



REPUBLIC OF KENYA

**GENERAL ECONOMIC, COMMERCIAL AND LABOUR AFFAIRS
(GECLA)**

**SECTOR REPORT FOR THE MEDIUM
TERM EXPENDITURE FRAMEWORK
2013/14-2015/16**

November 2012

ABBREVIATION AND ACROYMNS

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
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
BRDP	Budget Review and Outlook Paper
BSCs	Business Solution Centers
BSPS	Business Sector Programme Support
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
CMF	Common Market Protocol
CNC	Computer Numerical Controlled
COMESA	Common Market for Eastern and Southern Africa
COTU	Central Organization of Trade Unions
CSOs	Civil Society Organizations
CTDLT	Catering Tourism Development Levy Trustee

DANIDA	Danish International Development Agency
DBSCs	District Business Solution Centres
DDA	Doha Development Agenda
DFID	Department For International Development
DIT	Directorate of Industrial Training
DNHRPD	Directorate of National Human Resource Planning and Development
DOHSS	Directorate of Occupational Health and Safety Services
EA	East Africa
EAC	East African Community
EACCMA	East African Community Customs Management Act
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
ENNDA	Ewaso Ng'iro North Development Authority
ENNRCP	Ewaso Ng'iro North Natural Resources Conservation Project
ENSDA	Ewaso Ng'iro South Development Authority
EOI	Expression of Interest
EPA	Economic Partnership Agreement
EPC	Export Promotion Council
EPZA	Export Processing Zones Authority
EPZs	Export Processing Zones
ESP	Economic Stimulus Programme
EU	European Union
FDI	Foreign Direct Investment
FKE	Federation of Kenya Employers
FTA	Free Trade Area
GDP	Gross Domestic Product
GECLA	General Economic, Commercial and Labour Affairs
GJLOs	Governance, Justice, Law and Order
GOK	Government of Kenya

HIV	Human Immunodeficiency Virus
HR	Human Resource
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
IHRD	Intergrated Human Resource Development
ILO	International Labour Organization
IP-ERS	Investment Programme for the ERS
IPR	Institute of Primate Research
IPRs	Industrial Property Rights
JICA	Japan International Cooperation Agency
JLBS	Joint Loan Board Scheme
JPC	Joint Permanent Commission
KEBS	Kenya Bureau of Standards
KENAS	Kenya National Accreditation Service
KEPLOTRADE	Kenya Post-Lome Trade Negotiations Programme
KIBT	Kenya Institute of Business Training
KICC	Kenyatta International Conference Center
KICC	Kenya International Conference Centre
KIE	Kenya Industrial Estates
KIPI	Kenya Industrial Property Institute
KIRDI	Kenya Industrial Research and Development Institute
KITC	Kisumu Industrial Training Centre
KITI	Kenya Industrial Training Institute
KNJKA	Kenya National Jua Kali Association
KNTC	Kenya National Trading Corporation
KOSFIP	Kimira-Oluch Smallholder Farm Improvement Project
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
KV2030	Kenya Vision 2030
KVDA	Kerio Valley Development Authority
KWAL	Kenya Wine Agencies Limited
LAPSSET	Lamu Port Southern Sudan Ethiopia Transport
LBDA	Lake Basin Development Authority
LDC	Leather Development Centre
M&E	Monitoring and Evaluation
MDGs	Millennium Development Goals
MICE	Meetings, Incentive, Conferences and Exhibitions
MITC	Mombasa Industrial Training centre
MOL	Ministry of Labour
MORDA	Ministry of Regional Development Authorities
MOU	Memorandum of Understanding
MPER	Ministerial Public Expenditure Review
MSEs	Micro and Small Enterprises
MSMEs	Micro, Small and Medium Enterprises
MSMIs	Micro, Small and Medium Industries
MTEF	Medium Term Expenditure Framework
MTP	Medium Term Plan
NACOSH	National Council for Occupational Safety and Health
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
NITC	National Industrial Training Council
NIVTC	National Industrial and Vocational Training Centre
NMC	Numerical Machining Complex
NOCK	National Oil Corporation of Kenya

NQF	National Qualification Framework
NSSF	National Social Security Fund
NTBs	Non Tariff Barriers
O&M	Operation and Maintenance
OSH	Occupational Safety and Health
OSHA	Occupational Safety and Health Administration
OVOP	One Village One Product
PAS	Performance Appraisal System
PBGs	Producer Business Groups
PCK	Productivity Centre of Kenya
PER	Public Expenditure Review
PPP	Public Private Partnership
PPSDS	Private Sector Development Strategy
R&D	Research and Development
RDAs	Regional Development Authorities
RECs	Regional Economic Communities
RoO	Rules of Origin
RoO	Rules of Origin
SADC	Southern Africa Development Corporation
SAGAs	Semi-Autonomous Government Agencies
SEZs	Special Economic Zones
SME	Small and Medium Enterprise
SMEs	Small and Medium Industries
TARDA	Tana and Athi River Development Authority
TNA	Training Needs Analysis
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, Commercial and Labour Affairs (GECLA) Sector comprises of eight sub-sectors namely: Regional Development Authorities; Labour; Trade; East Africa Community (EAC); Tourism; Industrialization; Kenya Industrial Research and Development Institute (KIRDI); and Productivity Centre of Kenya (PCK). The sector envisions a globally competitive economy with sustainable and equitable socio-economic development.

The Sector plays a significant role towards achievement of the Vision 2030 and Millennium Development Goals (MDGs) through enhancement of economic growth. It contributes significantly to the overall national development agenda accounting for about 35% of the overall Kenya's GDP. This is reflected by the fact that it is a major source of government revenue in form of taxes, duties, license fees, entry fees, among others.

The sector aims at creating employment opportunities, poverty reduction, Promoting Private sector led growth, Deepening and widening regional integration; Creation of human resource base for global competitiveness and promotion of equity among the Kenyan citizens. Key outputs expected from the sector are: Improved management and conservation of basin-based resources; Harmonious industrial relations; Competitive and efficient workforce; Increased contribution to GDP through increase in export earnings, diverse tourism products and internationally competitive standards; Enhanced institutional framework for efficient and effective service delivery; and Competitive Goods and Services.

The Sector is expected to spearhead the national economic development and contribute towards overall national goal of increasing the GDP growth from 4.4 % in 2011 to 10% per annum as envisioned in the Vision 2030. This is expected to be achieved through creating an enabling environment for business, investments and industrial development; promotion of exports; promotion of sustainable tourism; deepening of the regional integration; and promotion of employment, harmonious industrial relations; and productivity management.

In the period under review the sector achieved the following: Development of six (6) integrated regional Development Master Plans; Completion of 4 feasibility studies for four multipurpose projects; Enactment of Industrial Court Act 2011 and Industrial Training (Amendment) act 2011; Development of a national Trade Policy, Special Economic Zones Bill and Trade Remedies Bill; Conclusion of negotiations leading to EAC Common Market Protocol; Enactment of Tourism Act 2011; Construction of 120 CIDCs and development of a National Industrialization Policy; Establishment of 15 pilot plants to enable value addition of raw materials at County level; and Development of national productivity policy and Productivity Bill.

The Sector has identified twelve (12) priority programmes for implementation during the MTEF period 2013/14 to 2015/16 namely: Integrated Regional Development; Promotion of Best Labour Practices; Manpower Planning and Utilization; Trade Development; Trade Promotion and Investment; Coordination of the East African Community Affairs; Tourism Promotion and Marketing; Tourism Product Development and Management; Industrial development and investment; Standards and Business Incubation; Promotion of Research in Industrial Development; and Productivity Improvement Measurement and Promotion.

To implement the above prioritized programmes a total of Kshs 89.8 billion, Kshs 108.8 billion and Kshs 135.9 billion is required in 2013/14, 2014/2015 and 2015/2016 respectively. Despite the sector's major role in the implementation and realization of the flagship projects of the Vision 2030, its allocation remains at a meager less than 2% of the total national resource allocation. For instance, the proposed government allocation for 2013/14 financial year is Kshs. 21.2 billion for GECLA sector against the total national resource of 935.2 billion. There is therefore need for a deliberate and explicit reorganization of resource prioritization towards this sector which has been identified to lead in Kenya's economic growth.

The sector is currently faced with myriad challenges and emerging issues which need to be addressed to enable the sector realize its goals. These challenges include: Inadequate funding; Inadequate human resource capacity; Lack of comprehensive policy, legal, regulatory and institutional framework; Poor Physical and ICT Infrastructure; Insecurity; Unstable Macroeconomic Environment; Limited access to credit facilities and financial services; Unfavourable investment climate; Influx of sub-standard, counterfeits and contra-band goods; Inadequate resources for research and innovation; Low uptake of technology; Multiple Trade Regulations; Weak linkages and collaboration with relevant stakeholders; High mortality rate of Micro, Small and Medium Enterprises (MSMEs); Environmental concerns; and Low awareness on regional integration opportunities/benefits.

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; Promotion of Micro, Small and Medium Enterprises (MSMEs) through access to affordable credit facilities; Building capacities to increase the national pool of skills and talents; Improving remuneration packages to skilled workers to counter "Brain drain"; Strengthen regional integration initiatives; Strengthen Public Private Partnerships (PPPs); Upgrade and expand the existing Industrial Training Centres; Strengthen cross-sectoral linkages; Stimulate productivity throughout the country; Enhance human resource capacity in terms of the number of personnel; Policy, legal and institutional reforms which include review of labour laws to be in line with the Constitution and Review Anti-Counterfeit Act (2008); and Fast track finalization of EAC Anti-Counterfeit Bill.

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CHAPTER ONE

1.0. INTRODUCTION

1.1. Background

The General Economic, Commercial and Labour Affairs (GECLA) Sector comprises of eight sub-sectors namely; Regional Development Authorities, Labour, Trade, East African Community (EAC), Tourism, Industrialization, Kenya Industrial Research and Development Institute (KIRDI) and Productivity Centre of Kenya (PCK). The sector has seven (7) autonomous agencies and twenty two (22) semi autonomous agencies.

This GECLA Sector Report seeks to provide an assessment of the extent to which programmes achieved their objectives and challenges encountered during implementation, and inform prioritization and allocation of resources. The report provides the performance review and expenditure analysis for the period 2009/10-2011/12. In addition the report outlines the medium term priorities and financial plans for the 2013/14-2015/16 period and cross-sector linkages, emerging issues and challenges. It further gives recommendations towards addressing identified challenges.

This Report has been developed in the backdrop of the completion of the First Medium Term Plan 2008-2012 of the Kenya Vision 2030 and related sub-sector Strategic Plans. The Report also comes in the wake of the promulgation and implementation of the Constitution of Kenya, 2010 which provides a platform for increased participation of Kenyans in governance and public financial management, amongst many others. The creation of a two-tier system of Government in particular, consisting of the national and county governments, will provide opportunities for achieving equitable development and enhanced community participation in national development. In this regard, preparation of the report has been guided by the Constitution and the proposed programmes in the Second Medium Term Plan 2013-2017 period.

Programmes in the Sector continue to play a vital role in accelerating economic growth, employment creation, poverty reduction and achieving equitable distribution of resources as

well as attainment of Millennium Development Goals (MGDs). In the allocation of resources for the next three financial years, focus will be accorded to the implementation of the flagship projects in the Kenya Vision 2030 and key priority programmes/projects in the Second Medium Term Plan. In addition, priority has been given to those programmes identified by communities and stakeholders as critical to their needs. Further, the sector has ensured that proposed programmes are sustainable within the projected fiscal framework for the 2013/14 – 2015/16 period.

The following is a brief highlight of the key achievements and challenges encountered during the 2009/10 – 2011/12 period within the eight (8) sub-sectors:

Regional development is critical to poverty reduction and equitable distribution of resources. Effective planning, development and implementation of integrated and multi-purpose programmes contributes to balanced regional development through employment creation, equitable distribution of resources, household food security and urban-rural balance. During the period under review, the sub-sector prepared six integrated regional master plans which are one-stop-shop for providing information on planning and development, completed feasibility studies for four (4) multi-purpose programmes namely High Grand Falls, Magwagwa, Aror and Nandi multipurpose development projects. In addition, the sub- sector produced 3,000 tonnes of paddy by putting 1,000 acres under irrigation, created 10,670 jobs through income generating projects implemented by the six (6) Regional Development Authorities among others. Among the major challenge within the sub-sector is the imbalance in socio-economic development within regions despite the sound macro and sectoral policies put in place to address regional disparities in economic and social development. The Regional Development Authorities sub-sector therefore seeks to address these challenges by promoting exploitation of basin-based resources, implementation of integrated multipurpose development programmes for equitable, balanced and sustainable development.

The Kenya Vision 2030 pillars are anchored on existence of a skilled, productive, competitive and adaptive human resource base. Further, the Constitution of Kenya reaffirms the government's commitment to employment issues and advocates for decent work, promotion of freely chosen productive employment, fundamental rights at work, adequate income from work, representation, and the social protection. Within the period under review, the Labour

sub-sector achieved the following; undertook policy, legal and institutional reforms which include the enactment of the Industrial Court Act, 2011 that effectively elevated the Industrial Court to the status of a High Court as provided for in the Constitution, 2010, enactment of the Industrial Training Amendment Act, 2011 to create the National Industrial Training Authority (NITA), establishment of key labour market institutions, and development of the Occupational Safety and Health Policy and National Industrial Training and Attachment Policy. Other key achievements include; reduction in time taken to resolve industrial disputes from an average of 12 months to 3 months, construction of a pilot MSE Centre of Excellence at the Kariobangi National Jua Kali Demonstration Centre, upgrading and refurbishment of the five industrial training centres and conducting the National Manpower Survey to provide a skill inventory for the country.

Despite these achievements, the Labour sub-sector faces critical challenges amongst them; high unemployment rates, inadequate skilled manpower coupled with skills mismatch, inadequate policy, legal and institutional framework, lack of a Labour Market Information System, adversarial labour relations especially in the Public Sector, weak occupational safety and health culture, and inadequate human resource capacity for enforcement of the labour laws. To address the above, the Labour Sub-sector will continue to spearhead the planning and development of national human resources, supply of skilled labour force to industry, development of the MSE sector and promotion of industrial peace and harmony, and occupational safety and health, all aimed at creating a globally competitive workforce in a decent work environment.

Trade sub-sector plays a key role towards the realization of the goals/targets in the Kenya Vision 2030. The sub-sector programmes are geared towards creating an enabling business environment, spearheading regional integration initiatives and promoting internationally recognized fair trade practices. In addition, the sub-sector implements a core poverty programme that provides affordable business credit and entrepreneurial business development services to Micro and Small Enterprises (MSEs) with the aim of reducing poverty and unemployment.

The Sub-Sector contributed 10.6% to the country's Gross Domestic Product (GDP) in the year 2011 through promotion and development of both domestic and international trade. In

addition, the value of total exports grew from Kshs 409.8 billion in 2010 to Ksh 511.0 billion in 2011 reflecting a 24.7 % increase. The subsector provides incentives to attract attract Foreign Direct Investments (FDI particularly in the EPZs. These initiatives led to growth in FDI in the EPZs by Ksh. 10 billion between 2009 and 2011 and at the same time creating 10,000 employment opportunities. However, the sub-sector continue to face a number of challenges which include; lack of a legal framework, low competitiveness of Kenyan products, increase in non-trade barriers in the region, slow global economic growth occasioned by rise in international oil prices and the Euro zone crisis.

The East African Community sub-sector Programmes/Projects are aimed at expanding demand for local value added products beyond the domestic market as envisaged in the Vision 2030. The sub-sector has contributed to deepening and widening the EAC integration process through coordination of the country's participation in successful negotiations and subsequent implementation of the integration pillars of the Customs Union and the Common Market. These have led to expanded market access for Kenyan products and services in the region. Milestones have also been realized in negotiations of the Monetary Union and eventually Political Federation under the coordination of the sub-sector. The subsector however faces challenges, such as bureaucratic and lengthy decision making process arising from the principles of consensus building at EAC levels, low levels of public awareness amongst Kenyan citizens on the integration process, and weak coordination and oversight framework.

The tourism sub-sector remains one of the leading foreign exchange earners and a major generator of employment in Kenya, contributing about 10% of the GDP and also providing a market for goods produced in other sectors. The sub-sector is indeed, key to attainment of the economic pillar of Vision 2030. Programmes and activities undertaken include development of new tourism products and services, regulation and marketing. The sub-sector implements policies that ensure sustainable tourism development in the country. Specific flagship projects being implemented include the development of resort cities in Isiolo, Diani and Kilifi, development of niche products and provision of adequate tourism personnel. Under the LAPSET programme Turkana and Lamu have been proposed as additional resort cities. During the period under review the sub-sector achieved the following; earnings increased from Ksh 73.7 Billion in 2010 to Ksh 97.9 Billion in 2011, which was above the targeted Ksh 95 Billion, number of tourist arrivals increased from 1.6 million visitors in 2010 to 1.8 Million visitors in

2011 and as part of the reform agenda the sub-sector operationalized the Tourism Act 2011 to streamline the operations of the sector. However, the sub-sector's capacity to contribute fully to national development is hampered by insecurity, poor infrastructure in key tourism circuit areas, limited tourism product diversification and weak collaboration between key stakeholders in the sub-sector.

The industrialization sub-sector is a key productive sector for economic growth and development due to its immense potential for wealth and employment creation as well as poverty alleviation. In addition, the sub-sector provides impetus towards achievement of Millennium Development Goals (MDGs) both in the medium and long term particularly Goal one on eradication of extreme poverty and hunger and goal eight on Global Partnerships for Development. The sub-sector enhances value addition and diversification to ensure product competitiveness and create an enabling environment for industrial investment. During the period under review, the Sub-Sector achieved the following key milestones; developed three (3) clusters; fish in Kisumu, Cashew nuts in Mombasa and meat and leather in Garissa. Implemented One-Village-One Product programme in 25 districts in the country and various groups received support in form of finance, training in business planning, product development, packaging, branding, marketing, leadership and organizational skills. In addition, the sub-sector carried out 109 investigations and conducted raids in an effort to reduce incidences of counterfeits and developed 448 standards.

Despite this, the sub-sector continues to face key challenges such as increased counterfeit, contraband and substandard goods; weak linkages between the micro, small, medium and large industries; inadequate and costly infrastructure; and declining local and foreign direct investments mainly occasioned by high cost of doing business.

The Kenya Industrial Research and Development Institute (KIRDI) sub-sector undertakes industrial research and development, and transfer of technology with a view to addressing technological advancement, productivity improvements and enterprise growth. Key achievements during the period under review include; generation of research technologies, processes and products that promote value addition amongst SMEs; establishment of pilot plants to enable exploitation of resources at county level; and provision of business incubation and common manufacturing facilities that have supported an estimated 300 SMEs. These

initiatives are aimed at fostering industrialization by supporting the growth and development of SMEs. However, the key challenges in this sub-sector include; low prioritization and funding for research and development; inadequate research and development infrastructure; weak linkages between consumers and research providers in the market, low levels of awareness on intellectual property rights and low technology, innovation and research and development uptake.

The Productivity Centre of Kenya (PCK) sub-sector develops and implements targeted and research based productivity interventions to mainstream productivity practices in all sectors of the country's economy. The sub-sector achieved the following key milestones during the period under review; developed draft National Productivity Policy and Bill, prepared national productivity levels and subsequently updated in five sectors under economic pillar of Kenya Vision 2030. In addition, 385 Productivity Technical Service Providers trained as champions, practitioners and trainers, and 45 enterprises /organizations in both public and private developed as models of productivity improvement. The enterprises productivity interventions have led to: 20-30 percent increase in productivity, 10 percent improvement in quality rate, 40-50 percent reduction in costs, 50-70 percent reduction in delays, safety and morale of workers improvement. However, the sub-sector success is hampered by inappropriate legal and institutional framework for productivity improvement, low levels of productivity consciousness and awareness, absence of a framework to guide productivity measurement and compensation and poor work environment within enterprises/institutions.

1.2. Sector Vision and Mission

Vision

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

Mission

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

1.3. Strategic goals and objectives of the Sector

Strategic Goals

- i. Promote integrated regional development;
- ii. Promote sustainable utilization and management of basin based resources;
- iii. Promote best labour practices, human resource planning and development;
- iv. Promote tourism, trade development and investment;
- v. Fast track regional integration within the EAC, COMESA and SADC regions;
- vi. Promote employment creation;
- vii. Promote industrial development and entrepreneurship;
- viii. Promote technology development, innovation and productivity practices in all sectors of the economy.

Strategic objectives

The sector aims to:

- i) Undertake policy, legal and institutional reforms for the development of the sector;
- ii) Formulate, promote and implement integrated regional plans, programmes and projects;
- iii) Build capacity for development of the sector;
- iv) Improve business environment for trade, tourism and investment;
- v) Strengthen linkages between industry and training/research institutions;
- vi) Minimize industrial disputes;
- vii) Promote entrepreneurship and competitiveness;
- viii) Promote safety and health at work places;
- ix) Promote Private Sector Development;
- x) Coordinate regional integration in the EAC, COMESA and the larger EAC-COMESA-SADC Tripartite
- xi) Promote Research and Development, innovation, technology adoption and productivity management;
- xii) Enhance product diversification and standards

1.4. Sub-sectors and their mandates

The following are the mandates of the sub-sectors:-

1.4.1. Regional Development Authorities (RDAs)

- i. Formulation and implementation of policies for regional development
- ii. Promote management and conservation of the natural resource base
- iii. Collecting, collating, maintaining and managing information and data on regional development
- iv. Enhancing capacity building in RDAs
- v. Management oversight and support to RDAs

1.4.2. Labour

- i. National manpower planning and development
- ii. Promotion of safety and health at workplaces
- iii. Strengthening industrial relations, arbitration and settlement of labour disputes
- iv. Industrial and vocational training
- v. Micro and small enterprise development
- vi. Provision and promotion of social security
- vii. Regulation of Trade Unions

1.4.3. Trade

- i. Formulation and monitoring the implementation of Trade Development Policy
- ii. Promotion of retail and wholesale trade
- iii. Development of Micro, Small and Medium Enterprises
- iv. Enforce fair trade practices and ensure consumer protection
- v. Promotion of private sector development
- vi. Coordinating international trade affairs
- vii. Development of Special Economic Zones

1.4.4. East African Community

- i. Formulation of national policies on the East African Community
- ii. Coordination of government participation in the East African Community affairs
- iii. Coordination of the implementation of the East African Community programmes and projects

- iv. Implementation of the Treaty for the establishment of the East African Community
- v. Promotion and fast tracking of East African integration

1.4.5. Tourism

- i. Formulation, coordination and administration of tourism policy
- ii. Development and promotion of tourism
- iii. Tourism and hospitality training
- iv. Development and enforcement of tourism standards

1.4.6. Industrialization

- i. Formulation and monitoring the implementation of the industrialization policies
- ii. Safeguarding industrial property rights and settlement of industrial property rights disputes
- iii. Quality control and standardization
- iv. Capacity building for industrial development
- v. Infrastructure and Business Development Services for Micro, Small and Medium Industries
- vi. Industrial tooling and machining
- vii. Financing and venture capital for industrial development
- viii. Provision of market linkages and access to finance for Micro, Small and Medium Industries
- ix. Cement production

1.4.7. Research and Development

- i. Development and implementation of targeted and research based productivity interventions and mainstream productivity practices in all sectors of the economy
- ii. Carry out research and development in industrial and allied technology
- iii. Dissemination of research findings

1.5. Autonomous and Semi-Autonomous Government Agencies

The Sector has seven (7) Autonomous and twenty two (22) Semi autonomous Government Agencies (SAGAs) as follows:-

1.5.1. Autonomous Government Agencies (AGAS)

1. National Social Security Fund (NSSF)
2. Industrial and Commercial Development Corporation (ICDC)
3. Kenya National Trading Corporation (KNTC)
4. Kenya Wines Agencies Ltd (KWAL)
5. Kenya Safaris Lodges and Hotels Limited (KSLH)
6. East Africa Portland Cement Company (EAPCC)
7. Industrial Development Bank Capital Limited (IDB)

1.5.2. Semi-Autonomous Government Agencies (SAGAs)

1. Tana and Athi Rivers Development Authority (TARDA)
2. Kerio Valley Development Authority (KVDA)
3. Lake Basin Development Authority (LBDA)
4. Ewaso-Nyiro North Development Authority (ENNDA)
5. Ewaso-Nyiro South Development Authority (ENSDA)
6. Coast Development Authority (CDA)
7. Export Promotion Council (EPC)
8. Export Processing Zones Authority (EPZA)
9. Kenya Tourist Board (KTB)
10. Kenya Tourist Development Corporation (KTDC)
11. Kenya Utalii College (KUC)
12. Catering and Tourism Development Levy Trustees (CTDLT)
13. Bomas of Kenya
14. Kenyatta International Conference Centre (KICC)
15. Numerical Machining Complex (NMC)
16. Kenya Industrial Research and Development Institute (KIRDI)
17. Kenya Industrial Property Institute (KIPI)
18. Kenya Industrial Estates (KIE)
19. Kenya National Accreditation Services (KENAS)
20. Kenya Bureau of Standards (KEBS)
21. Anti-counterfeit Agency (ACA)
22. National Industrial Training Authority (NITA)

1.6. The Role of the Sector Stakeholders

i) Government Ministries and Departments

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

ii) Regional Economic and Trading Blocs

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

iii) 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.

iv) Development Partners

They provide technical, financial and other resources; capacity building and create synergies.

v) Private Sector

Plays 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 and industry; joint Public-Private investments; provision of business information; provision of quality goods and services; and self-regulation within the business community.

vi) Civil Society

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

vii) Education and Research Institutions

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

viii) **Media**

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

ix) **National Parliament**

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

x) **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.

xi) **Employers**

They provide employment and ensure observance of appropriate employee rights as well as representation of employers' interests in all relevant forums. They also participate in policy formulation and are also a key source of information and data related to employment.

xii) **The Trade Unions**

The unions represent workers interests and participate in policy formulation.

CHAPTER TWO

2.0. PERFORMANCE AND ACHIEVEMENTS OF THE SECTOR DURING THE PERIOD 2009/10 – 2011/12

2.1. Performance of Sector Programmes

The Sector has made various achievements as highlighted below:

2.1.1. Regional Development Authorities sub-sector

The subsector has one programme integrated regional development and four sub programmes namely: Regional development planning, integrated basin based development, development of river banks, water bodies and catchment conservation; and community empowerment and support programme.

The overall objective of integrated regional Development is to achieve equitable national socio- economic development through sustainable utilization and management of basin based resources.

- **Regional development planning**

During the period under review, the sub-sector targeted to develop six (6) integrated regional master plans. This target was achieved as 6 integrated regional master plans for Coast Development Authority; Tana and Athi River Development Authority; Ewaso Ng'iro North Development Authority; Ewaso Ng'iro South Development Authority; Kerio Valley Development Authority and Lake Basin Development Authority were developed.

The development of the Regional Master Plans is one of the identified flagship projects in the in vision 2030. The Master plans act as one-stop-shop to provide information to potential investors. They also provide information for planning and development of the respective regions.

- **Integrated Basin Based development**

Under this sub programme, the subsector targeted to undertake 5 feasibility studies. The studies provide information on viable projects. The subsector completed 4 feasibility studies out of the targeted. These are; High Grand Falls Multipurpose Reservoir, Magwagwa Integrated Development Programme, Nandi Forest Multi Purpose Dam, Aror Integrated Development Programme. The remaining feasibility study which is for Mwache River Integrated Multipurpose Dam is at the final stages of finalization. The delay in finalization is due to the conditions by World Bank which they want addressed by the feasibility study for the bank to consider funding it.

The construction of **Kimira Oluch** Small Holder Farm Improvement project is 80% complete. The project has compensated 108 farmers for loss of land, constructed 95 houses to clear way for irrigation infrastructure development. The purpose of this project is to create employment, increase house hold incomes and reduce poverty in the area.

During the review period, **Tana Delta Irrigation Project** targeted to increase size of irrigated land under rice by 1000 acres. The subsector irrigated (1,150 acres) for rice farming resulting to harvest of 3,000 tonnes of paddy. In addition two rice mills were rehabilitated for value addition one in Tana Delta. The target was achieved.

Under this sub programme the Lake Basin Development Authority undertook to commercialize kibos rice mill which is now operating at 30% up from 10%. The planned target of commercializing rice mill and have it operate at a capacity of 30% was achieved.

- **Development of River Banks, water bodies and catchments areas**

The objective of the sub programme is to increase forest cover, conserve catchment areas, develop water bodies. During the period under review, 17.2 million tree seedlings were produced and planted against a planned target of 18 million tree seedling using community based approaches, 290 woodlots established against a target 150 woodlots. The target of tree seedlings was not achieved in the period due serious effects of drought. Rehabilitation of 6 degraded sites was undertaken against a target of 6.

- **Community empowerment and support programme**

The subsector undertakes income generating activities in various regions in the country. The income generating activities are aimed at creating employment and improving living standards of communities. Through this sub program communities are also empowered through capacity building and support to programs.

The subsector had a target of developing a gum and resins factory in Ewaso Ny'iro North Development Authority and train 3056 producers. The set target was achieved as envisaged. Further, a feasibility study for the establishment of a tannery in Ewaso Ny'iro South Development Authority was completed and land for the tannery identified as planned.

A total of 500 tourism small and medium enterprises owners were trained on entrepreneurship. In addition, a total of 2500 acres of tea were established against a target of 500 acres. The purpose of this was to support the communities in Trans mara and encourage them to move into alternative sources of income. The targeted communities took the training positively and as a result of the planned target was surpassed.

Through the Malindi Integrated Social Health and Development Project phase I which is a programme funded by the Italian Government to support socio – economic development of the communities in Malindi and Magarini the following projects have been completed as per the project plan: 1 primary school -4 new class rooms constructed, 4 classrooms rehabilitated and an administration block developed. 1 secondary school with 8 class rooms, a computer laboratory and administration block were constructed. A new health centre was developed.

Other income generating activities undertaken during this period include production and selling 1.8 million coral blocks generating an income of Ksh. 12 million. 266 fish ponds were rehabilitated against a target of 250 fish ponds.

Development of 322 fish ponds against a target of 500 new fish ponds this target was not achieved because of the emergency of a number of brokers in pond construction who wanted to cash in on economic stimulus programme(ESP) demand; 1433 fish farmers were trained

against a target of 700. This target was overachieved because of the willingness of the farmers on alternative income generating activities.

During the same period, 4.5 million fingerlings had been planned to be produced but actual production was 4.9 million this was as result of high demand for fingerlings; The subsector also targeted to stock 17 community dams with fingerlings but managed to stock 15 and therefore not meeting the target, this was as a result of community institutional dynamics which require longer time frames; 800 tonnes of Nerica rice seed production was planned for the period under review but the achievement was 725 tonnes due to vagaries of weather; 850 poultry farmers were targeted to be supported and were supported as planned.

The subsector further promoted poultry (broiler) production where it had targeted 31,960 broilers but managed to achieve 28,546 broilers, the reduced production was as a result of disease outbreak and unfavourable market conditions; On the milling of paddy rice the target was set at 4100 tonnes but the achievement realised was 6355 tonnes this was as a result of commercialization and improved operation of the rice mill complex in Lake Basin Development Authority and Tana Delta while on brick production, the subsector targeted to produce 1,368,000 bricks based on the availability of new equipment. The achievement was 628,423 bricks. The target was not achieved owing to delayed procurement of equipment.

2.1.2. Labour sub-sector

The labour sub-sector has three programmes and eight sub programmes

2.1.2.1. Promotion of Best Labour Practices

The following achievements were made in the following sub-programmes under programme 1:

- **Promotion of Harmonious Industrial Relations**

31,038 labour disputes were resolved against a target of 30,116. The time taken to resolve disputes was also reduced from an average of 4 months to 3 months with 80.3% of reported disputes reported in the 2011/12 financial year resolved within the 3 months period. In

addition, 33,333 workplace inspections were carried out against a target of 32,800 to ensure compliance with the labour laws.

37,108 Workmen Compensation claims were settled against a target of 40,656. The number of Workmen Compensation cases settled is dependent on the amount of resources allocated to the Ministry by the Treasury. In addition, settlement of these claims is hampered by delays in the presentation of the relevant documents by the claimants to facilitate processing of the claims.

A Draft National Child Labour Policy was developed and validated by stakeholders. In addition, rules and regulations on child protection were developed in accordance with Section 7 of the Employment Act, 2007; Child Labour Committees in five districts were strengthened and a Training Manual for District Child Labour Committees developed.

The five Labour Laws enacted in October, 2007 provide for the establishment of Labour Market Institutions. During the period under review, the following labour market institutions were established and made operational; the National Labour Board, General Wages Councils, Agricultural Wage Council, Building and Construction Wages Council, Rules Board for the Industrial Court of Kenya, National Council for Occupational Safety and Health and the Occupational Safety and Health Fund. Construction of the National Occupational Safety and Health Institute also commenced during the period under review. In addition, within the period under review the Ministry constructed Labour Office in Kitui County to accommodate all the field officers in the County. In addition the Kitale Labour Offices were renovated.

- **Arbitration of trade disputes**

The Industrial Court arbitrated and awarded 2,134 industrial disputes against a target of 1,500. In addition, 951 Collective Bargaining Agreements (CBAs) were registered. The Court has experienced a significant increase in the number of reported cases due to implementation of the revised labour laws which provide for individuals to file cases directly with the Court unlike in the past when such cases could only be filed through unions or employer federations.

Premises were acquired in Mombasa and Kisumu counties for the establishment of regional Industrial Courts to increase access to justice in the determination of industrial disputes. The

Court currently operates from Nairobi County only, hence limiting access for parties in industrial disputes. The Industrial Court held 20 circuit sessions in Kisumu and Mombasa counties to hear disputes from the regions. The sessions compliment the main Court sittings in Nairobi.

During the review period, the Rules Board for the Industrial Court of Kenya was established and its members Gazetted. The Board facilitated the drafting and review of the Employment and Labour Relations Court Bill, 2011 which was developed and approved by the Cabinet and thereafter enacted by Parliament as the Industrial Court Act, 2011. The legislation is one of the Acts provided for in the current Constitution and transformed the Industrial Court to the status of a High Court thus effectively transferring it to the Judiciary.

- **Provision of Occupational Safety and Health services**

During the review period, 22,987 members of Workplace Safety and Health Committees and other workers were trained on occupational safety and health matters against a target of 20,400. In addition, 17,945 hazardous equipments were examined against a target of 16,500 and 74,395 workers in hazardous workplaces were examined against a target of 53,500. Further, 3,394 reported cases of occupational diseases and injury were acted upon against a cumulative target of 3,110.

In addition, the draft National Occupational Safety and Health Policy was prepared and approved by the Cabinet. The Policy is due to be transformed to a Sessional Paper for submission to Parliament. The Policy provides the framework for institutionalizing Occupational Safety and Health systems in management in both the private and public sectors of the economy.

Construction of the Occupational Safety and Health Institute progressed during the period under review with the construction of the foundation, ground floor and slab for the first floor which account for 30.6% of the total construction of the proposed five (5) storey building completed. In addition, upgrading of the safety and health laboratories was carried out through procurement of modern equipments.

The National Council for Occupational Safety and Health (NACOSH) formed committees to deal with Occupational Safety and Health issues in the following sectors; Agriculture, Building and construction, Services and manufacturing, Micro and Small Enterprises and Legal Affairs. The Council also developed a code of practice on personal protective equipment. Further, Rules for the operation of the Occupational Safety and Health (OSH) Fund, which was established in February, 2011 were developed, Gazetted and approval granted from the Treasury to open a bank account for the institution. Occupational Safety and Health officers were trained on rules of operation of the Fund and they are expected to collect funds from employers. This Fund will enhance coordination of OSH systems in the Country.

2.1.2.2. : Manpower Planning, Development and Utilization

The following are achievements during the period under review for the following sub-programmes:

- **National Human Resource Planning and Development**

The National Manpower Survey exercise was undertaken in the year 2011 and a Draft National Manpower Survey Report developed. The development of the National Skills Inventory could not be completed due to delays in the completion of data collection and analysis exercise. The amount of data received was much greater than what was anticipated and the lack of sufficient funding affected the exercise.

- **Employment Promotion**

During the period under review 21,084 job seekers were placed in employment through the Public Employment Services against a target of 16,500. In addition, a web-based system for management of employment data was developed. This facilitated registration of 1,264 job seekers in employment. To improve Public Employment Services, the Ministry established a new Employment Office in Embakasi, refurbished the existing Employment Office in Thika County and established a new office in Siaya County.

A draft National Employment Policy and Strategies for Kenya was developed in collaboration with key stakeholders and an Inter-ministerial Technical Working Committee constituted to

spearhead finalization of the document. The Policy was validated by stakeholders and submitted to the Cabinet for approval in the 2011/12 Financial Year.

The Ministry of Labour, jointly with the Ministry of Foreign Affairs, spearheaded the formulation of the draft Diaspora Policy which seeks to provide the required legal and institutional frameworks for Kenyans in the Diaspora to participate in the country's development. Finalization of the Policy is hampered by the challenge of unclear coordination of the process amongst key stakeholders.

- **Provision of Industrial Skills**

During the period under review 130,339 Trade Test Examinations were administered. 30,756 trainees placed on industrial attachment against a target of 30,000 and 15,824 individuals trained in relevant industrial skills against a target of 17,000 in the period under review. The shortfall in the number of individuals trained in various industrial skills is mainly due to the inadequate infrastructural and technological capacities of the industrial training institutions to accommodate the ever increasing number of applicants. The sub-sector seeks to address this through expansion and upgrading of the existing industrial training centers in the medium term, and establishment of new ones as a long term measure.

Development and refurbishment works in the 5 industrial training centres in Kisumu, Nairobi, Mombasa and Athi River were carried out during the period under review. In the same period, the Industrial Training (Amendment) Bill, 2009 that provides for the transformation of the Directorate of Industrial Training (DIT) into a semi Autonomous Government Agency (SAGA) was enacted into law. The Industrial Training (Amendment) Act, 2011 effectively transformed the DIT into the National Industrial Training Authority (NITA).

A National Industrial Training and Attachment Policy was developed and approved by the Cabinet. The Policy aims at promoting industrial training and attachment and enabling trainees acquire relevant and practical industrial skills. Currently, the policy is being developed into a Sessional Paper.

An Industrial Training and Attachment Portal (ITAP) was developed and launched to provide a platform for online reporting and declaration of opportunities for industrial attachment, placement of trainees and production of reports and review. The portal is an online system that allows training institutions and employers to share information on industrial attachment, hence streamlining the placement of trainees.

- **Phase II of the Extension Project at Technology Development Centre (Athi River)**

The Phase II Extension Project at the Technology and Development Centre, Athi River, co-funded by Government of Kenya and the Government of Korea also progressed achieving 89% of the projects works. The works carried out included; training of 37 members of staff in Korea, procurement of vehicles, installation and commissioning of equipments and construction of ICT and conference Centre, female dormitory, automotive production unit and a dispensary.

Other works carried out at the Centre under GOK counterpart funding during the period under review includes; construction of perimeter wall, a car park garage, 2 residential houses for lecturers, a car wash facility, ablution block, four offices and six classrooms, display room for textile products and overhaul of the sewer and drainage system carried out.

- **Micro and Small Enterprise (MSE) Development**

During the period under review, the Ministry carried out development and rehabilitation works in 70 MSE worksites across the country against a target of 67 worksites. In addition, 1,582 MSE operators were trained on management and entrepreneurship skills against a target of 990 while 2,099 MSE operators were facilitated to attend local and regional trade exhibitions and fares against a target of 1,300 within the same period. The Micro and Small Enterprises (MSE) Bill was developed and a Cabinet Memorandum forwarded to the Ministry of Finance for co-signing. A parallel MSE Bill has been published and tabled in parliament as a private member Bill.

Concept paper on the establishment of a pilot Micro and Small Enterprise (MSE) Centre of Excellence was prepared. The construction of the pilot MSE Centre of Excellence commenced at the Kariobangi Jua Kali Demonstration Centre, Nairobi. The centre seeks to provide an

appropriate platform for modern technology transfer, capacity building, product design and development and marketing of MSE products. During the period under review the sub-sector was allocated an initial amount of KShs. 30 million for the establishment of the Phase I of the MSE Centre of Excellence. The estimated cost for the construction is KShs. 114,437,254 and KShs. 200 million for equipments.

2.1.2.3. Labour Policy, Planning and Administration

The following were the achievements under this programme:

- **Institutional capacity enhancement**

During the period under review, the institutional capacity was enhanced through training staff on critical skills, procurement of furniture, vehicles and office equipment. A total of 1,082 officers were trained in various skills for performance improvement. A total of 118 technical staff were posted to the counties in support of the requirement for the National Government to assist in setting up the county governments. Four policies were developed, submitted to cabinet and two of them have already been approved.

2.1.3. Trade Sub-sector

The Trade subsector has one programme and nine sub programmes. Overall the sub-sector performed significantly well with value of total exports growing from Ksh 409.8 billion in 2010 to Ksh 511.0 billion in 2011 reflecting a 24.7 % increase. The contribution to the GDP increased from 9.8% in 2009 to 10.6% in 2011.

2.1.3.1. Trade Development and Investment

The following are the achievements of the sub sector during the review period:

- **Domestic Trade Development**

- i. **National Trade Policy**

The Sub-sector has developed a National Trade Policy with the overriding need of providing a coherent trade environment that facilitates the growth and development of trade. The Policy

seeks to consolidate existing policies drawing upon experiences from successful economies and establishes the linkages between domestic trade and external trade policies and competitiveness of the economy. It takes into account new developments and trends in international and domestic trade such as regional integration, rise in South-South trade, intra-firm trade, global production networks, growing trade in professional services, rapid advances in ICT and wider use of e-commerce. The National Trade Policy guide trade in contributing to the 10% economic growth set out in the Kenya Vision 2030.

ii. Trade Remedies Bill

The sub-sector developed the Trade Remedies Bill that will ensure fair trade, better trading conditions, transparency, respect and equity among trading partners. The bill also addresses unfair trade practices including subsidies, counterfeit products, dumping in the domestic market by providing countervailing, anti-dumping and safeguard measure.

iii. Provision of credit to small scale traders

The Sub-sector administers a Joint Loan Board Scheme (JLBS) to provide affordable credit to small scale traders in the MSME sector. Over the review period, the sub sector advanced Kshs. 374 million in grants to the scheme. The Table below shows the performance of the scheme.

Table 2.1: Performance of Joint Loans Board Scheme

Financial Year	2009/10		2010/11		2011/12	
	Target	Actual output	Target	Actual output	Target	Actual output
Grant from government in (Kshs. millions)		40	-	50	-	50
Amount Joint Board Loans disbursed to traders (Kshs. millions)	60 M	103	60M	131	135M	140
Amount of loans Recovered from traders (Kshs. millions)	25M	58	42M	102	105M	164.4
Number of beneficiaries	-	1581	-	1796	-	2704

Source: Department of Internal Trade

The Table above shows that during the period under review, grants from government increased from Kshs 40 million in 2009/10 FY to Kshs 50 million in 2011/12 FY. Over the review period, the ministry improved the recovery of outstanding loans from Kshs. 58 million in 2009/10 FY to Kshs 164.4 million in 2011/12 FY reflecting 183% increase. The increases in grants and recoveries facilitated the increase in amount of loan disbursed from Kshs 103 million in 2009/10 FY to Kshs 164.4 million in 2011/12 FY. Consequently the number of beneficiaries increased from 1,581 in 2009/10 FY to 2,704 in 2011/12 FY reflecting a 71% increase.

JLB has outstanding loans amounting to Ksh. 492 Million. Majority of these loans were issued between the years 1960 and 1970 without securities and many of the creditors have since died. The sub-sector will request Ministry of Finance to write off the bad debt.

iv. Promotion of cross border trade

Over the review period, the sub-sector in collaboration with COMESA formed the envisaged 5 Cross Border Trade Associations to facilitate trade across borders for small scale traders. In addition, the Sub-sector held 21 cross border meetings in Lunga Lunga, Taveta, Kajiado, Busia and Malaba to resolve trade barriers along Kenyan borders with Tanzania and Uganda. The sub-sector introduced a Simplified Trade Regime to ease trade for small cross border traders.

v. Establishment of District Business Solution Centers (DBSC)

Over the review period, the sub-sector established the targeted eleven (11) District Business Solution Centres (DBSCs) in Siaya, Bungoma, Muranga, Kitale, Eldoret, Bondo, Nakuru, Kisumu, Meru south (Chuka), Garissa and Kitui. The DBSC are designed to be a one-stop-shop for an integrated mix of business services to the youth taking up self-employment within the MSE sector and other existing MSEs throughout the country. The construction of the DBSCs was done at a cost of Ksh. 66 Million.

vi. Establishment of Business Information Centers (BICs)

Business Information Centers (BICs) were set up with the objective of providing relevant and timely business information to the Micro and Small Enterprises in Kenya. Over the review period, the sub-sector established the targeted 6 Business Information Centres in Kisumu,

Mombasa, Embu, Kakamega, Nyamira and Homabay. The BICs were established at a cost of Ksh. 36 Million.

vii. Whole sale Hubs and Tier ‘1’ Retail Markets (flagship project)

Over the review period, the sub-sector identified and secured 24Ha of land in Athi River EPZ for the construction of Tier ‘1’ Retail Market (pilot) and 19 acres of land in Maragua County Council for the construction of pilot Wholesale Hub. Concept papers for the hubs and retail markets have been finalized. Ministry of Public works has been requested to develop a sketch design for both projects. Slow implementation of the projects which are under the First MTP was occasioned by inadequate funds and long time taken to acquire suitable land for the two projects.

- **Regional Integration Initiatives**

- i. **EAC-COMESA-SADC Tripartite FTA**

The negotiations for the establishment of COMESA-EAC-SADC Tripartite FTA was launched by the 2nd Tripartite Summit of Heads of State and Government held in June 2011. The Summit adopted the principles and institutional framework for the negotiations that will establish the FTA by 2014. EAC Partner States have agreed to negotiate as a single bloc. During the review period, the sub-sector participated in four negotiation meetings convened by the Tripartite Secretariat. The Tripartite FTA will provide a large market for Kenyan products. The Tripartite Free Trade Area (FTA) will provide a large market for the 26 countries with a combined population of nearly 600 million people and a combined GDP of approximately US\$ 1 trillion.

- ii. **Common Market for East and Southern Africa (COMESA)**

During the review period, COMESA continued to be the leading destination of locally produced goods with value of exports increasing from Kshs. 113 billion in 2009 to Kshs. 182 billion in 2011 reflecting a 60.7% increase. Since the launch of COMESA Customs Union (CU) in 2009, the sub-sector is in the process of aligning the national tariff rates to the COMESA Common External Tariff (CET).

- iii. **EAC-EU EPA Negotiations**

Over the review period, Kenya alongside other EAC Partner States continued negotiations of a comprehensive EPA between the EAC Partner States and European Commission (EC) which began in June 2007 with a view of finalizing all outstanding issues before conclusion of the comprehensive EPA by July 2012. However, as of July 2012, the negotiations were 95% complete with a number of issues like Rules of origin, export subsidies and Agriculture yet to be agreed by the two parties. During the negotiation process, the sub-sector developed and refined country positions for the negotiations in the following thematic areas:-Agriculture, Economic and Development Cooperation, Market Access and Dispute Settlement Mechanism including the Consolidated EPA text.

iv. East African Community

During the period under review the sub-sector participated in the negotiation of the EAC Common Market which came into effect in July 2010. During the period, value of exports to EAC increased from Kshs. 90 billion in 2009 to Kshs. 137 billion in 2011 reflecting a 51.6% increase.

v. Bilateral Trade Agreements

Between the years 2009 and 2011, Kenya negotiated and signed four (4) Bilateral Trade Agreements with Ethiopia, South Africa, China and India. The sub-sector is spearheading the negotiations of other bilateral trade agreements with Djibouti, DRC Congo and Botswana.

vi. Trade Dispute Resolution

During the period under review, Kenya resolved trade disputes with Pakistan, Vietnam and India on rice and with Zambia on exports of milk products where powdered milk from Kenya is now entering the Zambian market. Other disputes whose negotiations have been going on involve Kenyan exports of avocado and soda ash to South Africa, chicken and chicken products between Kenya and Uganda. Currently a dispute on access of Mastermind tobacco through Uganda to South Sudan is ongoing. New trade disputes that have been reported include;

- Requirement by Tanzania Food and Drug Authority for registration, certification and testing of products in Tanzania before they are imported into their country despite certification by KEBs.
- Charges levied by Tanzania of \$200-\$500 on Kenyan business persons for entry visas.

- General duties imposed by Tanzania on products originating from Kenya which are assumed to have benefitted from duty drawback.
- Imposition of 75% Common External Tariff (CET)/USD \$200 per metric tonne of rice wholly produced in Kenya and exported to Uganda.

vii. Joint Permanent Commission on Economic Co-operation

During the period under review, the sub-sector was involved in preparation, participation and hosting of various Joint Permanent Commission (JPC) on Economic Co-operation with various countries. They include Zambia, Tanzania, Burundi, Rwanda, Botswana, Cuba, Pakistan, Iran, India, Turkey, South Africa, Egypt, Ethiopia, China and Libya. The cooperation with these countries has led to an increase in trade between the two countries.

viii. Business Fora

During the period under review, the sub-sector prepared, participated and hosted various business forums. They include, business fora between Kenya and South Africa held in Nairobi; Kenya and Democratic Republic of Congo, held in Kinshasa; Kenya and India held in Nairobi and India; Kenya and Iran held in Tehran and in Nairobi; Kenya and South Africa held in Pretoria; Kenya and Mauritius in Nairobi; and Kenya and Turkey held in Nairobi. These forums bring together the business communities from both countries to exchange ideas on the business opportunities, challenges and how to address these challenges in order to strengthen trade between them. The business fora have attracted FDI into the country and improved trade between the countries.

ix. African Growth and Opportunity Act (AGOA)

Over the review period, the sub-sector participated in negotiating for access of local products to the USA under the AGOA initiative. This contributed to increase in value of Kenyan exports to USA under AGOA framework from Kshs. 23 billion in 2009 to Kshs. 32 billion in 2011. This reflects an increase of 35% during the period. The increase in exports has directly led to an increase of employment opportunities in export oriented industries in the EPZs.

- **Export Processing Zones (EPZs) Investments**

The Sub-sector promoted investments in the Export Processing Zones through providing incentives to foreign investors to manufacture goods for exports, attract Foreign Direct Investment (FDI) and create employment. The performance of EPZs is as shown in the table below.

Table 2.2: Output and performance indicators

Performance indicators	2009/10	2010/11	2011/12
No. of enterprises operating within EPZ	76	77	80
Number of Employment opportunities created	26	29	35
Value of exports (Kshs. billion)	23	32	40
Value of foreign direct investments (Kshs. billion)	22	23	35
No. of Zones Gazetted	42	43	46

Source: EPZA

- **Exports Market Development and Diversification**

The Sub-sector promotes exports both regionally and internationally through organizing trade promotional events in potential markets, providing trade information services and capacity building to SMEs. Over the review period, the following were the achievements of the sub-sector.

- Organized 40 trade fairs and exhibitions in the EAC, COMESA, ASIA and USA.
- Disseminated export trade information through responding to 3331 trade inquiries, delivery of 72 trade alert bulletins
- conducted 400 outreach programme visits to business firms
- Capacity building to 1750 SMEs on product development and marketing for export trade
- Conducted market research in DR Congo, South Sudan and EAC on distribution and warehousing facilities establishment and professional services respectively
- Conducted stakeholder dissemination workshops on market research carried out

Table 2.3: Outputs and Performance Indicators

Performance Indicator	Outputs		
	2009/2010	2010/2011	2011/2012
No of trade promotion events conducted	16	10	14
No of trade equiries responded to	1,220	1,457	654
No of trade bulletins disseminated	24	24	24
No of outreach program visits conducted	150	141	192
No of SMES trained on export trade	500	700	550
No of market researches conducted	1	~	2
No of dissemination workshops conducted	3	~	1

- **Entrepreneurial and management skills to SMEs**

The Sub-sector provides entrepreneurial and management training to SME operators across the country. The performance of the Sub-sector is as shown in table below:

Table 2.4: Output and performance indicators

Performance indicators	2009/10		2010/11		2011/12	
	Target	Actual output	Target	Actual output	Target	Actual output
No. of MSME operators trained	1600	2,480	1680	1,097	2700	2716

No. of business research, consultancy and counseling provided	~	2,697	~	1,293	~	4055
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Source: KIBT

The main challenges facing the sub-programme include inadequate funding and equipments at the both Headquarters and field offices.

- **Fair Trade Practices and Consumer Protection**

The Sub-sector promotes fair trade practices and consumer protection. Over the review period the sub-sector performed as shown in table below:

Table 2.5: Outputs and Performance Indicators

	2009/10		2010/11		2011/12	
Performance indicator	Target	Actual output	Target	Actual output	Target	Actual output
Number of weighing and measuring equipments Verified	250,000	262,878	275,000	259,000	275,000	280,040
Number of equipments Calibrated	10,000	19,510	15,000	21,101	20,000	22,510
Number of cases Investigated and prosecuted	200	125	200	85	200	97
Number of new trade equipments	8	7	8	8	10	9

Approved						
Number of business premises Inspected	10,000	17,146	15,000	12,113	20,000	11,790

Accurate and reliable measurements creates a level playing ground for business to thrive, boost of Kenyan goods in the international market and create consumer confidence. The sub-sector faced various challenges including; lack of adequate funds, inadequate equipments, shortage of technical staff and proliferation of substandard and counterfeit weighing and measuring equipments.

- **Business Premises Rent Tribunal Services**

The Sub-sector is mandated to provide business premises dispute resolution for the protection of tenants from eviction or exploitation by landlords. The sub-programme ensures that premises are conducive for business and promotes better relations between landlords and tenants. Over the review period the following key achievements were recorded as shown in table below.

Table 2.6. Output and performance indicators

Performance indicators	2009/10		2010/11		2011/12	
	Target	Actual output	Target	Actual output	Target	Actual output
Number of cases Heard and determined	2000	3405	3000	4307	3000	2132
Inspection of Business Premises	50	101	60	102	65	100

Source: BPRT

The Tribunal has only one chairperson who is expected to hear and determine all cases both in Nairobi and other towns across the country.

- **Special Economic Zones (SEZs)**

This is a Vision 2030 flagship project for the sector. The sub-sector in conjunction with the Ministry of Lands has identified surveyed and profiled land for three SEZs pilot projects in Mombasa (2000sq km), Lamu (700sq km) and Kisumu (sq km). Kenya signed an MOU with the Government of Singapore for provision of consultancy services for master planning of the Mombasa SEZ which will include Dongo Kundu Free Trade Port. The sub-sector developed an SEZ policy and draft SEZ Bill. The SEZ policy is awaiting approval by the Treasury before it is submitted to Cabinet. The sub-sector has developed a draft contract for the master planning of the Mombasa SEZ and will be implemented once policy is approved.

2.1.4. East Africa Community (EAC) sub sector

The East Africa Community sub-sector has one programme and three sub-programmes.

- **Consolidation and Sustained implementation of a fully-fledged EA Customs Union and operationalization of the EA Common Market.**

During the period under review, the sub-sector coordinated: operationalization of a fully-fledged EAC Custom Union; establishment of a single customs territory; development of a Common Customs Law; and development of EAC Industrialization Policy, Strategy and Implementation Action Plan.

The sub-sector coordinated implementation of the EAC Rules of Origin where a total of 29,589 simplified certificates of origin were issued as at December, 2011; monitoring of the Non-Tariff Barriers (NTB) where three (3) National Monitoring Committee meetings were held and a system of online capture of NTBs and progress in their elimination established. Consequently, as at March 2012 Kenya had eliminated 17 non- tariff barriers and reported 8 new ones imposed by other Partner States.

The sub-sector continued to facilitate free entry and exit of citizens across the borders where a total of 185, 552; 375,468 and 107,165 persons from other Partner States travelled to Kenya in the period 2010, 2011 and as at May 2012 respectively. This included a total of 2,890 students from other Partner States who were granted gratis in 2011 and 875 as at May, 2012. To enhance unrestricted movement of persons within the region, Kenya opened seven (7) 24 hour operational Border Posts on Reciprocal basis at Jomo Kenyatta International Airport,

Mombasa International Airport, Namanga, LungaLunga, Taveta, Malaba and Busia. The Kisumu International Airport and the above seven border points have electronically interconnected border management systems.

The sub sector undertook a study on persistence of NTBs in Kenya in 2011/12 FY and established three (3) Regional Integration Centres (RICs) in LungaLunga, Namanga and Busia border posts.

- **Laying the foundation for the EA Monetary Union and Political Federation**

To lay foundation for the EA Monetary Union and Political Federation the sub sector implemented two Speakers' Roundtable for Honorable Members of Parliament; and sensitization workshop for Political Parties to seek commitments to incorporate EAC Integration Agenda in Political Parties Manifestos.

At the regional level, the sub sector coordinated the country's participation in: negotiation of the EAC Foreign Policy Coordination Protocol; establishment and operationalization of a mechanism for Economic and Monetary Policy Co-ordination; development of Macro-Economic Convergence Criteria of the EAC Monetary Union Protocol; harmonisation of Tax Policies and Laws; as well as establishment of the convertibility of the national currencies in each Partner State with a view of eventual establishment of one EAC Central Bank. The Exchange rates for the five partner countries are now published in the Central Bank of Kenya website. Previously, only Uganda and Tanzania Currencies were quoted. Sub Registry of EAC Court of justice was established in Kenya where referrals can be filed.

- **Participation in EAC cross-cutting and regional integration activities including harmonization of EAC-SADC-COMESA Trade Regimes**

The sub-sector coordinated the country's participation in social, productive and services sectors of the EAC integration. This saw finalization of Regional Report on Harmonization of Education Systems and Training Curricula; EAC Education Sector HIV and AIDS Strategic Plan (2011-2016); and EAC Education Sector Resource Mobilization Strategy. Common Benchmarks for Recognition of Foreign Academic Qualifications and Foreign Professional Qualifications were also developed.

Other activities that were successfully coordinated included development of: EAC Women in Business 2012-2015 Strategic Plan; EC-EAC Health Project Monitoring and Evaluation Plan and EAC Transport Policies. EAC Protocol on Environment and Natural Resources Management was ratified and the instruments of ratification deposited with the EAC Secretariat. The Protocol is now Kenyan law pursuant to Article 2 of the Constitution. The harmonization of National Accounts under EAC cooperation of Statistics is ongoing and Kenya through the Kenya National Bureau of Statistics (KNBS) has established a mechanism to collect, compile, store and disseminate data.

In EAC infrastructure development, the sub sector coordinated construction of the Arusha – Namanga - Athi River Road project which is complete. Kenya’s participation in development of the EAC Transport Strategy, EAC Vehicle Overload Control Bill and EAC One Stop Border Post Bill was also coordinated by the sub sector.

To increase understanding of the benefits and opportunities of EAC integration by Kenyan citizens, cross border traders and investors; the sub sector undertook an awareness creation campaign targeting 27 counties. This target was surpassed where over 50,000 Kenyans were sensitized across 29 counties.

The sub sector coordinated negotiations of EAC-SADC-COMESA Tripartite Cooperation and US - EAC trade and investment initiatives.

2.1.5. Tourism sub sector

The Trade subsector has one programme and six sub programmes. The sub-sector achieved the following under the Tourism Marketing and Promotion programme:-

2.1.5.1. Tourism Marketing and Promotion

- **International Tourism Promotion and Marketing**

In 2011/2012, tremendous gains were made to sustain the growth of tourism sector following economic recession in main markets in Europe, insecurity incidences and travel advisories experienced in 2011. Consequently, international tourist arrivals increased from 1.49 million

in 2009 to 1.823 million in 2011 which was above a target of 1.8 million arrivals during the period under review. The sub-sector marketed the country as a safe tourist and investment resulting to sustained growth of the sub-sector. Efforts have also been geared towards market diversification where new and emerging markets in the region, Asia and Middle East have been identified. The sub-sector also participated in trade fairs and tourism bourses, carried out advertising and PR campaigns in the international and regional markets aimed at re-instilling confidence among consumers. This translated into tourism earnings improving from Kshs 62.5 billion in 2009 to Kshs 97.9 billion in 2011, an increase of 32.9% against a target of Kshs. 95 billion. The sub sector participated in all major trade fairs as scheduled.

Kenya developed Memorandum of Understanding with the Burundi, Malaysia, Southern Sudan, Brazil and Qatar.

- **Domestic Tourism Promotion and Marketing**

To guide the promotion of domestic tourism in Kenya, a domestic tourism strategy was developed and stakeholders engaged in activities aimed at increasing domestic tourism. These consisted of television advertising, radio, print, online, and outdoor advertising including in-store promotions. In addition, the sub-sector participated in key events targeted at specific segments of the domestic consumer such as the Kenya Open golf, Magical Kenya expos (Sarit Centre Exhibition), various domestic media product familiarization, joint promotions with tourism trade, participation at ASK shows, Kenya Tourism Week/World Tourism Day and Lake Victoria Tourism Fair. As a result, bed-nights by domestic tourists increased from 2.1million in 2009 to 2.6 million in 2011 reflecting a 21% increase.

- **Conference Tourism Development and Promotion**

During the period (2009/10 – 2011/12), the sub-sector hosted a number of conferences as indicated here in the table below:

Table 2.7 : Number of conferences hosted

	2009/2010		2010/11		2011/12	
	No of Delegates	No. of Events	No. of Delegates	No. of Events	No. of Delegates	No. of Events

International conference	19,695	20	8,719	13	5,552	15
Domestic/National Conferences	6,250	13	10,756	18	11,865	27
Trade fairs	1,670	10	1,065	14	1,035	6
Exhibitions	4,334	28	1,979	20	6,878	32
Corporate	70,910	74	93,233	93	86,302	93
NGO & Special	15,554	64	15,917	48	6,755	29
Ministries	42,375	178	40,673	149	27,645	132
Parastatals	18,525	91	20,966	88	27,051	131
Banquets	20,920	34	17,487	20	11,740	30

Source KICC

The sector recorded remarkable growth in both domestic and international conferences. The number of trade fairs and exhibitions also grew from 34 in 2010/11 to 38 in 2011/12. This was a good sign of the sub-sector's growth and contribution to the GDP.

- **Cultural Tourism Development**

During the period under review the sub-sector achieved the following: developed cultural tourism development and promotion strategy and action plan; held nine cultural festivals; researched and documented five cultures; held nine local promotional tours; completed construction of the Cultural Conference Centre; created a botanical garden; constructed and clustered traditional villages for Bantus, Nilotes and Cushites; and did a re-choreography of eighteen dances. The sub-sector had targeted to cluster all the 3 groups and re-choreograph fifteen dances.

- **Product Standardization and diversification**

The sub-sector implemented activities towards regulation and standardization of hotels, restaurants and other regulated tourist enterprises in accordance with the Hotels and Restaurant Act Cap 494 and the Tourist Industry Licensing Act Cap 381, Laws of Kenya. As a result, Kshs 11 million was collected as Appropriation in Aid and Kshs 35 million collected as revenue. The sub-sector also finalized the drawing of architectural designs and other

preliminary requirements for the construction of the Ronald Ngala Utalii College at the Coast. During the review period, the sub-sector implemented its training programme at the Kenya Utalii Campus and its satellite campuses in Nairobi, Mombasa and Kisumu. The overall target for the period under review was generally met. For example the target for 2012 was 3,000 students distributed among the various courses.

Table 2.8: Utalii College Graduates 2010-2012

Year	Pioneer courses	In-service	MDP	Professional Courses		Total
				Ordinary	Advance	
2010	1,052	986	192	533	30	2,793
2011	561	1,494	264	629	0	3,167
2012	458	1,644	224	158	583	3,067
total	2,071	4,124	680	509	1,745	30
MDP – Management Development Programmes						
Pioneer – 3 months course.						

Source KUC

In product development, the sub-sector profiled home stays product, mapped agro-tourism and cultural tourism products Coast region, designed Beach operators market, developed a strategy to market products for Isinya Women group and compiled an inventory of the cultural and agro-tourism products in Central and Coast regions.

- **Tourism Infrastructure development**

Isiolo resort city: 2,600 hectares of land around Kipsing gap in Isiolo has been set apart by the County council of Isiolo for resort city development. The local leaders have been sensitized through workshops on the expected benefits of the resort city to ensure their participation. The main challenge currently is the lack of funds to compensate the interests that exist on the land and also to procure consultancy for detailed master planning.

Diani resort city: The sub-sector initiated consultations with the local leaders with a view of identifying the ideal location for the resort city. The consultation forum has settled on Mzambweni development farm in Galu/Kinondo as the ideal location after assessing other

locations in Waa/Tiwi and Vanga. The challenge is lack of funds for acquiring the private land for the purposes of the proposed project.

Kilifi resort city: Consultation forum has been established between the sector and the local leaders. So far the forum after critical review of three privately owned pieces of land Kilifi plantation, Vipingo, Takaungu/Mazrui have recommended Vipingo plantation for purchase. Again in this case the main challenge is lack of funds to purchase the land

Lamu Resort City: The Lamu resort city was identified as part of the Lamu Port South Sudan Ethiopia Transport Corridor Project (LAPSSET). Schematic designs for five complimentary facilities have been done, the five facilities will comprise of a convention center, an amusement park, fisherman's, cultural and technology center and a Terminal station. Consultations are on going through the LAPSSET forum.

Other achievements

During the period under review, the sub-sector in consultation with Kenya Ports Authority identified two sites for the development of Marina along Mombasa coastal region; (a) for the up market clients in Shimoni and (b) in Kilifi. These are docking yards for the yachts – high-end water based- tourist activity.

During the review period, the sub-sector through the Tourism Finance Corporation disbursed Ksh. 735 million to potential investors who were able to initiate 41 projects aimed at improving the status of facilities in the sector.

2.1.6. Industry Sector

The industry sub-sector has one programme and six sub-programmes.

2.1.6.1. Promotion of industrial development and investment

The programme has four sub-programmes and the achievement of the each is listed as follows:

(i) Promotion of Industrial development

- The manufacturing sector had a growth rate of 3.3% in 2011 compared to a growth rate of 4.5% in 2010. The value of manufacturing output rose by 19.8 per cent from Kshs. 842.51 million in 2010 to Kshs. 1,009.21 million in 2011.

- ***Development of five SME parks in Key urban centers:*** Five small and medium enterprise (SME) industrial parks in key urban centers were to be developed in Nairobi, Nakuru, Mombasa, Eldoret and Kisumu. The sub sector developed a concept paper and finalized project Proposal. Forums were also held in all the urban centres to identify land and as a result land was identified in Eldoret (135 acres) and Taveta (20 acres). Negotiations for acquiring land in Mombasa, Kisumu, Nakuru and Nairobi are ongoing. In addition, prefeasibility studies for Eldoret, Taveta and Nairobi SMI parks are under way. Acquisition of land for SME parks in some towns and inadequate funding has delayed the development of the Parks.
- ***Nairobi Industrial and Technology Park:*** This is a public private partnership project. A draft master plan and a proposal on the partnership has been developed that will bring together the Ministry, JKUAT, financial institutions, city/municipal councils, private sector among other stakeholders. 32 acres of land for the development of the park has been allocated.
- ***Construction and Equipping Phase I Constituency Industrial Development Centres (CIDCs):*** This was an Economic Stimulus Programme that was to construct and equip 210 Constituency Industrial Development Centers (CIDCs). 120 CIDCs were completed in the period under the review while construction works for the other centres are at various levels of completion as follows: 17 are 90-99% complete, 30 are 50-59% complete, and 15 are below 50% completion. Acquisition of land in the various Constituencies and cost variation has delayed the construction of CIDCs. Equipping and operationalization of the CIDCs is a challenge since the management modalities was included in the project proposal and therefore the subsector is currently working on the modalities with the relevant stakeholders.
- ***Upgrade 47 CIDCs to Industrial Parks:*** The Sub-sector was to identify and develop 47 Constituency Industrial Development Centres, one in each county, for upgrading to SME industrial parks. During the review period the selection criterion on the CIDCs to be upgraded was developed.

- ***Development of National Industrialization Policy:*** A draft National Industrialization Policy was developed through various stakeholder workshops and forwarded to the cabinet subcommittee on industrialization. The comments for the committee were incorporated and the draft resubmitted. The final draft was then forwarded to Treasury for comments.
- ***Furniture Policy Guidelines:*** The Sub-sector developed a draft policy guideline for the public procurement of furniture made in Kenya.
- ***Conduct feasibility study on iron ore:*** Development of an Integrated Steel Plant is one of the Key Kenya Vision 2030 flagship projects under the manufacturing sector to steer the process of industrialization in Kenya. The following activities have been undertaken:
 - i) MoU was signed between Investor (POSCO of South Korea) and the Government of Kenya to jointly establish a Mini Steel Mill
 - ii) A strategy paper has been developed and upon approval by the cabinet will be operationalized through an act of parliament
 - iii) A Road Map for the project implementation developed
 - iv) Benchmarking was done with the project team visiting South Korea on 4th - 11th November 2011 to discuss the roadmap
 - v) Working group was put in place to work out modalities of setting up the mini plant.
 - vi) The procurement process for conducting feasibility study on iron ore is ongoing.
- ***Upgrade 10 products under 4K MSI programme:*** The initiative brought on board Kenya Industrial Estates (KIE) and Kenya National Trading Corporation (KNTC) as stakeholders involved in promotion of sub-contracting and the programme name changed from 4K to 5K. 5K MSI 2030 partners were to upgrade 10 products through reverse engineering, training of SMI entrepreneurs and technology transfer. The sectors to be covered were: electrical, electronics and ICT; metal and metal works; food technology and agro-processing; textiles; leather; building; and energy.

In 2011/2012 financial year, the initiative upgraded Hospital Beds and the Arc welding machines from the SME sector. A total of five products have been upgraded since 2009. These products are Arc Welding Machine, Handloom, wheelbarrow, Transformer and Hospital beds. The 5K MSE initiative is in the final stages of the registering the Kenya Premier Product Limited.

- ***Promote development of clusters in Kisumu, Mombasa and Garissa:*** The Sub sector was to develop three clusters: fish in Kisumu; Cashew nuts in Mombasa and meat and leather in Garissa. Project proposals for the three clusters have been developed and forwarded to development partners for funding
- ***Implement One Village One Product in 47 Counties:*** The programme has been implemented in 25 districts in the country and various groups have received support in form of finance, training in business planning, product development, packaging, branding, marketing, leadership and organizational skills.

During the period under review, OVOP concept was introduced in additional 14 districts. Exhibitions were held in Nyeri, Bungoma, Kisii, Nakuru and Laikipia for showcasing the emerging OVOP products. 16 firms benefited through the improvement in their production, expansion of their markets and linkages to financial institutions and other business development services providers. Specialized technical assistance in form of training in value addition financial management, marketing, branding and packaging were also disseminated to groups in the additional districts.

- ***Set up of twelve Centres of Excellence in existing institutions to provide Competence based training for Engineers and Technicians:*** A strategy paper on the training of engineers and technicians has been developed through various stakeholder workshops.
- ***Reduce incidences of counterfeits:*** During the review period, the following activities were undertaken to reduce the incidences of counterfeit:

- (i) 109 investigations were carried out. Out of the investigations, all suspects arraigned in court were found guilty to have prima facie committed the offences except those goods compounded or cases settled under other relevant legislation.
- (ii) 64 raids conducted and 9 seizures carried out.
- (iii) Engaged a consultant to finalize the development of procedure manual on enforcement of IPR under the Anti-Counterfeit Act.
- (iv) Carried out public awareness on intellectual property and counterfeiting by taking part in the law society of Kenya awareness week, tax payer week, workshops for relevant agencies and participation in ASK shows.

(ii) Provision of Industrial Training

- The number of student enrolment increased from 680 in 2010/11 to 720 in 2011/12
- KITI was able to purchase a 52 seater bus
- The construction of the perimeter wall is 85% complete
- Internet connectivity established

(iii) Promotion of industrial products

- ***Increased in 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 product:*** 35 lathe machines produced against the target of 120 machines. The rest machines are 80% complete. The target was met because of inadequate funds to purchase inputs for the production of the machines.
- ***Increased in production of engineering materials & alloy steels:*** 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

(iv) Promotion of Industrial Property Rights and arbitration

- **Increased IP registration:** There has been an increase in IP registration over the period under review. In 2009/10, 2010/11 and 2011/12 2015, 2213 and 4175 IP were registered respectively.

2.1.7. Research and Development

The General Economic, Commercial and Labour Affairs (GECLA) Sector has two research institutions namely the Kenya Industrial Research and Development Institute (KIRDI) and the Productivity Centre of Kenya (PCK). The achievements of the two institutions are outlined below:

2.1.7.1. Productivity centre

- **Productivity measurement**

This involves provision of relevant productivity information in form of productivity statistics at the national, sectoral, and firm levels for benchmarking, design of productivity improvement programme and informed decision making and fact based management. In financial years 2009/10 and 2010/2011 respectively, the centre conducted sectoral productivity analysis in the five sectors under vision 2030. Further, the Centre undertook a study for updating sectoral productivity levels, in the sub sectors of manufacturing and agriculture respectively using aggregated data of Kenya National Bureau of Statistics for years 2011/12.

- **Development of National Productivity Policy and Productivity Bill**

In the 2010/11 Financial Year, the Centre in collaboration with stakeholders finalized the Draft National Productivity Policy which seeks to provide strategic direction on productivity management in the country and its supporting systems. A Cabinet Memo and draft national Policy on productivity bill was completed and together submitted to Ministry of Finance in FY 2011/12 for co-signing before submitting the same to Cabinet office.

- **Productivity promotion**

Creation of productivity awareness at individual, enterprise and national level through campaigns dispelling commonly held fears and misconceptions thereby engendering a national culture. This create the necessary critical mass of stakeholders for the country to move towards

embracing productivity management for national culture, development of productivity champions in both Public and Private sectors and establish regional and national networks for productivity development. In 2009/10-2011/12, the centre trained 420 Productivity Technical Service Providers (TSPs).

- **Productivity improvement**

The sector through the productivity improvement embarked on development of models of organizations on productivity improvement. Toward this end, 45 productivity improvement projects have been undertaken in both public and private enterprises/firms.

- **Strengthening of the Productivity Centre**

Under the institutional capacity building, the Centre was re-established as Department in the Ministry of Labour with a staff establishment of eighty six (86) staff authorised by the Ministry of State for Public Service. Moreso, a Scheme of Service for Productivity Officers was approved and then serving officers from other schemes of service were re-deployed appropriately. Currently, the Centre has an ongoing capacity building project supported by Japan International Cooperation Agency (JICA) with the sole aim of developing the technical abilities of the serving officers on productivity management.

Table 2.9: Achievements Between 2009/10-2011/12

Programme: Productivity measurement, promotion and improvement				
Programme: Productivity measurement, promotion and improvement				
Sub-programme	Target	Achievements	variance	Remarks
Productivity measurement	Productivity levels at national, sectoral and firms levels	Productivity levels at national, and sectoral levels in five sectors identified in economic pillar and updated	Firm Productivity levels not attained non	PCK is collaborating with KNBS collect the required

		annually	accessibility of data	information
Productivity promotion	360 productivity technical service providers trained	385 productivity technical service providers trained	Surpassed the target	Although the target was met there is potential to do more training with adequate resources
	Strengthened PCK	Draft National productivity Policy developed and national Productivity bill Staff establishment authorized	3 Staff deployed to scheme against 86	Process of legislation on going
Productivity Improvement	45 organizations/institutions from public/private sector placed on PIP	45 organizations/institutions from public/private sector placed on PIP	none	The Centre could have covered more institutions if adequate financial and human resources were available

2.1.7.2. : Kenya Industrial Research and Development Institute (KIRDI)

- **Transformation of KIRDI into a competitive and reputable research organization**

Recent trends in the local, regional and global Research Technology and Innovation (RTI) environment necessitate significant capacity improvements by the Institution. Such trends include; increased use of nano and laser technologies; energy saving innovations; e-waste technology management; increased demand for more complex chemical characterizations; and local interest in nuclear energy. KIRDI is therefore undertaking to transform into a state of the art RTI institute through commensurate infrastructural developments in Nairobi and Kisumu. The institute is simultaneously undertaking an upgrade its research human resource capacity to bridge existing gaps.

Architectural plans for both the Kisumu and Nairobi centres have been approved and tenders awarded; construction is underway with targeted completion expected in March 2014 and June 2016 respectively. Concurrently, the institute's career progression guidelines received the relevant government approval and are in the process of implementation.

- **Identify Gaps in Technology, Products and Processes for Value Addition**

The institute targeted 6 Technology Needs Assessments (TNAs) in high priority fields as a basis for the formulation of research projects. During the review period, six (6) TNAs were conducted in the following fields; the coffee industry; utilization of agro-wastes, establishment of mini-tanneries; utilization of fish processing by-products, food processing technologies for pilot plants and application of biogas technology by abattoirs.

To bridge existent gaps identified in the TNAs and further the mandate of the institute KIRDI undertook 57 research projects over the period of review, 22 more than the targeted 35.

- **Technology Development and Commercialization**

KIRDI undertakes technology development through R&D projects, reverse engineering and prototyping. During the review period the institute undertook 22 more research projects than the targeted 35. This resulted in the transfer of 15 technologies, 5 more than the targeted 10.

The technologies are in the process of commercialization through the following projects and pilot plants; Fish Leather Processing in Kisumu; Mini Tannery in West Pokot; Mini Tannery in Garissa; Honey Processing in West Pokot; Biogas Plant in Bungoma; Pineapple Processing Plant in Bureti; Biogas Plant in Homabay; Banana Processing Plant in Kisii; Brick Manufacturing in Nandi; Biogas Plant in Nyongara, Dagoretti; Mango Processing Plant in Malindi; Tomato Processing Pilot Plant in Kirinyaga; Wamunyu Mini Tannery in Machakos; Sunflower oil Processing in Kimilili; Makurweini Ceramics Pilot.

- **Promotion of Business Incubation Services**

Over the period of review, the institute targeted to establish 5 Business Incubation Service Centres. This target was achieved through the establishment of four pilot plants and an ICT Incubation Services Centre. The pilot plants include the Homabay Fruit Processing Pilot Plant; Malindi Mango Processing Pilot Plant; Eldoret Fruit Processing Pilot Plant and the Kisii Banana Processing Pilot Plant.

These plants in addition to the institute's Leather Development Centre (LDC), Engineering Development and Services Centre (EDSC), Food Processing Pilot Plant and Fish leather processing pilot plant in Kisumu further provide common manufacturing facility services to MSMEs. Over the review period, 315 MSMEs were incubated against a target of 300; 17 SME's graduated from the incubation services against a target of 45, the short fall resulted from revisions in the Incubation policy of the institute.

- **Other technologies developed include** - Cotton Processing Technology; Natural Products extraction Technologies; Pilot Plants For Ceramics Processing and Value addition; and Agro Waste Utilization Technologies for Fuel Making.

2.2. Review of Key Indicators of Sector Performance

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

Table 2. 10: Key indicators of Sector Performance

Sub-Sector	Key indicators of Sector Performance	Target	Performance	Variance	Remarks
Regional Development Authorities	Number of Regional Development master plans developed	6	6	0	Target achieved
	Number of regional data and information centre established	1	1	0	Target achieved
	Number of feasibility studies completed	5	4	1	The delay in finalization of Mwache is due to the conditions by World Bank which they want addressed by the feasibility study for the bank to consider funding it.
	Number of multipurpose dams	5	Negotiation for funding is ongoing for 5 of the	0	Implementation will start once negotiations

Sub-Sector	Key indicators of Sector Performance	Target	Performance	Variance	Remarks
			dams		are completed and contract signed.
	Number of acres of land irrigated	1000	1150	150	Target surpassed.
	Number of seedlings produced and planted	18 million	17.2 million	0.8	Inadequate funding and drought .
	Number of water pans/dams	200	185	15	Insecurity in some areas did not allow us to complete the projects.
LABOUR					
	Number of Industrial Disputes Resolved	30,116	31,038	+922	+3.1% overachievement
	Percentage of Workmen Compensation claims settled	40,656 (100%)	37,108(91.3 %)	3,548 (-8.7%)	8.7% underachievement, due to incomplete claimant information
	Number of Workplace Inspections carried out	32,800	33,333	+533	+1.6% overachievement

Sub-Sector	Key indicators of Sector Performance	Target	Performance	Variance	Remarks
	Number of Trade Test Examinations carried out	Carry out 100% Trade Test Examinations	130,339	0	100% achievement
	Number of trainees placed on Industrial Attachment	30,000	30,756	+756	+2.5% achievement
	Number of students trained in relevant industrial skills	17,000	15,824	-1,176	Inadequate infrastructural and technological capacities. The Ministry seeks to upgrade and expand existing Industrial Training Centres
	Number of labour disputes arbitrated and awarded	1,500	2,134	+634	+42% overachievement
	Number of Collective Bargaining	Analyse and register all	951	0	100% achievement

Sub-Sector	Key indicators of Sector Performance	Target	Performance	Variance	Remarks
	Agreements (CBAs) Registered	CBAs received			
	Number of hazardous industrial equipment examined	16,500	17,945	+1,445	+8.8% overachievement
	Number of cases of occupational accidents and ill-health acted upon	3,110	3,394	+284	+9.1% overachievement
	Number of MSE worksites rehabilitated	67	70	+3	Although there is overachievement, the various projects are undertaken in phases due to limited funding and therefore not 100% complete
	Number of MSE operators and SACCO officials whose capacity is	990	1,582	+592	+59.8% overachievement

Sub-Sector	Key indicators of Sector Performance	Target	Performance	Variance	Remarks
	enhanced				
	Number of job seekers placed in employment through the Public Employment Services	16,500	21,084	+4,584	+27.8% overachievement
	Number of policies completed and submitted to Cabinet for approval	7	4	-3	Diaspora Policy, Child labour Policy, Wages and Income Policy are at various stages of completion due to inadequate funding
TRADE	Percentage increase in value of exports to EAC, EU and COMESA	20%	13%	7%	Target not achieved due to external factors
	Amount of loans disbursed through the credit schemes	255	374	119	Target surpassed
	Number of beneficiaries of	~	6081	~	~

Sub-Sector	Key indicators of Sector Performance	Target	Performance	Variance	Remarks
	the credit schemes				
	Number of weighing and measuring equipments stamped and verified	800,000	801,918	1,918	Target surpassed
	Number of MSMEs trained	5980	6293	313	Target surpassed
	Number of cases heard and determined	8000	9844	1844	Target surpassed
EAST AFRICAN COMMUNITY	% of negotiated EAC Protocols, Bills, Agreements & Policies Coordinated	100%	100%	0	Target realized
	Number of laws amended/enacted	2	2	0	Target realized
	% of EAC harmonized internal tariffs	80% towards zero tariff	80%	0	Target realized
	% of Certificates of Origin issued against the total requested	100%	100%	0	Target realized
	Number of stays				Target realized

Sub-Sector	Key indicators of Sector Performance	Target	Performance	Variance	Remarks
	on Common External Tariffs				
	Number of non-tariff barriers eliminated in Kenya	17	17	0	Target realized
	Number of Regional Integration Centres established and operationalised	3	3	0	Target realized
	EAC Industrialization Policy and Strategy	1	1	0	Target realized
	Border posts operational on 24 hour basis	7	7	0	Target realized
	No of Border electronically interconnected with border management systems	8	8	0	Target realized
	% of Students granted gratis against total	100%	100%	0	Target realized

Sub-Sector	Key indicators of Sector Performance	Target	Performance	Variance	Remarks
	requests				
	% of establishments granted against the total requested	100%	100%	0	Target realized
	No of Counties visited to increase for publicity and awareness on EA customs Union and Common Market	27	29	2	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	1,800,000	1,823,000	23,000	Aggressive marketing and product development
	Value of tourism earnings	Kshs 95 billion	Kshs 97.9 billion	2.9 billion	Aggressive marketing and product development
	Number of tourist	1,980	2,040	60	

Sub-Sector	Key indicators of Sector Performance	Target	Performance	Variance	Remarks
	establishments inspected				
	Number of new tourist products developed	3	3	0	
	Number of graduates trained	3,000	3,167	167	This was as a result of setting up satellite campuses in Kisumu and Mombasa alongside expansion of programmes
INDUSTRIALIZATION	Percentage increase in industrial investment				
	Number of MSMIs linked with Large Industries		306		
	Percentage increase in long-term financing to Industrial sector		Kshs. 256.3 Million disbursed to MSMIs		
	Number of new	10 new	16 new	10 new	

Sub-Sector	Key indicators of Sector Performance	Target	Performance	Variance	Remarks
	industries located in the rural areas	industries created	industries created	industries created	
	Strategy for the transformation of KIRDI into a reputable and competitive research institution developed	Strategy	Strategy	0	
	Number of Key Infrastructural support centres initiated	1	1	0	
	Guidelines for staffing requirement completed	1	1	0	
	No of staff recruited	100%	65%	-35	Variance occasioned by delays in the approval of career progression guidelines
	No. of Technology Needs	6	6	0	

Sub-Sector	Key indicators of Sector Performance	Target	Performance	Variance	Remarks
	Assessments reports				
	No. of technologies, products and processes identified	35	57	22	
	No. of Projects formulated	35	57	22	
	No. of Technologies, Products and processes formulated	35	57	22	
	Number of Technologies protected	50	29	-21	
	Number of Technologies Transferred	10	15	5	
	Number of Field Trials Undertaken	10	12	2	
	Number of technologies	5	5	0	

Sub-Sector	Key indicators of Sector Performance	Target	Performance	Variance	Remarks
	commercialized				
	Number of BIS Established	5	5	0	

2.3. Sector Expenditure Analysis

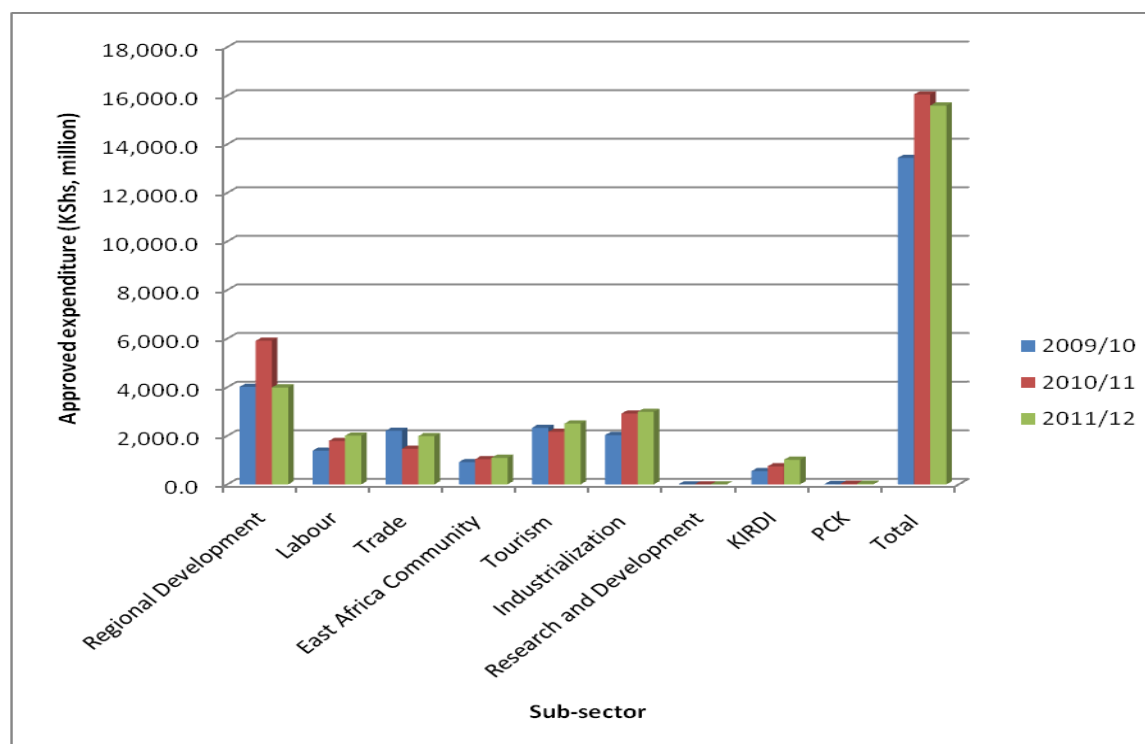
Approved budget for GECLA sector increased from KShs 13.4 billion in 2009/10 financial year to KShs 16.0 billion in 2010/11 financial year but dropped to KShs 15.6 billion in 2011/12 financial year. The slight decline in approved expenditure in 2011/12 financial year is perhaps attributable to austerity measures in expenditure which affected all sectors. Regional Development Authorities sub-sector receives the largest share of the Sector's allocation accounting for 29.9 percent, 36.8 percent, and 25.6 percent in 2009/10, 2010/11 and 2011/12 respectively. A greater share of allocation to Regional Development Authorities sub-sector is development expenditure towards multipurpose dams across the country. Industrialization sub-sector receives the second largest share of the Sector's allocation followed by Tourism, Trade and East African Community in that order. The chart below illustrates the trends in funding during 2009/10-2011/12 periods.

Table 2.11: Trends in funding

Sub-sector	2009/10	2010/11	2011/12
Regional Development	4,010.8	5,910.4	3,989.2
Labour	1,385.9	1,787.0	2,002.8
Trade	2,208.0	1,466.0	1,982.0
East Africa Community	915.3	1,036.9	1,091.7
Tourism	2,330.0	2,168.1	2,503.0
Industrialization	2,031.0	2,913.0	2,982.6

Research and Development	0.0	0.0	0.0
KIRDI	544.0	741.2	1,011.8
PCK	12.8	27.2	27.9
Total	13,437.8	16,049.8	15,591.0

Figure 1: Trends in funding by Sub-sectors



2.3.1. Analysis of the Recurrent Expenditure

During the period under review, recurrent budget for the sector dropped marginally from KShs 7,577.4 billion to KShs 7558.7 billion or by 0.2 % between 2009/10 and 2010/11 financial years and increased from KShs 7.6 billion in 2010/11 to KShs 8.7 billion in 2011/12. Utilization of allocated funds dropped slightly between 2009/10 and 2010/11

financial year but increased from KShs 7.3 billion in 2010/11 financial year to KShs 8.2 billion in 2011/12 financial year representing an increment of about 12 percent.

Analysis of overall utilization of approved funds shows a downward trend over the period under review. Utilization dropped slightly from 96.5 percent in 2009/10 to 96.2 percent in 2010/11 and to 94.6 percent in 2011/12. The table indicates most sub-sectors of their approved recurrent funds respectively. Most sub-sectors utilized between 95-98 percent of their approved recurrent allocations save for Labour Sub-sector which utilized 86 percent in 2011/12. Reasons for under-utilization of recurrent expenditure funds vary by sub-sectors. The EAC sub-sector was unable to utilize about KShs 20 million of its 2011/12 recurrent expenditure funds allocated for East African Legislative Assembly (EALA) members due to unavailability of financial regulations to guide the disbursement of the funds. Labour Sub-sector's under-utilization of recurrent funds resulted from unpaid Workmen Compensation claims resulting from delays in submission of relevant documents to facilitate processing of the claims.

Under-utilization of Personnel Emoluments (PE) recurrent expenditure funds by Labour sub-sector was due to delays in acquiring requisite concurrence by Treasury leading to delays to advertise the posts before the closure of the Financial Year. Trade sub-sector did not use part of its recurrent budget due to non posting of Trade Commercial Attaches officers to foreign offices in Pretoria, Brussels and Addis Ababa. This was occasioned by the failure to approve the list of attaches for posting by the Ministry of Foreign Affairs. Industrialization Sub-sector failed to utilize all its recurrent expenditure funds because the Treasury had closed the IFMIS system during May-June 2011/12 period which affected payments and procurement. Regional Development sub-sector was unable to spend part of its budgeted personnel emolument (PE) for recruitment of senior staff in the course of the financial year. The KIRDI Sub-sector was unable to utilize part of the recurrent expenditure funds due to delays in the approval and subsequent implementation of the Institute's career progression guidelines to allow for recruitment of new staff.

Table 2.12: Analysis of Recurrent expenditure

	Printed estimates	Approved Figures	Actual Figures

	2009 /10	2010 /11	2011 /12	2009 /10	2010 /11	2011 /12	2009 /10	2010 /11	2011 /12
Regional Development	835.1	818.8	809.7	820.1	817.2	762.3	819.2	807.2	748.9
Labour	1194. 0	1205. 6	1784. 3	1186. 4	1296. 0	1854. 7	1119. 6	1217. 0	1594. 8
Trade	1696. 0	1470. 0	1653. 0	1922. 0	1535. 0	1653. 0	1806. 0	1301. 0	1619. 0
East Africa Community	912.0	897.6	1014. 8	882.0	944.0	1046. 8	898.0	929.3	1028. 4
Tourism	1604. 0	1378. 5	1557. 6	1596. 0	1502. 5	1558. 0	1540. 0	1473. 5	1486. 0
Industrialization	810.0	996.1	1236. 1	850.0	1002. 4	1222. 3	827.0	960.4	1171. 2
Research and Development									
KIRDI	290.0	443.0	552.0	310.0	443.0	552.0	290.0	569.2	540.0
PCK	10.9	18.2	18.4	10.9	18.6	18.3	12.8	17.3	18.0
TOTAL	7352. 0	7228. 2	8625. 9	7577. 4	7558. 7	8,667 .4	7312. 6	7274. 9	8206. 3

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



2.3.2. Analysis of the Development Expenditure

Development budget increased from KShs 7.1 billion in 2009/10 financial year to KShs 10.9 billion in 2010/11 but dropped to KShs 8.6 billion in 2011/12 financial year. Utilization of allocated development funds increased from KShs 6.1 billion in 2009/10 to KShs 8.8 billion in 2011/12 financial year but dropped to KShs 7.4 billion in 2011/12 financial year.

Analysis of overall utilization of approved development funds decreased from 86.4 percent in 2009/10 financial year to 80.8 percent in 2010/11 financial year and increased to 85.9 percent in 2011/12 financial year. The low utilization of development expenditure is mainly attributable to long procurement procedures. A case in point is in Labour sub-sector notably the donor-funded project-Technology Development Center (Athi River) funded by the Government of Korea.

Table 2.13: Analysis of Development expenditure

	Printed estimates	Approved Figures	Actual Figures

	2009/ 10	2010/ 11	2011/12	2009 /10	2010 /11	2011 /12	2009 /10	2010 /11	2011 /12
Regional Development	3,640. 6	7,482. 4	4,878.0	3,247 .4	5,352 .1	3,334 .0	3,191 .6	5,103 .2	3,240 .3
Labour	911.5	1,178. 5	1,166.9	479.6	1,118 .1	1,067 .0	266.3	570.0	408.0
Trade	188.0	522.0	377.0	426.0	322.0	377.0	402.0	165.0	363.0
East Africa Community	120.9	90.9	74.4	90.9	109.9	72.4	17.3	107.6	63.3
Tourism	1,269. 0	1,000. 0	1,209.0	804.0	846.0	1,034 .0	790.0	694.6	1,017 .0
Industrializ ation	1,222. 0	2,534. 6	2,136.6	1,785 .0	2,784 .6	2,176 .2	1,204 .0	1,952 .6	1,811 .4
Research and Developmen t									
KIRDI	254.0	310.0	524.7	254.0	316.0	524.7	254.0	172.0	471.8
PCK	0.0	10.0	10.0	0.0	10.0	10.0	0.0	9.9	9.9
TOTAL	7,606. 0	13,12 8.4	10,376.6	7,086 .9	10,85 8.7	8,595 .3	6,125 .2	8,774 .9	7,384 .7

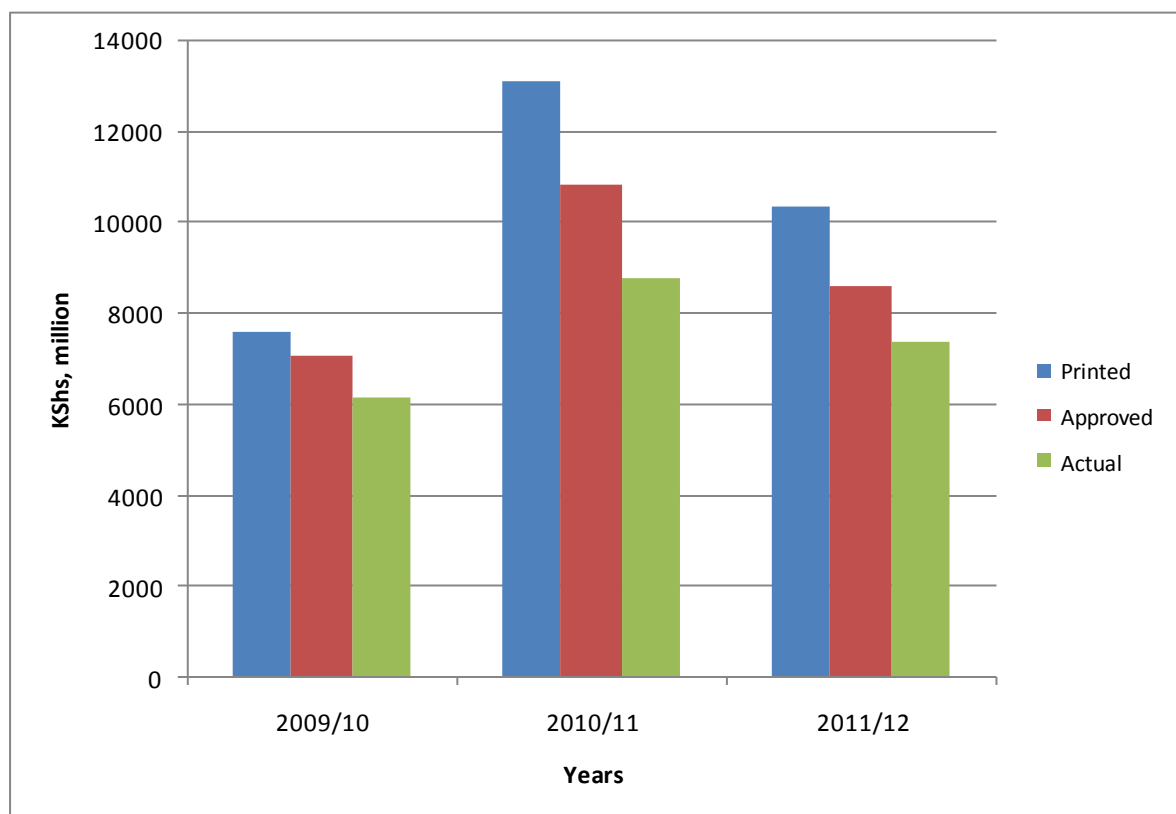
Reasons for under-utilization of development funds also vary by sub-sector. Some of the development funds captured in the budget were in the form of A-i-A donor support. The sub-sector's programmes were submitted to the donors for funding but were not approved for implementation. The labour sub-sector had accrued development pending bill of Kshs. 41.8 million resulting from the construction works of the MSE Centre of Excellence at Kariobangi and the refurbishment work of the MSE marketing exhibition facility at Jamhuri show ground. This was as a downward revision of budget during Revised Estimates which was done at the

middle of the contract. Labour Sub-sector has prioritized the payment of these pending bills in 2012/13 Financial Year.

Trade Sub-sector did not spend part of the budgeted resources due to the delay in getting approval for use of funds disbursed by European Union. This resulted to non expenditure of Kshs 37.5 million by the sub-sector. The Tourism sub-sector was unable to utilize KShs 16 million in 2011/12 Financial Year which was allocated for the construction of Ronald Ngala Utalii College. The funds were not utilized because of delayed procurement occasioned by delayed preparation of architectural designs. Industrialization sub-sector did not utilize all its development funds due to Constituency Industrial Development Centres due to delays in issuance of completion certificates to facilitate payment. The lengthy procurement procedures also explain part of the delay in implementation of projects. Regional Development sub-sector was unable to utilize its development funds in relation to GoK counterpart funding for donor funded projects since there were delays in disbursement of the donor component. KIRDI sub-sector failed to utilize all its development expenditure funds due to delays in submission of debit notes by the contractor undertaking the construction of Research Technology and Innovation laboratories in Kisumu.

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



2.3.3. Analysis of Externally Funded Programmes

Over the review period, the sector received development budgetary support of Kshs.2,485.54 million, Kshs.3592.94 million and Kshs. 3238.13 million for financial years 2009/10, 2010/11 and 2011/12 respectively. The actual expenditure for the respective years was Kshs. 1454.10 Million, Kshs. 2153.01 Million, and Kshs. 1727.16.Million.

Table 2.14: Donor funded projects by name and the respective development partners

Project Name	Name of Donor	Approved Estimates			Actual Expenditure		
		2009/10	2010/11	2011/12	2009/10	2010/11	2011/12
Kimira Oluch Smallholder Farm	African Development	799.67	966.73	1,089.32	601.68	775.98	647.33

Improvement Project	Bank						
Kibuon and Tende Integrated Watershed Project	African Development Bank	0	60	50	0	8.91	25.08
Malindi Intergrated Development Project	Italy	140	120	16	0	120	16
Kenya Youth Empowerment Program	World Bank	0	75	0	0	42	0
Wetland Lagoon	UNEP	2	1		2	1	
RH for Farmers Field Schools(CDA)	FAO	3	3	1	3	3	1
RH for Farmers Field Schools(CDA)	UNFPA	1	~	~	1	~	~
Kenya Coastal Development Program (Intergrated Community Enterprise Development	World Bank	~	~	5	~	~	5
Ewaso Ng'iro North Natural Resources Conservation Project (ENNNCRP)	African Development Bank/Fund	554.5	342.5	591.3	182.2	121.5	308
Northern Kenya Integrated Central Abattoir	Arab Bank for African Development (BADEA)	22	28	28	0	17	11

Community Integrated Forest Management(ESDA)	United Nations Development Program (UNDP)	16	~	17	16	~	4.8
Sigor Wei Wei Phase III.(KVDA)	Italy	0	21	200	0	3.25	3.25
Community based Mini-Hydropower Development in Upper Tana Basin for Poverty Alleviation	European Development Fund.	52.4	130.35		42.39	0	0
Business Sector Project Support(BSPS)	DANIDA	17.07	0	0	17.07	~	0
Technology Development Centre phase II Extension Project	Govt of Korea	142.5	755.56	611.11	13.76	244.77	147.6
Kenya Post-Lome Trade Negotiation	EEC/ EDF	113	59	0	113	59	0
Assistance to Micro and Small enterprise Programme(ASMEP)	EEC/ EDF	41	131	273	41	131	273
Trade Training Programme for SME exporters	JICA	8	8	0	8	8	0
District Business Solution Centre	UNDP	35	15	8	35	15	8.2

Promotion of Women in Business and Investment in Kenya	UNDP	40	15	13	40	15	13
Private Sector Development	EEC/ EDF	0	60	38	0	0	0
Trade and Markets	TMEA	45.4	64.4	65.4	0	64.4	56.9
Tourism Diversification & sustainable Development	EEC/EDF	8	349.2	-	8	349.2	-
MSME competitive project	World Bank	265	265	171	250	97	171
Business Sector Programme support	DANIDA	149	101.7		80	63.6	0
OVOP	JICA	-	10.5	10	-	10.5	10
Standards & Labeling	UNDP	26	11	11	-	2.9	11
Capacity Building	JICA	0	0	40	0	0	15
TOTAL		2,480.54	3,592.94	3,238.13	1,454.10	2,153.01	1,727.16

2.3.4. Expenditure Review by Programmes

Table 2.15: Review of Expenditure by programmes and economic classification

	Approved Estimates			Actual Expenditures		
	2009/10	2010/11	2011/12	2009/10	2010/11	2011/12
Programme 1 - Integrated Regional Development						
Compensation of employees	100.3	213.0	137.6	103	210.9	130.4
Use of goods and services	917.4	2160.9	700.59	764.8	2088.8	652.4

Subsidies, Grants and other Transfers	3049.8	3795.4	3258.1	3143	3610.7	3206.4
Acquisition of Non-financial Assets	0	0.0	0	0	0	0
Total for Programme 1	4067.5	6169.3	4096.29	4010.8	5910.4	3989.2
Programme 2 - Promotion of Best Labour Practices						
Compensation to employees	244.6	259.7	308	245.9	264.7	293.9
Use of goods and services	230.3	241.6	538.9	203.7	227.4	396.4
Subsidies, Grants and other Transfers	78	57	22.5	68.5	56.8	27.9
Acquisition of Non-financial Assets	348.1	129.2	127	46.3	113.2	79
Total For Programme 2	901	687.4	996.4	564.3	662.1	797.2
Programme 3 - Manpower Planning, Development and Utilization						
Compensation to employees	171.5	194.3	247.3	177.3	185.9	213.3
Use of goods and services	193.8	269	329.7	131.9	166	277.3
Subsidies, Grants and other Transfers	0	0	3.4	0	0	1.5
Acquisition of Non-financial Assets	409.4	1,008.30	942.90	239.5	527.6	356.9
Total for Programme 3	774.7	1,471.70	1,523.30	577.9	879.4	849.0
Programme 4 - Labour Policy, Planning and Administration						
Compensation to employees	111.2	106.3	111.7	96.6	101	108
Use of goods and services	130.2	139.2	217.8	129.3	132.9	215.2
Subsidies, Grants and other Transfers	0	0	0	0	0	0
Acquisition of Non-	18.8	11.9	35.1	17.8	11.7	33.3

financial Assets						
Total for Programme 4	260.2	257.4	364.6	243.7	245.6	356.5
Programme 5 - Trade Development and Investment						
Compensation to employees	457	465	530.3	454.0	451.0	522.9
Use of goods and services	1019	646	607.3	916.0	444.0	565.7
Subsidies, Grants and other Transfers	757	792	915.9	738.0	740.0	897.0
Acquisition of Non-financial Assets	115	180	204.1	100.0	41.0	190.1
Total for Programme 5	2348	2083	2,257.7	2208.0	1676.0	2176.0
Programme 6 - Co-ordination of EAC Affairs						
Compensation to employees	79.7	154.1	154.5	77.6	152.7	152.7
Use of goods and services	333.1	228.9	327.1	265.2	214.9	310.4
Subsidies, Grants and other Transfers	544.9	563	552.8	544.9	562.9	552.8
Acquisition of Non-financial Assets	56.1	43.6	84.8	28	42.4	75.7
Total for Programme 6	1,013.70	989.5	1,119.20	915.7	972.8	1,091.60
Programme 7 - Tourism Development and Marketing						
Compensation to employees	124	137.2	149.7	124	137.4	149.7
Use of goods and services	453	444.9	403.5	414	412.3	400.3
Subsidies, Grants and other Transfers	1714	1608.1	1868.1	1704	1454	1,790.2
Acquisition of Non-	109.8	102.2	170.75	88	164	

financial Assets						164.8
Total for Programme 7	2400.8	2292.4	2592.05	2330	2167.7	2,505.0
Programme 8 - Industrial Development and Investment						
Compensation to employees	198.7	209.7	249.8	168.6	207.3	227.2
Use of goods and services	716.1	534.4	440.9	312	278.2	370.0
Subsidies, Grants and other Transfers	1669.4	2222.7	2,011.7	1643	2154.8	2,051.6
Acquisition of Non-financial Assets	614.7	1579.2	362.8	451.9	1014.6	333.7
Total for Programme 8	3198.8	4546	3,065.2	2575.9	3654.8	2,982.6
Programme 9 - Promotion of Industrial Research and Development						
Compensation to employees	240.7	375.7	407.7	203.2	324.1	373.1
Use of goods and services	69.3	67.3	164.3	45.3	245.5	166.8
Subsidies, Grants and other Transfers	0	0	0	0	0	0
Acquisition of Non-financial Assets	254	310.0	524.7	100.5	172	471.8
Total for Programme 9	564	753.0	1,096.7	349	741.6	1,011.8
Programme 10 - Productivity Measurement, Promotion and Improvement						
Compensation to employees	0	0	0.0	0	0	0.0
Use of goods and services	8.8	11.9	11.3	10.4	11.2	11.1
Subsidies, Grants and other Transfers	0	0	0.0	0	0	0.0

Acquisition of Non-financial Assets	2.1	16.7	17.1	2.3	15.9	16.9
Total for Programme 10	10.9	28.6	28.4	12.8	27.2	27.9
Total for the Sector	15,539.60	19,278.30	17,139.84	13,788.10	16,937.60	15,786.73

2.4. Review of Pending Bills/Claims

As at 30th June 2011 the sector had accumulated total pending bills/claims of Kshs 1655.97 Million. This included Kshs **628.87** million for recurrent claims and Ksh.1027.10 million for development claims.

2.4.1. Recurrent Pending bills

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

Table 2.16: Recurrent and Development Pending bills/ claims Analysis Kshs. Millions

Recurrent	Due to lack liquidity			Due to lack of provision		
	2009/10	2010/11	2011/12	2009/10	2010/11	2011/12
Regional Dev. Authorities	323.67	324.1	345.01	59.55	133.56	101.09
Labour	12.14	13.16	-	0.95	-	14.97
Trade	0	0	0	0	1	0
East Africa Community	0	0	0	0	0	143.4
Tourism	22.73	-	-	0.48	-	18
Industrialization	-	0.97	6.0	15.8	-	-
Research & Development	0	0	0	0.5	0.2	0.4
Total	358.54	338.23	351.01	77.28	134.76	277.86

The Regional Development Authorities' subsector had accrued recurrent pending bills of Kshs 446.10 million resulting from outstanding statutory payments and utilities as at the end of 2011/12 financial year. This was mainly due to lack of sufficient provision.

The Labor subsector had accrued Kshs14m which arose partly from utilities and personal claims. The pending bill refers to accruing personal claims for outstanding baggage allowances to 118 officers posted to Counties in compliance with the directive by the Head of public Service that Ministries post County officers. The Ministry had not budgeted for this activity.

EAC subsector had a pending bill of Kshs. 143.4 million which was as a result of lack of provision. The pending bill includes Kshs. 65 million which arose from arrears in a historical pending bill that emanated from Kenya hosting the Somali Peace Process held between 2003 to 2005. It was inherited from the Ministry of foreign Affairs since the ministry was then a department under Ministry of Foreign Affairs. The balance is as a result of arrears of contributions to the EAC of Kshs. 33.9 million and Kshs. 44.5 million for years 2011 and 2012.

The Tourism subsector had a pending bill of Kshs. 18 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 Analysis

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

Table 2.17: Development Pending bills/ claims (Kshs. Millions)

Development	Due of lack liquidity			Due of lack of provision		
	2009/10	2010/11	2011/12	2009/10	2010/11	2011/12
Regional Dev. Authorities	351.2	365.8	392.5	201.5	304.1	566.9
Labor	35.63	5.67	-	-	-	41.8
Trade	0	0	0	19	12.3	0

East Africa Community	0	0	0	0	0	0
Tourism	4.42	~	0	0	~	0
Industrialization	0	59.3	25.9	0	0	0
Total	391.25	430.77	418.4	220.5	316.4	608.7

The Regional Development Authorities' subsector had accrued development pending bills of **Kshs 959.4** million in the 2011/12 financial year. The claims resulted from the bills accrued from construction works certified but not paid as at the year end and unexpected legal claims arising from court ruling (compensation to farmers-TARDA and NK Brothers-LBDA). In addition; the above bill is also as result of various feasibility study running contracts not paid as per the close of the year.

The labour sub-sector had accrued development pending bill of Kshs. 41.8 million resulting from the construction works of the MSE Centre of Excellence at Kariobangi and the refurbishment work of the MSE marketing exhibition facility at Jamhuri show ground. This was as a result of budget cut during Revised Estimates which was done at the middle of the contract. The Ministry has prioritized the payment of these pending bills in 2012/13 Financial Year.

CHAPTER THREE

3 MEDIUM TERM PRIORITIES AND FINANCIAL PLAN FOR THE MTEF PERIOD 2013/14 – 2015/2016

3.1.1 Prioritization of Programmes and Sub-Programmes by Order of Ranking

The GECLA sector has a total of ten (10) programmes and forty-nine (49) sub-programmes. The various programmes are ranked either as high, moderate, or low depending on how they are inter-linked to Vision 2030, the Medium Term Plan (MTP), the New Constitution, and degree to which a programme addresses core poverty interventions. The table below summarizes the ranking.

Table 3.1: Programmes by Order of Ranking

No.	Name of the Programme	Sub-Sector	Ranking		
			High	Moderate	Low
1	Integrated Regional Development	Regional Development	✓		
2	Promotion of Labour best practices	Labour	✓		
3	Man Power Planning & Utilization	Labour	✓		
4	Labour Policy, Planning & Administration	Labour		✓	
5	Trade Development	Trade	✓		
6	Trade promotion and Investment	Trade	✓		
7	Trade General Administration and Planning	Trade		✓	
8	Co-ordination of the East African Community Affairs	MEAC	✓		
9	Tourism promotion & Marketing	Tourism	✓		
10	Tourism Product Development and Management	Tourism	✓		
11	Tourism Policy, Planning & Administration	Tourism		✓	
12	Industrial Development & Investment	Industrialization	✓		
13	Standards and Business Incubation	Industrialization	✓		
14	Industrial Planning and Administration	Industrialization		✓	
15	Promotion of Research in Industrial Development	KIRDI	✓		
16	Productivity Improvement, Measurement & Promotion	Productivity Centre of Kenya	✓		

3.1.2 Programmes and their objectives

1. Integrated Regional Development

The objective of the programme is to promote balanced, equitable, and sustainable integrated basin based development.

2. Promotion of Best Labour Practices

The objective is to promote harmonious industrial relations and safety at work.

3. Manpower Planning, Development and Utilization

The objective is to enhance competitiveness of the country's workforce.

4. Labour Policy, Planning and Administration

The objective is to enhance efficiency and effectiveness in service delivery.

5. Trade Development

The objective is to improve business environment and promote growth of wholesale and retail trade

6. Trade Promotion and Investment

The objective is to promote investments focused on broadening and deepening export-base

7. Trade General Administration and Planning

The objective is to enhance capacity for service delivery

8. Coordination of the East African Community affairs in Kenya

The objective is to coordinate and monitor the implementation of the East African Community Council decision on all programmes.

9. Tourism Marketing and Promotion

The objective is to market Kenya as a tourist destination both locally and internationally.

10. Tourism Product Development and Management

The objective is to develop new products and maintain internationally accepted standards in the tourism industry.

11. Tourism General Administration

The objective is to coordinate programmes.

12. Industrial development and investment

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

13. Standards and Business Incubation

The programme objective is to provide the standards for industrial production and supports MSMEs industrial sub-sector.

14. Industrial Planning and Administration

The objective is to facilitate the quality service delivery for industrial development.

15. Promotion of Industrial Research and Development

To promote creation and development of manufacturing Micro, Small and Medium Enterprises through Technology development and Transfer.

16. Productivity Improvement, Measurement and Promotion

The objective is to develop, implement targeted, and research based productivity interventions.

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

Table 3.2: Sector's expected, outcomes, expected outputs and key performance indicators

Sub-Programme	Expected Outputs	Key Performance Indicator	Target
<i>Programme 1: Integrated Regional Development</i>			
<i>Outcome: Improved management and conservation of basin-based resources</i>			
Regional Development Planning	Regional Action Plans	No. of Regional Action plans developed	6
	Regional Data and Information Centres established	No. of Regional Data and Information Centre established	5
Integrated Basin Based development	Feasibility studies reports	No. of Feasibility studies completed.	2
	Multipurpose dams	No. of multipurpose dams	5
	Increase area under irrigation under the Tana Delta Irrigation Project(TDIP)	No. of increase in acres of rice under irrigation	600acres
Development of River Banks, Water Bodies and Catchment areas	Area planted with trees	No. of acres planted with trees	1000
	No. of tree seedlings produced and planted	No of tree seedlings produced & planted	3 million
	Water pans rehabilitated	No. of water pans rehabilitated	150
Community Empowerment and Support Programs	Social amenities constructed/rehabilitated (MISHDP)	No. of social amenities constructed/rehabilitated	3
	Trained communities on best agricultural practices	No of people trained	3,000

Sub-Programme	Expected Outputs	Key Performance Indicator	Target
	Communal Water points	No of water points	4
	Income generating activities initiated	No of income generating activities	6
	Infrastructure developed	No. of infrastructures developed	4
Programme 2: Promotion of Best Labour Practices			
Outcome: Harmonious and Peaceful Industry			
Promotion of harmonious industrial relations	Reported labour disputes resolved	Time taken to resolve reported industrial disputes	3 months
	Policy on Child Labour developed and implemented	Policy on Child Labour	Child Labour Policy
	Work places inspected	Number of workplaces inspected	13,000
	Alternative Dispute Resolution Mechanism (DRM) in place	An operational Conciliation and Mediation Commission	Conciliation and Mediation Commission
Provision and promotion of occupational safety and health services	National Occupational Safety and Health at Workplace Policy approved and operational	National Occupational Safety and Health Policy	Policy
	National Council for Occupational Safety and Health (NACOSH) established and operational	An operational National Council for Occupational Safety and Health (NACOSH)	Council
	Occupational Safety and Health Institute established and operational	An operational Occupational Safety and Health Institute	OSHA Institute
	Persons trained in occupational safety and health	No. of persons trained in occupational safety and health	22,400
	Hazardous plant and equipment inspected	No. of hazardous plant and equipment inspected	18,000
	Work injury benefits claims settled	%age of work injury benefits claims settled	73%
	Programme 3: Manpower Planning, Development and Utilization		
Outcome: A competitive workforce			
Human resource planning, development and utilization	National Human Resource Database developed and operational	National Skills Inventory Labour Market Information System (LMIS) in place	HR Database Labour Market Information System (LMIS)
	Job seekers placed through the Public Employment System	No. of job seekers placed in employment	24,000
	Employment Policy approved and operational	Employment Policy	Policy
	Diaspora Policy approved and operational	Diaspora Policy	Policy
Micro and Small Enterprise	MSE worksites developed and upgraded	No. of MSE worksites upgraded and developed	35

Sub-Programme	Expected Outputs	Key Performance Indicator	Target
development	MSE Bill enacted and operational	Discussion and approval of MSE Bill	MSE Act
	MSE Centres of Excellence established and operational	No. of MSE Centres of Excellence established	3
	MSEs exposed to local and international trade exhibitions	No. of MSEs exposed to local and international trade exhibitions	1,800
Provision of industrial skills in the country	Existing Industrial Training Centres refurbished and upgraded	No. of existing Industrial Training Centres refurbished and upgraded	5
	Individuals trained in relevant industrial skills	No. of individuals trained in relevant industrial skills	17,000
	Trainees placed on industrial attachment	Number of trainees placed on attachment	30,000
	Industrial Training and Attachment Levy offices established	No. of levy offices established	42
	New Industrial Training Centres established	No. of Industrial Training Centres established	2
<i>Programme 4: Labour Policy, planning and administration</i>			
<i>Outcome: Efficient Services in the Labour Market</i>			
Policy, Planning and Administration	Monitoring of projects and programmes undertaken	No. of projects/programmes monitored	10
	Finalize the preparation Second Medium Term Plan (MTP) for the Labour Sector	MTP report	1
	Develop ministerial Strategic Plan	Ministerial Strategic Plan developed	1
	Conduct work, customer and employee satisfaction surveys	No. of surveys reports	3
	Prepare Performance review, MTEF and financial statement reports	Reports prepared	3
<i>Programme 5: Trade Development</i>			
<i>Outcome: Increased contribution of domestic trade to GDP</i>			
Business Premises Rent Tribunal Services	Business premises Rent disputes cases heard and determined	No. of cases heard and determined	3,500
	Circuit sitting sessions conducted	No. of circuit sitting sessions conducted	28
	Court references filed	No. of cases filed	2,500
Domestic Trade Development	Loans disbursed under Joint Loan Board Scheme	Amount of loans disbursed through Joint Loans Board scheme (Kshs. M)	148
	Loans recovered from traders under Joint Loan Board Scheme	Amount of loans recovered from Traders (Kshs. M)	120
	Beneficiaries of Joint Loans Board	No. of beneficiaries of Joint Loan	1,700

Sub-Programme	Expected Outputs	Key Performance Indicator	Target
	Cross border trade meetings	No. of cross border meetings held	24
	Profiled Producer Business Groups (PBGs)	No. of PBGs profiled	235
	District Business Solution Centers(DBSCs)	No. of DBSCs	3
	Automated Joint Loan Boards (JLBs)	No. of JLBs automated	17
	Parcels of land identified for construction of modern county markets	No. of pieces of land identified	4
	Modern county markets designs developed	No. of construction designs developed	4
	Design for tier '1' retail market and Wholesale hubs	No. of designs for tier '1' retail market and Wholesale hubs	2
Fair Trade and Consumer Protection	Weighing and Measuring Equipment calibrated	No. of weighing and measuring equipment calibrated('000')	25
	Weighing and Measuring Equipments Verified	Number of weighing and measuring equipments verified ('000')	300
	Cases Investigated and prosecuted	No. of cases of trade malpractices investigated and prosecuted	110
	Business premises Inspected	Number of business premises inspected	5,050
Entrepreneurial and Business Management	MSMEs operators trained	Number of MSMEs operators trained	3,000
	Business research, consultancy and counseling services conducted	Number of MSMEs operators counseled through business clinics	2,500
<i>Programme 6: Trade promotion and Investment</i>			
<i>Outcome: Increase in export earnings</i>			
External Trade Development	Exports to EU markets Increased	Percentage increase in Value of exports (%)	10%
	Exports to USA under AGOA framework Increased	Percentage increase in Value of exports (%)	10%
	Trade agreements negotiated and signed	No. of Trade bilateral trade agreements signed (Djibouti, Cuba, DR Congo & Philippines)	4
		Conclusion of EPA negotiations	Signed agreement
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%

Sub-Programme	Expected Outputs	Key Performance Indicator	Target
	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
Export Processing Zones	Investments in EPZs	Value of investments in EPZs (Kshs billions)	41
	Jobs created in EPZs	No. of jobs created in EPZs '(000)'	42
	Enterprises established in EPZs	No. of enterprises operating in EPZs	104
	Exports from EPZs	Value of exports earnings from EPZs (billions)	43
	Export Processing Zones gazetted	No. of EPZ gazetted	53
Regional Economic Integration Initiatives	Exports to COMESA Region	Value of export earnings (Kshs. M)	219,615
Special economic zones	Master plans and Designs	No. of master plans and designs developed for Special Economic Zones (Mombasa, Lamu & Kisumu) zones	3
Programme 7: Trade General Administration and Planning			
Outcome: Enhanced institutional framework for efficient and effective service delivery			
General administration	Enhanced service delivery	Customer satisfaction survey	85%
Programme 8: 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 EAC Common Market	Implementation of harmonized internal tariffs coordinated	% compliance with harmonized internal tariffs	100%
	Implementation of Common External Tariff coordinate	% of compliance with Common External Tariff	100%
	Quarterly meetings of National Monitoring Committee held	No. of meetings	4
	Students, persons and	% of permits, and	100%

Sub-Programme	Expected Outputs	Key Performance Indicator	Target
	workers facilitated to get permits and students gratis	students gratis issued	
	Service providers and businesspersons facilitated to establish across the region	% of Kenyan establishments in the EAC region	100%
	Regional Integration Centers established	No of RICs established	2
	Regional Integration Centers constructed	No of RICs constructed	2
Laying the foundation for the EAC Monetary Union and Political Federation	Joint implementation of programmes on the Political Pillar of EAC integration coordinated	No of Joint programmes	5
Participation in EAC cross-cutting and regional integration activities including harmonization of EAC-SADC-COMESA Trade Regimes	Negotiations on East African Monetary Union (EAMU) coordinated	No of regional meetings	4
	Developed of Macro-Economic Convergence Criteria coordinated	No of regional meetings	4
	Ratification and operationalization of The EAC Foreign Policy Coordination Protocol coordinated	% of Protocol operationalized	100%
	Harmonization of EAC Tax Policies and Laws coordinated	% of Tax Policies and Laws Harmonized	100%
Participation in EAC cross-cutting and regional integration activities including harmonization of EAC-SADC-COMESA Trade Regimes	Construction of Five One Stop Border Posts coordinated	% Construction of Five One Stop Border Posts	100%
	Designs and construction of Voi-Mwatate-Taveta/Holili-Arusha road project coordinated	No of progress reports	4
	Design and construction of Malindi-LungaLunga/HoroHoro – Bagamoyo Road project coordinated	No of progress reports	4
	Efficient operations of weigh bridges monitored and coordinated	No of inspections	4
	Packaging of priority	% of priority projects	100%

Sub-Programme	Expected Outputs	Key Performance Indicator	Target
	projects in the railways master plan for the development partner support coordinated	packaged	
	Promotion of investments in the Energy Sector through participation in the biennial East African Petroleum Conference coordinated	Participation in the Biennial East African Petroleum Conference	1
	Up scaling of the harmonization of Agriculture Commodity Standards in the region coordinated	% of up scaling of the harmonization	100%
	Conclusion of various studies in Lake Victoria Basin which seeks to address environmental issues coordinated	% of studies concluded	100%
	Conclusion of negotiations on single tourist visa coordinated	No of reports	3
	Implementation of regulatory requirements of mostly traded agricultural commodities across the region coordinated	% of compliance with regulatory requirements	100%
	Implementation of EAC Women in Business 2012-2015 Strategic Plan coordinated	% implementation of Strategic Plan	100%
	Development of Monitoring and Evaluation Plan for EC-EAC Health Project " Invest In Adolescents; Building Advocacy Capacity In East Africa coordinated	Monitoring and Evaluation Plan	1
	Operationalization of EAC Protocol on Environment and Natural Resources Management coordinated	% of Protocol on operationalized	100%
	Harmonization of National Accounts under EAC	% of National Accounts harmonized	100%

Sub-Programme	Expected Outputs	Key Performance Indicator	Target
	cooperation of Statistics coordinated		
	Cross Border sensitization workshops undertaken	No of Cross Border sensitization workshops	2
	Media campaign on the EAC integration undertaken	No of media campaign	5
	Quarterly Jumuiya Newsletter produced and distributed	No of Quarterly Jumuiya Newsletter	4
Programme 9: Tourism Marketing and Promotion			
Outcome: Increased tourism contribution to the GDP			
International Tourism promotion and marketing	Increase in no. of international tourist arrivals	No. of international tourist arrivals	2,331.1 thousand
	Increase in tourism earnings	Earnings from tourism	Ksh 105 billion
	Increase in average spending per visitor	Average spent	Kshs 80,000
	Launch new circuits/products	No. of circuits/products launched	3 circuits/products
	Enhanced PPP with stakeholders, communities and SME investors in tourism	Number of Public Private Partnerships (PPP)	3 stakeholder meeting reports
	Branded items such as pens, flash disks, gift bags, Tourist maps, official attire for the Ministry, Documentaries, brochures, flyers Global marketing and other promotional materials	No. and types of promotional materials produced	5,000 assorted branded items
	Participation in Regional meetings e.g. EAC, COMESA AND NEPAD	% number of the meetings invited and attended	100%
Domestic Tourism promotion and marketing	Increased bed-nights by domestic tourist	No. of bed-nights by domestic tourist	3,021 Thousand bed nights
	Development of low cost accommodation facilities (KWS parks)	No. of bandas built	200
	Participate in International ASK shows and other activities to sensitize the public on the importance of tourism	No. of ASK events	5 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
	Development of Code of conduct for the tourism sector	Validated code of conduct	Code of conduct
	Tourism Safety and security programme	<ul style="list-style-type: none"> ▪ Equipped and 	<ul style="list-style-type: none"> ▪ Operational

Sub-Programme	Expected Outputs	Key Performance Indicator	Target
	<ul style="list-style-type: none"> ▪ Tourism crisis and Safety management Centre ▪ Capacity building of tourism operators 	<ul style="list-style-type: none"> operational crisis management centre ▪ No of capacity building initiatives 	<ul style="list-style-type: none"> safety centre ▪ Eight (8) security meetings
Programme 10: Tourism Product Development and Management			
Outcome - Diverse tourism products and internationally competitive standards			
Conference Tourism Development	To promote and market MICE tourism both locally and internationally;	Increase in No. of Conference tourism events	<ul style="list-style-type: none"> ▪ 21 International conferences ▪ 32 Domestic/National Conferences ▪ 35 Exhibitions
Cultural Tourism Development	Organize World Tourism Day/Kenya Tourism Week activities	World tourism Day/Kenya Tourism week	1
	Construction of cultural Museum at Bomas	% level of completion	50% completion
	Cultural facility at Bomas upgraded and renovated	Facility 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
	Media awareness and familiarization programs	No. of media briefings	4
		No. of familiarization tours	3
	International & national festivals & events, Cultural ambassadors, Cultural centres, Annual cultural calendar of events	No. of Events Held & reports produced	5
Expansion of tourism training capacity	Phase 1 of Ronald Ngala Utalii Academy completed	100% of phase 1 completed	
Product Standardization and Classification	Capacity building and Human resource development	No. of graduates in hospitality industry	3,200 graduates in various courses
	Tourist establishments, hotels and restaurants inspected, licensed, classified and re-classified	No. of Establishments and Hotels and Restaurants inspected, licensed, classified and re-classified	100 establishments classified
	Training of more Classification Assessors	No. of trained Classification Assessors	20 additional assessors trained
	Operational and effective TRA	A working TRA board	TRA board in place
	Tourism area plans in place	No. of tourism area plans developed	2 tourism area plans

Sub-Programme	Expected Outputs	Key Performance Indicator	Target
	Increased environmental responsiveness in tourism sector	% of EIA and EA cases handled.	100%
		Environmental guidelines and manuals produced	Environment 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
Tourism Product Diversification	Developed & diversified Tourism product & Services	No of Developed & diversify Tourism product & Services	Four products operationalised
	Clear and visible signage	% of products and facilities signaged	25%
Community Tourism Development Initiatives	Implementation of home stay Operational Standards Guidelines in Place 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)	No. of Designs and Master Plan developed.	Model three Designs, Master Plan, regional physical development plan
	Niche tourist products identified as flagship projects in the vision 2030 developed	No. of niche products strategies implemented	Implement(3) strategies on Culture, Agro, and medical Tourism Product development Strategies
	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 Research needs reports and research strategy	Established Tourism Research Institute
Research needs report and strategy			Research needs report and strategy

Sub-Programme	Expected Outputs	Key Performance Indicator	Target
		National tourism information system	NTIS in place
		Tourism sector performance reports	Quarterly reports
	Reviewed/Harmonized Entry/Departure Declaration Forms and of cross border arrival data	Harmonized Forms	Harmonized Forms in use
	Development of tourism investment portfolio.	No. of investment opportunities documented	10 major investment opportunities
	Beach Management Programme fully implemented	No. of beach markets constructed along the coastline	2
		% reduction in solid waste	90%
	No. of education programmes conducted	24	
<i>Programme 11: Tourism General Administration</i>			
<i>Outcome: Effective and efficient service delivery</i>			
General Administration Services	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 (NTS)	% of NTS activities implemented	20 % of strategy requirements implemented
<i>Programme 12: Industrial development and Investment</i>			
<i>Outcome: Increased contribution of industry to GDP</i>			
Promotion of Industrial development	Acquisition of land for industrial SME Park	Land acquired for two industrial SME parks	2
	Undertake feasibility study for development of mini steel mini	A feasibility report	1
	Undertake feasibility studies and develop master plan and architectural designs for the 47 industrial SME parks	No. of feasibility studies	47
		No. of master plan developed	47
		No. of architectural designs	47
	Promote development of clusters: Meat and leather; fish; and cashew nuts	No. of clusters developed	3
	Equip and operationalize CIDCs	No. of CIDCs equipped and operationalized	50
Products under the 5K MSI 2030 programme upgraded	No. of products upgraded	5	

Sub-Programme	Expected Outputs	Key Performance Indicator	Target
	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 districts 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
	Reduction in infringement of intellectual property rights	% of surveillance conducted	100%
		% of investigations conducted	100%
		% of inspections conducted	100%
		% of prosecutions on cases conducted	100%
Provision of Industrial Training	Training classrooms constructed	No. of training classroom constructed	40
	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.)	15 Million
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
	5- 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 (IP) rights registered	Percentage of IP registered	100%
	Technical IP information provided to public	Percentage of technical advice provided	100%
Programme 13: 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	No. of new standards	300

Sub-Programme	Expected Outputs	Key Performance Indicator	Target
	maintained	developed	
		No. of standard reviewed and maintained	644
	Calibration of turnaround time	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
<i>Programme 14: Industrial Planning and Administration</i>			
<i>Outcome: Effective and efficient service delivery</i>			
Industrial planning and administration	Monitoring of projects and programmes undertaken	No. of projects/programmes monitored	2
	Develop ministerial Strategic Plan	Ministerial Strategic Plan developed	1
	Conduct work, customer and employee satisfaction surveys	No. of surveys reports	3
	Prepare Performance review, MTEF and financial statement reports	Reports prepared	3
<i>Programme 15: Promotion of Industrial Research and Development</i>			
<i>Outcome: To promote creation and development of manufacturing Micro, Small and Medium Enterprises through Technology development and Transfer</i>			
Technology Development	KIRDI transformed into a competitive and reputable research organization	Master plan for the transformation of KIRDI into a reputable and competitive research institution developed	Master plan
		No. of research, Technology and Innovation Centres constructed and upgraded	3
		No. of staff recruited in KIRDI	205
	Technology Needs Assessments undertaken	No. of Technology Needs Assessments reports	8
	Technologies, products and processes for value addition identified	No. of technologies, products and processes identified	39
	Projects formulated	No. of Projects formulated	37
	Technologies, products and processes developed	No. of Projects formulated	37

Sub-Programme	Expected Outputs	Key Performance Indicator	Target
Transfer of Technologies products and processes	Prototypes developed	No. of Prototypes developed	12
	Technologies protected	No. of Technologies protected	47
	Increased technology transferred	No. of technology transferred	12
	Field trails undertaken	No. of Field trials undertaken	12
	Technologies commercialized	No. of Technologies commercialized	6
	BIS established	No. of BIS established	6
	Increased SMEs incubation	No. of SMEs incubation	300
	MSE graduated	No. of MSE graduated	45
	Projects/programmes monitored and evaluated	No. of projects/programme monitored	37
	MSEs products selected	No. of MSEs products selected	12
	Products produced	No. of Products produced	1000
	CMFs established	No. of CMFs established	6
Management and administrative	Career Progression Implementation Plan Implemented	Number of staff enrolled and remunerated within the scheme	205
	Skills and competence improvement programmes developed implemented	Number of staff targeted enrolled through the programme	302
	Undertake and implement recommendations of institutional operational support Surveys	Institutional operational support surveys undertaken and recommendations implemented	7
	Government e-standards adopted and operationalized	Number of e-systems operationalized within the institute	9
<i>Programme 16: Productivity Improvement, Measurement and Promotion</i>			
<i>Outcome: Competitiveness Goods and Services</i>			
Productivity measurement	Productivity study reports	No. of national, sectoral and firm level productivity studies undertaken	6 Sectoral Indices
Productivity promotion	Productivity and work environment improved	Percentage of people aware and practicing productivity	60%
	National Productivity Policy approved and implemented	Approved National Productivity Policy	Policy
	National Productivity Council Bill	Approval by parliament	Act

Sub-Programme	Expected Outputs	Key Performance Indicator	Target
	Productivity Centre of Kenya (PCK) strengthened and National Productivity Council established	National Productivity Council Act	Council
	Productivity Technical Service Providers trained	No. of productivity Technical Service Providers trained	600
Productivity improvement	Firms/enterprises based productivity improvement practices adopted	No. of firms/enterprises in which productivity improvement is conducted	80

3.2 Analysis of resource requirement verses allocation

3.2.1 Sector (recurrent and development)

The sector's total resource requirement for the FY 2013/14 is ksh. 89.8 billion. This increases by 21% and 51% in the FY 2014/15 and 2015/16 respectively.

Table 3.3: Sector's resource requirement (Kshs. Millions)

Sector	Estimates 2012/13	Estimates 2013/14	Percentage	Projected Estimates	
				2014/15	2015/16
GECLA recurrent	9,587.50	18,933.7	21%	19,540.6	21,746.4
GECLA development	11,337.10	70,841.8	79%	89,298.4	114,184.7
TOTAL	20,924.6	89,775.5	100%	108,839.0	135,931.1

3.2.2 Subsector (recurrent and development)

The total resource requirements by Sub-Sectors are shown in table below;

Table 3. 4: Resource Requirements by Sub-sector (Recurrent and Development) ~ Kshs. Millions

Sub-Sector	Estimates		Estimates		Projected Estimates			
	2012/13		2013/14		2014/15		2015/16	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Regional Development Authorities	793.5	5,561.0	3,153.0	28,429.8	2,427.8	22,744.2	3,227.8	25,944.2
Labour	1,657.2	627.5	2,395.4	1,411.0	2,729.2	1,580.0	3,121.7	2,015.0
Trade	2,253.0	874.0	3,670.0	3,357.0	3,580.0	5,130.0	3,849.0	6,081.0
EAC	1,175.7	66.4	1,633.5	140.1	1,730.1	180.8	1,801.0	220.7
Tourism	1,496.0	896.0	4,332.0	6,319.0	4,959.0	6,061.0	5,238.0	6,683.0

Sub-Sector	Estimates		Estimates		Projected Estimates			
	2012/13		2013/14		2014/15		2015/16	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Industrialization	1,506.8	2,662.2	2,592.4	30,284.9	2,823.7	52,651.4	3,084.0	72,225.8
Research	705.4	650.0	1,157.4	900.0	1,290.8	951.0	1,424.9	1,015.0
TOTAL	9,587.6	11,337.1	18,933.7	70,841.8	19,540.6	89,298.4	21,746.4	114,184.7

The sector requires more resources in development as compared to recurrent to enable implementation of the ongoing flagship projects for the FY 2013/14. Regional development authority and industrialization sub-sectors require the most resources in the Sector.

The regional authority subsector requires Kshs. 28Billion under development expenditure. This is mainly to implement multipurpose projects for the completed feasibility studies. For High Grand Falls, Magwagwa, Aror and Mwache Kshs. 21Billion is required for resettlement and preliminary works. In addition Kshs. 7Billion will be grants to Regional Development Authorities.

The Industrialization subsector requires Kshs. 30Billion under the development expenditure. The funds are required for acquisition of land, feasibility studies and development of infrastructure for the projects development of five industrial SME parks and development of mini steel mill which are the sector flagship projects

3.2.3 Programmes and sub-programmes

The resource requirements by programme for the Sector are shown in table below.

Table 3. 5: Resource Requirements by Programmes (Kshs. Millions)

Programme	Estimate 2012/13	Estimate 2013/14	Projected Estimates	
			2014/15	2015/16
Integrated Regional Development	6,354.5	31,582.8	25,172.0	29,172.0
Promotion of Best Labour Practices	855.7	1,211.4	1,316.4	1,530.6
Manpower Planning, Development and Utilization	1,039.7	2,158.7	2,506.0	3,050.7
Labour policy, planning and administration	389.3	436.2	486.5	555.4

Programme	Estimate 2012/13	Estimate 2013/14	Projected Estimates	
			2014/15	2015/16
Trade Development	1,061.0	2,835.0	4,774.0	5,042.0
Trade Promotion and Investment	1,742.0	3,678.0	3,517.0	4,494.0
Trade general administration and planning	324.0	514.0	419.0	394.0
Co-ordination of East African Community matters	1,242.1	1,773.6	1,910.9	2,021.7
Tourism Promotion and Marketing	1,012.6	2,898.0	3,013.0	3,367.0
Tourism Product Development and Management	1,070.0	7,071.0	7,184.0	7,670.0
Tourism General Administration	310.0	682.0	823.0	884.0
Industrial Development and Investment	2,799.8	3,0381.0	5,2030.4	7,1535.3
Standards and Business Incubation	1,070.4	2,153.0	3,048.0	3,317.0
Industry policy, planning and administration	298.8	343.3	396.8	457.5
Promotion of Industrial Research and Development	1264.0	1,651.9	1,755.1	1,855.0
Productivity Improvement, Measurement and Promotion	91.4	406.0	486.9	584.9
TOTAL	20,924.6	89,775.9	108,839.0	135,931.1

The programmes that require the highest funding are; Integrated Regional Development, Trade Promotion and Investment and Industrial Development and Investment.

Table 3.6: Resource requirements by sub-programmes (Ksh. Millions)

	Programme	Estimate 2012/13	Estimate 2013/14	Projected Estimates	
				2014/15	2015/16
Programme 1: Integrated Regional Development Programme					
1.	Development of river banks, water bodies and catchments areas	1,574.8	7,836.0	6,174.2	7,174.2
2.	Regional Development Planning	1,687.7	8,399.0	6,719.2	7,719.2
3.	Integrated Basin Based Development	1,579.5	7,842.0	6,273.6	7,273.6
4.	Community empowerment and support	1,512.5	7,505.8	6,005	7,005
	Programme 1 Sub- Total	6,354.5	31,582.8	25,172.0	29,172.0
Programme 2: Promotion of Best Labour Practices					
5.	Promotion of harmonious industrial relations	471.6	585.9	666.0	745.0
6.	Regulation of Trade Unions	4.6	8.5	10.6	21.7
	Arbitration of Trade Disputes	92.3			
7.	Provision of occupational safety and Health	287.2	617.0	639.8	763.8

	Programme	Estimate 2012/13	Estimate 2013/14	Projected Estimates	
				2014/15	2015/16
	Programme 2 Sub- Total	855.7	1,211.4	1,316.4	1,530.6
	Programme 3: Manpower Planning, Development and Utilization				
8.	Human Resource Planning and Development	74.1	110.7	154.6	182.8
9.	Employment Promotion	101.9	183.3	280.6	367.9
10.	Micro and Small Enterprise Development	307.0	511.5	612.2	717.7
11.	Provision of industrial Skills in the Country	556.8	1,353.2	1,458.5	1,782.4
12.	Programme 3 Sub- Total	1,039.7	2,158.7	2,506.0	3,050.7
	Programme 4: Labour Policy, Planning and Administration				
14.	Labour Policy, Planning and administration	389.3	436.2	486.5	555.4
	Programme 4 Sub-total	389.3	436.2	486.5	555.4
	Programme 5: Trade Development				
15.	Domestic Trade Development	555.0	1,391.0	3,896.0	4,112.0
16.	Fair Trade and Consumer Protection	271.0	524.0	465.0	500.0
17.	Business Premises Rent Tribunal Services	51.0	65.0	75.0	80.0
18.	Entrepreneurial and Business Services	134.0	778.0	247.0	250.0
19.	Private sector development	50.0	77.0	91.0	100.0
	Programme 5 Sub-total	1,061.0	2,835.0	4,774.0	5,042.0
	Programme 6: Trade Promotion and Investment				
20.	External Trade Development	399.0	535.0	570.0	592.0
21.	Exports Market Development and Diversification	461.0	1,373.0	1,348.0	1,553.0
22.	Export Processing Zones Investment	398.0	908.0	1,277.0	2,021.0
23.	Regional Integration Initiatives	256.0	280.0	287.0	288.0
24.	Special economic zones	228.0	579.0	35.0	40.0
	Programme 6 Sub-total	1,742.0	3,675.0	3,517.0	4,494.0
	Programme 7: Trade general administration and planning				
25.	Trade general administration and planning	324.0	514.0	419.0	394.0
	Programme 7: Sub-total	324.0	514.0	419.0	394.0
	Programme 8: Co-ordination of East African Community matters				
26.	Consolidation and Sustained implementation of a fully fledged EA Customs Union and operationalization of the EA Common Market	559.1	1,274.9	1,373.4	1,448.9
27.	Laying the foundation for the EA Monetary Union and Political Federation	373.2	279.2	301.7	321.7

	Programme	Estimate 2012/13	Estimate 2013/14	Projected Estimates	
				2014/15	2015/16
28.	Participation in EAC cross- cutting in Productive and Social Sectors	310.8	219.5	235.8	251.1
	Programme 8 sub-total	1,242.1	1,773.6	1,910.9	2,021.7
	Programme 9: Tourism Promotion and Marketing				
29.	International Tourism promotion and marketing	823.6	2,347.0	2,482.0	2,794.0
30.	Domestic Tourism promotion and marketing	189.0	551.0	531.0	573.0
	Programme 9 sub-total	1,012.6	2,898.0	3,013.0	3,367.0
	Programme 10: Tourism Product Development and Management				
31.	Conference Tourism Development	80.0	443.0	948.0	533.0
32.	Cultural Tourism Development	432.0	515.0	600.0	710.0
33.	Community Based Initiatives	-	610.0	834.0	979.0
34.	Product Standardization	373.0	3,453.0	2,732.0	2,575.0
35.	Infrastructure Development	185.0	2,050.0	2,070.0	2,873.0
	Programme 10 sub-total	1,070.0	7,071.0	7,184.0	7,670.0
	Programme 11: Tourism General Administration				
36.	Administration	310.0	682.0	823.0	884.0
	Programme 11 sub-total	310.0	682.0	823.0	884.0
	Programme 12: Industrial development and investment				
37.	Promotion of Industrial Development	1,977.7	28,874.6	50,428.3	69,496.1
38.	Provision of Industrial Training	203.5	545.0	369.9	411.3
39.	Promotion of industrial products	418.9	580.9	822.7	1,184.6
40.	Promotion of Industrial Property Rights and arbitration	199.7	380.4	409.5	443.3
	Programme 12 sub-total	2,799.8	30,380.9	52,030.4	71,535.3
	Programme 13: Standards and Business Incubation				
41.	Standardization, Metrology and conformity assessment	222.7	433.0	718.0	377.0
42.	Business financing & incubation for MSMEs	847.7	1,720.0	2,330.0	2,940.0
	Programme 13 sub-total	1070.4	2,153.0	3,048.0	3,317.0
	Programme 14: Industry planning and administration				
43.	Industry planning and administration	298.8	343.3	396.8	457.5
	Programme 14 sub-total	298.8	343.3	396.8	457.5
	Programme 15: Promotion of Industrial Research and Development				
44.	Technology development of technologies, products and processes	324.5	469.9	510.5	560.0

	Programme	Estimate 2012/13	Estimate 2013/14	Projected Estimates	
				2014/15	2015/16
45.	Transfer of technologies, products and processes	315.5	410.5	420.5	430.0
46.	Management and administrative	624.0	771.5	824.1	865.0
	Programme 15 sub-total	1,264.0	1,651.9	1,755.1	1,855.0
	Programme 16: Productivity Improvement, Measurement and Promotion				
47.	Productivity measurement	29.7	160.1	186.1	202.3
48.	Productivity promotion	26.1	98.6	125.3	157.0
49.	Productivity improvement	35.6	147.3	175.5	225.6
	Programme 16 sub total	91.4	406.0	486.9	584.9
	Grand Total	20,924.6	89,775.9	108,839.0	135,931.1

3.2.4 Semi Autonomous Government Agencies

Table 3.7: Resource requirement for the SAGAs

	SAGA	Estimate 2012/13	Estimate 2013/14	Projected Estimates	
				2014/15	2015/16
1.	Coast Development Authority	249.4	528.0	406.6	540.6
2.	Tana and Athi River Devolvement	592.7	300.0	231.0	307.1
3.	Kerio Valley Development Authority	570.0	299.0	230.2	306.1
4.	Lake Basin Development Authority	421.7	139.0	107.0	142.3
5.	Ewaso Ngiro South Dev. Authority	242.4	255.0	196.4	261.1
6.	Ewaso Ngiro North Dev. Authority	754.4	350.0	269.5	358.2
7.	National Industrial Training Authority	556.8	1,353.2	1,458.5	1,782.4
8.	Export Promotion Council	461.0	1,373.0	1,346.0	1,553.0
9.	Export Processing Zones Authority	398.0	861.0	1,276.0	2,022.0
10.	Kenya Tourist Board	780	2,097.0	2,482.0	2,794.0
11.	Bomas of Kenya	432.0	515.0	600.0	710.0
12.	Kenya Utalii College	168.8	2,353.0	1,932.0	1,675.0
13.	Kenyatta International Convention Centre	80	443.0	948.0	533.0
14.	Tourism Fund	160.0	1,100.0	800.0	900.0
15.	Tourism Finance Corporation	120	2,000.0	2,000.0	2,763.0
16.	Tourism Regulation Authority	0	250.0	300.0	300.0
17.	Anti-counterfeit Agency	232.2	1,064.0	1,088.7	1,084.1
18.	Kenya Bureau of Standards	86.4	253.0	510.0	160.0
19.	Kenya National Accreditation Services	109.4	145.0	170.0	175.0

	SAGA	Estimate 2012/13	Estimate 2013/14	Projected Estimates	
				2014/15	2015/16
20.	Kenya Industrial Estates	847.7	1,720.0	2,330.0	2,940.0
21.	Kenya Industrial Property Institute	172.0	345.5	365.1	386.6
22.	Numerical Machining Complex	418.9	580.9	822.7	1,184.6
23.	Kenya Industrial Research and Development Institute	1,264.0	1,651.9	1,755.1	1,855.0
	TOTAL	9,117.8	18,373.3	19,866.3	22,650.7

3.2.5 Economic Classification

Table 3.8: Resource requirement for the sector by Economic Classification

	Estimate 2012/13	Estimate 2013/14	Projected Estimates	
			2014/15	2015/16
(1) Recurrent Expenditure	9,587.5	18,933.7	19,540.4	21,746.4
Compensation to Employees	2,672.9	3,360.0	3,439.9	3,762.2
Use of goods and services	3,105.1	5,966.6	6,174.5	7,426.2
Current Transfers Govt. Agencies	3,154.9	8,260.9	8,190.0	8,847.4
Acquisition of non financial assets	505.4	888.2	925.0	1021.6
Other Recurrent	149.2	458.0	811.0	689.0
(2) Capital Expenditure	11,337.1	70,841.8	89,298.4	114,184.70
Use of goods and services	291.2	485.9	564.4	591.3
Capital Transfers to Government Agencies	3,750.9	30,464.9	54,341.3	74,296.1
Acquisition of Non-Financial Assets	3,966.0	29,073.2	26,086.8	28,518.4
Other Development	3,329.0	10,817.8	8,305.9	10,778.9
Total Expenditure	20,924.6	89,775.5	108,838.8	135,931.1

Table 3.9: Resource requirement for sub sector by Economic Classification

	Estimate 2012/13	Estimate 2013/14	Projected Estimates	
			2014/15	2015/16
Regional Development Authorities				
(1) Recurrent Expenditure	793.5	3,153.0	2,427.8	3,227.8
Compensation to Employees	95.0	288.0	221.8	301.8
Use of goods and services	155.5	681.0	524.4	844.4
Current Transfers Govt. Agencies	543.0	2,184.0	1,681.6	2,081.6
(2) Capital Expenditure	5,561.0	28,429.8	22,744.2	25,944.2
Capital Transfers to Government Agencies	2,646.0	19,665.0	15,732.3	16,932.3
Other Development	2,915.0	8,764.8	7,011.9	9,011.9

	Estimate 2012/13	Estimate 2013/14	Projected Estimates	
			2014/15	2015/16
Total Regional Expenditure	6,354.5	31,582.8	25,172.0	25,172.0
Labour sub-sector				
(1) Recurrent Expenditure	1,657.2	2,395.4	2,729.0	3,121.7
Compensation to Employees	612.4	749.0	780.2	816.6
Use of goods and services	779.2	1,291.2	1,455.7	1,874.8
Current Transfers Govt. Agencies	23.3	164.1	195.1	217.1
Acquisition of Non Financial assets	238.9	189.2	296.1	211.3
Other expenses	3.4	1.9	1.9	1.9
(2) Capital Expenditure	627.5	1,411.0	1,580.0	2,015.0
Use of goods and services	25.0	-	-	-
Acquisition of Non-Financial Assets	502.5	911.0	1,060.0	1,265.0
Capital Transfers to Government Agencies	100.0	500.0	520.0	750.0
Total Expenditure	2,284.7	3,806.4	4,308.9	5,136.7
Trade				
(1) Recurrent Expenditure	2,253.0	3,670.0	3,580.0	3,849.0
Compensation to Employees	884.0	1,080.0	1,113.0	1,217.0
Use of goods and services	895.0	1,786.0	1,755.0	1,971.0
Current Transfers Govt. Agencies	290.0	318.0	322.0	323.0
Acquisition of Non-Financial Assets	52.0	255.0	166.0	163.0
Other Recurrent	132.0	231.0	224.0	175.0
(2) Capital Expenditure	874.0	3,357.0	5,130.0	6,081.0
Use of goods and services	87.0	154.0	186.0	165.0
Acquisition of Non-Financial Assets	402.0	1,682.0	4,089.0	4,801.0
Capital Transfers to Government Agencies	90.0	156.0	208.0	260.0
Other Development	295.0	1,365.0	647.0	855.0
Total Expenditure	3,127.0	7,027.0	8,710.0	9,930.0
East African Community				
(1) Recurrent Expenditure	1,175.7	1,633.5	1,730.1	1,801.0
Compensation to Employees	155.3	245.6	261.2	280.2
Use of goods and services	312.7	427.4	463.1	482.6
Current Transfers Govt. Agencies	572.2	720.4	730.4	740.3
Acquisition of Non-Financial Assets	135.5	240.1	275.4	297.9
(2) Capital Expenditure	66.4	140.1	180.8	220.7

	Estimate 2012/13	Estimate 2013/14	Projected Estimates	
			2014/15	2015/16
Use of goods and services	~	140.1	180.8	220.7
Acquisition of Non-Financial Assets	66.4	~	~	~
Total Expenditure	1,242.1	1,773.64	1,910.89	2,021.7
Tourism				
(1) Recurrent Expenditure	1,496.0	4,332.0	4,959.0	5,238.0
Compensation to Employees	151.0	171.0	174.0	178.0
Use of goods and services	354.0	781.0	805.0	871.0
Current Transfers Govt. Agencies	963.0	3,127.0	3,348.0	3,624.0
Acquisition of Non-Financial Assets	20.0	34.0	53.0	59.0
Other Recurrent	8.0	219.0	579.0	506.0
(2) Capital Expenditure	896.0	6,319.0	6,061.0	6,683.0
Capital Transfers to Government Agencies	777.0	5,631.0	5,414.0	5,771.0
Other Development	119.0	688.0	647.0	912.0
Total Expenditure	2,392.0	10,651.0	11,020.0	11,921.0
Industry				
(1) Recurrent Expenditure	1,506.8	2,592.4	2,823.7	3,084.0
Compensation to Employees	248.9	274.2	293.3	331.4
Use of goods and services	452.4	544.7	656.8	810.6
Current Transfers Govt. Agencies	763.4	1,722.3	1,811.9	1,867.2
Acquisition of Non-Financial Assets	36.2	45.1	55.6	68.7
Other recurrent	5.8	6.1	6.1	6.1
(2) Capital Expenditure	2,662.2	30,284.9	52,651.4	72,225.8
Use of goods and services	179.2	191.8	197.6	205.6
Acquisition of Non-Financial Assets	2,130.0	26,971.9	48,241.3	67,215.1
Capital Transfers to Government Agencies	353.0	3,121.2	4,212.5	4,805.1
Total Expenditure	4,169.0	32,877.3	55,475.2	75,309.8
Research and development				
(1) Recurrent Expenditure	705.4	1,157.4	1,290.8	1,424.9
Compensation to Employees	526.3	552.2	596.4	637.2
Use of goods and services	156.3	455.3	514.5	571.8
Acquisition of Non-Financial Assets	22.8	149.9	179.9	215.9
(2) Capital Expenditure	650.0	900.0	951.0	1,015.0
Acquisition of Non-Financial Assets	650.0	900.0	951.0	1,015.0

	Estimate 2012/13	Estimate 2013/14	Projected Estimates	
			2014/15	2015/16
Total Expenditure	1,355.4	2,057.4	2,241.8	2,439.9

3.3 Resource Allocation Criteria

The following issues were agreed upon and adhered to in the allocation of resources by the sector:-

1. Personnel emolument items and mandatory statutory expenses were given the first priority;
2. Implementation of the Kenya Constitution 2010;
3. Flag-ship Projects as spelt out in vision 2030;
4. High priority programmes/projects;
5. Counter-part funds for donor funded programmes;
6. On-going projects vis-à-vis the level of completion and commitment;
7. Netting-off of one-off expenditures in the previous financial year's budget;
8. Core-poverty programmes.

Table 3.10: Resource Allocation by Programmes (Ksh. Millions)

	Programme	Allocation 2013/14	Projected Estimates	
			2014/15	2015/16
1.	Integrated Regional Development	6653.00	25,172.00	29,171.00
2.	Promotion of Best Labour Practices	949.00	1,316.00	1,531.00
3.	Manpower Planning, Development and Utilization	1,455.00	2,506.00	3,051.00
4.	Labour policy, planning and administration	429.00	487.00	556.00
5.	Trade Development	1,090.00	4,774.00	5,042.00
6.	Trade Promotion and Investment	1,843.00	3,517.00	4,474.00
7.	Trade general administration and planning	434.00	419.00	394.00
8.	Co-ordination of East African Community matters	1,604.00	1,910.89	2,021.71
9.	Tourism Promotion and Marketing	1,112.00	3,013.00	3,367.00
10	Tourism Product Development and Management	1,171.00	7,184.00	7,670.00
11	Tourism General Administration	386.00	823.00	884.00
12	Industrial Development and Investment	2,844.00	52,030.40	71,535.00
13	Standards and Business Incubation	1,170.00	3,048.00	3,317.00
14	Industry policy, planning and administration	398.00	396.80	457.50
15	Promotion of Industrial Research and Development	1,355.00	2,242.00	2,440.00
16	Productivity Improvement, Measurement and Promotion	76.00	487	585
	Gross Total	22,969.00	109,326.09	136,496.21

Table 3.11: Resource Requirements Vs Allocation (Ksh. Millions)

Sub-sector	Allocation 2013/14	Requirement 2013/14	Shortfall
Regional	6653	31,582.00	24,929.00
Labour	2833	3,806.00	973
Trade	3367	7,027.00	3,660.00
EAC	1604	1,773	169
Tourism	2669	10,651.00	7,982.00
KIRDI	1355	1651	296
Productivity Centre	76	406	330
Industrialization	4412	32,877.00	28,465.00
Net Total	22,969	89,773.00	66,804.00

Table 3.12: Gross Resource Requirement Compared to BROP ceilings (Ksh. Millions)

	Resource requirement 2013/14	BROP 2013/14	Difference
Recurrent	18,933	10,706	8,227
Development	70,840	12,263	58,577
TOTAL	89,773	22,969	66,804

Table 3.13: Gross Resource Allocation by Sub-Sector – Summary – Kshs. million

	Sub- Sector	Estimates 2013/14	Projected Estimates	
			2014/15	2015/16
1	Regional	6,653	25,172	29,171
2	Labour	2,833	4,309	5,137
3	Trade	3,367	8,710	9,930
4	EAC	1,604	1,910	2,021
5	Tourism	2,669	11,020	11,902
6	KIRDI	1,355	2,242	2,440
7	Productivity Centre	76	487	585
8	Industrialization	4,412	55,475	75,309
	Gross Total	22,969	109,326	136,515

Table 3.14: Proposed Resource Allocation – Recurrent details (Ksh. Millions)

Vote	Ministry		2012/13	2013/14	2014/15
				892	
Vote 09	Regional	Gross	793		2428
		A.I.A	0	0	0
		Net	793	892	2428
		Salaries	100	101	222
		Transfers	543	543	1682
		Others	149	149	524
Vote 15	Labour	Gross	1738	1909	2,728
		A.I.A	89	89	100
		Net	1649	1820	2628
		Salaries	713	728	780
		Transfers	23	20	520
		Others	1000	1003	1428
Vote16	Trade	Gross	2253	2413	3,580
		A.I.A	289	291	300
		Net	1964	2122	3,280
		Salaries	530	541	659
		Transfers	1022	1025	1,266
		Others	703	697	1,355
Vote 24	EAC	Gross	1176	1519	1730
		A.I.A	1	1	1
		Net	1175	1518	1729

		Salaries	158	161	165
		Transfers	572	665	750
		Others	446	693	814
Vote 46	Tourism	Gross	1507	1623	4970
		A.I.A	11	11	11
		Net	1496	1612	4959
		Salaries	152	155	174
		Transfers	944	969	3348
		Others	400	386	1437
Vote 60	Industrialization	Gross	2130	1672	2976
		A.I.A	151	152	152
		Net	1979	1520	2824
		Salaries	248	254	293
		Transfers	770	765	1812
		Others	538	539	719
	KIRD1	Gross	572	617	1157
		A.I.A	20	20	20
		Net	552	597	1137
	Productivity Centre	Gross	19	61	456
		A.I.A	0	0	0
		Net	19	61	456

Table 3.15: Proposed Resource Allocation – Development details (Ksh. Millions)

Vote	Ministry		2012/13	2013/14	2014/15
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Vote 09	Regional	Gross	5,561	5761	22744
		GOK	3373	3573	11000
		Loans	1495	1495	7289
		Grants	438	438	4200
		Local AIA	255	255	255
Vote 15	Labour	Gross	637	924	1581
		GOK	637	800	1581
		Loans	0	124	0
		Grants	0	0	0
Vote 16	Trade	Gross	874	954	5,130
		GOK	820	899	5,075
		Loans	0	0	0
		Grants	54	55	55
Vote 24	EAC	Gross	66	85	180.8
		GOK	1	20	80.8
		Loans	0	0	0
		Grants	65	65	100
Vote 46	Tourism	Gross	896	1046	6061
		GOK	896	1046	6061
		Loans	0	0	0
		Grants	0	0	0
Vote 60	Industrialization	Gross	3350	2740	52651
		GOK	3168	2682	52410

		Loans	100	0	201
		Grants	82	58	40
	Productivity Centre	Gross	10	15	31
		GOK	10	15	31
		Loans	0	0	0
		Grants	0	0	0
	KIRDI	Gross	640	738	900
		GOK	640	738	900
		Loans	0	0	0
		Grants	0	0	0

CHAPTER FOUR

4.0 CROSS-SECTORAL LINKAGES, EMERGING ISSUES AND CHALLENGES

Introduction

The GECLA sector cuts across the three pillars of the Kenya Vision 2030 with the main focus on 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 GECLA has cross-linkages are: Agriculture and Rural Development; Energy; Infrastructure and ICT; Education; Health; Governance Justice; Law and Order; Public Administration and International Relations; National Security; Social Protection; Environmental Protection; Culture and Recreation; and Water and Housing. The programmes and projects within the GECLA sector are also cross cutting and affect the performance and output of other sectors through forward and backward linkages.

4.1 Cross Sector Linkages

The cross sectoral linkages between GECLA and other sectors are in the following areas;

(i) International Trade matters

The GECLA sector works closely with Public Administration and International Relations sector through; Sensitization of exporters and business communities on potential export markets and opportunities; removal of Non-Tariff Barriers (NTB); Promotion of Kenyan products overseas; Provision of business incentives to exporters; Policy intervention measures; and co-ordination, negotiations and implementation of trade agreements under the EAC, COMESA, SADC, AGOA, WTO, and EPAs.

(ii) Provision of Investment incentives

The sector works closely with Public Administration and International Relations, Energy, Infrastructure and ICT sectors to promote investments through Tax holidays and waivers, infrastructure development, and Airlines/Charter incentive.

(iii) Micro, Small and Medium Enterprises (MSMEs)

Development of Micro, Small and Medium Enterprises (MSMEs) has been identified as key to achieving economic growth in the country. The sector works with Social Protection, Culture and Recreation, Public Administration and International Relations, Energy, Infrastructure and ICT sectors to expand women and youth access to funds and equip them with requisite entrepreneurial skills.

(iv) Security

Security is paramount for growth of the sector as it is a prerequisite for economic growth and development. The sector works closely with regional, national and international security agencies to ensure a secure environment for productivity, investment, tourism development, regional integration and trade. This is achieved in liaison with the National Security and Governance, Justice, Law and Order Sectors.

(v) Infrastructure

The goals and objectives of Kenya Vision 2030 project infrastructural development as a critical enabler towards realization of the vision. Good infrastructure facilitates easy access to markets, regional development, tourism, investment as well as efficient and effective movement of imports and exports. The sector works closely with Energy, Infrastructure and ICT sector to ensure infrastructural challenges are addressed to reduce the cost of doing business.

(vi) Environment

Environmental conservation is identified as a key environmental strategy required to support the economic pillar flagship projects and achievement of the Millennium Development Goals. The strategy aims to harmonize laws related to environment for better environmental planning and governance. The sector works closely with Environmental Protection, Water and Housing sector to ensure cleaner production by industries for sustainable industrial development.

(vii) Improvement of enabling Business environment

An enabling business environment leads to increase in investment portfolio contributing to employment creation and consequently economic growth. However performance of the sector is affected by multiple regulations by other sectors and Local Authorities. To provide enabling environment for foreign and domestic investors through removal of cumbersome administrative procedures and licensing, the sector works closely with the Public Administration and International Relations and Energy, Infrastructure and ICT sectors.

(viii) Land

As spelled out in Kenya Vision 2030, Land is a significant resource for socio-economic and political transformation. For the growth of this sector, availability of suitable land, respect for property rights to land, allocation of industrial land, sites, physical and spatial planning, and human-wildlife conflict management are some of the essential requirements. The sector collaborates with the Agriculture and Rural development, Environment, Water and Irrigation and Energy, Infrastructure and ICT Sectors to ensure land related concerns are addressed.

(ix) Research and Development

Research and development is an important aspect of the sector that leads to innovation and technology transfer, international benchmarking and adoption of best practices that increase the country's competitiveness in international sphere. Therefore, the sector collaborates with Education sector and all other sectors with research agencies to ensure increased productivity.

(x) Financial Access

Financial access is critical for the growth and development of the sector. A stable and functioning financial system is critical to acceleration of economic growth and ensuring macro-economic stability as well as promotion of private sector development. To ensure this, the sector relies on the Social Protection, Culture and Recreation, Agriculture and Rural development and Public Administration and International Relations sectors.

(xi) Human Resource Development

Creation of a globally competitive and adaptive human resource base to meet the challenges of rapidly industrializing economy like Kenya is premised on productivity improvement techniques. The sector works closely with Public Administration and International Relations,

Health and Education sectors to ensure availability of adequate numbers of high skilled manpower.

(xii) Availability of industrial raw materials:

Industrial development requires consistent and timely supply of inputs and quality raw materials. To ensure sustainable supply of quality industrial raw materials, the sector works with the Agriculture and Rural Development, and Environmental, Water and Housing Sectors.

(xiii) Productivity management

The GECLA sector is mandated to promote productivity culture through productivity management as well as formulation of legal and institutional framework that facilitates continuous involvement and interaction with public and private sector. The sector therefore works closely with all other sectors to promote Productivity practices.

4.2 Emerging issues and challenges

The GECLA 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:-

(i) Funding

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

(ii) 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 required. For instance the Labour subsector is operating with only 35.2% of required staff due to natural attrition and resource constraints. This problem has been aggravated by the introduction of the forty-seven counties under the Constitution.

(iii) Policy, Legal, Regulatory and Institutional Framework

There is lack of comprehensive policy and legal framework to guide various sector activities. This has resulted to the following challenges: Weak and ineffective legal and institutional framework to effectively discharge and enforce the sector's mandate; Scatter of various policy instruments in different policy documents 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 to informal sector.

(iv) Infrastructure

Realization of the GECLA sector targets heavily relies on availability of efficient infrastructure. Though the Government has made significant gains on infrastructural improvements, there are still challenges hindering the sector's achievement of targets. The cost of energy remains high, investment in R&D infrastructure is minimal, road and rail networks are 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.

(v) 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 process.

(vi) Macroeconomic Environment

The unstable macroeconomic environment attributed to the high interest rates, unstable foreign exchange rate, high inflation rate and Eurozone debt crisis. This has been exacerbated by high energy prices, food prices and exchange rate fluctuation which has affected investment within the sector.

(vii) Security

Security is paramount to the sector in realization of its targets. Various insecurity concerns such as high crime rates, piracy and terrorism have greatly affected smooth operations of the sector. This has led to rise in insurance costs and compelled the private sector investors to spend on security programmes. This has also led to difficulties in accessing the sector products and services to the international markets. There is need to address the sector security concerns to avert possible relocation of the sector interests to other countries as well as attract local and foreign direct investments.

(viii) 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.

(ix) 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.

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

Counterfeits, sub-standard and contraband goods stifle large and small scale enterprises in the economy. The opening up of the Kenyan market has attracted entry into the local market of substandard, counterfeit and contra-band products. These products have substantially contributed to the reduction of the market share for locally manufactured products, discouraged innovation efforts and reduced the government revenue base. Inadequate enforcement of the intellectual property rights has not only contributed to this influx but also negatively impacted on local industrial growth. The sector recognizes the Government efforts

in establishing the Anti-Counterfeit Agency and expects that enough measures will be put in place to reduce this menace.

(xi) Technology, Innovation, Research and Development

Research and Development is vital to the support of SMEs and the manufacturing sector in Kenya. However, low prioritization of R&D has cumulatively resulted in its low contribution not only within the sector but also the overall economy. This is manifested in terms of low funding for R&D; lack of adequate 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.

(xii) Multiple Trade Regulations

Kenya is a member of various trading blocs such as EAC, COMESA, and IGAD. 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.

(xiii) Linkages and Collaboration

The mandate of the sector requires collaboration and linkages with several agencies including Government ministries/departments/agencies, the Private Sector, the Civil Society, training institutions and Development Partners. However, 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.

(xiv) High Mortality Rate of Micro, Small and Medium Enterprises (MSMEs)

The MSME Sector contributes about 20% of the GDP and employs over 80.8% of total employment in the country. However, growth and graduation of the firms in the sector has not fully realised their potential due to a number of factors such as poor market access, restrictive legislation and regulation, high cost of credit, poor infrastructure and access to land. Furthermore, majority of these MSMEs are informal, rural based and lack adequate managerial and technical capacities which has led to high mortality rate.

(xv) Labour Market Information

Accurate market information is important for planning, policy and resource allocation. Currently the sectors have been unable to provide real time labour and market information for use as a basis for planning, development, utilization and evidence-based policy. Although the subsectors have programmed to undertake studies to consolidate data to inform policy, resource constraints continue to impact on this target.

(xvi) Environmental Issues

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 led to mitigation and adaptation strategies which affect the sector operations and global competitiveness of the sector products and services.

(xvii) 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

Conclusions

General Economic Commercial and Labour Affairs (GECLA) Sector is critical in the achievement of Kenya's Vision 2030 as it contributes significantly to the overall national development agenda accounting for approximately 35% of the overall Kenya's GDP. The sector was expected to contribute to the economic growth of over 10% by the end of the First Medium Term Plan (2008 – 2012) and be sustained to the year 2030.

The sector promotes both forward and backward linkages in the production process and has a high multiplier effect through investments, improved labour relations, 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.

Within the first four years of the Vision 2030, the Sector has been able to: develop six integrated regional masterplans ; establish Rules Board for Industrial Court; undertake a national manpower survey; advance Ksh 374 million to small scale traders through the Joint Loans Board; sign four (4) Bilateral Trade Agreements with Ethiopia, South Africa, China and India; increase tourism earnings from 62.5 billion in 2009 to 97.9 billion in 2011; increase value of exports to Export Processing Zone from 23 billion in 2009 to 40 billion in 2011; complete construction of 120 CIDCs under the Construction and Equipping Phase I Constituency Industrial Development Centres (CIDCs) programme; introduced One Village One Product (OVOP) projects in additional 14 districts; undertake 45 productivity improvement projects in both public and private enterprises/firms; and establish 2 mini tanneries in West Pokot and Wamunyu enabling the production of wet-blue leather at community level.

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 2012/13 financial year, the sector was only allocated 25% of the total resource

requirement. 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 Kenya's competitiveness and to address the challenges being faced by the sector, the following is recommended:-

1. Enhance resource allocation to the sector commensurate to its contribution to the economy;
2. Create an enabling environment through provision of relevant legal framework to facilitate graduation of MSMEs and the transformation of informal sector into formal sector;
3. Promote Micro, Small and Medium Enterprises (MSMEs) through investment in physical facilities and access to affordable long term financing and credit facilities;
4. Build capacities to increase the national pool of skills and talents in research, innovation and technology as well as improved remuneration packages to counter "Brain drain";
5. Strengthen regional integration initiatives to increase market access and eliminate barriers to trade;
6. Strengthen Public Private Partnerships (PPPs) to leverage on funding of projects, marketing, building linkages and collaboration with stakeholders to minimize duplication of activities in the regions;
7. Upgrade and expand the existing Industrial Training Centres to enable the country undertake the industrial training capable of meeting the aspirations of the Kenya Vision 2030;

8. Promote cross-sectoral linkages especially with the Infrastructure, Energy and ICT;
9. Stimulate productivity throughout the country to counter the effects of low competitiveness being experienced currently;
10. Enhance human resource capacity in terms of the number of personnel in order to enable the sector to adequately support County Governments in service delivery;
11. Review Anti-Counterfeit Act (2008) to provide for apportionment of fines between the Judiciary and Anti-Counterfeit Agency (ACA), and clearly delineate roles to be executed by ACA and Kenya Bureau of Standards; and
12. Fast track finalization of EAC Anti-Counterfeit Bill.
13. Set up international trade centres and warehouses so as to enhance distribution networks, product visibility and brand recognition in the foreign markets.
14. Increase foreign commercial presentation in critical markets in Europe, middle East, Asia, Africa and America.