic Republic of Congo, Botswana, Namibia, South Sudan and Ethiopia. 9 workshops were undertaken to create of

awareness to business community on the benefits and the opportunities accruing from participation in WTO, COMESA and EAC including the challenges experienced.

COMESA-EAC- SADC Tripartite Free Trade Area negotiations: The sector coordinated and participated in the Tripartite Free Trade Area (T-FTA) negotiations which are mooted between the COMESA, EAC and the SADC. The tripartite integration will be anchored on three pillars namely (i) Market integration (ii) Infrastructure development and (iii) industrial development. The negotiations were launched by Heads of State in June 2011 and will cover a period of 36 months.

Legal and Regulatory Framework: A Trade Remedies Bill that seeks to establish a legal trade remedies system that conforms to WTO provisions, enable Kenya to conduct investigations on cases of dumping and subsidization and import surges and take remedial measures to protect the domestic/infant industries was developed. The sector also participated in the finalization of EAC-WTO Trade Policy review.

Export Development and Promotion Bill, 2012 that seeks to provide for development, promotion and diversification of export goods, services and markets; facilitate the development of export oriented enterprises; establish the Kenya External Trade Authority and for connected purposes was developed

D. Tourism Promotion and Marketing

Destination Marketing and source markets diversification: There was increased market presence and knowledge about Kenya tourism products and the destination image and brand in emerging markets of Brazil, china, Japan Nigeria, UAE and Russia.

On source market diversification, the sector undertook several marketing initiatives that led to expansion and diversification of tourist source markets with an additional 20 markets. Some of the latest entrants were Brazil, China, Japan, India, UAE, Uganda, South Africa, Nigeria, Russia and Australia, among others.

Arrivals from the new markets also grew at an equally fast rate. For instance, in 2012, the Chinese market grew by 45% from 28,479(2010) to 41,303, United Arab Emirates, 172%

from 14,874(2010) to 40,485, Japan, 29% from 10,866 (2010) to 14,024 and Australia, 36% from 19,512 (2010) to 26,495. In respect to the regional markets, Uganda grew by 64% from 33,900 (2010) to 55,449 while South African arrivals increased by 14.7% from 33, 796 in 2010 to 38, 776 in 2012. Kenya was awarded the Best Tourism Board and Best safari destination in Africa by World Travel Organization.

Increasing tourism revenue: The Tourism Markets Recovery & Reassurance Programmes and sustained marketing implemented by the government in collaboration with the private sector, coupled with political stability has seen tourism earnings increased from Kshs.73.7 billion in 2010 to Kshs.96.02 billion in 2012. Similarly, visitor arrivals grew from 1.6 million in 2010 to 1.7 million in 2012. Additionally, Domestic tourism promotion and marketing led to growth of bed-nights occupied by Kenyan residents from 2.3 million in 2010 to 2.8 million in 2012.

E. Tourism Product Development and Management

Tourism Funding: The Tourism Fund (T.F) provides funding to key tourism development projects, packaging products, training and capacity development. In line with these, the department provided grants to KTB and KUC amounting to a total of Kshs.520 million, 689.21 million, and 645 million in 2010/2011, 2011/2012 and 2012/2013 financial years respectively. T.F has also undertaken the development of an office block at Valley Road at a cost of 811 Million with completion rate at 79 percent in the 2012/2013 financial year.

In addition to enhancing expansion of training capacity, an inception report on Design, Documentation, Supervision and Contract Management for the proposed Ronald Ngala Utalii College has been developed, draft designs submitted to and approved by the Kilifi County Council and contractor is on site. In order to upgrade the training standards in the industry, TF conducted a baseline survey on the standard requirements for the industry after which a total of 1,700 standards were developed & catalogued.

Tourism Product development: A criteria for licensing home stays was developed and launched and awaiting validation and gazettelement. A total of 276 home stays with an additional bed capacity of 1,564 have been identified in 26 counties. To enhance Meeting

Incentive Conferences and Exhibitions (MICE) product, the National MICE Strategy was developed and launched. The implementation of the strategy led to the increase in the number of local and international conferences held in the country from 2,529 and 254 in 2010, 2,995 and 309 in 2011 to 3,338 and 328 in 2012 respectively. Similarly, the number of delegates attending local and international conferences rose from 383,441 and 30,554 in 2010, to 413,037 and 35,663 in 2012 respectively.

Further to this, to enhance Kenya's diverse culture and heritage as a tourism product, and to maintain and preserve them in their purest form for present and future generations, the sector developed strategies to stimulate cultural awareness that led to the following: Numbers of cultural festivals increased from three (3) to five (5). Researched and published two cultural practices. Seven (7) local promotional tours were held and construction of the Cultural Conference Centre was completed; As a result, a total of 362,972 visitors came to Bomas of Kenya between 2011/12 and 2012/13. This includes: School parties (121,813), Local residents (42,755), and foreign residents (6,677).

On resort cities, progress has been made in regard to the development of Isiolo Resort city. Suitable site has been identified at Kipsing Gap while the Local council authority passed a resolution adopting the location of the site and availing 2,600 ha of land. In addition, consultations, sensitization of local leaders have been done and a benchmarking study tour of Morocco has been undertaken. Development of Lake Turkana Resort city which is a component of LAPSSET project was initiated. Consultations and sensitizations of local leaders, identification of suitable project site (land) at Eliye Springs has been undertaken.

Capacity Development-Training: The Kenya Utalii College managed to enroll 6,632 students for regular, self-sponsored and short courses out of which 5,326 students graduated during the period under review. On continuous learning, the College trained 8,656 In-service trainees in refresher and management development programmes. The College also managed to review all its certificate courses (7 courses) that previously took 2 years to 1½ years and the two diploma courses that previously took 4 years to 3 years. Five (5) self-sponsored certificate courses were introduced. The college also managed to

offer two degree programmes in collaboration with the University of Nairobi. A total of 630 students were enrolled for the degree program.

In order to upgrade the training standards in the industry, TF conducted a baseline survey on the standard requirements for the industry after which a total of 1,700 standards were developed & catalogued.

Formulation and implementation of an appropriate policy and legal framework: To realise and sustain growth in the sector, the National Tourism Policy (Sessional Paper No.1 of 2010) on Enhancing Sustainable Tourism in Kenya was formulated. Subsequently, Minister for Tourism gazetted 1st September 2012 as the commencement date for the Tourism Act paving way for the actualization of provisions of the Act and formation of several new Institutions. Towards the operationalization of the Tourism Act, the Drafts National Tourism Strategy and Subsidiary Regulation have been developed.

Internationally accepted tourism standards: Continuous inspection and licensing of tourism establishments was undertaken. 2,620 establishments were inspected and licensed (per annum). The sector participated in the development of the East African Community Standards Criteria for Classification of Hotels, Restaurants & Other Tourism Facilities. Twenty five (25) assessors from the public and private sector were trained and the 1st Phase of classifying hotels, restaurants and other tourism facilities was undertaken, where about 68 hotels and restaurants were assessed. Towards enhancing effectiveness in regulation of the tourism industry, the Tourism Act 2011 has created Tourism Regulatory Authority.

Safety and security of tourists and resource conflict: A Tourism protection service has been established under the Tourism Act 2011 as a specialised police agency. Through a collaborative effort between the Government and the Private sector, Electoral Period Operating Procedures (EPOP) have been developed and implemented. The sector implemented 22 UNWTO supported Sustainable Tourism for Elimination of Poverty (STEP) projects among local communities in North Rift and South Rift. The STEP project aims at capacity building of local communities to participate in the tourism sector through investment and entrepreneurship there by alleviating poverty levels.

Tourism information management and research: Several Tourism Satellite Account inbound, outbound, and domestic expenditure surveys as well as business surveys were conducted toward operationalizing TSA system. There has also been enhanced publicity and information flow through publication of Bi – Annual Tourism bulletin and updating of Directorate of Tourism Website. The Tourism Research Institute has been established under the tourism Act and will go a long way in enhancing research capacity.

F. Industrial Development and Investment

Development of five SME parks: During the period under review 135 and 20 acres of land were identified i.e. 135 acres of land in Eldoret acquired in conjunction with ICDC while 20 acres of land in Taita Taveta was allocated to the Ministry by the County and has been beaconed and surveyed. More efforts to acquire land in the other counties are underway while plans to develop master plans and architectural designs for the development of the two SME parks are ongoing.

Nairobi Industrial and Technology Park: The project is being implemented by the Ministry of Industrialization and Enterprise Development and Jomo Kenyatta University of Agriculture and Technology (JKUAT). JKUAT has allocated 32 acres of land for the development of the park. Consultative fora with the Stakeholders were held. The Ministry has signed MoU with the University. The fencing of the land is ongoing.

Construction and Equipping Phase I Constituency Industrial Development Centres (CIDs):The sector constructed and equipped 139 CIDs in the period under the review while construction works for the other 62 CIDs are at various levels of completion as follows: 17 are 90-99% complete, 30 are 50-59% complete, and 15 are below 50% completion. Two CIDs in Kiambaa and Kitui Central Constituencies have been equipped and handed over to Kenya Industrial Estate for operationalization.

Development of Policies: The Sector developed the National Industrialization Policy (NIP) through stakeholders' participation and Industrial development Bill which had been approved by Cabinet for publication and tabling in Parliament. The following policies are still under development: National Business and Technology Incubation Policy, National Subcontracting Policy, and Intellectual Property Rights Policy.

Development of the integrated iron and Steel Mill: A concept paper on development of the iron & steel sector was approved by the Cabinet paving way for MoU between the Government of Kenya and a South Korean investor to develop integrated Iron and steel mill among other projects. A study tour in South Korea was conducted. In addition a strategy paper for promoting the sector has been developed and drafting of Iron and Steel Bill 2012 is in progress.

Transformation of Kenya Industrial Research and Development Institute (KIRDI): This is a Vision 2030 flagship project that is aimed at transforming KIRDI into a globally competitive research institution. During the period under review a roadmap for the transformation process was developed in consultation with stake holders. Also constructions of key infrastructure to support the transformation process were commenced. These include the construction of Research, Technology and Innovation Laboratories, Business Centre and KIRDI Headquarters in Nairobi (South B) and construction of Research, Technology and Innovation Laboratories in Kisumu (70% complete). In addition 71 new research scientists and engineers were recruited to enhance the human capital for the institute.

Promotion of Industrial Research and Development, Innovation, and Technology Transfer: During the period under review the sector conducted six (6) Technology Needs Assessments (TNAs) in high priority areas (coffee industry, utilization of agro-waste, establishment of tanneries, fish and fish-by product processing, food processing and renewable energy) and undertook eighty nine (89) research projects in Industrial and allied technologies. On technology transfer the sector developed and transferred four (4) technologies to MSMIs (leather turning drum, honey processing equipment, pasteurizer equipment and soap plodder equipment). In addition seven (7) pilot plants for technology demonstration and training for MSMIs were established (soya milk processing pilot plant in Kisumu, soya bean flour processing pilot plant in Bungoma, soya bean flour processing pilot plant in Migori, pineapple fruit processing pilot plant in Homabay, mango processing pilot plant in Malindi, banana processing pilot plant in Kisii and fruit processing pilot plant in Eldoret. The sector was able to register (protect) seventeen (17) Intellectual Properties (IPs). Seven (7) technology transfer training workshops for MSMIs were undertaken (animal feed formulation, value addition to agriculture and livestock

products, Mycotoxins in foods and feeds, bar soap making, detergent making, leather goods design and manufacture, and leather turning).

5K Micro and Small Enterprise (MSE) 2030 Programme: The programme was expected to upgrade 50 products from the SME sector. However only two products were upgraded namely: Hospital Bed and the Arc welding machines. The products are awaiting commercialization.

Promotion of development of clusters in Kisumu, Mombasa and Garissa: Project proposals for the three clusters namely: fish in Kisumu; Cashew nuts in Mombasa and meat and leather in Garissa and Kajiado were developed and forwarded to donors for funding. Consultancy services were advertised for the Meat and Leather Clusters in Garissa and Kajiado.

One Village One Product programme: The programme involves giving support in management of finances, training in business planning, product development, packaging, branding, marketing, leadership and organizational skills in 47 counties. To this end the concept has been introduced and implemented in 22 counties. Specialized technical assistance in form of training in value addition, financial management, marketing, branding and packaging were also disseminated to the groups in the 22 counties.

Training for Engineers and Technicians: A strategy paper on the training of engineers and technicians has been developed through stakeholder involvement in workshops. The Ministry Education advised the Ministry to harmonize the strategy paper with Education Sessional paper and TVET Act for proper implementation.

Micro Small Medium Enterprises Competitiveness Project: The project has three components namely; access to finance, strengthening of enterprises & market linkages and improving the business environment. A total of US dollars 348,168 was disbursed to MSMEs for capacity building and US dollars 11.5m to start businesses.

Reduce incidences of counterfeits: A total of 205 complaints were received and investigated, out of the investigations, the Agency arraigned all the suspects in court who

were found to have prima facie committed the offences, except those that were compounded or settled under other relevant legislation, a total of 50 Suspects were arraigned in court. Development of procedure manual on enforcement of IPR under the Anti-Counterfeit Act finalized.

Provision of Industrial Training: The construction of the perimeter wall is 95% complete. Moreover, about 600 students have been enrolled. A new training programme on programmable logic control system for industry was also introduced.

Promotion of industrial products: Increased production of agricultural & irrigation equipment for value addition. Sixty seven (67) 5-Horse Power Pumps for irrigation produced and sold against the target of 100. This was as result of marketing of the finished products; Increased production of line products. 35 lathe machines produced against the target of 120 machines. The rest of the machines are 80% complete. The target was not met because of inadequate funds to purchase inputs for the production of the machines. During the period under review 24,000 pieces of railway brake blocks were produced worth Kshs. 24 Million; Increased Industrial replacement parts & spare parts. Assorted industrial replacement parts, motor vehicles components, worth 40 million were produced.

Promotion of Industrial Property Rights and arbitration: There has been an increase in IP registered over the period under review. In 2010/11, 2011/12 and 2012/13 4,201, 2,962, and 3,514 IP were registered respectively. The IP registrations include patents, utility models, industrial designs and Madrid trademarks.

G. Standardization and Business Incubation.

Increase in the number of standards developed: Developed 448 standards against 320 targeted in 2011-2012

Increased conformity of products to standards in the market: The number of products certified under large firms was 6,203 against the target of 7,500 for 2011-2012 and for small firms (SMEs) of 2,304 against a target of 3,300 due to non-compliance of some of the products manufactured by some firms.

Construct and equip two Regional Laboratories and Offices (Miritini & Kisumu):

Construction of two laboratories has started. For Kisumu Laboratory approval of architectural plan has been done and tenders awarded for construction. However, the architectural designs for Miritini laboratory took longer than expected.

Construct Radiation Testing Laboratory: The Radiation Testing Laboratory has not been constructed due to lack of funding.

Accredit conformity assessment bodies across all sectors: KENAS accredited thirteen (13) conformity assessment bodies in the areas of inspection, certification, testing and medical laboratories. Seven awareness programmes on accreditation services were conducted. Thirty three (33) assessors were trained in the areas of inspection, certification, testing and medical laboratories.

Business financing & incubation for MSMEs

Construct Industrial sheds: During this period the institution constructed 239 industrial sheds in Kimilili, Machakos, Narok, Kwale, Kapsabet, Tala, Muranga, Voi, Homabay, Siaya, Nyeri, Embu, Bungoma, Mwatate, Kipsirchet, Kikima, Nundwine, Timau, Imenti central, Nithi, Nairobi, Kakamega, Nyamira, Eldoret- East, Migori, Webuye, Mandera, Vihiga, Wundanyi, Kitui, Nyeri, Kajiado-central, Ndia-Kirinyaga, Wajir, Karatina, Bondo, Kapsabet, Malindi. This has provided quality and competitive industrial infrastructure.

Disbursed Credit to MSMEs: Provided credit facilities amounting to Kshs.256.3 million during the period under review.

Link MSMIs with large enterprises: The sub-sector facilitated 309 inter firm linkages as part of accelerating growth of indigenous MSMIs.

H. Cooperative Development and Management

Cooperative Governance and Accountability: In an effort to enforce good corporate governance in the movement, the sector established the Ethics Commission for Cooperative Societies (ECCOS) which is fully operational. In addition, the sector

reviewed co-operative management guidelines, enforced zero-tolerance to corruption and unethical behavior, closely monitored the integrity status of the co-operative societies' leadership, management and supervisory committees. Computerization of the auditing process system was enhanced. With the completion of the Computerized Audit Management System (CAMS), a total of 7426 accounts were registered and 5308 audits conducted by the sector.

Cooperative Arbitration Services: The cooperative tribunal is responsible for settling disputes in cooperatives. The Tribunal has now fully decentralized its services with active registries in 7 regions which has improved the settling of disputes. Consequently there has been a reduction by 50 percent in number of pending disputes.

Cooperative extension services: The department in collaboration with Transition Authority identified co-operative extension services as a devolved function where 47 field officers were posted to 47 counties.

Cooperative Education and Training: The sector initiated the process of establishing the Cooperative Development Fund (CDF) to pool investment funds, improve the capitalization or equity of co-operatives and provide general guarantees to other sources of funds for co-operative enterprises. The sector also developed the Human Resource policy for the movement.

Co-operation Registration and Legal Services: The sector is automating its cooperative registration process in order to shorten the registration process and to create a central data platform with a view to improving the quality of the information system. The e-government has indicated that it will seek to fast-track all automation processes in the government information system.

Management Capacity of Cooperative Organizations/Institutions: The sector revived a total number of 180 societies, did feasibility studies and prepared business plans/ rescue plans in the dairy, fisheries, grains and cotton, sub-sectors.

I. Co-operative Marketing

Value addition and Market Access: The sector during the period registered a union Kenya Farmers Cooperative Union (KFCU). The institution is to handle bulk purchase and distribution of the fertilizer and other farm inputs in order to make it affordable to farmers. Besides efforts towards inputs cost reduction/stabilization, the sector facilitated linkages between cooperative societies and private partners and encouraged individual societies to raise considerable funds to undertake investment in new ventures, production facilities, acquisitions and modernization of production equipment. Sensitization aimed at encouraging product value addition was also carried out. These were done in five value chains namely; coffee, horticulture, honey, fish, and milk. This will ensure better earnings for farmers.

2.2 Review of key Indicators of Sector Performance

The Sector measured its performance by the following key indicators as shown in the table below:

Table 1: Key Indicators of Sector Performance

Departments	Key Indicators	Target	Performance	Variance	Remarks
COMMERCE	Percentage increase in value of exports to COMESA over the period 2010-2012	20%	29%	9%	Target achieved due to focused approach in promoting intra-region exports.
	Percentage increase in value of exports to EU	20%	10.5%	-9.5	Target not achieved due to the Euro-Zone crisis
	Percentage increase in value of exports to EAC	20%	33%	13%	Target achieved due to focused approach in promoting intra-region exports.
	Exports from EPZs	43	41	-2	Target not

Departments	Key Indicators	Target	Performance	Variance	Remarks
	(Kshs. Billions)				achieved due to external factors
	Trade agreements negotiated and signed	4	5	1	Bilateral Trade Agreements negotiated with Democratic Republic of Congo, Botswana, Namibia, South Sudan and Ethiopia
	EPA negotiations	Conclusion of EPA negotiations	Negotiations are 98% complete	Conclusion of negotiation of rules of origin, institutional arrangement, dispute settlement still pending	Deadline for negotiations extended to 1st October 2014.
	Amount of loans disbursed through the credit schemes	148	207	59	Target surpassed due to increased amount available for disbursement from the loan recoveries
	Number of beneficiaries of the credit schemes	5400	6081	681	Target surpassed due to increased funding for lending
	Profile Producer	235	235	0	Target met

Departments	Key Indicators	Target	Performance	Variance	Remarks
	Business Groups (PBGs)				
	Establish Business Solution Centers(DBSCs) and Business Information Centers (BICs)	3	18	15	Target surpassed because of more funding from development partners
	Number of weighing and measuring equipments stamped and verified	800,000	801,918	1,918	Target surpassed due to recruitment of more weights and measures officers to undertake the verification.
	Number of MSMEs trained	5980	6293	313	Target surpassed due to increased demand of entrepreneurship training
	Number of cases heard and determined	8000	9844	1844	Target surpassed because the BPRT had a Chairperson throughout the period.
EAST AFRICAN AFFAIRS	No. of laws amended/enacted to accommodate EAC Protocols, agreements and bills.	5	6	1	The laws repealed are:- -Immigration Act (Cap 172) -Alien restriction Act(cap 173) -Kenya Citizenship Act

Departments	Key Indicators	Target	Performance	Variance	Remarks
					(Cap 170) -Visa regulations The laws enacted are:- -Kenya Citizenship and Immigration Act, 2011 -Kenya citizens and Foreign Nationals Management Service Act 2011
	No. of work permit issued to citizens of EAC Partner States	500	591	91	Target surpassed
	No of tariff lines implemented using the CET.	5,000	5,349	349	5349 Tariff lines Were Implemented
	Value of goods accorded simplified certificates of origin.	USD 35,000	USD 37,800	2,800	Target surpassed
	No. of citizens using common standard travel document across the EAC region	100,000	95,959	4,041	The performance figure excludes temporary permits whose validity is one year valid for EAC countries
	No. of standards harmonized and adopted under the Implementation of the EAC Standardization,	1,240	1,240	0	Target achieved

Departments	Key Indicators	Target	Performance	Variance	Remarks
	Quality Assurance, Metrology & Testing (SQMT) Protocol and the Act, 2006				
	No. of citizens moving to other EAC Partner States granted stay as visitors.	1,000,000	1,011,476	11,476	Target surpassed
	No. of students granted gratis student passes to stay in a host EAC Partner State.	10,000	11,530	1,530	Target surpassed
	Number of non-tariff barriers eliminated in Kenya	17	17	0	Target realized
	Number of Regional Integration Centres (RICs) established and operationalised	3	3	0	Busia, Namanga and Lunga Lunga
	EAC Industrialization Policy and Strategy	1	1	0	EAC Industrialization Policy and strategy (2012-2032) was finalized and approved
	No of border posts opened on reciprocal basis and manned for twenty four hours.	7	8	0	1. Jomo Kenyatta International Airport 2. Mombasa International Airport 3. Namanga Border Control

Departments	Key Indicators	Target	Performance	Variance	Remarks
					4. Malaba Border Control 5. Lunga Lunga Border Control 6. Taveta Border Control 7. Isebania Border Control 8. Kisumu international Airport
	No of discriminatory policies, regulations, laws and procedures on the nationals and companies or firms of the other Partner States identified and amended	3	3	0	27 pieces of legislation identified. Three laws have been amended out of the 27 identified. The amended laws include: Immigration, advocates Act and Insurance Act
	Existence of a law providing for gratis student passes to citizens of Partner States studying in approved training institutions in other Partner States.	Law in place	Law exists	0	Target realized
	No. of financial	4	4	0	1. Insurance

Departments	Key Indicators	Target	Performance	Variance	Remarks
	sector policies co-ordinated				sector 2.Pension sector 3.Banking sector 4.Capital markets
	No of Counties visited to increase for publicity and awareness on EA customs Union and Common Market	27	28	1	Target surpassed. Two sensitization workshops at Malaba and Busia funded by TMEA
	No of Speakers Roundtable to sensitize MPs on EAC Integration Agendas	2	2	0	Target realized
TOURISM	Number of international tourist arrivals	1.8M	1.7M	-100,000	Target unmet due to security challenges
	Value of tourism earnings	Kshs.95 billion	Kshs.96 billion	1 billion	Aggressive marketing and product development
	Number of tourist establishments inspected	1,980	2,040	60	Target surpassed
	Number of new tourist products developed	3	3	0	Target met
	Number of graduates trained by Kenya Utalii College	3,000	3,167	167	This was as a result of setting up satellite campuses in Kisumu and Mombasa alongside

Departments	Key Indicators	Target	Performance	Variance	Remarks
					expansion of programmes
INDUSTRIALIZATION	Funds disbursed to long-term financing to Industrial sector	Kshs. 256.3 Million	Kshs. 256.3 Million disbursed to MSMIs	0	Target realized
	Number of new industries located in the rural areas	10	16	6	Target surpassed
	Strategy for the transformation of KIRDI into a reputable and competitive research institution developed	1	1	0	Target realized
	No. of Research, Technology and Innovation (RTI) laboratories initiated	1	2	1	Target surpassed (Commenced construction of Kisumu and Nairobi RTI Labs)
	KIRDI staff establishment guidelines completed	1	1	0	Target realized
	No. of Technology Needs Assessments reports	6	6	0	Target realized
	No. of Intellectual Properties (IPs) protected (registered)	50	29	21	Target not achieved due to the lengthy process of IP protection.
	Number of Technologies Transferred to MSMIs	10	15	5	Target surpassed
	Number of	5	5	0	Target realized

Departments	Key Indicators	Target	Performance	Variance	Remarks
	technologies commercialized				
	Number of Business Incubation Services(BIS) Established	5	5	0	Target realized
COOPERATIVES	Reduction in outstanding remittances to SACCOs	800 million	800 million	0	Target surpassed. Outstanding remittances to SACCOs reduced from 4.5 billion to 800 million
	Amount of savings mobilized through SACCOs	380B	380B	0	Target realized
	No of statutory audits conducted	2500	2489	-11	Target not realized
	No of registered audited accounts	4200	3225	-975	Target not realized
	No. of dormant cooperatives revived	100	180	80	Target surpassed
	No of new cooperatives registered	400	798	398	These include SACCOs in the diasporas, Matatu SACCOs and sharia compliant SACCOs that were not initially covered
	No of deposit taking SACCOs licensed	215	122	-93	Target not realized due to failure of SACCOs to

Departments	Key Indicators	Target	Performance	Variance	Remarks
					meet the minimum required standards
	Setting up of the Ethics Commission for Cooperatives (ECCOS)	1	1	0	ECCOS operationalized
	% decrease in pending disputes lodged in the co-operative tribunal	50%	50%	0	Target achieved though additional funding is required to decentralize the tribunal services to all the counties
	No of Capacity building done on value addition	5	5	0	Target achieved Five value chains in Coffee, horticulture ,honey, Fish, and milk developed
	Operationalize KFCU for bulk purchase of farm inputs and distribution through co-op network	10,000 tons	10,000tons	0	KFCU distributed 10,000 tons of fertilizer in North Rift and Western regions
	Set up a cereal milling Co-op Union in the North Rift	1	1	0	NORICEMAC milling union registered

2.3 Expenditure Analysis

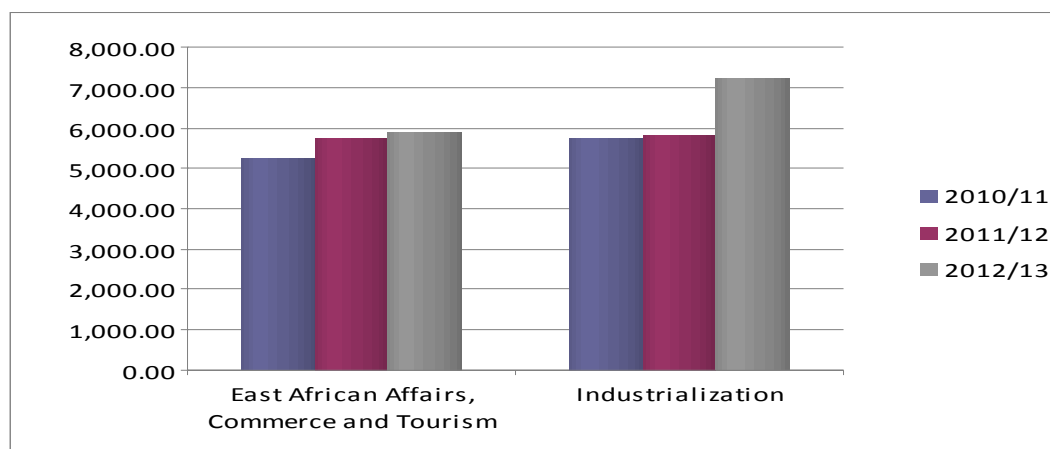
Approved budget for GECA sector increased gradually from KShs.11 billion in 2010/11 financial year to KShs.11.6 billion in 2011/12 financial year and up again to KShs.13.1 billion in 2012/13 financial year. The gradual increase in approved budget during the period is perhaps attributable to the growing importance of the sector especially as a roadmap to achievement of Vision 2030 targets. Industrialization sub-sector received the largest share of the Sector’s allocation accounting for 52.2 percent, 50.4 percent, and 55 percent in 2010/11, 2011/12 and 2012/13 respectively.

Table 2: Trends in funding

Sub-sector	2010/11 (Kshs M)	2011/12 (Kshs M)	2012/13 (Kshs M)
East African Affairs, Commerce and Tourism	5,259.40	5,741.20	5,920.30
Industrialization and Enterprise Development	5,751.27	5,822.40	7,223.38
Total	11,010.67	11,563.60	13,143.68

The chart below illustrates the trends in funding during 2010/11-2012/13 periods.

Figure 1: Trends in funding by Sub-sectors



2.3.1 Analysis of Programme Expenditure

2.3.1.1 Analysis of Recurrent expenditure

During the period under review, recurrent budget for the sector increased from KShs.6.5 billion to KShs.7.2 billion or by 10.4 % between 2010/11 and 2011/12 financial years and increased from KShs.7.2 billion in 2011/12 to KShs.8.4 billion in 2012/13 or by 17.4 %. Utilization of allocated funds increased slightly between 2010/11 and 2011/12 financial year from Kshs.6.2 billion to Kshs.6.8 billion. It further increased from KShs.6.8 billion in 2011/12 financial year to KShs.8.2 billion in 2012/13 financial year representing an increment of about 21 percent.

Utilization of approved funds dropped slightly from 96.3 percent in 2010/11 to 95.2 percent in 2011/12 and increased to 98.1 percent in 2012/13. The sub-sectors utilized between 95-98 percent of their approved recurrent allocations save for East African Affairs, Commerce and Tourism Sub-sector which utilized 93 percent in 2010/11. Reasons for under-utilization of recurrent expenditure funds vary by sub-sectors.

In the industrialization subsector, use of goods under industrial promotion utilized only 36 % of the funds for the Pan Paper Mill at Webuye. Further, a total of Ksh.17million was not disbursed to KENAS due to its low absorption level thus affecting the utilization in standards and incubation programmes. In Cooperatives, under-utilization of funds is attributed to recovery of Ksh.36 million from the 2010/11 exchequer releases. This amount relates to funds that remained unaccounted for during the 2009/10 financial year. Underutilization in the State Department of East Africa Affairs is attributed to IFMIS technology challenges and late exchequer release.

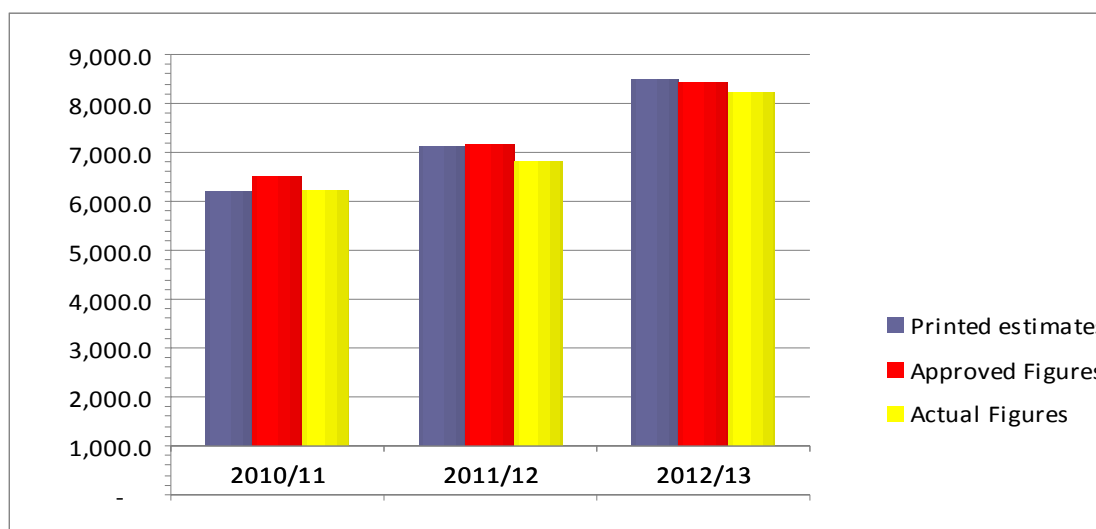
In the Directorate of Tourism, underutilization is attributable to insufficient liquidity caused by over expenditure in various items in the recurrent vote whose budget was reduced during the revised estimates.

Table 3: Analysis of Recurrent expenditure

Sub Sector	Printed estimates (Kshs M)			Approved Figures (Kshs M)			Actual figures (Kshs M)		
	2010/11	2011/12	2012/13	2010/11	2011/12	2012/13	2010/11	2011/12	2012/13
East African Affairs, Commerce and Tourism	3,746.1	4,225.4	4,554.9	3,981.5	4,257.8	4,562.4	3,703.8	4,133.4	4,525.7
Industrialization	1,987.6	2,341.5	3,354.9	2,061.3	2,351.5	3,300.3	1,971.7	2,145.2	3,178.6
KIRDI	443.0	552.0	604.0	443	552	541.6	569.2	540.0	542.9
TOTAL	6,176.7	7,118.9	8,513.8	6,485.8	7,161.3	8,404.3	6,244.7	6,818.6	8,247.1

The chart below illustrates the recurrent expenditure during 2010/11-2012/13 periods.

Figure 2: Comparison between printed, approved and actual recurrent estimates



2.3.1.2 Analysis of Development expenditure

Development budget decreased from KShs.4.5 billion in 2010/11 financial year to KShs.4.4 billion in 2011/12 but increased to KShs.4.7 billion in 2012/13 financial year. Utilization of allocated development funds increased from KShs.3.2 billion in 2010/11 to KShs.3.95 billion in 2011/12 financial year and further increased marginally to Kshs.3.96 billion in 2012/13 financial year.

Analysis of overall utilization of approved development funds increased from 71.6 percent in 2010/11 financial year to 89.8 percent in 2011/12 financial year but dropped to 83.6 percent in 2012/13 financial year.

Table 4: Analysis of Development expenditure

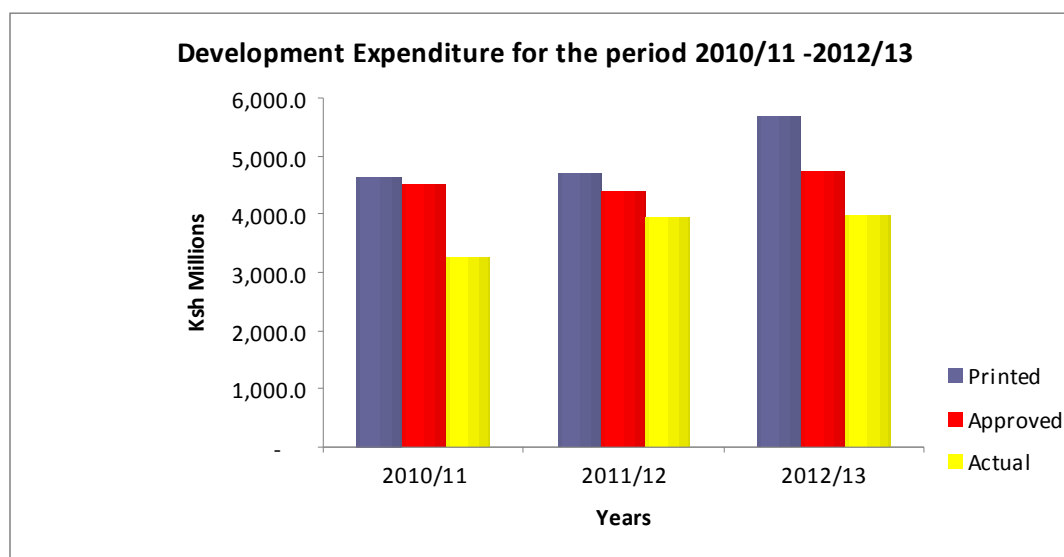
Sub-Sector	Printed (Kshs M)			Approved (Kshs M)			Actual (Kshs M)		
	2010/11	2011/12	2012/13	2010/11	2011/12	2012/13	2010/11	2011/12	2012/13
East African Affairs, Commerce & Tourism	1,613	1,660	1,469	1,278	1,483	1,358	967	1,443	1,117
Industrialization	2,706	2,505	3,573	2,931	2,394	2,806	2,101	2,040	2,282
KIRDI	310	525	640	316	525	576	172	472	564
TOTAL	4,629	4,690	5,681	4,525	4,402	4,739	3,240	3,955	3,964

The low utilization of development expenditure is mainly attributable to long procurement procedures. In industry, Kshs.30million for KITI was not utilized since the contractor had not finished the construction of the perimeter wall while 290m for donor supported planning programme, and 58 million earmarked for Council on African Ministers for programmes had not submitted their returns by the close of the financial year. (CAMI) was also not utilized since money was released at the close of the financial year.

In the Department of Commerce, low utilization 2012/13 was due to failure by the National Treasury to release exchequer. Similarly, delay as well as non-release of donor funds adversely affected utilization. Low absorption in the EAC Affairs was due to frequent configuration of IFMIS module and late exchequer releases by the National Treasury. Under expenditure in the State Department of Tourism majorly relates to capital grants to state Corporations due to insufficient exchequer releases.

In Cooperatives, under-utilization of development funds was as a result of delay in expenditure returns for fourth quarter AIEs by field officers. Overall, allocation and utilization of development funds has not increased substantially over the period under review as shown in the Chart below.

Figure 3: Comparison between printed, approved and actual development estimates



2.3.2 Analysis of Programme Expenditure by Economic Classification

Economic Classification	Approved Estimates (Kshs M)			Actual Expenditures (Kshs M)		
	2010/11	2011/12	2012/13	2010/11	2011/12	2012/13
Programme 1 - Trade Development and Investment						
Compensation to employees	465	530.6	512.7	451	523.3	516.9
Use of goods and services	646	514.7	731.3	444	516.8	609.5
Subsidies, Grants and other Transfers	792	766.7	928.0	740	876.1	954.3
Acquisition of Non-financial Assets	180	218.2	218.3	41	206.5	153
Total	2083	2,030.20	2390.3	1676	2122.7	2233.7
Programme 2 - Co-ordination of EAC Affairs						
Compensation to employees	154.1	154.5	162.8	152.6	152.7	164.1
Use of goods and services	227.9	327.1	559.5	214	310.4	520.4
Subsidies, Grants and other Transfers	562	552.8	572.2	562.9	552.8	572.2

Economic Classification	Approved Estimates (Kshs M)			Actual Expenditures (Kshs M)		
	2010/11	2011/12	2012/13	2010/11	2011/12	2012/13
Acquisition of Non-financial Assets	109.9	84.8	65.4	107.6	75.7	65.4
Total	1053.9	1,119.20	1329.9	1037.1	1,091.60	1322.1
Programme 3 - Tourism Development and Marketing						
Compensation to employees	136.4	149.7	179.3	137.4	149.7	180.8
Use of goods and services	596	403.5	355.6	412.3	400.3	370
Subsidies, Grants and other Transfers	1448	1868.1	1567.9	1454	1,790.20	1439.8
Acquisition of Non-financial Assets (check approved)	168.5	170.75	97.2	164	164.8	91
Total	2348.9	2592.05	2200	2167.7	2,505.00	2081.6
Programme 4 - Industrial Development and Investment						
Compensation to employees	209.7	249.8	164.36	207.3	227.2	166.85
Use of goods and services	534.4	440.9	739.89	278.2	370	272.90
Subsidies, Grants and other Transfers	2222.7	2,011.70	2,109.34	2154.8	2,051.60	2,101.77
Social Benefit	0	0.00	2.25	0	0.00	2.25
Acquisition of Non-financial Assets	1579.2	362.8	65.63	1014.6	333.7	45.22
Total	4546	3,065.20	3,081.47	3654.8	2,982.60	2,588.99
Programme 5 - Standards and Business Incubation						
Compensation to employees	0	0	0	0	0	0
Use of goods and services	0	0	0	0	0	0
Subsidies, Grants and other Transfers	0	0	1033.36	0	0	1015.73
Social Benefit	0	0	0	0	0	0

Economic Classification	Approved Estimates (Kshs M)			Actual Expenditures (Kshs M)		
	2010/11	2011/12	2012/13	2010/11	2011/12	2012/13
Acquisition of Non-financial Assets	0		0	0	0	0
Total	0	0	1033.36	0	0	1015.73
Programme 6 - Cooperative Development and Management						
Compensation to employees	438.6	494.15	547.36	440.16	494.07	547.33
Use of goods and services	224.86	243.16	269.63	211.17	118.02	256.41
Subsidies, Grants and other Transfers	193.7	170.2	129.79	190.98	187.82	91.4
Social Benefit	0	0	0	0	0	0
Acquisition of Non-financial Assets	121.34	100.17	116.4	106.6	94.63	117.03
Total	918.81	932.69	1045.17	939.75	874.67	899.58
Total for Programme 7: Co-operative Marketing						
Compensation to employees	5.57	6.88	5.5	5.57	6.88	5.55
Use of goods and services	5.73	4.77	4.17	5.29	4.59	4.24
Subsidies, Grants and other Transfers	0	0	0	0	0	0
Social Benefit	0	0	0	0	0	0
Acquisition of Non-financial Assets	2.44	9	1.46	1.11	0.94	0
Total	13.74	20.65	11.13	11.97	12.41	9.79
Total for Programme 8: Industrial Planning and Administration						
Compensation to employees	0	0	106.57	0	0	106.52
Use of goods and services	0	0	437.86	0	0	365.83
Subsidies, Grants and other Transfers	0	0	0	0	0	0
Social Benefit	0	0	3.53	0	0	3.53

Economic Classification	Approved Estimates (Kshs M)			Actual Expenditures (Kshs M)		
	2010/11	2011/12	2012/13	2010/11	2011/12	2012/13
Acquisition of Non-financial Assets	0	0	12.4	0	0	4.76
Total			560.36			480.64
Total for Programme 9: Co-operative Administrative support services						
Compensation to employees	91.04	102.57	112.3	88.06	102.55	112.31
Use of goods and services	112.17	144.05	195.38	112.42	153.76	197.32
Subsidies, Grants and other Transfers	0	40	37.09	0	40	1.09
Social Benefit	2.97	10.78	2.83	0	0	3.02
Acquisition of Non-financial Assets	121.34	100.17	116.4	106.6	94.63	117.03
Total	211.05	319.4	370.25	208.18	315.25	324.57
GRAND TOTAL	11,118.90	10,079.39	10,428.25	9,695.50	9,904.23	9,460.29

2.3.3 Analysis of Capital projects by Programmes

2.3.3.1 Analysis of Government funded projects

Project Name	Budget Provision (Kshs. Millions)			Actual Expenditure (Kshs. Millions)			Contract sum (Kshs. Millions)		Completion Rates (%)		
	2010/11	2011/12	2012/13	2010/11	2011/12	2012/13	Contract Cost	Expected Final Cost	2010/11	2011/12	2012/13
Construction of Cultural Conference Centre (BOMAS of Kenya)	170	170	170	170	170	170	350.2	510	50	75	80
Renovation and Modernization	46	200	N/A	0	45.9	45.4	244.4	244.4	0	25	37

Project Name	Budget Provision (Kshs. Millions)			Actual Expenditure (Kshs. Millions)			Contract sum (Kshs. Millions)		Completion Rates (%)		
	2010/ 11	2011/ 12	2012/ 13	2010/ 11	2011/ 12	2012/ 13	Contract Cost	Expected Final Cost	2010/ 11	2011/ 12	2012/ 13
of KICC (Purchase of audio visual equipments/SI E)											
Renovation and Modernization of KICC (Security Enhancement Project)	0	0	72	0	0	0	72	72	0	0	0
Construction of Office Block –TF	170	219	399	167	180	212.7	811	811	31	53	79
Construction of Ronald Ngala Utalii College	43	190	600	5.8	11	313	8900	8900	0	0	4
Refurbishment of Utalii Hotel	93	20	0	93	20	0	93	103	30	100	0
Construction of Housekeeping Laboratory (Utalii Hotel)	3	3	2	2.9	2.9	2	6.7	8	0	40	90
Construction of gym (Utalii Hotel)	0	50	20	0	50	20	70	70	0	2	97
Solar Heating Panel (Utalii Hotel)	2	0	2.5				1.3	16	0	2	2

Project Name	Budget Provision (Kshs. Millions)			Actual Expenditure (Kshs. Millions)			Contract sum (Kshs. Millions)		Completion Rates (%)		
	2010/ 11	2011/ 12	2012/ 13	2010/ 11	2011/ 12	2012/ 13	Contract Cost	Expected Final Cost	2010/ 11	2011/ 12	2012/ 13
Individual Training Kitchen (Utalii Hotel)	13.5	4.5	0	0	0	0	151	200	0	2	2
Construction and equipping 210 CIDCs – MoIED	1200	146	250		148	202	735	638	10	15	66
Revival of Pan African Paper Mills		776	33		780	25				60	70
Construction of Perimeter Wall(KITI)			71			41	19.99	33.73		60	70
Construction of Go down-KIE	90.2	165		84.2	139.6	364.4	1,027	1,027	100	100	100
Renovations - KIE	11.3	44		10.0	43.8	65.6	119.4	119.4	100	100	95
Construction of Regional Laboratory-KEBS	0	122.8					1000	1150	0	0	
Completion of The Radiation Testing Laboratories-KEBS	0	0					250				
Establishment of a Packaging Resource Centre – KEBS	0	0					140		0	0	

Project Name	Budget Provision (Kshs. Millions)			Actual Expenditure (Kshs. Millions)			Contract sum (Kshs. Millions)		Completion Rates (%)		
	2010/ 11	2011/ 12	2012/ 13	2010/ 11	2011/ 12	2012/ 13	Contract Cost	Expected Final Cost	2010/ 11	2011/ 12	2012/ 13
Construction of RTI offices - KIRDI(Kisumu)	80.5	250	200	79.8	218.1	158.6	641.4	641.4	12.5	34.0	24.7
Construction of RTI /Business Centre Offices - KIRDI (Nairobi)	-	-	450	-	-	498.1	4,000	4,000	-	-	11.3
Acquisition of premises - KIPi		370					370	450	0.83	1.7	

2.3.3.2 Analysis of Externally Funded Programmes

Over the review period, the sector received development budgetary support of Kshs.2.5billion, Kshs.3.6 billion and Kshs.3.2 billion for financial years 2009/10, 2010/11 and 2011/12 respectively. The actual expenditure for the respective years was Kshs.1.5billion, Kshs.2.3 billion, and Kshs.1.7 billion

Table 5: Donor funded projects by name and the respective development partners

Project Name	Name of Donor	Approved Estimates			Actual Expenditure		
		2010/11	2011/12	2012/13	2010/11	2011/12	2012/13
Kenya Post-Lome Trade Negotiation	EEC/ EDF	59	0	0	59	0	0
Assistance to Micro and Small enterprise Programme(ASMEP)	EEC/ EDF	131	273	0	131	273	0
Trade Training	JICA	8	0	0	8	0	0

Project Name	Name of Donor	Approved Estimates			Actual Expenditure		
		2010/11	2011/12	2012/13	2010/11	2011/12	2012/13
Programme for SME exporters							
District Business Solution Centre	UNDP	15	8	0	15	8.2	0
Promotion of Women in Business and Investment in Kenya	UNDP	15	13	17	15	13	0
Private Sector Development	EEC/ EDF	60	38	38	0	0	0
Tourism Diversification & sustainable Development	EEC/EDF	349.2	0	0	349.2	0	0
MSME competitive project	World Bank	265	171	0	97	171	0
Business Sector Programme support	DANIDA	101.7	0	0	63.6	0	0
OVOP	JICA	10.5	10	10	10.5	10	10
Soya bean project	UNIDO	0	0	85	0	0	85
TOTAL		1,014.40	513.00	150.00	748.30	465.20	95.00

2.4 Review of Pending Bills

As at 30th June 2013 the sector had accumulated total pending bills/claims of Kshs. 6.2 Million. This is purely recurrent claims from the East African Affairs, Commerce and Tourism Sub sector. The table below shows the summary of the total pending bills claims by sub sectors:

Table 6: Recurrent and Development Pending bills/ claims analysis (Kshs. Millions)

Sub Sector	Due to lack of liquidity			Due to lack of provision		
	2010/11	2011/12	2012/13	2010/11	2011/12	2012/13
East African Affairs, Commerce and Tourism	0	0	0	13.3	161.4	6.2

Industrialization	60.27	31.9	0	0	0	0
Total	60.27	31.9	0	13.3	161.4	6.2

2.4.1 Recurrent Pending Bills

The table below shows the summary of recurrent pending bills claims by sub sectors:

Table 7: Recurrent pending bills/ claims analysis (Kshs. Millions)

Sub Sector	Due to lack of liquidity			Due to lack of provision		
	2010/11	2011/12	2012/13	2010/11	2011/12	2012/13
East African Affairs, Commerce and Tourism	0	0	0	1	161.4	6.2
Industrialization	0.97	6	0	0	0	0
Total	0.97	6	0	1	161.4	6.2

The Tourism department under the East African Affairs, Commerce and Tourism sub sector had a pending bill of Kshs.6.2 million which was as a result of lack of provision and it emanated from foreign and domestic travel and supply of goods and services.

2.4.2 Development Pending Bills

The table below shows the summary of development pending bills claims by sub sectors:

Table 8: Development pending bills/ claims (Kshs. Millions)

Sub Sector	Due to lack of liquidity			Due to lack of provision		
	2010/11	2011/12	2012/13	2010/11	2011/12	2012/13
East African Affairs, Commerce and Tourism	0	0	0	12.3	0	0
Industrialization	59.3	25.9	0	0	0	0
Total	59.3	25.9	0	12.3	0	0

2.4.3 Outstanding subscriptions

The Department of EAC under the East African Affairs, Commerce and Tourism sub sector had a historical pending bill of Kshs. 390 million which was as a result of lack of provision. This is accumulated arrears to the Inter University Council of East Africa (IUCEA) which after the collapse of the former EAC, the Ministry of Education was responsible for remittance. However, the remittances were never made. Subsequently, an EAC Council decision directed that the Ministries responsible for EAC be mandated to be remitting the contribution. The Ministry of EAC therefore inherited the arrears.

CHAPTER THREE:
MEDIUM TERM PRIORITIES AND FINANCIAL PLAN
FOR THE MTEF PERIOD 2014/15-2016/17

3.1 Prioritization of Programmes and Sub-Programmes

The GECA sector has a total of seven (7) programmes and thirty two (32) sub-programmes. The programmes and their objectives are outlined below:

3.1.1 Programmes and their Objectives

No.	Programme	Objective
1	Co-ordination of East African community Affairs and Regional Cooperations	The objective is to coordinate and monitor the implementation of the East African Community Council decision on all programmes.
2	Commerce and tourism development	Improve business environment and promote growth of wholesale and retail trade and to diversify tourism products
3	Commerce and tourism promotion and investment	promote investment forecast on broadening and deepening export base & to increase the number of tourist arrivals and earnings
4	Industrial development and investment	To stimulate industrial development through value addition, industrial research, technology and innovation and create enabling environment for investment
5	Standards and business incubation	To provide the standards for industrial production and support MSMEs in the industrial subsector
6	Cooperative development	To improve governance, marketing and investments through cooperative societies
7	Policy, planning and administrative services	To ensure efficient service delivery through prudent management of public resources

3.1.2 Programmes, Sub-Programmes, Expected Outcomes, Outputs and Key Performance Indicators for the Sector

Sub-Programme	Expected Outputs	Performance Indicator	Targets
Programme1: Industrial Development and Investment			
Outcome – Increased contribution of industry to GDP			
Promotion of Industrial development	Acquisition of land for industrial SME Park	Land acquired for two industrial SME parks	2
	Promote development of clusters: Meat and leather; fish; and cashew nuts	No. of clusters developed	3
	Equip and operationalize CIDs	No. of CIDs equipped and operationalized	50
	Upgrade products under the 5K MSE 2030 programme	No. of products upgraded	5
	Feasibility study for soya bean value addition projects in western region undertaken	No. of Feasibility study reports	10
	One Village One Product (OVOP) Implemented	No. of Counties in which OVOP is implemented	25
	Capacity building for value addition and upgrading of production processes	No of women and youth trained in value addition	400
	Enhance competitiveness of SMIs through Resource Efficiency and Cleaner Production (RECP)	No. of Enterprises assisted on RECP	10
	Provision of Industrial Training	Training classrooms constructed	40

Sub-Programme	Expected Outputs	Performance Indicator	Targets
	Training laboratories construction	No. of training laboratories constructed	5
	Increased student enrolment	Percentage increase of student enrolment	30%
	Revenue collected	Amount of revenue collected (Kshs.)	15M
Promotion of industrial products	Machine tools – lathe machines manufactured	No. lathe machines manufactured	113
	Railways brake blocks manufactured	No. of Railways brake blocks manufactured	75,000
	water pump manufactured	No. of water pumps manufactured	1,500
	Ferrous foundry products casted	No. of tones casted	75
	Products Fabricated	No. of products fabricated	7,565
Promotion of Industrial Property Rights and arbitration	Industrial property rights registered	No. of IP registered	3514
Promotion of new investments and re-investment	Marketing programmes developed	No. of market intelligence reports	2
	Investment projects profiled	No. of projects profiled	40
	Linkages with stakeholders established	No. of MoU signed	8signed MOU
Promotion of Industrial Research and Development, Innovation, and Technology Transfer	Construction of Research, Technology and Innovation Laboratories, Business and Resource centre in Nairobi (South B) under the “transformation of	Percentage completion of construction of RTI laboratories, business and resource centre in Nairobi (South B)	70

Sub-Programme	Expected Outputs	Performance Indicator	Targets
	KIRDI into a globally competitive and reputable research institution (vision 2030 flagship project)		
	Attract and retain competitive staff (PhD level) for Research, Technology and Innovation programmes under the “Transformation of KIRDI into a globally competitive and reputable research institution (vision 2030 flagship project)	No. of new Research, Technology and Innovation Staff (PhD Level) recruited and retained	10
	Upgrade the competitiveness of current Research, Technology and Innovation staff (PhD, Masters, and specialized training under the “Transformation of KIRDI into a globally competitive and reputable research institution (vision 2030 flagship project)	No. of Research, Technology and Innovation staff upgraded (PhD, Masters and specialized training)	15
	Undertake Industrial Research, Technology and Innovation projects	No. of Industrial Research, Technology and Innovation projects undertaken	36

Sub-Programme	Expected Outputs	Performance Indicator	Targets
	Development of Technologies, Processes and products	No. of prototypes developed	15
	Commercialize and Transfer of new technologies, processes and products to MSMEs	No. of Technologies, processes and products commercialized and transferred	3
	Establish and operationalize Technology demonstration and training pilot plants, common manufacturing facilities and testing laboratories	No. of pilot plants common manufacturing facilities and testing laboratories established and operationalized	29
	Promotion of common manufacturing facilities and testing laboratories to MSMEs	No. of MSMEs utilizing the common manufacturing facilities and testing laboratories	60
	Promotion of Incubation services for MSMEs	No. of MSMEs incubated	10
	Training and capacity building for MSMEs	No. of MSMEs trained	50
Programme 2: Standards and business incubation			
Outcome – Increased contribution of industry to GDP			
Standardization, Metrology and conformity assessment	Increased conformity of products to standards in the market	No. of products certified under large firms	197
		Percentage of product conformity	89%
		Percentage compliance to PVoC program	88%
	Standards developed and maintained	No. of new standards developed	300

Sub-Programme	Expected Outputs	Performance Indicator	Targets
		No. of standard reviewed and maintained	644
	KEBS metrology legally designated as an NMI	Percentage compliance with calibration turnaround time	100%
	Increase accreditation bodies across all sectors	No. of newly accredited bodies	20
	Conformity bodies assessed	No. of conformity bodies assessed	42
Business financing & incubation for MSMEs	Industrial sheds built	No. of sheds built	210
	Credit disbursed to MSMEs	Amount of credit disbursed	400 million
	MSMEs linked with large industries	No. of linkages created	150
Programme 3 : Cooperative Development			
Outcome: Increased contribution of cooperatives to the economy			
Governance and Accountability	Enforce anti-Corruption policy and code of conduct in co-operatives	%. of Societies complying with the policy	100%
	Develop co-operative auditing manual	Manual developed	100%
	Register audited accounts	No. registered	4,200
	Resolution of disputes through cooperative tribunal	Number of cases resolved	50% of pending cases
Financial Services	Reduce outstanding remittances to SACCOs	Amount of outstanding remittances to SACCOs	Kshs. 800 million
	Mobilize additional savings/deposits through SACCOs	Amount of savings in Kshs.	Kshs. 420B

Sub-Programme	Expected Outputs	Performance Indicator	Targets
	Increase access to financial services	Number of active accounts in SACCOs	2.4 Million
	Licensing and supervision of SACCOs	Number of societies licensed	216
Co-operative Advisory Services	Build capacity on education & Training for co-operatives	Awareness level for co-operatives	100%
	Registration of new co-operatives	Number registered	500
	Automation of registration process	Online registration	100%
Marketing, value addition and research	Strengthen capacity of KFCU for bulk purchase fertilizer and distribute through co-op network	Tons of fertilizer procured	10,000
	Operationalize milling Co-op Union in the North Rift	Union operational	1
	Co-operative access to wholesale & retail trade hubs	Number of cooperatives producer groups organized	50
	Promote SME among the youth co-operatives	No of SMEs	100
Programme 4: Coordination of the East African Community Affairs in Kenya			
Outcome: Deepened and widened EAC integration			
Consolidation and Sustained implementation of a fully-fledged EA Customs Union and operationalization of the EA Common	EAC Common External Tariff (CET) implemented	% of tariff lines implemented using the CET.	100%
	EAC Rules of origin applied	No. of Certificates of Origin issued	60,000
	Elimination of Non-	No. of NTBs eliminated	19

Sub-Programme	Expected Outputs	Performance Indicator	Targets
Market	Tariff Barriers (NTBs)	from the 2007 Time Bound Program.	
	Students, persons and workers facilitated to get permits and students gratis	No. of students gratis issued	1,000
		No. of residence permits issued to self-employed persons.	1,200
		No. of Work permits issued	1,500
	Awareness on opportunities from EAC Integration increased	No. of counties visited for publicity and awareness creation on EAC	27
	Regional Integration Centers (RICs) established and constructed	No. of RICs established & constructed	2
Laying the foundation for the EAC Monetary Union and Political Federation	East African Monetary Institute established	No. of Statutes agreed on	4
	EAC Macro-Economic Convergence Criteria Developed	No. of Economic areas agreed on the Macro-Economic Convergence Criteria	4
		No. of regional meetings held towards development of the EAC Macro-Economic Convergence Criteria	6
	Joint implementation of programmes on the Political Pillar of EAC integration	No. of Joint programmes implemented	5
Participation in EAC	One-Stop-Border-Posts	No. of One-Stop-	5

Sub-Programme	Expected Outputs	Performance Indicator	Targets
cross- cutting and regional integration activities including harmonization of EAC-SADC-COMESA Trade Regimes	established	Border-Posts established	
	24 hrs Border posts with the EAC Partner States	No. of Border posts opened on reciprocal basis & manned for 24 hrs	7
	EAC database strengthened	No. of Surveys undertaken	3
	Trade relations with EAC third parties enhanced	No of joint trade exhibitions	4
	EAC Transport Policies Harmonized	No. of EAC Transport regulations approved by EAC Council	4
Coordination of Regional Integration Groupings (RIGS)	A Regional Integration Advisory Forum (RIAF) established	No. of consultative meetings held	3
	Identified Regional initiatives Implemented	No. of initiatives implemented	2
Development of a regional Integration and coordination policy	National consultations and harmonization of existing legal and institutional frameworks	No. of draft reports	2
		No. of consultative meetings held	5
Kenya Southern Sudan Support Programme	Technical Assistance/ Cooperation in Training and Capacity Building	Amount spent in Training and capacity building. e.g. scholarships	Kshs. 257.1 Million
Programme 5: Commerce and Tourism development			
Outcome: Increased contribution of domestic trade and tourism to GDP			
Business Premises Rent Tribunal Services	Hear and determine Business premises Rent disputes cases	No. of cases heard and determined	2200
	Conduct Circuit sitting sessions	No. of circuit sitting sessions conducted	28

Sub-Programme	Expected Outputs	Performance Indicator	Targets
	File Court references	No. of Court references filed	1400
Domestic Trade Development	Development of legal and Institutional Framework for the Joint Loan board Scheme	Reports of Reforms of Joint Loan Board Scheme	A JLB Legal & Institutional Framework
	Development of Monitoring and Evaluation Instrument on the Performance of Joint Loan Board Scheme	Reports on the development of Monitoring and Evaluation Tool	A JLB Monitoring and Evaluation Tool
	Capacity-built Joint Loan Board Scheme	Reports on JLB capacity building	49 JLBs
	Facilitate formation of Cross Borders Traders Associations (CBTAs) and Joint Border Trade Committees (JBTCs)	Number of CBTAs and JBTCs formed	4 CBTAs and 4 JBTS
	Facilitate capacity building of CBTAs and JBTCs	Number of participants capacity-built	400 participants and 40 officers
	Establish Trade Information Desk Offices (TIDOS) at the borders for small scale traders	Number of TIDOS established	7 TIDOS (Lunga, Taveta, Isebania, Namanga, Mandera, Moyale & Nadapad)
	One Design Plan for the Wholesale Hub in Maragua	Design Models & Simulations	One Design Plan
	One Design Plan for the Tie "1" Retail Market in Athi-River	Design Models & Simulations	One Design Plan

Sub-Programme	Expected Outputs	Performance Indicator	Targets
Fair Trade and Consumer Protection Services	Review of legal metrology laws and regulations	No. of laws and regulations reviewed	2
	Adopt and domesticate international recommendations and standard documents	No of international recommendations and standards documents	50
	Acquire taxi, water, electricity and airtime national standard meters	No. of standard meters acquired	4
	Train legal metrology officers	No. of officers trained	20
	Business premises inspected on counterfeit and sub-standard goods	No. of business premises inspected	5,050
Entrepreneurial services	MSMEs operators trained	No. of MSMEs operators trained	3200
	Business Incubation Centre	No. of incubation centres set up	4 incubation centres
	Establish a Small Enterprise National Documentation Centre (SENDOC)	No. of SENDOC Centre	1 SENDOC Centre
	On-site business consultancy to SMEs & counseling and follow-ups offered	No of counseling and on-site business consultancy carried out	3760
Conference Tourism Development	To promote and market MICE tourism both locally and internationally	Increase in No. of Conference tourism events	21 International conferences 32 Domestic/National Conferences 35 Exhibitions

Sub-Programme	Expected Outputs	Performance Indicator	Targets
Cultural Tourism Development	Cultural Tourism Festivals	Number of cultural Tourism festivals organized	One national cultural festival
	Update of catalogue of cultural tourism product in Kenya	Updated tourism catalogue	Updated catalogue
	Cultural Museum at Bomas	% level of completion	50% completion
	Cultural facilities at Bomas upgraded and renovated	No. of facilities upgraded and renovated	1
	Traditional villages rehabilitated	No. of traditional villages rehabilitated	2
	Cultural tourism research undertaken	No. of research reports	1
	Inventory of market ready products	No. of inventories	1
	Tourist information centres	No. of information centres established	5 information centres
Product Standardization and Diversification	Capacity building and human resource development	No. of graduates in hospitality industry	3,200 graduates in various courses
	Regulation and licensing of tourist establishments	Number of establishments licensed	4,600
	Tourist establishments Inspected	Number of tourist units inspected	4,600
	Classification assessors Trained	No. of assessors trained	25 assessors
	Tourism area plans in place	No. of tourism area plans developed	2 tourism area plans
	Increased environmental responsiveness in tourism sector	% of EIA and EA cases handled. Environmental	100% Environment

Sub-Programme	Expected Outputs	Performance Indicator	Targets
		guidelines and manuals produced	guideline and manual
		Reports of sensitization workshops on environmental management systems in tourism sector	Reports of 8 sensitization workshops
		No. of climate Change Action Plan Activities implemented	2 action plan activities implemented
	Developed & diversified tourism products & services	No. of developed & diversified tourism products & services	4 products operationalised
	Update on inventory and profiling of national tourism product;	Updated inventory of national tourism product	Inventory Report
	Update of directory of tourism facilities	Published tourism product directory	Tourism directory
	Expansion of tourism training capacity	Phase 1 of Ronald Ngala Utalii Academy completed	100% of phase 1 completed
Promotion of Home stays	No of home stays registered	300 homestays	
Tourism Infrastructure Development	Make equity investments by providing venture capital in tourism projects	Number of projects financed	Finance 50 projects
	Development of three resort cities (Isiolo, Diani and Kilifi)	Undertake preliminary work on resort cities	Model three Designs, Master Plan, regional

Sub-Programme	Expected Outputs	Performance Indicator	Targets
			physical development plan
	Homestays operators	No. of home stay operators	500 home stay operators
	Sensitization and capacity building of agro-tourism operators	No. of agro-tourism operators sensitized	50 agro-tourism operators
	Implement medical tourism strategy	Medical tourism regulatory framework	Framework
	Improvement of System of Tourism Statistics and development of Tourism Satellite Account (TSA)	No. of TSA Survey Reports	2 TSA Survey Reports
	Decent work programme Survey	No. of decent work programme survey	1 decent work programme survey
	Establishment of Tourism Research Institute and Research Strategy	Established Tourism Research Institute	TRI operationalised
		Research needs reports and research strategy	Research needs report and strategy
		National tourism information system	NTIS in place
		Tourism sector performance reports	Quarterly reports
	Reviewed/Harmonized Entry/Departure Declaration Forms and cross border arrival data	Harmonized Forms	Harmonized Forms in use
	Development of tourism investment portfolio.	No. of investment opportunities documented	10 major investment opportunities
Programme 6: Commerce, Tourism Promotion and Investment			
Outcome: Increase in export earnings			

Sub-Programme	Expected Outputs	Performance Indicator	Targets
Exports Market Development and Diversification	Participation in international trade fairs and bilateral visits made	No. of international trade fairs participated in	15
	Increase of Exports to EAC	Percentage increase in Value of exports (%)	10%
	Outreach programme to exporters	No. of Outreach visits to exporters conducted	640
	Export production villages established	No. of Export promotion village established	35
	Established International Trade Centre	No. of international trade centers developed (Juba, Kinshasa, Lubumbashi)	3
	Training Micro, Small and Medium Enterprises on Export trade	No. of MSMEs exporters trained	750
	County Fora Exporters Policy Developed	No. of Exporters Policy County Fora policy developed (Kisumu, Nyeri, Mombasa, Eldoret)	4
	New products for exports designed and developed	No. of products designed and developed	15
	Establishment of the Export Development Fund	Established development fund(Kshs. Billion)	2
Regional Economic Integration Initiatives	Exports to COMESA Region	Increase Exports to COMESA Region (Kshs. Billion)	200.3
International Tourism promotion and marketing	Increase in tourism earnings	Earnings from tourism	Kshs 1,050 Million
	Increase in average	Average spent	Kshs 83,500

Sub-Programme	Expected Outputs	Performance Indicator	Targets
	spending per visitor		
	Participate in development of international tourism policies	Coordination payment of UNWTO membership and subscriptions	Confirmation of subscription payments
		Attend General Assembly, Commission of Africa and other meetings	Report of the meetings
	Deepen & widen corporation of EAC & Other REC meetings	No. of the meetings attended	Participate in EAC & other RECs technical meetings Participate in Trade negotiations related to tourism services Participate in Mutilated tourism arrangements
Domestic Tourism promotion and marketing	Development of promotional and branded items and calendars	No. and types of promotional materials produced	5,000 assorted branded items
	Increased bed-nights by domestic tourist	Bed-nights by domestic tourist	3,021 Thousand bed nights
	Participate in International ASK shows and other activities to sensitize the public on the importance of tourism	No. of International ASK events	3 international ASK shows
	Participate in Regional tourism trade fairs	No. of regional affairs organized	Participate in 3 regional trade fairs
	Organize familiarization tours for Media	No. of fam trips	Five (5) fam trips

Sub-Programme	Expected Outputs	Performance Indicator	Targets
	Development of Code of conduct for the tourism sector	Validated code of conduct	Code of conduct
	Tourism safety and security programme Tourism crisis and safety management centre	Equipped and operational crisis management centre	Operational safety centre
	Capacity building of tourism operators	No of capacity building initiatives	Eight (8) security meetings
Programme 7: Planning, Policy and Administration Services			
Outcome: Effective and efficient service delivery			
EAACT	Enhanced service Delivery	ISO certification	100% certified
	Capacity building and Human resource development	% of training needs requirements addressed	80% of training needs assessment requirements
	Establishment and operations of the Tourism Tribunal	Tourism Tribunal established.	Working Tourism Tribunal
	Implementation of the national tourism strategy	% of NTS activities implemented	20 % of strategy requirements implemented
	Enhance PPP in the field of Tourism Coordinate round table meetings Organize Ministerial forums; Organize Workshop on tourism issues Coordination of donor funded programmes	No. of round table meetings held; No. of Ministerial forums organized; No. of Workshops on tourism issues organized; No. of proposals written.	2 sessions 2 forums 2 workshops 2 proposals

Sub-Programme	Expected Outputs	Performance Indicator	Targets
	Coordination and liaison of county tourism activities	Harmonized tourism activities across the counties	Consultative meetings with the counties
	Coordinate the Planning, Monitoring and Evaluate of the Directorate activities and programmes	Reports	4 quarterly and 1 annual reports.
MoIED	Monitoring of projects and programmes undertaken	No. of Monitoring and Evaluation reports	4
	Develop ministerial Strategic Plan	Ministerial Strategic Plan developed	1
	Conduct work, customer and employee satisfaction surveys	No. of surveys reports	3
	Conduct a study on contribution of cooperatives to the economy.	Survey report	1
	Prepare Performance review, MTEF and financial statement reports	Reports prepared	3

3.1.3 Programmes by Order of Ranking

The various programmes are ranked either as high, moderate, or low depending on how they are inter-linked to Vision 2030, the Second Medium Term Plan 2013-2017, the Constitution of Kenya, and the degree to which a programme addresses core poverty interventions. The table below summarizes the ranking:

No	Programme	Sub Sector	Ranking		
			High	Moderate	Low
1.	Industrial development and investment	Industry and enterprise development	✓		
2.	Standards and Business Incubation	Industry and enterprise development	✓		
3.	Cooperative Development	Industry and enterprise development	✓		
4.	Co-ordination of East African Community Affairs and regional cooperation	East African Affairs, Commerce And Tourism	✓		
5.	Commerce and tourism development	East African Affairs, Commerce & Tourism	✓		
6.	Trade and Tourism promotion	East African Affairs, Commerce& Tourism	✓		
7.	Policy, Planning &Administrative Services	<ul style="list-style-type: none"> • Industry and Enterprise Development • East African affairs, Commerce and Tourism 		✓	

3.2 Analysis of Resource Requirements versus allocation by:

3.2.1 Sector (Recurrent and Development)

The GECA sector received an allocation of Kshs.12.8 billion in the baseline year 2013/14 with Kshs.7.7 billion equivalent to 60.16% being recurrent expenditure while Kshs.5.1 billion is for development expenditure. The allocation is substantially inadequate and may

not facilitate full realization of the sector’s objectives for the financial year. Going forward the sector is requesting for a greatly enhanced allocation of Kshs.132.0 billion in 2014/15, Kshs.154.5 billion in 2015/16 and Kshs.172.7 billion in 2016/17. The following activities in three project areas will be undertaken in the next financial year thus the reason for the huge budget by industry:

- **Special Economic Zones**

Prefeasibility studies; Master planning of 3 SEZ in Mombasa, Lamu and Kisumu; Land transfer and resettlement costs; and Development of infrastructure in the 3 Special Economic Zones

- **Mombasa Free Trade Zone**

Land acquisition; Master planning; Development of infrastructure; and Marketing and promotion of Mombasa Free Trade Zone

- **County Industrial Parks (47 Counties)**

Prefeasibility studies (National); Master planning (47 Counties); Development of infrastructure in 5 pilot Counties; and Development of infrastructure in 10 Counties

Table 9: Sector resource requirement versus allocation

Expenditure type	Baseline Estimates (Kshs M)	Estimates (Kshs M)			Projected Estimates (Kshs M)	
	2013/14	2014/15			2015/16	2016/17
	Allo	Req	Allo	Shortfall	Req	Req
Recurrent	7,727	15,419	8,810.2	6,608.8	17,050	18,270
Development	5,115	116,607	5,433.2	111,174	137,402	154,458
Total	12,842	132,026	14,243.4	117,783	154,452	172,728

3.2.2 Sub-Sector (Recurrent and Development)

Sub-Sector	Recurrent Expenditure (Kshs M)				Development Expenditure (Kshs M)			
	Baseline Estimates	Estimates	Projected Estimates		Baseline Estimates	Estimates	Projected Estimates	
	2013/14	2014/15	2015/16	2016/17	2013/14	2014/15	2015/16	2016/17
EAACT	4,542	9,044	10,425	11,456	1,031	5,320	8,110	7,589
MoIED	3,186	6,375	6,625	6,815	4,084	111,287	129,292	146,869
Total	7,727	15,419	17,050	18,270	5,115	116,607	137,402	154,458

Table 10: Subsector resource requirement versus allocation

Sub Sector	Baseline Estimates	Estimates (Kshs M)			Projected Estimates	
	(Kshs M)				(Kshs M)	
	2013/14	2014/15			2015/16	2016/2017
	Allo	Req	Allo	Shortfall	Req	Req
East African affairs commerce and tourism	5,573	14,364	6,749.00	8,670	18,535	19,045
Industrialization and enterprise development	7,270	117,662	7,494.4	109,113	135,917	153,684
Total	12,842	132,026	14,243.4	117,783	154,452	172,728

3.2.3 Programmes and Sub-Programmes

3.2.3.1 Summary of resource requirement versus allocation by Programmes

Programme	Baseline Estimates	Estimates (Kshs M)		Projected Estimates	
	(Kshs M)			(Kshs M)	
	2013/14	2014/15		2015/16	2016/17
		Requirement	Allocation		
Coordination of EAC and Regional Affairs	1,484	3,080	1778.6	3,226	3,594
Commerce and Tourism Development	1,262	6,536	1,822.4	9,351	8,872
Commerce and Tourism promotion and marketing	1,817	3,174	2032.4	3,730	4,187
Industrial and development investment	5,088	113,545	5257.1	131,439	148,557
Standards and Business Incubation	1,151	2,402	1168.9	2,719	3,327
Cooperative Development & Management	414	614	422	614	644
Policy, Planning and Administrative Services					
(a)EAACT	1,010	1,575	1116	2,228	2,392
(b) MoIED	617	1,101	646	1,145	1,155
Total	12,842	132,026	14,243.4	154,452	172,728

3.2.3.2 Summary of Expenditure by Sub-Programmes

Sub Programme Name/Activity	Baseline Estimates 2013/14 (Kshs M)	Estimates 2014/15 (Kshs M)	Projected Estimates (Kshs M)	
			2015/16	2016/17
Programme 1: Coordination of EAC and Regional Affairs				
1.1 Consolidation and Sustained implementation of a fully-fledged EA Customs Union and operationalization of the EA Common Market	563.1	1,051.7	1,005.2	1,138.9
1.2: Laying the foundation for the EA Monetary Union and Political Federation	361.9	707.8	703.5	791.6
1.3: Participation in EAC cross-cutting in Productive and Social Sectors	301.5	473.1	550.8	650.2
1.4: Development of the regional policy	-	356.6	370.8	385.6
1.5: Coordination of regional Integration groupings	-	207.3	301.7	321.7
1.6: Kenya South Sudan Support Project (KESSUP)	257.1	283.1	294.0	306.0
Subtotal	1,484.0	3,080.0	3,226.0	3,594.0
Programme 2: Commerce and Tourism Development				
2.1: Business Premises Rent Tribunal	39.9	84.8	82.6	94.4
2.2: Domestic Trade	177.8	466.4	1,319.6	822.4
2.3: Entrepreneurial Services	116.6	334.9	343.9	379.5
2.4: Consumer Protection Services	105.5	150.6	151.3	177.3
2.5: Conference Tourism Development	11.8	1,309.0	2,364.0	2,869.0
2.6: Cultural Tourism Promotion (BOMAS)	440.1	555.0	600.0	710.0
2.7: Tourism Product Standardization and Classification	210.0	1,055.4	1,175.2	1,404.0
2.8: Tourism Infrastructure Development	160.1	2,580.3	3,314.8	2,415.3
Subtotal	1,262.0	6,536.0	9,351.0	8,872.0
Programme 3: Promotion and Marketing of Commerce and Tourism				

Sub Programme Name/Activity	Baseline Estimates 2013/14 (Kshs M)	Estimates 2014/15 (Kshs M)	Projected Estimates (Kshs M)	
			2015/16	2016/17
3.1: Regional Integration Initiatives	256.9	283.6	289.1	291.6
3.2: Export Market Diversification	555.7	701.9	721.0	736.3
3.3: International Tourism Promotion and Marketing	908.4	1,815.2	2,279.5	2,626.3
3.4: Domestic Tourism Promotion and Marketing	95.8	373.3	441.0	533.0
Subtotal	1,817.0	3,174.0	3,730.0	4,187.0
Programme 4: Industrial Development and Investment				
4.1: Promotion of Industrial Development	2,132.4	109,043.0	126,882.4	143,186.3
4. 2: Provision of Industrial Training	276.5	291.1	316.9	353.7
4.3: Promotion of R&D	1,831.3	3,000.0	2,600.0	2,720.0
4.4: Promotion of Industrial Products	667.1	969.4	1,403.6	2,055.0
4.5: Promotion of Industrial Property Rights and Arbitration	180.3	241.1	235.8	242.2
Subtotal	5,088.0	113,545.0	131,439.0	148,557.0
Programme 5: Standards and Business Incubation				
5.1: Standardization, Metrology and Conformity Assessment	113.8	252.4	159.2	167.4
5.2: Business Financing & Incubation for MSMEs	1,037.0	2,150.0	2,560.0	3,160.0
Subtotal	1,151.0	2,402.0	2,719.0	3,327.0
Programme 6: Cooperative Development & Management				
6.1: Cooperative Governance and Accountability	119.9	171.5	181.3	201.4
6.2: Cooperative Advisory services	256.9	403.4	337.6	333.9
6.3: Co-operative Marketing	37.6	38.7	95.3	109.0
Subtotal	414.0	614.0	614.0	644.0

Sub Programme Name/Activity	Baseline Estimates 2013/14 (Kshs M)	Estimates 2014/15 (Kshs M)	Projected Estimates (Kshs M)	
			2015/16	2016/17
Programme 7: Policy, Planning and Administrative Services				
EA ACT	1,010.0	1,575.0	2,228.0	2,392.0
MoIED	617.0	1,101.0	1,145.0	1,155.0
Sub Total	1,627.0	2,676.0	3,373.0	3,547.0

3.2.4 Semi-Autonomous Government Agencies

Table 11: Summary of resource requirement versus allocation for Semi-Autonomous Government Agencies

Semi-Autonomous Government Agencies	Baseline Estimates (Kshs M)	Estimates (Kshs M)		Projected Estimates (Kshs M)		
		2013/14	2014/15		2015/16	2016/17
			Req	Alloc		
1.0: Recurrent Expenditure						
Kenya Tourist Board	836	3,367	868.4	3,702	3,958	
Kenya Utalii College	140	192.8	124.8	195	200	
Tourism Fund (Ronald Ngala Utalii College)	-	-	-	-	-	
Kenyatta International Convention Centre	-	-	-	-	-	
Tourism Finance Corporation	-	-	-	-	-	
Bomas of Kenya	200	285	208	310	320	
SACCO Regulatory Authority	93	106	96.7	93	80	
ACA	172	203	178.9	214	230	
Kenya Industrial Research Development Institute	591	800	614.6	850	865	
Kenya Industrial Property Institute	140	137	5.2	137	140	
Numerical Machining Complex	88	101	91.5	101	101	
KENAS	96	126	98.8	132	139	
STANDARDS TRIBUNAL	18	27	-	27	28	
KLDC	18	21	18.7	22	25	

Semi-Autonomous Government Agencies	Baseline Estimates (Kshs M)	Estimates (Kshs M)		Projected Estimates (Kshs M)		
		2013/14	2014/15		2015/16	2016/17
			Req	Alloc		
SEZ	7	8	-	9	10	
Kenya Industrial Estates	107	150	111.3	160	160	
Export Processing Zones Authority	319	425	71.8	467	499	
Kenya Investment Authority	-	426	234	413	416	
MSEA	56	2,256	78.2	2,256	2,256	
Export Promotion Council	401	-	486			
Kenya National Trading Corporation	-	20	20	50	100	
SUB-TOTAL	3,282	8,499	3,307	8,981	9,363	
2.0: Development Expenditure						
Kenya Tourist Board	42.6	51	42.6	57	63	
Kenya Utalii College	415	1,350	100	1,150	1,150	
Tourism Fund (Ronald Ngala Utalii College)	47.9	2,399	100	2,000	2,000	
Kenyatta International Convention Centre	12	4,784	100	743	704	
Tourism Finance Corporation	57	1,200	57	1,200	1,200	
Bomas of Kenya	240	420	240	425	430	
SACCO Regulatory Authority	41	72	41	68	60	
Kenya Investment Authority	48	415	48	541	643	
Kenya Industrial Estates	930	2,000	930	2,400	3,000	
Numerical Machining Complex	579	869	579	1,303	1,954	
Kenya Industrial Research Development Institute	1,240	2,200	1,240	1,750	1,855	
ACA	67	455	67	69	43	
Micro Small Enterprise Authority	100	1,285	100	1,285	1,285	
Export Processing Zones Authority	201	277	201	180	180	
KLDC	42	229	42	252	277	

Semi-Autonomous Government Agencies	Baseline Estimates (Kshs M)	Estimates (Kshs M)		Projected Estimates (Kshs M)		
		2013/14	2014/15		2015/16	2016/17
			Req	Alloc		
Kenya Industrial Property Institute	19	69	19	60	60	
KENAS	-	100		-	-	
SEZ	189	45,000		50,000	60,000	
STANDARDS TRIBUNAL	-	-		-	-	
Export Promotion Council	155		155			
Kenya National Trading Corporation	-	180		200	200	
SUB-TOTAL	4,381	21,304	4,062	18,625	25,040	
TOTAL	7,662	71,803	7,369	72,606	84,403	

3.2.5 Economic Classification

3.2.5.1 Summary of resource requirement versus allocation by Vote and Economic Classification

Expenditure Classification	Baseline Estimates (Kshs M)	Estimates (Kshs M)		Projected Estimates (Kshs M)		
		2013/14	2014/15		2015/16	2016/17
			Req	Allo		
Current Expenditure	7,713.8	15,418.9	8,810.2	17,009.6	18,231.8	
Compensation of employees	1,283.3	1,512.7	1,448.1	1,733.9	1,849.4	
Use of goods and services	1,506.9	3,108.0	1,966.7	3,763.6	4,079.9	
Grants and transfers	4,745.1	10,266.9	5,145.7	10,792.1	11,570.8	
Other Recurrent	178.5	531.4	249.6	720.0	731.7	
Capital Expenditure	5,128.2	116,608.2	5,433.2	137,443.4	154,497.0	
Acquisition of Non-financial Assets	384.9	849.5	693.0	1,772.7	1,372.0	
Grants and transfers	3,957.0	56,995.7	4,114.1	63,685.1	74,953.4	

Expenditure Classification	Baseline Estimates	Estimates (Kshs M)		Projected	Estimates
	(Kshs M)			(Kshs M)	
	2013/14	2014/15		2015/16	2016/17
		Req	Allo		
Other Development	786.3	58,763.0	626.2	71,985.6	78,171.6
Total Expenditure	12,842.0	132,027.0	14,243.4	154,453.0	172,728.7

3.2.5.2 Summary of Expenditure by Programme, Sub- Programme and Economic Classification

Expenditure Classification	Baseline Estimates	Estimates	Projected	Estimates
	(Kshs M)	(Kshs M)	(Kshs M)	(Kshs M)
	2013/14	2014/15	2015/16	2016/17
PROGRAMME 1: COORDINATION OF EAA AND REGIONAL COOPERATION				
Current Expenditure	1,389.6	2,887.6	2,938.7	3,175.7
Compensation of employees	110.5	196.5	272.3	285.6
Use of goods and services	75.6	770.4	788.5	877.4
Grants and transfers	1,173.5	1,870.7	1,638.0	1,754.8
Other Recurrent	30.0	50.0	239.9	257.9
Capital Expenditure	93.9	192.0	287.3	418.3
Acquisition of Non-financial Assets	29.4	137.4	220.1	345.9
Grants and transfers	-	-	-	-
Other Development	64.5	54.6	67.2	72.4
Total Expenditure	1,483.5	3,079.6	3,226.0	3,594.0
Sub Programmes 1.1: Consolidation and Sustained implementation of a fully-fledged EA Customs Union and Operationalization of the EA Common Market				
Current Expenditure	513.2	966.2	965.9	978.8
Compensation of employees	36.6	53.2	120.7	125.7
Use of goods and services	52.0	115.7	235.7	201.1
Grants and transfers	424.6	797.3	609.5	652.0
Other Recurrent	-	-	-	-
Capital Expenditure	49.9	85.5	39.3	160.1
Acquisition of Non-financial Assets	29.4	85.5	39.3	160.1

Expenditure Classification	Baseline	Estimates	Estimates	Projected	Estimates
	(Kshs M)		(Kshs M)	(Kshs M)	
	2013/14		2014/15	2015/16	2016/17
Grants and transfers	-		-	-	-
Other Development	20.5		-	-	-
Total SP 1.1	563.1		1,051.7	1,005.2	1,138.9
Sub Programmes 1.2: Laying the foundation for the EA Monetary Union and Political Federation					
Current Expenditure	325.9		653.2	636.3	719.2
Compensation of employees	24.5		57.4	60.4	65.1
Use of goods and services	-		100.4	75.4	104.3
Grants and transfers	271.4		445.4	450.5	499.8
Other Recurrent	30.0		50.0	50.0	50.0
Capital Expenditure	35.9		54.6	67.2	72.4
Acquisition of Non-financial Assets	-		-	-	-
Grants and transfers	-		-	-	-
Other Development	35.9		54.6	67.2	72.4
Total SP 1.2	361.8		707.8	703.5	791.6
Sub Programmes 1.3: Participation in EAC cross-cutting in Productive and Social Sectors					
Current Expenditure	293.4		473.1	550.8	650.2
Compensation of employees	39.0		75.1	80.1	83.4
Use of goods and services	6.9		-	72.3	136.4
Grants and transfers	247.5		398.0	348.0	373.0
Other Recurrent	-		-	50.4	57.4
Capital Expenditure	8.1		-	-	-
Acquisition of Non-financial Assets	-		-	-	-
Grants and transfers	-		-	-	-
Other Development	8.1		-	-	-
Total SP 1.3	301.5		473.1	550.8	650.2
Sub Programmes 1.4: Development of the regional policy					

Expenditure Classification	Baseline	Estimates	Estimates	Projected	Estimates
	(Kshs M)		(Kshs M)	(Kshs M)	
	2013/14		2014/15	2015/16	2016/17
Current Expenditure	-		304.7	190.0	199.8
Compensation of employees	-		-	-	-
Use of goods and services	-		304.7	190.0	199.8
Grants and transfers	-		-	-	-
Other Recurrent	-		-	-	-
Capital Expenditure	-		51.9	180.8	185.8
Acquisition of Non-financial Assets	-		51.9	180.8	185.8
Grants and transfers	-		-	-	-
Other Development	-		-	-	-
Total SP 1.4	-		356.6	370.8	385.6
Sub Programmes 1.5. Coordination of regional Integration groupings					
Current Expenditure	-		207.3	301.7	321.7
Compensation of employees	-		-	-	-
Use of goods and services	-		207.3	162.2	171.2
Grants and transfers	-		-	-	-
Other Recurrent	-		-	139.5	150.5
Capital Expenditure	-		-	-	-
Acquisition of Non-financial Assets	-		-	-	-
Grants and transfers	-		-	-	-
Other Development	-		-	-	-
Total SP 1.5	-		207.3	301.7	321.7
Sub Programmes 1.6: KESSUP					
Current Expenditure	257.1		283.1	294.0	306.0
Compensation of employees	10.4		10.8	11.1	11.4
Use of goods and services	16.7		42.3	52.9	64.6
Grants and transfers	230.0		230.0	230.0	230.0
Other Recurrent	-		-	-	-
Capital Expenditure	-		-	-	-

Expenditure Classification	Baseline	Estimates	Estimates	Projected	Estimates
	(Kshs M)		(Kshs M)	(Kshs M)	
	2013/14		2014/15	2015/16	2016/17
Acquisition of Non-financial Assets	-		-	-	-
Grants and transfers	-		-	-	-
Other Development	-		-	-	-
Total SP 1.5	257.1		283.1	294.0	306.0
PROGRAMME 2: COMMERCE AND TOURISM DEVELOPMENT					
Current Expenditure	576.7		1,826.4	1,997.1	2,244.7
Compensation of employees	133.9		189.9	240.9	309.4
Use of goods and services	87.2		282.6	289.8	322.8
Grants and transfers	346.5		1,196.8	1,356.2	1,511.5
Other Recurrent	9.1		157.1	110.2	101.0
Capital Expenditure	685.2		4,710.0	7,354.4	6,627.3
Acquisition of Non-financial Assets	60.7		285.0	1,107.8	590.6
Grants and transfers	409.1		3,888.0	5,608.0	5,400.0
Other Development	215.4		537.0	638.6	636.7
Total Expenditure	1,261.8		6,536.4	9,351.5	8,872.0
Sub Programme 2.1: Conference Tourism					
Current Expenditure	-		-	-	-
Compensation of Employees	-		-	-	-
Use of Goods and Services	-		-	-	-
Grants and transfers	-		-	-	-
Other recurrent	-		-	-	-
Capital expenditure	11.8		1,309.0	2,364.0	2,869.0
Acquisition of non-financial assets	-		-	-	-
Grants and transfers	11.8		1,309.0	2,364.0	2,869.0
Other development	-		-	-	-
Total SP 2.1	11.8		1,309.0	2,364.0	2,869.0

Expenditure Classification	Baseline	Estimates	Estimates	Projected	Estimates
	(Kshs M)		(Kshs M)	(Kshs M)	
	2013/14		2014/15	2015/16	2016/17
Sub Programme 2.2: Cultural Tourism Development					
Current Expenditure	200.1		252.0	272.0	323.0
Compensation of Employees	-		-	-	-
Use of Goods and Services	-		-	-	-
Grants and transfers	200.1		252.0	272.0	323.0
Other recurrent	-		-	-	-
Capital expenditure	240.0		303.0	328.0	387.0
Acquisition of non-financial assets	-		-	-	-
Grants and transfers	240.0		303.0	328.0	387.0
Other development	-		-	-	-
Total SP 2.2	440.1		555.0	600.0	710.0
Sub Programme 2.3: Product Standardization and Classification					
Current Expenditure	157.7		792.4	881.9	1,054.0
Compensation of Employees	13.7		14.3	14.9	15.5
Use of Goods and Services	3.6		18.1	20.0	24.0
Grants and transfers	140.4		760.0	847.0	1,014.5
Other recurrent	-		-	-	-
Capital expenditure	52.3		263.0	293.3	350.0
Acquisition of non-financial assets	-		15.0	17.0	20.0
Grants and transfers	52.3		236.0	263.0	314.0
Other development	-		12.0	13.3	16.0
Total SP 2.3	210.0		1,055.4	1,175.2	1,404.0
Sub Programme 2.4: Tourism Infrastructure Development					
Current Expenditure	14.6		235.3	301.8	220.3
Compensation of Employees	11.8		12.3	12.8	13.3
Use of Goods and Services	2.8		45.0	58.0	42.0
Grants and transfers	-		178.0	231.0	165.0
Other recurrent	-		-	-	-

Expenditure Classification	Baseline	Estimates	Estimates	Projected	Estimates
	(Kshs M)		(Kshs M)	(Kshs M)	
	2013/14		2014/15	2015/16	2016/17
Capital expenditure	145.5		2,345.0	3,013.0	2,195.0
Acquisition of non-financial assets	-		5.0	10.0	15.0
Grants and transfers	105.0		2,040.0	2,653.0	1,830.0
Other development	40.5		300.0	350.0	350.0
Total SP 2.4	160.1		2,580.3	3,314.8	2,415.3
Sub Programme 2.5: Business Premises Rent Tribunal					
Current Expenditure	33.9		64.8	57.6	82.4
Compensation of Employees	9.3		9.6	10.0	14.3
Use Goods and Services	24.0		47.0	41.9	60.0
Subsidies, Grants and Other Transfers	-		-	-	-
Other Recurrent	0.6		8.2	5.7	8.1
Capital Expenditure	6.0		20.0	25.0	12.0
Acquisition of non-Financial Assets	6.0		20.0	25.0	12.0
Capital Transfers to Gov. Agencies	-		-	-	-
Other development	-		-	-	-
Total SP 2.5	39.9		84.8	82.6	94.4
Sub Programme 2.6: Domestic Trade					
Current Expenditure	47.4		66.4	69.6	72.4
Compensation of Employees	32.1		32.4	33.1	34.4
Use Goods and Services	15.3		30.6	32.8	34.1
Subsidies, Grants and Other Transfers	-		-	-	-
Other Recurrent	-		3.4	3.7	3.9
Capital Expenditure	130.4		400.0	1,250.0	750.0
Acquisition of non-Financial Assets	30.4		200.0	1,000.0	500.0
Capital Transfers to Gov. Agencies	-		-	-	-
Other development	100.0		200.0	250.0	250.0

Expenditure Classification	Baseline	Estimates	Estimates	Projected	Estimates
	(Kshs M)		(Kshs M)	(Kshs M)	
	2013/14		2014/15	2015/16	2016/17
Total SP 2.6	177.8		466.4	1,319.6	822.4
Sub Programme 2.7:Entrepreneurial services					
Current Expenditure	53.1		319.9	318.9	354.5
Compensation of Employees	30.8		83.6	131.7	176.2
Use Goods and Services	18.2		96.2	91.8	97.2
Subsidies, Grants and Other Transfers	-		-	-	-
Other Recurrent	4.0		140.2	95.4	81.2
Capital Expenditure	63.6		15.0	25.0	25.0
Acquisition of non-Financial Assets	1.3		5.0	15.0	15.0
Capital Transfers to Gov. Agencies	-		-	-	-
Other development	62.3		10.0	10.0	10.0
Total SP 2.7	116.6		334.9	343.9	379.5
Sub Programme 2.8: Consumer Protection					
Current Expenditure	69.9		95.6	95.2	138.1
Compensation of Employees	36.2		37.7	38.4	55.7
Use Goods and Services	23.2		45.8	45.2	65.6
Subsidies, Grants and Other Transfers	6.0		6.8	6.2	9.0
Other Recurrent	4.5		5.3	5.4	7.8
Capital Expenditure	35.6		55.0	56.1	39.3
Acquisition of non-Financial Assets	23.0		40.0	40.8	28.6
Capital Transfers to Gov. Agencies	-		-	-	-
Other development	12.6		15.0	15.3	10.7
Total SP 2.8	105.5		150.6	151.3	177.3
PROGRAMME 3: COMMERCE AND TOURISM PROMOTION AND MARKETING					
Current Expenditure	1,576.8		2,786.4	3,286.6	3,673.5
Compensation of employees	223.4		254.1	255.3	256.5

Expenditure Classification	Baseline	Estimates	Estimates	Projected	Estimates
	(Kshs M)		(Kshs M)	(Kshs M)	
	2013/14		2014/15	2015/16	2016/17
Use of goods and services	146.1		341.3	399.1	466.7
Grants and transfers	1,085.7		1,938.0	2,366.0	2,691.4
Other Recurrent	121.5		253.0	266.3	258.9
Capital Expenditure	240.0		387.6	444.4	513.7
Acquisition of Non-financial Assets	50.5		96.4	101.7	106.9
Grants and transfers	42.6		85.0	108.0	123.0
Other Development	146.9		206.2	234.7	283.8
Total Expenditure	1,816.8		3,174.0	3,731.0	4,187.2
Sub Programme 3.1: International Tourism Promotion and Marketing					
Current Expenditure	865.3		1,729.2	2,170.2	2,501.8
Compensation of Employees	-		-	-	-
Use of Goods and Services	25.5		53.0	64.0	74.0
Grants and transfers	835.7		1,668.0	2,096.0	2,416.0
Other recurrent	4.1		8.2	10.2	11.8
Capital expenditure	43.1		86.0	109.3	124.5
Acquisition of non-financial assets	0.5		1.0	1.3	1.5
Grants and transfers	42.6		85.0	108.0	123.0
Other development	-		-	-	-
Total SP 3.1	908.4		1,815.2	2,279.5	2,626.3
Sub Programme 3.2: Domestic Tourism Promotion and Marketing					
Current Expenditure	53.9		210.0	248.0	300.0
Compensation of Employees	27.6		28.7	29.8	31.0
Use of Goods and Services	26.3		181.3	218.2	269.0
Grants and transfers	-		-	-	-
Other recurrent	-		-	-	-
Capital expenditure	41.9		163.3	193.0	233.0
Acquisition of non-financial assets	-		45.0	50.0	50.0

Expenditure Classification	Baseline	Estimates	Estimates	Projected	Estimates
	(Kshs M)		(Kshs M)	(Kshs M)	
	2013/14		2014/15	2015/16	2016/17
Grants and transfers	-		-	-	-
Other development	41.9		118.3	143.0	183.0
Total SP 3.2	95.8		373.3	441.0	533.0
Sub programme 3.3 Regional Integration Initiatives					
Current Expenditure	256.9		283.6	289.1	291.6
Compensation of Employees	0.5		0.5	0.6	0.6
Use Goods and Services	6.3		12.7	18.2	15.2
Subsidies, Grants and Other Transfers	250.0		270.0	270.0	275.4
Other Recurrent	-		-	-	-
Capital Expenditure	-		0.4	0.4	0.4
Acquisition of Non-Financial -Assets	-		0.4	0.4	0.4
Capital Transfers to Gov. Agencies	-		-	-	-
Other development	-		-	-	-
Total SP 3.3	256.9		283.6	289.1	291.6
Sub Programme 3.4: Export Market Diversification					
Current Expenditure	400.7		564.0	579.3	580.5
Compensation of Employees	195.3		224.9	224.9	224.9
Use Goods and Services	88.0		94.3	98.7	108.5
Subsidies, Grants and Other Transfers	-		-	-	-
Other Recurrent	117.4		244.8	255.7	247.1
Capital Expenditure	155.0		137.9	141.7	155.8
Acquisition of non-Financial Assets	50.0		50.0	50.0	55.0
Capital Transfers to Gov. Agencies	-		-	-	-
Other development	105.0		87.9	91.7	100.8
Total SP 3.4	555.7		701.9	721.0	736.3
PROGRAMME 4: INDUSTRIAL AND DEVELOPMENT INVESTMENT					

Expenditure Classification	Baseline	Estimates	Estimates	Projected	Estimates
	(Kshs M)		(Kshs M)	(Kshs M)	
	2013/14		2014/15	2015/16	2016/17
Current expenditure	2,132.7		5,034.9	5,184.7	5,317.5
Compensation of employees	159.5		163.1	197.1	202.8
Use of goods and Services	230.8		335.7	343.1	379.6
Current Transfers Govt. Agencies	1,740.1		4,513.0	4,619.7	4,705.7
Other recurrent	2.3		23.1	24.7	29.4
Capital Expenditure	2,954.9		108,510.4	126,253.9	143,239.7
Use of goods and Services	192.8		197.7	202.4	242.9
Capital Transfers Govt. Agencies	2,534.5		50,850.7	55,501.1	66,370.3
Acquisition of Non-Financial Assets	227.6		57,462.0	70,550.4	76,626.5
Total Expenditure	5,087.6		113,545.3	131,438.6	148,557.1
Sub-Programme 4.1: Promotion of Industrial Development					
Current Expenditure	1,146.8		3,803.4	3,899.1	4,005.2
Compensation of employees	114.5		114.6	142.1	154.9
Use of goods and Services	110.6		195.0	205.4	226.6
Current Transfers Govt. Agencies	921.2		3,475.3	3,532.1	3,600.3
Other recurrent	0.5		18.5	19.6	23.4
Capital Expenditure	985.6		105,239.7	122,983.3	139,181.1
Use of goods and Services	192.8		197.7	202.4	242.9
Capital Transfers Govt. Agencies	696.5		47,713.2	52,388.4	62,501.2
Acquisition of Non-Financial Assets	96.3		57,329.0	70,392.5	76,437.0
Total SP 4.1	2,132.4		109,043.1	126,882.4	143,186.3
Sub-Programme 4.2: Provision of Industrial Training					
Current Expenditure	145.1		158.5	159.0	164.2
Compensation of employees	35.4		38.5	44.3	36.6
Use of goods and Services	109.8		120.0	114.7	127.6
Current Transfers Govt. Agencies	-		-	-	-

Expenditure Classification	Baseline	Estimates	Estimates	Projected	Estimates
	(Kshs M)		(Kshs M)	(Kshs M)	
	2013/14		2014/15	2015/16	2016/17
Capital Expenditure	131.0		133.0	158.0	189.0
Acquisition of Non- Financial Assets	131.0		133.0	158.0	189.0
Total SP 4.2	276.0		291.0	317.0	354.0
Sub-Programme 4.3: Promotion of R&D					
Current Expenditure	591.3		800.0	850.0	865.0
Current Transfers Govt. Agencies	591.3		800.0	850.0	865.0
Capital Expenditure	1,240.0		2,200.0	1,750.0	1,855.0
Capital Transfers Govt. Agencies	1,240.0		2,200.0	1,750.0	1,855.0
Total SP 4.3	1,831.3		3,000.0	2,600.0	2,720.0
Sub-Programme 4.4: Promotion of Industrial Products					
Current Expenditure	88.1		100.9	100.9	100.9
Current Transfers Govt. Agencies	88.1		100.9	100.9	100.9
Capital Expenditure	579.0		868.5	1,302.8	1,954.1
Capital Transfers Govt. Agencies	579.0		868.5	1,302.8	1,954.1
Total SP 4.4	667.1		969.4	1,403.6	2,055.0
Sub-Programme 4.5: Promotion of Industrial Property Rights and Arbitration					
Current Expenditure	161.3		172.1	175.8	182.2
Compensation of employees	9.7		9.9	10.7	11.3
Use of goods and Services	10.4		20.8	23.1	25.4
Current Transfers Govt. Agencies	139.5		136.8	136.8	139.5
Other recurrent	1.8		4.6	5.2	6.0
Capital Expenditure	19.0		69.0	60.0	60.0
Capital Transfers Govt. Agencies	19.0		69.0	60.0	60.0
Total SP 4.5	180.3		241.1	235.8	242.2

Expenditure Classification	Baseline	Estimates	Estimates	Projected	Estimates
	(Kshs M)		(Kshs M)	(Kshs M)	
	2013/14		2014/15	2015/16	2016/17
PROGRAMME 5: STANDARDS AND BUSINESS INCUBATION					
Current Expenditure	220.8		302.4	319.2	327.4
Current Transfers Govt. Agencies	220.8		302.4	319.2	327.4
Capital Expenditure	930.0		2,100.0	2,400.0	3,000.0
Capital Transfers Govt. Agencies	930.0		2,100.0	2,400.0	3,000.0
Total Expenditure	1,150.8		2,402.4	2,719.2	3,327.4
Sub-Programme 5.1: Standardization, Metrology and Conformity Assessment					
Current Expenditure	113.8		152.4	159.2	167.4
Current Transfers Govt. Agencies	113.8		152.4	159.2	167.4
Capital Expenditure	-		100.0	-	-
Capital Transfers Govt. Agencies	-		100.0	-	-
Total SP 5.1	113.8		252.4	159.2	167.4
Sub-Programme 5.2: Business Financing & Incubation for MSMEs					
Current Expenditure	107.0		150.0	160.0	160.0
Current Transfers Govt. Agencies	107.0		150.0	160.0	160.0
Capital Expenditure	930.0		2,000.0	2,400.0	3,000.0
Capital Transfers Govt. Agencies	930.0		2,000.0	2,400.0	3,000.0
Total SP 5.2	1,037.0		2,150.0	2,560.0	3,160.0
PROGRAMME 6: COOPERATIVE DEVELOPMENT & MANAGEMENT					
Current Expenditure	294.3		388.5	396.8	407.4
Compensation of employees	129.6		136.8	140.2	145.3
Use of goods and Services	71.2		144.2	161.5	179.6
Current Transfers Govt. Agencies	93.0		106.0	93.0	80.0
Other recurrent	0.4		1.6	2.1	2.5
Capital Expenditure	120.1		225.1	217.3	236.9

Expenditure Classification	Baseline	Estimates	Estimates	Projected	Estimates
	(Kshs M)		(Kshs M)	(Kshs M)	
	2013/14		2014/15	2015/16	2016/17
Use of goods and Services	25.0		16.0	15.0	15.8
Capital Transfers Govt. Agencies	40.9		72.0	68.0	60.0
Acquisition of Non- Financial Assets	54.2		137.1	134.3	161.2
Total Expenditure	414.3		613.6	614.1	644.4
Sub- programme 6.1: Cooperative Governance and Accountability					
Current Expenditure	70.5		75.5	77.3	79.9
Compensation of employees	39.7		81.2	89.8	104.5
Use of goods and Services	-		-	-	-
Capital Transfers Govt. Agencies	-		1.0	1.4	1.7
Other recurrent	-		-	-	-
Capital Expenditure	9.7		13.8	12.8	15.4
Other recurrent	119.9		171.5	181.3	201.4
Total SP 6.1	80.2		89.3	90.1	95.3
Sub- programme 6.2: Cooperative Advisory services					
Current Expenditure	174.7		213.3	207.8	199.7
Compensation of employees	54.3		56.4	57.8	60.2
Use of goods and Services	27.5		51.0	56.9	59.6
Capital Transfers Govt. Agencies	93.0		106.0	93.0	80.0
Other recurrent	-		-	-	-
Capital Expenditure	81.8		189.8	129.5	133.8
Capital Transfers Govt. Agencies	40.9		72.0	68.0	60.0
Other recurrent	40.9		117.8	61.5	73.8
Total SP 6.2	256.5		403.1	337.3	333.5
Sub- programme 6.3: Co-operative Marketing					
Current Expenditure	8.9		17.2	20.3	21.3
Compensation of employees	4.8		4.9	5.1	5.3

Expenditure Classification	Baseline	Estimates	Estimates	Projected	Estimates
	(Kshs M)		(Kshs M)	(Kshs M)	
	2013/14		2014/15	2015/16	2016/17
Use of goods and Services	4.1		12.0	14.8	15.6
Capital Transfers Govt. Agencies	-		-	-	-
Other recurrent	-		0.3	0.4	0.5
Capital Expenditure	28.7		21.5	75.0	87.8
Use of goods and Services	25.0		16.0	15.0	15.8
Other recurrent	3.7		5.5	60.0	72.0
Total SP 6.3	37.6		38.7	95.3	109.0
PROGRAMME 7: PLANNING POLICY AND ADMINISTRATIVE SERVICES					
East African Affairs, Commerce and Tourism					
Current Expenditure	998.6		1,543.9	2,203.3	2,362.1
Compensation of employees	299.5		326.5	369.6	380.6
Use of goods and Services	605.9		856.2	1,384.1	1,431.1
Grants and transfers	85.5		340.0	400.0	500.0
Other recurrent	7.6		21.2	49.6	50.4
Capital Expenditure	11.7		31.0	24.5	30.0
Acquisition of non-financial assets	5.5		12.0	15.0	20.0
Grants and transfers	-		-	-	-
Other recurrent	6.2		19.0	9.5	10.0
Total EAACT	1,010.3		1,574.9	2,227.8	2,392.1
Industrialization and Enterprise development					
Current Expenditure	1,536.5		2,233.1	2,927.0	3,124.3
Compensation of Employees	526.3		572.3	628.1	649.9
Use of Goods and Services	913.7		1,278.8	1,826.3	1,896.3
Grants and transfers	85.5		340.0	400.0	500.0
Other recurrent	11.0		42.1	72.7	78.2
Capital expenditure	90.7		442.8	445.6	422.4
acquisition of non-financial assets	83.5		368.8	375.3	412.4

Expenditure Classification	Baseline	Estimates	Estimates	Projected	Estimates
	(Kshs M)		(Kshs M)	(Kshs M)	
	2013/14		2014/15	2015/16	2016/17
Grants and transfers	-		-	-	-
other development	7.2		74.0	70.3	10.0
Total MoIED	1,627.2		2,675.9	3,372.6	3,546.7

3.2.6 Resource allocation Criteria

- I. Personnel emolument items and mandatory statutory expenses were given the first priority;
- II. Flag-ship Projects as spelt out in vision 2030;
- III. On-going projects vis-à-vis the level of completion and commitment;
- IV. Core poverty programmes: Funding based on how the programme addresses poverty issues;
- V. Statutory obligations and pending bills;
- VI. How the programme addresses priorities under the second Medium Term Plan (2013-2017);
- VII. Netting-off of one-off expenditures in the previous financial year's budget.

**CHAPTER FOUR:
CROSS-SECTOR LINKAGES AND EMERGING
ISSUES/CHALLENGES**

4.1 Cross Sector Linkages

The GECA sector cuts across the three pillars of the Kenya Vision 2030 with the main focus being the Economic Pillar. In executing its mandate, the sector has direct and indirect linkages with other sectors in order to promote balanced socio- economic growth and development. The sectors with which GECA has cross-linkages are: Agriculture and Rural and urban Development; Energy; Infrastructure and ICT; Education; Health; Governance Justice Law and Order; Public Administration and International Relations; National Security; Social Protection, Culture and Recreation; and Environment protection Water and natural resources. The programmes and projects within the GECA sector also cross cut and affect the performance and output of other sectors through forward and backward linkages

Sector	Linkage
Agriculture, Rural and urban Development	<p>The GECA sector works with the Agriculture, Livestock and Fisheries sector for provision of quality industrial raw materials as well as hotels and restaurant foodstuff needs. The Sector also works with Agricultural sector in provision of technical expertise to the agricultural based cooperative societies in form of agricultural extension services.</p> <p>It also works with Ministry of Lands, Housing and Urban development for allocation of industrial land; sector projects sites, physical and spatial planning.</p>
Energy, Infrastructure and ICT	<p>The sector collaborates with the Transport and Infrastructure sector for reliable road and rail network as well as provision of efficient port services.</p> <p>The sector has close linkages to ICT and globalization particularly with regard to market access through ICT. The sector would depend on ICT sub-sector for provision of ICT infrastructure as well as promotion of ICT uptake.</p> <p>The Energy sub sector is important in terms of provision of</p>

Sector	Linkage
	reliable and affordable power supply for industries, business premises, tourism establishment and for domestic use. The Energy sub-sector efforts in rural electrification will support the sector in promotion of agri-business industries.
Health	The sector relates to the health sector on issues of general health of the public, on mainstreaming HIV/AIDS pandemic in the sector activities and programmes as well as on issues of national food security and nutrition, public health concerns and animal and veterinary diseases and pests control. The sector also relies on the Health sector for provision and promotion of medical tourism.
Education	The Sector works closely with the Ministry of Education Science and Technology for provision of skilled labor to the sector especially the training of engineers and technologists, cooperative development, tourism and commercial promotion.
Governance, Justice, Law and Order	Security is paramount for growth of the sector as it is a prerequisite for investment opportunities in the sector. This is in order to ensure secure investment environment and administration of justice particularly resolution of disputes in the cooperative movement, standards and intellectual property rights.
Public Administration and International Relations	The sector relates to the public administration and international relational sector from the standpoint of overall national development, planning and public expenditure management, budget tracking, Monitoring and evaluation of development programmes and activities as well as access to support services. Furthermore, sensitization of exporters and business communities on potential export markets and opportunities; removal of Non-Tariff Barriers (NTB); Promotion of Kenyan products and tourism overseas and provision of business incentives to exporters will be a key in achieving the objectives of the sector. In addition, the sector will be relied on to negotiate

Sector	Linkage
	with foreign nations to avoid or review travel advisories that can affect the sector.
National Security	This sector shall be relied upon for all security and surveillance issues to ensure that the investor and tourist confidence in the sector is maintained throughout the financial period. This would include maintenance of safety and security within our borders including the international waters.
Social Protection, culture and recreation	The sector will work closely with the Ministry of Labour and Social Security and Services in the implementation of labor guidelines and related policies concerning development and promotion of cultural tourism.
Environment protection, water and natural resources.	<p>The sector works closely with the Ministry of Environment, Water and Natural Resources for sustainable development by ensuring cleaner environment through ensuring solid waste management, proper industrial waste management, as well as minimizing green house and global warming management.</p> <p>The GECA sector also relies on the Environment sector in conservation of forests and wildlife which provide raw materials for the sector (e.g. wood) and are also a main tourist attraction for the sector.</p> <p>The GECA sector relies on the water sector for adequate water supply to industries, tourist sites/destinations and business premises.</p> <p>The sector works closely with the Ministry of Mining in establishing the level of iron ore deposits in Kenya to develop the steel industry as well in development and promotion of gemstone tourism.</p>

4.2 Emerging Issues and Challenges

The GECA sector is faced with numerous challenges and emerging issues which need to be addressed to enable the sector realize its targets. The following are the key challenges and emerging issues from the sector:-

a. Travel Advisories

Tourism is a key component of this sector. It is largely affected by perceived insecurity situations in the country by other countries. Travel advisories issued by developed countries hinder the international tourists from visiting our country. This sector was seriously affected by the advisories that were issued after 2007-2008 post-election violence and recently by terrorist attack at the Westgate mall.

b. Security

The GECA sector has been faced with various insecurity concerns like high crime rates, piracy and terrorism which have negatively affected the sector. These have resulted in high insurance costs, costly security programmes and low tourist arrivals. This has also led to sector's products and services being less competitive in the international markets. There is need to address the sector security concerns to attract local and foreign direct investments.

c. Climate change

Numerous global environmental concerns have affected operations of the sector. Climatic change and unsustainable human activities have led to negative environmental effects including global warming and environmental degradation. This has necessitated the need for mitigation and adaptation strategies which have affected sector operations and global competitiveness of the sector products and services.

d. Infrastructure

To realize the sector targets, availability of efficient infrastructure is paramount. The sector requires good road and rail network, as well as efficient airports and ports facilities. Although there has been major infrastructure improvement in recent years, infrastructure still remains a major challenge and is not fully developed resulting in low productivity, high production and distribution costs; and subsequent uncompetitive products and

services. The concentration of infrastructure and social amenities in a few urban areas has resulted in the conglomeration of industries in such areas further creating disparities in regional and industrial development. Thus a lot needs to be done in improvement of road network to ease congestion in major urban areas, expand and improve road network to remote areas of interest to the sector, development of standard gauge railway line, improvement of airport, airstrips and port services. The sector has been faced with unreliable and costly energy supply. Investment in reliable and affordable energy supply would assist the sector in reduction of the cost of doing business which would increase the sector's competitiveness necessary in realizing its full potential.

e. Inadequate funding for programmes

The sector contributes about 35% GDP both directly and indirectly. It also provides linkages in the production process, has a high multiplier effect and creates many jobs. However, the sector's funding has been inadequate to enable it effectively deliver its mandate and implementation of the Vision 2030 flagship projects in the sector.

f. Policy, Legal, Regulatory and Institutional Framework

The sector has been faced with lack of comprehensive policy and legal framework to guide various sectoral activities. This has resulted to challenges relating to weak and ineffective legal and institutional framework for effective discharge and enforcement the sector's mandate. The sector is also guided by scattered policy instruments and legislations which are also administered by different institutions, numerous permits and licenses which has made doing business cumbersome and costly and unfavorable regulatory framework.

g. Macroeconomic Environment

The unstable macroeconomic environment both locally and globally attributed to the high interest rates, unstable foreign exchange rate, high inflation rate and global financial crisis has affected investment in the sector. These coupled with other factors has resulted to poor investment climate resulting to low local and Foreign Direct Investments (FDI) in the sector in comparison with neighbouring countries. Consequently, investments in the sector have been reduced, withdrawn, or relocated to other countries that have

comparative advantages. The sector would require stable macroeconomic environment to attract investments into the sector.

h. Influx of sub-standard, counterfeits and contra-band goods

The opening up of the Kenyan market and inadequate enforcement of the intellectual property rights has resulted to the entry of substandard, counterfeit and contra-band products into the local market. These products have substantially contributed to the reduction of the market share for locally manufactured products, discouraged innovation efforts, negatively impacted on local industrial growth and reduced the government revenue base. Although Anti-Counterfeit Agency has been established, other multi-sectoral measures need to put in place to eradicate the problem.

i. Devolution under the Constitution

The passage of the new constitution 2010 has created a two tier government structure, both the national and county governments. Some of the programmes and projects under this Sector will be implemented by the county governments. This then calls for closer collaboration between the national and county governments for successful implementation of these projects.

j. Global Economy

Global economic shocks that lead to high rates of inflation, energy prices, food prices and exchange rate fluctuation will affect the sector especially in the importation of industrial raw materials, international trade and tourism. A recent case in point is the Euro zone crisis that adversely affected the sector.

k. Technology, Innovation, Research and Development

Research and Development is vital to support the growth and development of the sector. However, prioritization of R&D has led to its low contribution to the sector as manifested in low funding, inadequate research and productivity infrastructural capacity; skills gap in R&D; weak linkages between R&D productivity institutions and the targeted beneficiaries; and low penetration and adoption of research findings.

l. Human Resource Capacity

The Sector has continued to operate with low staffing level both at the headquarters and county offices. At present, the sector is operating with a very low number of staff compared to the approved establishments. This problem has been aggravated by the introduction of the forty-seven counties under the Constitution.

m. Investment Climate

In the recent past, the scale of both Local and Foreign Direct Investments (FDI) in Kenya has been low, in comparison with neighbouring EAC countries such as Rwanda, Tanzania and Uganda. This has been attributed to unfavourable micro and macro-economic factors such as; high energy costs, rising interest rates, unstable foreign exchange rate and high inflation leading to increase in the cost of doing business. As a result, industries have been forced to scale down, close down, or relocate to other countries that have comparative advantages.

n. Access to Credit Facilities and Financial Services

Kenya Vision 2030 targets to reduce the share of population to finance from 85% to below 70%. To achieve this objective, the Vision intends to reform micro-finance institutions with a view to addressing credit accessibility to MSMEs. The financial services challenges faced by the sector includes; lack of access to formal financial services, high interest rates, lack of long term financing and lack of sustainable funding mechanism which has inhibited the competitiveness and growth of MSMEs, and community based enterprises in the sector.

o. ICT Infrastructure

Kenya remains a regional leader in the development of ICT infrastructure. However, challenges exist in the optimal use to existing investments to enable more prudent business processes and efficient delivery of service by the sector. The low levels of penetration and high cost of ICT infrastructure has hindered access and usage of ICT leading to increased costs of production and low access to technological and market information. This has contributed to slow industrialization, trade development, regional integration, tourism promotion and development of the enterprises.

p. Poaching

Poaching and illegal trade in wildlife products has affected the sustainability of the wildlife in Kenya. Statistics indicate that poaching has reached an all time high with more elephants and rhinos having been lost to poachers in the recent past. There is urgent need to address the poaching menace with a view to increase the population of the vulnerable and endangered species.

q. Linkages and Collaboration

The sector requires close collaboration and linkages with several agencies including Government ministries/departments/agencies, the Private Sector, the Civil Society, training institutions and Development Partners. The coordination of cross sectoral activities has not been well structured resulting in duplication of efforts and conflicting policies. Lack clarity on the MDA to take the lead role where activities span across sectors has also been a challenge.

r. Multiple Trade Regulations

Kenya is a member of various trading blocs. The Common External Tariff (CET), Rules of Origin (RoO) and trade facilitation measures such as axle-load limits and transport insurance requirements in these blocs are not uniform. This has led to technical barriers to trade and other non-tariff barriers which pose a challenge to the business community in complying with these different trading arrangements. In addition, the sector is faced with the challenge of dealing with unfair competition that is posed by the flow of exports through other Partner States which belong to other trading blocs where the Rules of Origin are not strictly enforced.

The growth and development of the sector depends on the existence of a vibrant market for products and services. Access to markets by Kenyan products to some countries is threatened by new trading arrangements that require compliance with WTO rules and regulations. Under the new global trading arrangements, Kenyan products face stiffer competition in the preferred markets.

s. Low level of awareness on Regional Integration Opportunities/Benefits

There is generally low level of awareness among most Kenyans and business community on the socio-economic benefits and provisions of the EAC and COMESA integration process. In addition although the Tripartite Summit has launched the EAC-COMESA-SADC tripartite negotiations, the populace and business community is yet to be sensitized on the process. There is also uncertainty in the sub-regional integration process due to perceived fear of loss of national sovereignty, loss of revenues and unemployment. On the other hand, partner States within the EAC bloc are at different levels in terms of implementation of the Common Market Protocol (CMP). There are also challenges of persistent non-tariff barriers to trade

CHAPTER FIVE:
CONCLUSION

General Economic and Commercial Affairs (GECA) plays a key role in accelerating economic growth, employment creation, poverty reduction, industrial development and achieving equitable distribution of resources as well as attainment of Millennium Development Goals (MGDs) through trade, tourism and investments. The sector is also critical in the achievement of Kenya's Vision 2030 as it contributes significantly to the overall national development agenda accounting for approximately 33% of the overall Kenya's GDP.

The sector promotes both forward and backward linkages in the production process and has a high multiplier effect through investments, promotion of productivity, and balanced and equitable regional development for competitiveness. In addition, it plays a significant role in the country's economic growth and development by creating markets for goods and services, poverty reduction, and developing global partnership for development, among others.

During the financial period 2010/11-2012/13 the Sector registered significant achievements with exports increasing by 26.4% from Ksh.409.8 billion in 2010 to Ksh.517.9 billion in 2012. Exports to the EAC region expanded to stand at Kshs.134.95 billion in 2012 with Kenya recording a trade surplus balance of USD\$ 241.5 million in 2011. The East African Common Market Protocol was also successfully negotiated and officially launched. The Sector further developed a National tourism strategy that has led to a remarkable growth in tourist arrivals and earnings. Employment in the manufacturing sector significantly grew with formal employment growing by 5 percent to stand at 275,800 in 2011 while informal employment growing by 17 per cent to stand at 1.83 million in 2011. A total of 798 new cooperatives were registered two of them being diaspora SACCOs in the U.K and U.S.A

The sector however, has not been able to effectively deliver her mandate to implement the Vision 2030 and its flagship projects due to consistent and persistent underfunding. For instance, in the financial year 2013/14 the sector received an allocation of Kshs.12.8 billion accounting for only 14.3% of the total resource requirement (89.8 billion). This limited funding has resulted to stagnation of some development projects and non-execution of projects requiring large amount of resources. In addition, following

operationalization of the Constitution of Kenya (2010) which provides for devolution of certain functions to the county level, the sector will require adequate funds to transfer and ensure effective roll out of the functions.

In view of the above, there is need to adopt a paradigm shift at the national level to prioritize funding to the sector which is critical in spearheading implementation of Vision 2030 projects and programmes. Such prioritization in funding is expected to enable the sector to provide backward and forward linkages to critical national development goals and Vision 2030 aspirations. Increased funding is therefore necessary to implement targeted interventions, addressing challenges and emerging issues through policy, legal and institutional changes.

**CHAPTER SIX:
RECOMMENDATIONS**

In order to enhance the sector's productivity and contribution to the economy, the following key recommendations are necessary to ensure successful implementation of the programmes and projects under the sector, during the MTEF period:

- a. Boost resource allocation to the sector commensurate to its contribution to the economy for enhancement of the sector's ceiling to bridge the gap on the sector's resource requirement
- b. Create an enabling environment through provision of relevant legal framework to facilitate graduation of MSMEs and the transformation of informal sector into formal sector;
- c. Enhance investment in business and physical infrastructural facilities and access to affordable financing and credit facilities to promote Micro, Small and Medium Enterprises (MSMEs);
- d. Fast track implementation of regional integration policy and strategy, regional initiatives to deepen cooperation in economic, social and political spheres.
- e. Mainstream Public Private Partnerships (PPPs) to leverage on funding of projects.
- f. Fast track implementation of one stop shop in licensing of businesses.
- g. Promote cross-sectoral linkages especially with infrastructure, energy and ICT to lower the cost of doing business.
- h. Enhance productivity across all sectors to counter the effects of low competitiveness.
- i. Fast- track the expansion, modernization and maintenance of infrastructure and ICT networks to areas with high potential for industrial development.
- j. Fast track the enactment and implementation of the Kenya Wildlife bill 2011 so address the poaching menace.
- k. Build partnerships between the National and County Governments and capacity building at the local level to ensure success implementation of flagship projects and programmes.
- l. Enhance Security through boosting reforms in the disciplined forces, equipping them and promoting community policing.
- m. Transform the Tourism Police Unit to Tourism Protection Service as per the Tourism Act 2011.

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