



REPUBLIC OF KENYA

TRADE, TOURISM AND INDUSTRY SECTOR

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

2011/12-2013/14

7th January 2011

ABBREVIATION AND ACROYMNS

ACU	AIDS Control Unit
AGAs	Autonomous Government Agencies
AGOA	African Growth and Opportunity Act
AIA	Appropriation in Aid
AIDS	Acquire Immune Deficiency Syndrome
AIE	Authority to Incur Expenditure
BDS	Business Development Services
BoK	Bomas of Kenya
BPO	Business Process Outsourcing
BPRT	Business Premises Rent Tribunal
BSCs	Business Solution Centers
BSPS	Business Sector Programme Support
BQ	Bill of Quantity
CBOs	Community Based Organizations
CET	Common External Tariffs
CMP	Common Market Protocol
CNC	Computer Numerical Controlled
COMESA	Common Market for Eastern and Southern Africa
CSOs	Civil Society Organizations
CTDLT	Catering Tourism Development Levy Trustee
DANIDA	Danish International Development Agency
EAC	East African Community
EAPCC	East African Portland Cement Company
EC	European Commission
EDF	European Development Fund
EEC	European Economic Commission
EPA	Economic Partnership Agreement
EPC	Export Promotion Council
EPZs	Export Processing Zones
EPZA	Export Processing Zones Authority
EU	European Union
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GOK	Government of Kenya
HIV	Human Immunodeficiency Virus
ICDC	Industrial and Commercial Development Corporation
ICH	Intangible Cultural Heritage
ICT	Information, Communication and Technology
IDA	International Development Agency
IDB	Industrial Development Bank
IGAD	Inter-Governmental Authority on Development
IP-ERS	Investment Programme for the ERS
IPRs	Industrial Property Rights
IPR	Institute of Primate Research
JICA	Japan International Cooperation Agency
JLBS	Joint Loan Board Scheme

JPC	Joint Permanent Commission
KCC	Kenya Cultural Centre
KEBS	Kenya Bureau of Standards
KENAS	Kenya National Accreditation Service
KEPLOTRADE	Kenya Post-Lome Trade Negotiations Programme
KIBT	Kenya Institute of Business Training
KICC	Kenyatta International Conference Center
KIE	Kenya Industrial Estates
KIPI	Kenya Industrial Property Institute
KIRDI	Kenya Industrial Research and Development Institute
KITI	Kenya Industrial Training Institute
KNADS	Kenya National Archives and Documentation Service
KNJKA	Kenya National Jua Kali Association
KNLS	Kenya National Library Services
KNTC	Kenya National Trading Corporation
KTB	Kenya Tourist Board
KTDC	Kenya Tourist Development Corporation
KUC	Kenya Utalii College
KV2030	Kenya Vision 2030
KWAL	Kenya Wine Agencies Limited
MDGs	Millennium Development Goals
MICE	Meetings, Incentive, Conferences and Exhibitions
MPER	Ministerial Public Expenditure Review
MSE	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
NEMA	National Environmental Management Authority
NGO	Non Governmental Organization
NMC	Numerical Machining Complex
NMK	National Museums of Kenya
NTBs	Non Tariff Barriers
OVOP	One Village One Product
PAS	Performance Appraisal System
PER	Public Expenditure Review
PPMC	Permanent Presidential Music Commission
PSDS	Private Sector Development Strategy
PBGs	Producer Business Groups
R&D	Research and Development
RoO	Rules of Origin
SAGAs	Semi-Autonomous Government Agencies
SME	Small and Medium Enterprise
SMIs	Small and Medium Industries
TNA	Training Needs Analysis
TTF	Tourism Trust Fund
TTI	Trade, Tourism and Industry

UNDP	United Nations Development Programme
UNESCO	United Nations Education Social and Cultural Organization
USAID	United States Agency for International Development
UNWTO	United Nations World Tourism Organization
W&M	Weights and Measures
WB	World Bank
WTO	World Trade Organization

EXECUTIVE SUMMARY

The Trade, Tourism and Industry (TTI) sector comprises of the following sub-sectors namely Trade, East African Community, National Heritage and Culture, Tourism and Industrialization. The sector contributes significantly to the overall national development agenda as envisioned by the Kenya Vision 2030, by overseeing the fast tracking of the EAC regional integration initiatives, poverty reduction and creation of employment opportunities. The Sector also plays a significant role towards achievement of the Millennium Development Goals (MDGs).

The Sector is expected to spearhead the national economic development and contribute towards overall national goal of increasing the GDP growth from 2.6 % in 2009 to 10% per annum by the year 2012. 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 EAC integration; and preservation of national heritage and culture.

In 2009, domestic exports grew marginally by 0.3 per cent while re-exports declined by 4.1 per cent. The value of exports stood at 43.8% of imports in 2009 compared to 44.8% in 2008. This is an indication that total exports stagnated in the review period. On the other hand, total imports grew by 2.3 per cent in 2009 compared to a 27.4 per cent growth recorded in 2008. The stagnation in exports coupled with slow expansion in imports caused the volume of trade to grow by a paltry 1.6 per cent in 2009 compared to relatively faster growth of 26.8 per cent in 2008. This could be attributed mainly to the simultaneous reduction in aggregate demand for goods and services across all major world economies following the recession in 2008. As a result of these developments in exports and imports, the trade deficit deteriorated from KSh 425,705 million in 2008 to KSh 443,147 million in 2009, representing 4.1 per cent compared to a deterioration of 28.8 per cent in 2008. Tea, Horticulture, coffee and articles of apparels and clothing accessories were the leading export earners, collectively accounting for 50.5 per cent of the total domestic export earnings.

The tourism sub-sector recorded impressive market recovery gains in 2009/2010. During the period, the volume of international arrivals increased significantly by 23.9 per cent from 1.203 million in 2008 to 1.49 million in 2009. Tourism earnings improved from Ksh. 52.7 billion in 2008 to Ksh. 62.5 billion in 2009. This was as a result of various highly targeted activities such as familiarization trips for journalists and tour operators, participation in trade fairs and tourism bourses that were aimed at re-instilling confidence among consumers. The sector attained a growth of 42.8 per cent in 2009, the highest recorded by any sector in a decade. The sub-sector's turnaround can be mainly attributed to successful tourism promotion and marketing, improved security and favourable political climate.

The manufacturing sub-sector registered a decelerated growth of 2.0 % in 2009 after registering an upward growth of 3.6 % in 2008. The areas that registered growth include leather and foot wear, rubber products, plastic products, non metallic minerals and food related products. Value of manufacturing output rose by 5.1% from Kshs 703 billion in 2008 to Kshs 738.8 billion in 2009, a slower growth compared to 12.2% in 2008. Despite the sub-sector being identified as a

key driver of the economy, it faced a myriad of challenges ranging from high cost of production, competition from cheap imports, high taxes and low credits from financial institutions. These challenges hampered the sub-sector from realizing its full potential.

In regard to EAC integration initiatives, the sub-sector realized a fully fledged East African Customs Union on 1st January 2010 which ushered in a new intra-regional tariff regime. As a result tariff levels have dropped from a high of 45% in 2005 to as low as 0%. The sub-sector further continued to work out modalities for identification, reduction and ultimate elimination of Non-Tariff Barriers (NTBs). In addition, the sub-sector finalized negotiations on the Common Market Protocol (CMP). The Protocol was signed by the EAC Heads of State in November, 2009 and became effective from 1st July, 2010. The CMP avails to the people of East Africa freedom of movement of workers, labour, capital, services, goods and the rights of residence and establishment. It opens various sectors in trade in services and movement of professionals. Trade in services is expected to increase trade volumes, while movement of labour and workers is to address skill deficits within the region.

The Sector has identified five priority programmes for implementation during the MTEF period 2011/12 to 2013/14 namely: Trade Development and Investment; Coordination of East African Community matters; National Heritage and Culture; Tourism Development and Marketing; Industrial Development and Investment. To implement programmes in the medium term, a total of Kshs **119.36** billion, Kshs **129.28** billion and Kshs **138.04** billion is required in 2011/2012, 2012/13 and 2013/14 respectively. However, these resource requirements are far much above the proposed GOK allocation for the Sector. For instance, the proposed government allocation for 2011/2012 is Kshs. **11.67** billion against the resource requirements of Kshs **119.36** billion.

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 2% of the total national resource allocation. There is need for a deliberate and explicit reorganization of resource allocation to this sector which has been identified to lead in Kenya's economic growth.

A number of emerging issues and challenges face the sector despite the important role it plays in economic growth and development. These include *inter alia*: inadequate funding from the exchequer; inefficient and inadequate physical infrastructure; insecurity; influx of sub-standard, counterfeits and contra-band goods; multiple membership to Regional Economic Communities (RECs); and environmental concerns.

To sustain the Sector's contribution to the economy and achievement of the Vision 2030, a number of interventions and strategies need to be put in place to address emerging issues and challenges in the Sector. Some of the strategies and interventions to be implemented in collaboration with other sectors include: increase of resource allocation; improvement of security; fast track regional integration initiatives; development and improvement of the infrastructure; increasing in investments; strengthening Research, Innovation and Development; expansion of the product choice and range of tourism facilities to include cultural, conference, sport and community based tourism.

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CHAPTER ONE

1.0. INTRODUCTION

1.1. Background

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

The sector contributes significantly to the overall national development agenda, oversees the fast tracking of the EAC regional integration initiatives which include East African Customs Union, Common Market, Monetary Union and eventually Political Federation. It also provides a platform for a robust and competitive manufacturing base.

In 2009, domestic exports grew marginally by 0.3 per cent while re-exports declined by 4.1 per cent. The value of exports stood at 43.8% of imports in 2009 compared to 44.8% in 2008. This is an indication that total exports stagnated in the review period. On the other hand, total imports grew by 2.3 per cent in 2009 compared to a 27.4 per cent growth recorded in 2008. The stagnation in exports coupled with slow expansion in imports caused the volume of trade to grow by a paltry 1.6 per cent in 2009 compared to relatively faster growth of 26.8 per cent in 2008. This could be attributed mainly to the simultaneous reduction in aggregate demand for goods and services across all major world economies following the recession in 2008. As a result of these developments in exports and imports, the trade deficit deteriorated from KSh 425,705 million in 2008 to KSh 443,147 million in 2009, representing 4.1 per cent compared to a deterioration of 28.8 per cent in 2008. Tea, Horticulture, coffee and articles of apparels and clothing accessories were the leading export earners, collectively accounting for 50.5 per cent of the total domestic export earnings.

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In regard to EAC integration initiatives, the sector finalized negotiations on the Common Market Protocol (CMP). The Protocol was signed by the Heads of State in November, 2009 and became effective from 1st July, 2010. The CMP avails to the people of East Africa freedom of movement of workers, labour, capital, services, goods and the rights of residence and establishment. It opens various sectors in trade in services and movement of professionals. Trade in services is expected to increase trade volumes, while movement of labour and workers is to address skill deficits within the region. Several EAC Sectoral Council meetings were held during integration issues in economic, political, productive, services, social affairs and cross cutting areas were discussed.

The sector also ratified the 2003 and 2005 UNESCO Conventions on safeguarding of the Intangible Cultural heritage and, Protection and Promotion of the Diversity of Cultural Expressions respectively.

As envisioned in the first Medium Term Plan (MTP) of the Vision 2030, the Sector is expected to spearhead the national economic and social recovery and contribute towards overall national goal of increasing the GDP growth from 2.6 % in 2009 to 10% by 2012. This will be achieved through expansion of tourism earnings by increased international tourists' arrivals from about 1.2 million in 2008 to 3 million as well as increased spending per visitor from current Kshs 43,916 in 2008 to Kshs 70,000 by 2012. In addition the sector intends to set up special economic clusters and zones as well as wholesale and retail markets and industrial parks.

1.2. Sector Vision and Mission

Vision

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

Mission

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

1.3. Strategic goals and objectives of the Sector

Strategic Goals

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

Strategic objectives

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

1.4. Sub-sectors and their mandates

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

1.4.1. Trade

- i. Trade development policy
- ii. Promotion of retail and wholesale trade
- iii. Development of micro and small business
- iv. Fair trade practices and consumer protection
- v. Private sector development
- vi. International trade affairs

1.4.2. East African Community

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

1.4.3. National Heritage and Culture

- i. National Heritage Policy
- ii. National Culture Policy
- iii. National Archives/Public Records

- iv. National Museums and Monuments
- v. Historical Sites
- vi. NGO Co-ordination
- vii. Promotion of Culture
- viii. Development of Fine, Creative and Performing Arts
- ix. Permanent Presidential Commission on Music
- x. National Library Services

1.4.4. 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

1.4.5. Industrialization

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

1.5. Autonomous and Semi-Autonomous Government Agencies

The sector has the following Autonomous and Semi-Autonomous Government Agencies:

1.5.1. Autonomous Government Agencies (AGAS)

- **Industrial and Commercial Development Corporation (ICDC)**

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

- **Kenya National Trading Corporation (KNTC)**

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

- **Kenya Wines Agencies Ltd (KWAL)**

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

- **East African Portland Cement Company (EAPCC)**

EAPCC is responsible for manufacturing and marketing cement and cement-based products both locally and internationally.

- **IDB Capital Ltd**

IDB Capital provides medium and long-term finance and accompanying financial and corporate advisory services to medium and large-scale industrial enterprises, and the provision of working capital, machinery, and finance.

1.5.2. Semi-Autonomous Government Agencies (SAGAs)

- **Export Promotion Council (EPC)**

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

- **Export Processing Zones Authority (EPZA)**

EPZA is charged with the mandate of promoting investments in the Export Processing Zones by both local and foreign investors.

- **Non-Governmental Organizations Coordination Board**

The NGO Co-ordination Board is established under the Non-Governmental Organizations Co-ordination Act, 1990. The Act spells out the activities and roles to be played by the Board as registration, Coordination, facilitation and monitoring of the NGOs sector in Kenya.

- **National Museums of Kenya (NMK)**

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

- **Kenya National Library Service (KNLS)**

This is a semi-autonomous government agency established by an Act of Parliament, Cap 225 of the Laws of Kenya. The objective of the Board is to develop and promote a reading culture through the provision of library and information services countrywide.

- **Kenya Cultural Centre (KCC)**

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

- **Kenya Tourist Board (KTB)**

The Kenya Tourist Board was created under legal notice No. 14 of 17th February 1997 with the mandate to market Kenya as a tourist destination both locally and internationally.

- **Kenya Tourist Development Corporation (KTDC)**

It was established through an Act of parliament Cap. 382 of November 1965 to provide venture capital to the tourism sector through its equity programme, funding interventions through a commercial and revolving fund programmes and business advisory services to private sector enterprises involved in tourism.

- **Kenya Utalii College (KUC)**

KUC was established in 1975 through the Hotels and Restaurants Act Cap 494. The main objective of the Kenya Utalii College is to enhance professionalism in tourism and improvement of standards of services in the tourism industry through excellence training, Tourism research and Consultancy services and innovation.

- **Catering and Tourism Development Levy Trustees (CTDLT)**

It was established in 1972 as a body corporate under the Hotels and Restaurants Act, Cap.494 of the Laws of Kenya. In 1997, through the Finance Act, the name of the organization was changed to Catering and Tourism Development Levy Trustees (CTDLT), to accommodate new mandates. Parliament enacted this law to enable CTDLT finance specific activities for the training, marketing, promotion and development of tourism industry.

- **Bomas of Kenya**

Bomas was established in 1971 under the Companies Act (CAP 486) as a subsidiary of Kenya Tourist Development Corporation. Its mandate is to preserve, maintain and promote the rich and diverse culture of the various ethnic groups of Kenya.

- **Kenyatta International Conference Centre (KICC)**

It was established as a state corporation through Legal Notice No.77 of 9th July 2004. Its mandate is to rehabilitate, manage, maintain KICC building and its facilities effectively and efficiently and market the available conference facilities both locally and internationally so as to promote conference tourism.

- **Kenya Safaris Lodges and Hotels Limited**

KSLH Ltd is a limited liability (by shares) company incorporated under Companies Act Cap 486, on 12 October 1966. Its shareholders are Kenya Tourist Development Corporation (63.44%), CDC (19.03%), Mt. Lodges Ltd (17.53%) and K.W.S (0.02%). The company manages Mombasa Beach Hotel, Ngulia Safari Lodge and Voi Safari Lodge.

- **Hotels and Restaurants Authority**

The Hotels and Restaurants Authority is established under Section 3 of the Hotels and Restaurants Act Cap 494 Laws of Kenya. The Mandate of the Organization is to regulate and standardize the Hotels and hospitality industry.

- **Tourism Trust Fund (TTF)**

The Tourism Trust Fund was founded as a joint initiative of the European Union and the Government of Kenya. It was established in December 2001 and officially launched in January 2003.

- **Kenya Industrial Research and Development Institute (KIRDI)**

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

- **Kenya Industrial Estates (KIE)**

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

- **Kenya Bureau of Standards (KEBS)**

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

- **Kenya Industrial Property Institute (KIPI)**

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

- **Numerical Machining Complex (NMC)**

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

- **Anti-counterfeit Agency (ACA)**

The Agency is mandated to enlighten and inform the public on matters relating to counterfeiting; combat counterfeiting trade and other dealings in counterfeit goods in Kenya in accordance with the Act; devise and promote training programmes on combating counterfeiting; collaborate with national, regional or international organizations involved in combating counterfeiting; carry out any other functions prescribed for it under any of the provisions of the Act or under any other written law; and perform any other duty that may directly or indirectly contribute to the attainment of the foregoing.

- **Kenya National Accreditation Service - KENAS**

Kenya National Accreditation Service - KENAS was established vide Legal Notice No. 26/2005. The agency has the mandate to provide accreditation services to conformity assessment bodies in the country.

1.6. The Role of the Sector Stakeholders

The sector has strong linkages with a wide range of stakeholders whose operations have an effect on the execution of her mandate. These are individuals, groups, organizations and institutions that have interest in the sector or are impacted by the sector's activities.

The key stakeholders with whom the sector collaborates with are:

- i) **Government Ministries and Departments**

Their roles are: provision of public security; policy formulation and generation of national development agenda; human resource management and development; development of enabling legal and regulatory framework; development of infrastructure; and resource mobilization.

- ii) **State corporations**

They develop and ensure conformity to standards; issuance of certificates of origin; classification, licensing and provision of permits; research and development; promotion of marketing and investment; provision of vital data and information and promotion; and preservation of diverse cultures and national heritage.

- iii) **Regional Economic and Trading Blocs**

They provide accessibility to a wider range of products and services; offer wider markets; and free movement of factors of production.

- iv) **Partner States**

The role of partner states is to ratify appropriate Treaties and Protocols and ensure consistency and clarity on policy issues.

v) Development Partners

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

vi) Private Sector

The role of the Private sector involves the advocacy on improvement of business environment; creation of wealth and employment; collaboration in formulation and implementation of various sectoral policies; collaborate in industrial development; participate in joint Public-Private investments; provision of business information; provision of quality goods and services; and self regulation within the business community.

vii) Civil Society

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

viii) Kenyan communities

Kenyan communities are creators and custodians of Kenya's diverse cultural and national heritage; and provide human capital, market; and promote cultural diversity and cohesion.

ix) Education and Research Institutions

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

x) Media

The role of the media is to advocate and disseminate information on sectoral affairs; and provide constructive third party opinion.

xi) National Parliament

Its role is to harmonize national laws with, approval of funding and enactment of relevant legislation.

CHAPTER TWO

2.0. PERFORMANCE AND ACHIEVEMENTS OF THE SECTOR DURING THE PERIOD 2007/08 – 2009/10

2.1. Performance of Programmes

The Sector has made various achievements as highlighted below:

2.1.1. Trade Sub-sector

i. Domestic trade

The ministry facilitates and promotes domestic trade through;

- **Provision of credit to small scale traders**

The Ministry administers a Joint Loan Board Scheme (JLBS) to provide affordable credit to small scale traders. Over the review period, the Government advanced Kshs. 62 million to the revolving fund of the scheme.

Table 2. 1: Performance of Joint Loans Board Scheme

Financial Year	2007/08	2008/09	2009/10	Totals
Grant from government in (Kshs)	11,000,000	11,000,000	40,000,000	62,000,000
Amount Joint Board Loans disbursed to traders (Kshs)	45,615,000	47,030,000	113,014,000	205,659,000
Number of beneficiaries	1,163	1,059	2,023	4,245

Source: Department of Internal Trade

It can be noted from table 2.1 above that during the period under review, grants from government increased from Kshs 11 million in 2007/08 FY to Kshs 40 million in 2009/10 FY. This increase has had improved performance in the amounts disbursed from grants and the revolving fund to traders from Kshs 45.6 million in 2007/08 FY to Kshs 205.7 million in 2009/10 FY. This reflects a 351% increase in disbursements. Consequently the number of beneficiaries has also increased from 1,163 in 2007/08 FY to 4,245 in 2009/10 FY an increase of 265%.

- **Promotion of cross border trade**

To promote cross border trade between Kenya and neighboring countries, the sub-sector held cross border meetings in Lunga Lunga, Taveta, Kajiado, Busia and Malaba to resolve trade issues that hinder MSMEs trade across borders. In addition the sub-sector organized a trade exhibition at the Busia border post to sensitize MSMEs on available goods for trade. These activities have contributed to an increase of 58.6% between 2006 and 2009 in exports to the EAC region.

- **Promoting Women in Business and Investment in Kenya**

The project funded a training program where 300 Women operating MSMEs enterprises were trained on entrepreneurship. In addition, the project identified 5 enterprise trainers who undertook a Training of Trainers course in entrepreneurship.

- **District Business Solution Centres**

Over the review period the sub-sector established and operationalized 8 District Business Solution Centres. The centres were established in Murang'a, Siaya, Bungoma, Kitale, Nakuru, Eldoret, Kisumu, and Bondo.

- **Improving Business Environment for Domestic Trade and Investment**

To improve the business environment the sub-sector developed the National Trade Policy which is at the cabinet level for consideration.

- **Development of Wholesale and Retail Hubs/Markets**

In the MTP of the Kenya Vision 2030, the sub-sector was mandated with the promotion and development of the wholesale and retail trade sub-sector. To coordinate the process of construction of Whole and Retail Hubs/Markets, the sub-sector formed a Steering Committee that comprises members from both the public and private sector. An indicative concept paper for the wholesale and retail hubs was developed for use by the steering committee. In addition, the sub-sector requested the Ministries of Land and Local Government to provide suitable land for construction of the Wholesale and Retail Hubs/Markets in the identified areas.

The ministry has advertised for consultancy services to develop a business oriented concept paper for the Wholesale and Retail Hubs/Markets that will provide a clear exit strategy.

- **Creation of Producer Business Groups**

The sub-sector carried out a situation analysis of the Producer Business Groups (PBGs) in Central and Eastern Province. The needs of one hundred (100) PBGs were identified with a view of addressing the problem of a fragmented supply chain in the wholesale and retail sub-sector. Once the problem of the supply chain is corrected, more PBGs will be created as envisioned in Vision 2030.

ii. Regional Integration Initiatives

One of the mandates of the sub-sector is to deepen regional integration with a view of creating wider markets for locally produced goods where tariffs and non-tariff barriers are virtually eliminated to facilitate cross border trade leading to efficient utilization of scarce regional resources.

The sub-sector participated in East African Community (EAC) negotiations to clear outstanding issues before the full operationalization of the EAC Common Market in July 2010.

Over the review period, the sub-sector participated in negotiations that led to the launch of COMESA Customs Union in June 2009. The COMESA member state were allowed a transition period of five years before joining the Custom Union.

Table 2. 2: Value of exports to EAC, COMESA (Kshs. Million)

Region	2006	2007	2008	2009
EAC	53,050	64,121	83,942	90,459
COMESA	75,115	86,516	111,131	112,894
Total	128,165	150,637	195,073	203,353

Source: Economic Survey 2010

Through the EAC and COMESA, the value of exports has increased from KSh. 128.2 billion in 2006 to Ksh. 203.4 billion in 2009. This steady expansion of exports has largely occurred due to maintaining leadership and strong negotiation positions at the EAC and COMESA levels. This has created the enabling environment for the private sector growth.

iii. External Trade

Achievements related to international trade issues included;

- **Bilateral trade**

The sub-sector initiated bilateral trade agreements with Democratic Republic of Congo and Cuba which are still ongoing. Over the same period, a draft bilateral trade agreement between Kenya and Djibouti was negotiated and is awaiting to be signed.

- **Trade Dispute Resolution**

During the period under review, the sub-sector resolved trade disputes with Pakistan and Zambia on rice and milk products respectively. Other disputes under negotiation are exports of avocado and soda ash, meat products to South Africa, chicken products and milk to Uganda.

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

In 2009/10 FY the sub-sector participated in joint permanent commission on economic co-operation (JPC) with Zambia, Tanzania, Burundi, Rwanda, Botswana, Cuba, Pakistan, Iran, India, South Africa, Egypt and Libya.

- **Trade Missions and Business Fora**

During the period under review, the sub-sector organized trade missions and business fora; between Kenya and South Africa in Nairobi and Pretoria, between Kenya and Democratic Republic of Congo in Kinshasa, between Kenya and India in New Delhi, between Kenya and Iran in Nairobi, Kenya and Singapore and Kenya and China in Nairobi. These fora brought together business communities to exchange ideas on the business opportunities, challenges and how to address these challenges, in order to strengthen trade between them.

- **Kenya Post-Lome Trade Negotiations**

The overall objective of the programme is to facilitate Kenya's integration into regional and multilateral trading blocks, through funding of analytical studies in different sectors of the economy and developing position papers for negotiations in WTO, COMESA, EAC, EU and EPAs.

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

Kenya exported goods worth Kshs 17.4 billion to the USA mainly under AGOA arrangement. In August 2009 the country successfully hosted the AGOA forum in Nairobi whose objectives were to evaluate the implementation of AGOA, identify successes and challenges and map out future strategies to enable AGOA eligible countries to fully utilize the benefits of AGOA.

- **World Trade Organization**

Over the review period, the sub-sector participated in WTO Doha Development Round Negotiation and the Seventh WTO Ministerial Conference in Geneva. In addition, position papers on WTO Doha Development Round Negotiations covering agriculture, Non-Agricultural market access and trade facilitation and environment were prepared.

The sub-sector is currently engaged in intensive negotiations on the Doha round of negotiations and preparations for the 8th WTO Ministerial Conference to be held Geneva in the year 2011.

iv. Export Processing Zones (EPZs) Investments

The strategic objective of this Sub-programme is to promote and facilitate Export oriented investment by creating an enabling environment for investments in the export processing zones.

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

Table 2. 3: EPZs performance indicators

Performance indicators	2007	2008	2009
No. of enterprises operating	72	74	83
Employment created	34,452	30,183	30,115
Value of exports (Kshs. Million)	27,308	28,052	23,351
Value of Direct investments (Kshs. Million)	19,103	20,122	21,366
Local purchases (Kshs. Million)	3,454	4,476	3,942
No. of Zones	41	38	41

Source: Economic Survey 2010

The EPZs will be part of the special economic zones that will be established. A draft policy for establishing the Special Economic Zones (SEZs) has been prepared. In addition, a draft Bill was forwarded to the State law office for final drafting before presentation to the Cabinet.

v. Development and Promotion of Kenya's Export

The Export Promotion Council (EPC) is charged with responsibility of developing and promoting Kenya goods and services exports both regionally and internationally. The following is the performance of this programme.

- **Market development and diversification**

In 2009/10 financial year 15 trade fairs were conducted in Uganda, Rwanda, Sudan, DRC, Zimbabwe, Malawi, Tanzania, China, USA, Egypt and Korea Zaragoza in Spain and Germany. In addition, product catalogues were developed and diagnostic studies on supply chains were conducted on all sectors.

- **Small and Medium Enterprise Export Assistance**

During the review period the sub-sector provided enterprise support services to integrate SMEs into export business in the following areas; product market and adaptation, clustering SMEs in to producer groups, linking SMEs to export supply chain and quality and standard improvement.

- **Export Trade information services**

Through the Export Promotion Council the sub-sector provided trade information to business enquiries through business counseling, issuing of trade alerts via internet, export news letter, dissemination workshops and seminars and onsite coaching.

- **Policy and Research**

This focuses on regular identification and elimination of barriers of export business through policy reviews, market research and advocacy.

Table 2. 4: EPC Performance indicators

Performance indicators	2007/08	2008/09	2009/10
No. of trade promotional events- trade fairs and exhibitions held	26	15	15
Market Research- Country Reports/Products Opportunity Reports	-	-	20
No. of websites for SME exporters	21	60	21
Export Production Villages			16
SME exporters training including introduction to Export Training for SMEs (Youth, Women and marginalized groups	1,500	709	1,047
No. of outreach programmes/field visits to exporters conducted	192	709	150
Product Design and development	-	-	10
Providing Business counseling/Market Intelligence services	7	12	6,036

Source: EPC

- **Improve Product Quality and Branding**

The Trade Sector aims at improving quality of products and undertakes branding of the locally manufactured export products. This will help in enhancing the capability of Kenya's enterprises to penetrate international markets. Through Export promotion Council (EPC) the sub-sector has prepared a proposal requesting for financial assistance from various development partners to

support setting up of a product design and development centre. The council is awaiting feedback from the development partners that have so far been approached.

In the last FY, the Ministry trained producers of handcrafts in product design and development. This will enable these producers improve on the quality of their products for the export market.

- **Deepen Kenya's Traditional markets and pursue new ones**

The sub-sector through EPC is undertaking a market research project. The key export markets targeted in this research include COMESA, ASIA among others.

In collaboration with export stakeholders, the sub-sector developed a Market Privatization Framework that will guide the country's trade promotion programmes over the MTP period. The framework has segmented markets into regions namely COMESA, EU, North America, Asia and Pacific Middle East among others to assist in formulation of targeted promotion strategies. In preparation for a full market research in some of the selected markets in these regions, the sub-sector conducted a trade flow analysis for several countries which include Japan, Spain, Germany, India and South Africa among others.

- **Promotion of value addition of Kenya Exports and Diversify Export Base**

Studies are still being undertaken in Samburu and Wajir Districts to enable profiling of production of handcrafts by the women and youth in that area. This is a preliminary stage of assessing the need for organizing them into community based production clusters (export production villages) targeting the export markets.

Specialists have been contracted to work with the producer Business groups to help them develop products that meet the export standards. To diversify the export base, EPC in collaboration with stakeholders has developed a strategy for promoting export of professional services, through technical and financial support from Common Wealth Secretariat. The strategy has prioritized accounting, insurance, BPO, shipping and non-banking financial services for immediate export promotion. Full implementation of the strategy is expected to lead to an annual export increase valued at US\$500 Million and support creation of further 50,000 jobs.

The sub-sector is also facilitating the establishment of export consortium for targeted services in the sub-sector. An implementation steering committee has been constituted to coordinate and oversee the implementation of strategy for promoting export of professional services.

- **Trade Financing for Export Promotion**

The sub-sector has made steps in establishing an Export Development Fund. A concept note for the fund has been prepared drawing lessons from countries that have successfully implemented such programmes. A Cabinet Memo seeking to establish the fund has been prepared and is awaiting Cabinet approval.

- **Creating of External Market Linkages**

The sub-sector through the Export Promotion Council (EPC) has participated in linking Kenyan exporters with the COMESA, EAC, Asian and USA markets. The sub-sector participated in the trade promotion events in Uganda, Tanzania, Malawi, Zambia, Rwanda, Congo, China, America, Egypt, Korea and Sudan.

- vi. **Provision of entrepreneurial and management skills to Small and Medium Enterprises (SMEs)**

Through the Kenya Institute of Business Training (KIBT) the sub-sector conducted entrepreneurial and management training of SMEs operators.

Table 2. 5: Entrepreneurial and management skills Performance Indicators

Performance Indicators	2007/08	2008/09	2009/10
No. of SME operators trained	1,206	2,107	1,837
No. of SMEs counseled	2,697	3,782	5,984
No. of past trainees followed up	308	278	1,324

Source: KIBT

- vii. **Fair Trade Practices and Consumer Protection**

The sub-sector ensures fair trade practices and protection of consumers.

Table 2. 6: Fair trade practices and consumer protection performance indicators

Performance indicators	2007/08	2008/09	2009/10
No. of weighing and measuring equipments verified	240,000	221,012	235,175
No. Of equipments calibrated	22,000	23,000	17,940
No. Of cases investigated and prosecuted prosecution	122	87	200
No. Of new trade tested and equipments approved	17	19	30
No. Of business premises inspected		11,827	17,146

AIA collection		27	28
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Source: Department of Weights and Measures

viii. Business Premises Rent Tribunal Services

The sub-sector through Business Premises Rent Tribunal is mandated to administer the “Landlord and Tenant (Shops, Hotels, and Catering Establishments) Act, Cap.301. The main objective of the tribunal is to offer legal protection to landlords and tenants in controlled tenancies and ensure good relations between parties concerned. Over the review period, the tribunal achieved the following:

Table 2. 7: Performance indicators for business premises rent tribunal services

Function/Objective		Key Achievements (millions)		
		2007/08	2008/09	2009/10
1.	Conducting of circuit sitting sessions	28	28	28
2.	Filing of references	2,065	2,534	2,209
3	Inspection of suit business premises	86	103	101
4.	Delivery of judgments	1821	3,398	3,405
5.	AIA Collection	8	8	10

Source: BPRT

2.1.2. East Africa Community

During the review period, the sub-sector undertook the following sub programmes whose outputs and achievements are outlined in below;

i. Coordination and implementation EAC Regional Integration decisions in Kenya

Output: Coordinated implementation of EAC integration decisions

Achievements: The sub sector coordinated and monitored implementation of EAC decisions by line Ministries/ Departments and the following achievements were realized;

- The Customs Union became fully fledged in January, 2010;
- Common External Tariff (CET) and Tariff reduction have been implemented. As a result tariff levels have dropped from about 45% in 2005 to as low as 0%. The CET has also been used to regulate the imports from 3rd party countries;

- The Common Market Protocol was signed in November, 2009, and became effective from July, 2010. The Protocol provides for free movement of factors of production and the rights of establishment and residence. This is expected to increase trade volumes and Foreign Direct Investment;
- Protocols on EA Science and Technology Commission, EA Health Commission and Inter University Council of East Africa were negotiated and signed;
- Inter Parliamentary Committee on Gender Mainstreaming was established, and
- Framework for engagement of Civil Society was developed.

ii. National publicity and advocacy of EAC Regional Integration initiatives

Output: increased utilization of EAC opportunities by Kenyans

Achievements: the sub sector developed a Communications Strategy for EAC activities which guides publicity and awareness creation activities. In line with the strategy, the sub sector;

- Regularly published and distributed Ministerial brochures,
- Published the quarterly “Jumuiya” newsletter,
- Re-Branded the Ministry’s website and maintains real time updates, and
- Held press briefings on major EAC activities.

iii. Establishment and operationalization of a National EAC Resource Center

Output: National EAC Resource Center established

Achievements: The National EAC Resource Center will be a central base for EAC data, documents and information. During the review period the sub sector introduced a Development vote for establishment of the resource center. A baseline survey for the Center was also conducted. The sub sector further identified office space for establishment of Regional Integration Centers (RICs) in four major border points of Namanga, Lunga Lunga, Busia and Isebania were also identified. The RICs will be one stop points where EAC policies can be accessed by traders and cross border NTBs mitigated.

iv. Enhanced negotiation capacity

Output: Effective articulation of Kenya’s Position during EAC negotiations

Achievements: During the review period, the sub sector enhanced the capacity for negotiation by recruiting thirty four (34) Regional Integration Officers. The sub sector in collaboration with line Ministries/ Departments identified Focal Point Officers who are tasked with initiation and implementation of policies. The enhanced capacity has enabled the sub sector to effectively coordinate pre-negotiation meetings to harmonize country position.

v. Monitoring of Non Tariff Barriers at the entry points

Output: Smooth cross border trade in EAC

Achievement: To facilitate implementation of EAC Customs Union the sub sector put in place the following mechanisms for physical monitoring of Non-Tariff Barriers (NTBs),

- Established a National Monitoring Committee for the identification and elimination of NTBs,
- Physically monitored status of identification and removal of NTBs , and
- Held quarterly meetings of the NTB National Monitoring Committee.

2.1.3. National Heritage and Culture

Research, preservation and promotion of National Heritage

- Heroes and heroines corner developed at the Uhuru gardens and 5 monuments and mausoleums constructed in honour of heroes and heroines,
- Draft Heroes and Heroines Bill to guide in honouring Heroes and Heroines
- 16 museums and heritage sites constructed and refurbished
- Developed infrastructure and public programmes in NMK headquarters funded by the European Union (EU) completed in December 2009
- A Heritage and Cultural policy Developed
- Published a Heritage book in 2009

National Cultural Services

- Developed 17 Cultural Centres across the country, 8 community cultural centres were Operationalized in Kwale, Mumias, Kisumu, Busia, Embu, Nyeri, Garissa and Siaya
- 12 cultural exchange protocols with foreign friendly Nations negotiated. These were Kenya – Indonesia, Kenya – Rwanda, Kenya - Egypt, Kenya - Brazil and Kenya - Thailand
- 27 visual arts exhibitions and capacity building workshops held.
- 20 seminars for language committees held to promote use of indigenous languages.
- Two elements of intangible cultural heritage documented for safeguarding. These are Kayas in their sacred forests of the Mijikenda and Enkipaata, Eunoto and Olingesherr rites of passage of the Maasai community
- Research carried out on sacred sites to document their religious influence to the communities and historical importance for posterity. (Luhya, Mijikenda and Maasai communities)
- 1500 cultural practitioners registered and a cultural databank on all registered cultural practitioners established
- Socio-cultural profile of 2 communities (Digo and Duruma) produced
- 134 community cultural festivals coordinated
- 27 workshops and festivals on Kenya Music coordinated
- 45 Cultural exchange programmes coordinated. (Kenya – China, Kenya – Italy, Kenya – South Africa, Meru – Maasai communities, Kenya – USA cultural exchange programmes
- 12 traditional food cooking/exhibitions held
 - Mwea traditional food festival in April 2010 in Makueni district
 - Traditional food exhibition at National Museums of Kenya in October, 2010.

- Thika district traditional foods festival held at Thika in 2009
- Amaica traditional foods festival/exhibitions held at AMAICA restaurant in Nairobi
- African Traditional Medicine Day coordinated annually on 31st of August
- 200 Cultural practitioners empowered through cultural grants
- Ratified the UNESCO conventions on safeguarding of Intangible Cultural Heritage and Promotion of cultural diversities.
- Music of National, Cultural, Educational and artistic value prepared and presented to the public during 651 State, National Days and other Public functions around the country
- Over 2400 performing groups presented during public functions to promote local music
- Phase I of the Music Commission offices complete. The structure will accommodate a music archive and a recording studio that will enable the music Commission to record music by various artists
- 3 National symposia on Kenyan music for 330 participants with 63 research papers presented and research findings discussed
- 6 audiovisual documentaries on the music and dance of Kenya developed
- 17000 music and dance practitioners from 451 performing groups given ad hoc training in music and dance performances.
- 200 out of school youth trained in proficiency skills in the various aspects of music composition, performance and reading and writing music. Five best youths from the camp facilitated to record a CD of their music.
- 50 practicing musicians prepared and presented for international music examinations

Public records and archives management

- 776 and 781 record surveys and appraisals respectively were conducted in public offices countrywide
- 35 records management seminars conducted
- Acquire and transferred records identified for preservation in national archives.
- Draft National Records Management policy formulated
- 2.5 million documents digitized for preservation
- 300,000 documents microfilmed for preservation
- 2,232 Government monographs and other publications acquired
- Established 20 documentation link centres
- Enhanced records storage space for archival materials in Nairobi, Kakamega and Mombasa

Public library services

- 100 % collection of legal deposits for every book published in Kenya or about Kenya and publication of the Kenya national bibliography
- Established 12 libraries and expanded 2 libraries thus in Karatina and Kisumu
- Acquired 4 mobile library vans
- Hosted the national book week event annually
- organised 60 community/children reading events

- Incorporated library services for visual impaired persons(VIPs) in all the libraries

Coordination and Regulation of the NGOs Sector

- National validation survey of NGOs conducted
- Tracked 100% annual returns of NGOs on their contribution to the national development
- Linkage between the NGOs and the general public through hosting NGO week annually
- 100% registration of NGOs applicants
- 24 NGO field review visits country wide

2.1.4. Tourism sub-sector

During the review period the following was achieved:-

i. International Tourism Promotion and Marketing

In 2009/2010, tremendous gains were made in recovery of tourism sub-sector.

- The volume of international arrivals increased significantly by 23.9 per cent from 1.203 million in 2008 to 1.49 million in 2009. This was as a result of various highly targeted activities such as familiarization trips for journalists and tour operators, participation in trade fairs and tourism bourses that were aimed at re-instilling confidence among consumers. Some of the activities engaged include participation in World Travel Market and Dubai Tourism Fair.
- Tourism earnings improved from Kshs 52.7 billion in 2008 to Kshs 62.5 billion in 2009. This was however short of Kshs 65.2 billion recorded in 2007. The downward trend was due to spillover effect of the post-election violence, high cost of fuel, global financial meltdown, rise in commodity prices and exchange rate fluctuations.
- The arrivals from the new and emerging markets rose to 127,464 in 2009 from 55,540 in 2008 which was an improvement of 130%. This can be attributed to intensified market recovery efforts as well as the gradual diversification strategy adopted by the Sub-sector through investing more in the new markets of Asia, Australia and Scandinavian countries.
- The sub-sector was also involved in various multilateral and bilateral relations with a view of strengthening relations with some of the key tourist source markets. Key of these are participation in United Nations World Tourism Organization (UNWTO) activities, prepared and signed Memorandum of Understanding (MOU) on tourism relations with South Africa, Mozambique, Morocco, and Czech Republic.

ii. Domestic Tourism Promotion and Marketing

- To guide the promotion of domestic tourism in Kenya, the sub-sector through the Kenya Tourism Board developed a domestic tourism strategy which formed the basis of domestic tourism campaigns.
- The sub-sector in partnership with other stakeholders engaged in activities aimed at increasing domestic tourism participation. These consisted of television advertising, radio, print, online, and outdoor advertising including in-store promotions.
- The sub-sector also 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 and the Kenya Tourism Week/ World Tourism Day celebrations were held in North Eastern Kenya, and Lake Victoria Tourism Fair.
- Bed-nights domestic tourists increased by 37% from 1.57 million in 2008 to 2.15 million in 2009.

iii. Conference Tourism Development and Promotion

The sub-sector hosted a number of conferences as indicated in table 2.8 below:

Table 2. 8: No of conference tourism hosted

	2007/2008		2008/09		2009/2010	
	No of Delegates	No. of Events	No. of delegates	No. of events	No. of delegates	No. of events
International conference	10,800	8	10,210	13	19,695	20
Domestic/National Conferences	18,000	15	6,650	8	6,250	13
Trade fairs	-	9	275	7	1,670	10
Exhibitions	-	13	2,214	16	4,334	28
Corporate	58,015	84	85,577	164	70,910	74
NGO & Special	47,170	76	20,640	83	15,554	64
Ministries	29,910	170	44,180	344	42,375	178
Parastatals	34,600	62	18,742	2,818	18,525	91

Banquets	19,280	22	14,804	35	20,920	34
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Source KICC

iv. Cultural tourism development

- Developed Cultural Tourism Strategy and action plan;
- Three cultural festivals were held in Meru, Turkana and Mijikenda;
- Five cultures were researched and published;
- Three local promotional tours were held in .

v. Product Standardization and Classification

- 1,509 hotels, restaurants and regulated tourist enterprises were inspected;
- Trained and certified 19 hotel assessors from private and public sector as EAC Hotel Assessors;
- Licensed 3245 tourists' establishments during the period under review;
- Coordinated activities of Task Force on Sustainable Tourism Development in Maasai Mara and Amboseli Ecosystems; assessment and appropriately recommended to NEMA tourism related projects;
- Participated in climate change negotiations and development of country's Climate Change Response Strategy;
- Kenya Utalii College (KUC) in collaboration with University of Nairobi introduced two degree programmes in Hospitality, and Tours and Travel management;
- A satellite campus of KUC was established in Mombasa with first intake in May 2010;
- Developed architectural design for the Ronald Ngala Utalii College in coast region;
- 9160 students trained in hospitality courses at KUC.

vi. Tourism Infrastructure Development

- The pre-feasibility study was undertaken and the Ministry of Tourism advertised for Expression of Interest (EOI) for consultancy study for the development of Isiolo Resort City. Five bidders were prequalified. The firms were however not invited to collect the tender documents due to insufficiency of the funds allocated. An Inter-Ministerial Taskforce to conceptualize the Isiolo Resort City has also developed Terms of Reference for the consultancy study.
- In respect to the Diani and Kilifi Resort cities the following has been achieved:-
 - Land use plans have been formulated by the Ministry of Lands;
 - Concept papers prepared for the two cities;
 - Preparation for award of aerial mapping tender done;
 - Land use plans prepared;
 - Preliminary delineation (marking of boundaries done) and;
 - Some key stakeholders identified.

- The sub-sector continued to facilitate the applications for VAT and Duty exemptions for tourist establishments. A total of 64 facilities have received the VAT and duty waver since the commencement of the programme.
- KTDC provided business advisory services to 51 potential investors and loanees in the tourism industry including its subsidiaries. It also facilitated the implementation of business development projects and sensitized over 40 potential investors in the tourism industry through two symposiums organized at
 - Sarova Whitesands Beach Resort & Spa, Mombasa;
 - Lake Victoria Tourism Fair, held in Kisumu
- KTDC initiated negotiations with National Oil Corporation of Kenya (NOCK) for a joint partnership in the development of Roadside Rest Areas.
- Negotiations were initiated with the Bamburi Portland Company for the development of a Conventional centre in Mombasa, where approximately 18 acres land has already been identified.
- KTDC in consultation with Kenya Ports Authority identified two sites for the development of Marina in Shimoni and Kilifi. (These are docking yards for the yachts – high-end water based- tourist activity).
- Tourism Trust Fund (TTF) has been supporting the establishment and development of Tourism Circuit Associations. The associations bring together tourism stake holders in an effort to support, strengthen, develop and improve tourism related activities and products in the various regions.

vii. Products development and diversification

- Agro-tourism draft strategy and work plan was developed;
- Inventory of sport tourism facilities was undertaken in the North Rift;
- Inventory and sensitization workshops on home stays was carried out;
- Under UNWTO Sustainable Tourism for Elimination of Poverty (ST-EP) programme 22 community based tourism (CBOs) organizations were supported;
- Developed a National Framework for Community Based Tourism in Kenya with support of Commonwealth Secretariat
- Inventory of tourism establishments in 100 districts was undertaken and 1399 tourist establishments and service providers enlisted.

2.1.5. Industrialization

i. Promotion of Industrial development

- The value of manufacturing output rose by 18% from Ksh. 626.2 billion in 2007 to KSh 738.8 billion in 2009. Value added increased by 6.3% to stand at KSh 216,009 million in 2009.
- The MSME competitiveness project has three components focusing on capacity building, access to finance and provision of Business Development Services (BDS). Its activities resulted to 97% increase in employment from MSMEs in 2008. Disbursed Ksh. 26 million to MSMEs as technical assistance, 2000 business plans submitted for consideration under Jitihada Competition. Provincial and National Awards done.
- Construction of Constituency Industrial Development Centres (CIDC) commenced in 2009/10 and is ongoing in 179 constituencies.
- During the financial year 2009/10 the sub-sector finalized the strengthened institutional framework for implementation of OVOP through establishment of OVOP National Coordinating Committee, District OVOP committees in 11 districts, finalized project selection in the 11 pilot districts identified in 2008/09, identified the areas of intervention for the selected projects in the 11 districts, organized OVOP exhibition, published OVOP promotional materials and carried out capacity building for selected projects in branding and packaging.
- The 4K initiative supported by Business Sector Programme Support project has developed and commercialized an arc welding machine which meets international standards. In collaboration with handicraft groups in Coast, Turkana and Kisumu, it engaged in product development and marketing of handicraft products both locally and internationally. The project also developed a hand loom prototype that is ready for commercialization.
- The Anti-Counterfeit Bill was enacted in December 2008 and became operational in June 2010
- The implementation of the Industrial Master Plan is ongoing having been incorporated in the performance contract of the Ministry of Industrialization.

ii. Provision of Industrial Training

- KITI has provided specialized technical training to 1,000 people, introduced three training programmes and increased the number of lecturers. The number of students enrolled increased from 600 to 800.
- KITI initiated the rehabilitation of stalled building projects

iii. Standardization, Metrology and conformity assessment

The sub-sector

- Facilitated the establishment of Kenya Accreditation Service - KENAS vide Legal Notice No. 26/2005 thus becoming an independent entity from KEBS

- Participated in various international technical committees of the IEC, ISO, ITU and Codex Alimentarius Commission and in October 2007 successfully hosted ISO TC 45 on Rubber and Rubber products
- Expanded the measurement scope in ionizing radiation. This enhanced capacity and competence for calibration of hospital diagnostic and treatment equipment, such as x-rays, thus offering measurement traceability at protection and diagnostic level.
- Trained and certified on ISO 9001:2000 Quality Management System for the industry, government, state corporations and local authorities.

iv. Support for business incubation for MSMEs

The sub-sector

- Disbursed Kshs. 37.09 million to 4,000 SMIs
- Trained over 5,040 entrepreneurs on business development services
- Acquired 33.8 hectares of land for industrial development across the country. This can accommodate 3,000 sheds in 38 locations
- Oversaw the implementation of one core poverty project programme, the small scale industries loans scheme. The programme is administered by Kenya Industrial Estates which is a Parastatal under the sub-sector. This scheme has two lending programmes (the Small and Medium Scale Industries, and the Micro loans). The Micro loan scheme offers loans ranging Kshs.50,000 to Kshs.500,000. On the other hand, the Small and Medium Scale Industries loan scheme offers loan ranging from Kshs.500, 000 to Kshs.20 million. The programme provides credit to Micro, Small and Medium enterprises with a view to alleviate poverty through employment and wealth creation.

v. Promotion of industrial products

The sub-sector

- Developed a prototype horse power pump for irrigation and is ready for commercialization.
- Revived operations in the Foundry & Computer Numerical Controlled (CNC) factory that stalled in 2002 and trained skilled foundry operators.

vi. Promotion of Industrial Research and Development

- KIRDI transferred 4 technologies to MSMIs
- Over 200 new MSMIs were formed due to the technologies developed and were assisted in value addition
- 30 MSMEs graduated

vii. Promotion of Industrial Property Rights

- 2067 Industrial Property Rights registered

2.2. Key Indicators of Sector and Sub- Sector Performance

The Sector measures its performance by the following key indicators as shown in Table 2.9

Table 2. 9: Key indicators of Sector Performance

Sub-Sector	Key indicators of Sector Performance
Trade	Percentage increase in volume of exports
	Percentage increase in contribution of Trade to GDP
	Percentage increase in the amount of loans disbursed through the credit schemes
	Number of beneficiaries of the credit schemes
	Number of weighing and measuring equipments stamped and verified
	Number of MSMEs operators trained
	Number of bilateral trade agreements signed
East Africa Community	Percentage increase in value of investment in EPZs
	Reduction of EAC internal tariff structure from highest of over 25% to zero rated.
	EAC Common Market Protocol signed and ratified.
	Percentage of implementation of East African road network
	Number of projects implemented in the East African Power Master plan
	Civil aviation project formulated
	Number of capital controls removed within EAC
	Implementation Status on the EAC Time bound Programme on the reduction and eventual elimination of Non-Tariff Barriers
	Percentage increase in volume of exports to EAC
	Foundation laid for negotiations of the EAC Monetary Union
	Number of additional technical staff recruited for Capacity enhancement
Developed and rolled out a Communications and Strategy Handbook	
National Heritage and Culture	Number of public offices where records management activities were undertaken
	Percentage of submissions of annual returns of NGOs
	Percentage of digitized public records and archives
	Number of authenticated NGOs operating in the country
	Number of new NGOs Coordination Board services opened outside Nairobi
	Number of completed regional museums and sites
	Number of heroes and heroines identified and honoured
	Number of mausoleums constructed
	Number of cultural groups and practitioners registered
Number of cultural centers constructed and operationalized.	

Sub-Sector	Key indicators of Sector Performance
	Number of public offices where records management activities were undertaken
Tourism	Number of bed-nights occupied by Kenyans
	Number of tourist establishments inspected
	Number of new tourist products developed
	Number of new source markets established
	Percentage increase in tourism earnings
	Percentage increase in international tourist arrivals
Industrialization	Percentage increase in market share
	Percentage increase in industrial investment
	Number of MSMEs graduating to the next level
	Percentage increase in long-term financing to Industrial sector
	Number of new industries in the rural areas
	Percentage increase in innovations

2.3. Expenditure Analysis

The combined approved recurrent and development budget for the sector over the review period increased from Kshs. 5.22 billion in 2007/08 to Kshs. 10.70 billion in 2009/10. This was mainly attributed to general increase in allocation to the sector. In 2008/09, the sector on average utilized 93% of its allocation compared to 92 % in 2009/10, indicating a minimum variance in utilization of voted provision. To achieve the set targets there is need therefore for the sub-sectors to fully absorb the allocated resources.

Table 2. 10: Comparison between Approved gross budget estimates against the actual expenditure (Ksh. Millions)

	Printed Estimates			Approved Figures			Actual Figures		
	2007/08	2008/09	2009/10	2007/08	2008/09	2009/10	2007/08	2008/09	2009/10
Trade	2,703	1,383	1,884	1,435	1,916	2,348	1,293	1,854	2,208
East Africa Community	421	458	1,033	360	455	973	358	453	916
National Heritage & Culture	943	1,104	1,807	943	1,712	1,777	924	1,675	1,767
Tourism	2,433	1,700	2,873	1,112	1,945	2,400	1,110	1,897	2,330
	-	1,744	2,576	1,348	1,812	3,199	1,165	1,699	2,576

Industrialization									
TOTAL	6,500	6,389	10,173	5,197	7,841	10,697	4,850	7,579	9,797

2.3.1. Analysis of the Recurrent Expenditure

The recurrent budget for the sector over the review period increased from Ksh. 4.28 billion in 2007/08 to Ksh. 7.06 billion in 2009/10 which reflects a 65 % increase. The increase was mainly as a result of re-organization of the Government where the departments of Culture and permanent Presidential Music Commission were moved to the Ministry of State for National Heritage and Culture. Over the review period, the sector's absorption of recurrent funds was on average 97 %.

Table 2. 11: Comparison between Approved gross recurrent estimates against the actual expenditure (Kshs Millions)

	Printed Estimates			Approved Figures			Actual Figures		
	2007/08	2008/09	2009/10	2007/08	2008/09	2009/10	2007/08	2008/09	2009/10
Trade	2,110	1,026	1,696	1,231	1,521	1,922	1,135	1,451	1,806
East Africa Community	421	458	912	360	455	882	358	453	898
National Heritage & culture	806	933	1,490	806	1,419	1,501	787	1,415	1,501
Tourism	1,660	1,222	1,604	992	1,507	1,596	985	1,474	1,540
Industrialization	-	1,008	1,100	890	992	1,160	834	979	1,117
TOTAL	4,997	4,648	6,802	4,278	5,894	7,061	4,098	5,772	6,863

2.3.2. Analysis of the Development Expenditure

The approved development budget for the sector over the review period increased from Kshs 919 million in 2007/08 to Kshs. 3.6 billion in 2009/10 which reflects a 300% increase. The increase was mainly as a result of increased allocation for tourism promotion (Kshs 500 million); Constituency Industrial Development Centres (Kshs. 1.2 billion) and Equity participation for invigorating operations at Webuye Pan-Paper Mills (Kshs 500 million). Over the review period, the sector had an average absorption rate of 85 % on development funds. In 2009/10, the sector utilized 81% of its allocation compared to 93 % in 2007/08 indicating a significant drop in

utilization of voted provision. However, this under-utilization is attributed to the logistical issues in implementation of economic stimulus projects.

Table 2. 12: Comparison between Approved Gross Development estimates against the Actual Expenditure (Kshs Millions)

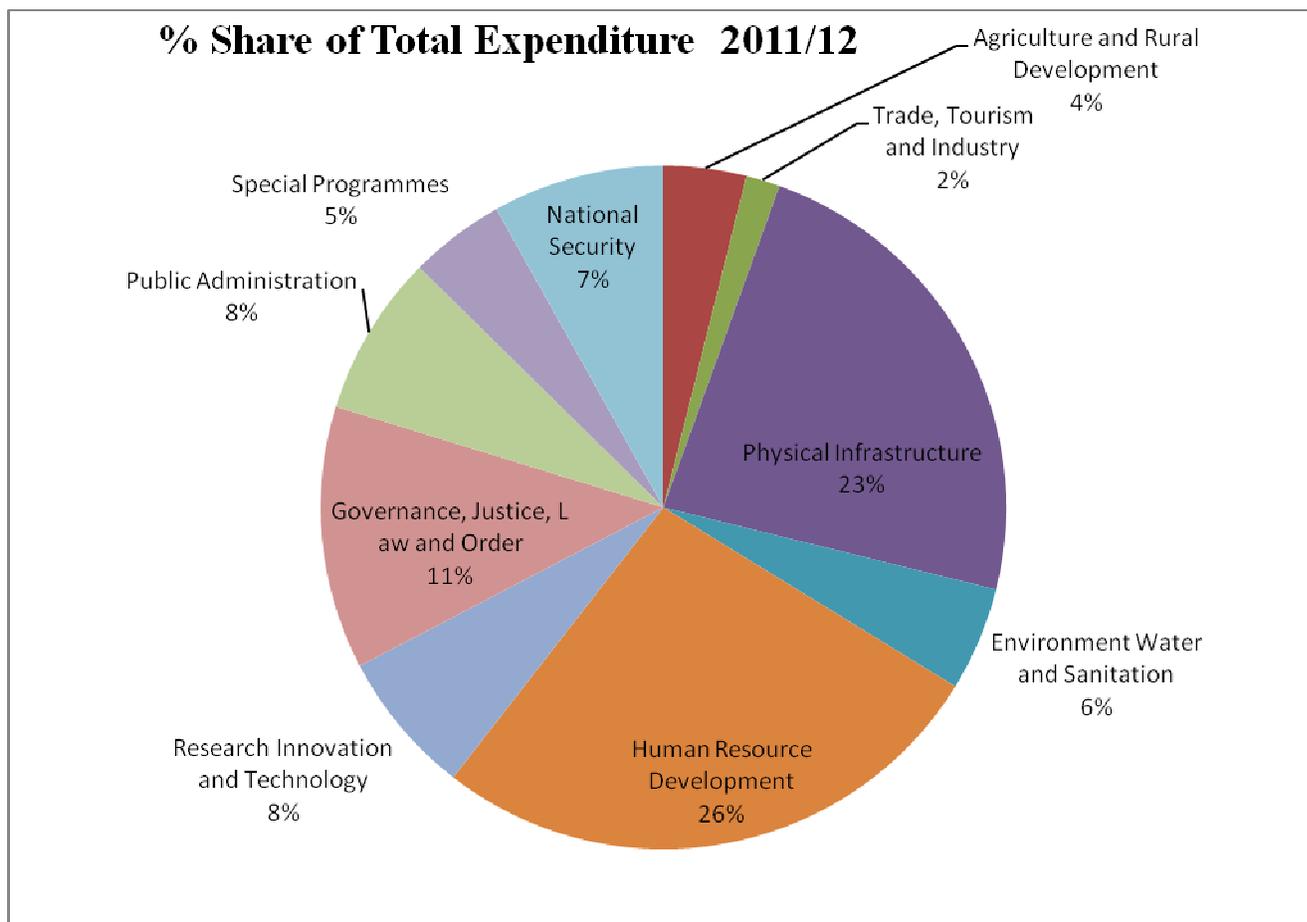
	Printed Estimates			Approved Figures			Actual Figures		
	2007/08	2008/09	2009/10	2007/08	2008/09	2009/10	2007/08	2008/09	2009/10
Trade	593	357	188	204	395	426	158	403	402
East Africa Community	-	-	121	-	-	91	-	-	17
National Heritage & culture	137	171	317	137	293	276	137	260	266
Tourism	773	478	1,269	120	439	804	126	423	790
Industrialization	-	736	1,476	458	820	2,039	331	721	1,458
Total	1,503	1,742	3,371	919	1,946	3,636	752	1,806	2,934

Table 2. 13: Analysis of Total Expenditure Estimates ceilings for 2011/12 for all Sectors

Name of the Sector	% Share of Total Expenditure 2010/11
Agriculture and Rural Development	4
Trade, Tourism and Industry	2
Physical Infrastructure	23
Environment Water and Sanitation	6
Human Resource Development	26
Research Innovation and Technology	8
Governance, Justice, Law and Order	11

Public Administration	8
Special Programmes	5
National Security	7
Total	100

Figure 1: Analysis of Total Expenditure Estimates ceilings for 2011/12 for all Sectors



2.3.3. Analysis of Externally Funded Programmes

Over the review period, the sector received development budgetary support of Ksh. 488 million, Ksh. 961 million and Ksh. 872 million for financial years 2007/08, 2008/09 and 2009/10 respectively. In terms of actual expenditures what materialized the respective years were KSH. 373 million, Ksh. 807 million, and Ksh. 727 million. The donor funded projects by name and the respective development partners are as shown in Table 2.13 below.

Table 2. 14: Donor funded project (Kshs Millions)

Project Name	Name of Donor	Approved Estimates			Actual Expenditure		
		2007/08	2008/09	2009/10	2007/08	2008/09	2009/10
Kenya Post-Lome Trade Negotiation	EEC/EDF	117	168	113	117	168	91
Export Development Programme	USAID	40	40	0	40	40	0
Assistance to Micro and Small enterprise Programme(AS MEP)	EEC/EDF	0	6	41	0	6	14
Trade Training Programme for SME exporters	JICA	0	9	8	0	9	11
District Business Solution Centre	UNDP	0	35		0	35	
Promoting Women in Business and Investment in Kenya	UNDP						
Modernisation Of Nairobi Museum	EEC/EDF	119			209		
Kipepeo Project-Malindi	USAID		16	30.8		6	30.8

Tourism Diversification & sustainable Development	EEC/EDF	12	8	0	7	9	0
MSME competitive project	IDA/WB	100	265	265	0	253	250
Business Sector Programme support	DANIDA	100	414	414	0	281	330
Total For The Sector		488	961	872	373	807	727

2.4. Review of Pending Bills/Claims

As at 30th June 2010 the sector had accumulated pending bills/claims of Ksh. 264 million and Ksh. 400 million for recurrent and development votes respectively.

2.4.1. Recurrent

The trade sub sector had accrued Ksh. 138 million in pending bills as a result Ksh. 12 million which was for export promotion services on international media, Ksh. 15 million and Ksh. 92 million land rates payable to Municipal Council of Mombasa relating to landowners by EPZA at Kipevu and Mavoko County Councils respectively. In addition the ministry had a pending bill of Ksh. 19 million for 2009/10 FY. The industry sub sector accrued Ksh. 44 million which was attributed mainly to utility bills at KITI in Nakuru. In 2009/10 the EAC subsector had a pending bill of Kshs. 12 million which was as a result of lack of provision. This arose from Legal Task Force on market protocol (Ksh 8million) and the hosting of 2nd EAC Investment Conference (Kshs. 4 million)

Table 2. 15: Showing recurrent pending bills/ claims

	Due of lack liquidity			Due of lack of provision		
	2007/08	2008/09	2009/10	2007/08	2008/09	2009/10
Trade			19		119	
East Africa Community	0	0	0	0	0	12
National Heritage And	-	-	-	15	6	24

Culture						
Tourism		18.6	17.73			0.48
Industrialization	-	-	-	6.78	21.86	15.8
Total	0	18.6	36.73	21.78	146.86	40.28

CHAPTER THREE

3.0. MEDIUM TERM PRIORITIES AND FINANCIAL PLAN FOR THE MTEF PERIOD 2011/12 – 2013/2014

3.1. Prioritization of Programmes and Sub-Programmes

3.1.1. Programmes and their objectives

3.1.1.1. Trade Development and Investment

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

The Sub-Programmes under this programme are:

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

3.1.1.2. Co-ordination of East African Community Matters

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

The Sub-Programmes under this programme are:

- i. Consolidation and sustained implementation of a fully fledged EA Customs Union;
- ii. Operationalization of the EAC Common Market Protocol;
- iii. Laying the foundation for the EA Monetary Union;
- iv. Laying the foundation for the EA Political Federation
- v. Participation in EAC cross- cutting and regional integration activities
- vi. Establishment and operationalization of Regional Integration Centers in the major Border Posts of Namanga, Lunga Lungu, Busia and Isebania.

The allocation the Ministry is requesting for the development vote during financial year 2011/2012 is ksh. 195 Million. This amount will cater for the following sub programmes:

(i) Establishment and operationalization of the Regional Integration Centers.

Rationale: Under the customs union, countries agreed to implement two programmes namely Common External Tariff (CET) and Tariff reduction. Implementation of the two programmes have progressed well such that tariff levels have come down significantly from about 45% in 2005 to as low as 0%. The CET has also been used to regulate the imports from 3rd party countries. Rwanda and Burundi have also fully joined Customs Union Protocol. The Common Market Protocol was signed in November, 2009 and became operational in July, 2010.

In spite of these developments, there are a number of Non- Tariff Barriers (NTBs) that adversely affect the flow of trade in the region. Kenya has a large share of these NTBs which are in the form of Road Blocks, Multiple Inspection of Transit of Cargo, Cumbersome and Lengthy Procedures at Border Points among others. The primary reason why these NTBs occur is the lack of appreciation by other Government Departments that we are in the EAC Customs Union (Annex 8a & Annex 8b)

To fully address the challenges of effectively implement the Customs Union and Common Market Protocol it has become necessary to bring the Community closer to other Government Departments that cause these problems unknowingly or knowingly. For this reason, the regional integration centers and regional monitoring and evaluation systems have been established. This will entail developing a monitoring, evaluation and tracking system, as well as establishing the physical presence at key border posts with sole purpose of assisting to harmonize the understanding of Customs Union and Common Market issues. The Ministry will also undertake preliminary activities towards construction of offices facilities.

(ii) Automation of EAC Monitoring and Evaluation System for Kenya

The Ministry through DfID is in the process of developing an automated Monitoring and Evaluation System. The purpose of the M& E System is to:

- maintain and update all EAC decisions in the computerized system;
- reveal and access all measurable decisions and to ascertain their implementation status;
- Identify performance benchmarks, outputs and outcomes of the Summit and Council decisions and their implications in terms of development in Kenya
- Execute information and data gathering for updating and reporting on the status of SuCouncil decisions in Kenya
- Plan and deploy resources for M& E within the Ministry
- Plan for evaluation and communication of the outcomes of the Council decisions

The Ministry therefore requires resources to undertake

- Management and computerization of the system (automation)
- Database administration and user support
- Networking with the System in all the line Ministries
- Maintenance services for the System
- Engagement of a Systems developer for support and enhancement of the M&E System
- Providing support for other M&E activities in the Ministry

The M&E System will provide regular information and data on the implementation status of Summit and Council decisions

(iii) Comprehensive national sensitization programme.

Pursuant to a Summit decision of November, 2009 as amplified in a special directive by His Excellency the President on 1st January, 2010, The Ministry was obligated to undertake an elaborate national awareness/ advocacy campaign to sensitize Kenyans across the Country on the benefits and Challenges of the ECAC integration process. Implicit in this directive was a challenge to the Ministry to employ a multi level approach to create buy in among Kenyans in general and targeted key stakeholders in the integration process to buy in all key stakeholders. This broad spectrum of projects and programmes will be implemented as envisaged in the Ministry's documented Communications Policy and Strategy Handbook

Implementation of the Ministry's work plan

- Develop Common Market Awareness campaign strategy
- Develop and implement a national MEAC branding concept
- Sustain editorial coverage of EAC on TV, Radio, Print and other media outlets
- Produce visual segments for public digital screens
- Prepare and secure newspaper space for supplements/ infomercials
- Produce enough features and photographs for 'Jumuiya' and other IEC materials
- Produce and secure broadcast of TV documentary/ series
- Coordinate production of radio features
- Organize TV and radio interviews, talk shows and discussions
- Organize public lectures and workshops
- Produce and distribute IEC materials- brochures, flyers, FAQs, posters, calendar, diaries & TShirts, G Cards, posters, CMP information kit/guide

Sub programmes under development vote

Programme	Estimates
Regional Integration Centers	Ksh120 Million
Regional Monitoring and Evaluation System	Ksh 10 Million
Research and Development	Ksh 20 Million
Comprehensive National Sensitization Programme	Kshs 30 Million
DfID Capacity Development – GOK Component	Kshs 15 Million

3.1.1.3. National Heritage and Culture

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

The Sub-Programmes under this programme are:

- i. Research, preservation and promotion of National Heritage
- ii. National Cultural services
- iii. Public records and archives management
- iv. Public library services
- v. Coordination and Regulation of the NGOs Sector

3.1.1.4. Tourism Development and Marketing

The objective is to ensure sustainable development of tourism.

The Sub-Programmes under this programme are:

- i. International tourism promotion and marketing
- ii. Domestic tourism promotion and marketing
- iii. Conference tourism development
- iv. Cultural tourism development
- v. Product standardization and classification
- vi. Tourism Product Diversification
- vii. Tourism infrastructure development
- viii. General Planning and administration

3.1.1.5. 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.

The Sub-Programmes under this programme are:

- i. Promotion of Industrial development
- ii. Provision of Industrial Training
- iii. Standardization, Metrology and conformity assessment

- iv. Promotion of industrial incubation, provision of industrial sheds and financing support for MSMIs
- v. Development of industrial tooling and machining
- vi. Promotion of Industrial Property Rights and arbitration

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

Table 3. 1: Programmes, Sub-Programmes, Expected Outcomes, Outputs and Key Performance Indicators for the Sector

Sub-Programme	Expected Outputs	Performance Indicator
Programme 1 - Trade Development and Investment		
Outcome – Increased volume of exports		
1. Regional Economic Integration Initiatives	<ul style="list-style-type: none"> ▪ COMESA policy organs meetings held 	<ul style="list-style-type: none"> ▪ List of sensitive products developed. ▪ Realigned national tariffs to COMESA common external tariff ▪ % of divergence and convergence of national tariff to COMESA CET.
	<ul style="list-style-type: none"> ▪ COMESA and EAC exports earnings increased. 	<ul style="list-style-type: none"> ▪ Increase export earnings from COMESA from Kshs 112,893M in 2009 to 140,000M in 2011 ▪ Increase export earnings from Kshs 90,459M in 2009 to 110,000 M in 2011 from EAC
2. Business Premises Rent Tribunal Services	Business premises Rent disputes cases heard and determined	<ul style="list-style-type: none"> ▪ 3,600 cases heard and determined
	Circuit sitting sessions conducted	<ul style="list-style-type: none"> ▪ 28 circuit sitting sessions conducted
	AIA collected	<ul style="list-style-type: none"> ▪ Ksh.9.0 millions AIA collected
	Court references filed	<ul style="list-style-type: none"> ▪ 2,800 cases filed
3.Domestic Trade	Loans disbursed and recovered under Joint Loan Board Scheme	<ul style="list-style-type: none"> ▪ Kshs.70 million disbursed through Joint Loans Board scheme ▪ Kshs.47 million recovered from JLB loans
	Inspections of joint loans board (JLBs) carried out	<ul style="list-style-type: none"> ▪ 40 Joint Loans Board inspection carried out

	Number of Joint Loans Board beneficiaries trained	<ul style="list-style-type: none"> 1500 beneficiaries of Joint Loan Board loan trained
	Amount of grants given to District & Municipal Joint Loan Board	<ul style="list-style-type: none"> Kshs 60 million given to District & Municipal Joint Loan Board as grants
	Number of cross border trade meetings held	<ul style="list-style-type: none"> 8 cross border meetings held
	Number of producer Business Groups facilitated	<ul style="list-style-type: none"> 1000 PBGs facilitated
	Percentage contribution of wholesale & retail trade activities to GDP	<ul style="list-style-type: none"> 33% increase in contribution of wholesale & retail trade to GDP
4.External Trade	Increased exports earnings to EU markets	<ul style="list-style-type: none"> Increased export earnings from Kshs 90,802 M in 2009 to 100,800 M in 2011
	Increased exports earnings under AGOA framework	<ul style="list-style-type: none"> Increased export earnings from Kshs 18,890 M in 2009 to 25,870 M in 2011
	Number of Trade agreements negotiated and signed	<ul style="list-style-type: none"> 4 bilateral trade agreements signed Interim multilateral trade agreement signed (EPAs)
5. Export Promotion Services	Number of international trade fairs and bilateral visits made.	<ul style="list-style-type: none"> 16 international trade fairs in Uganda, Tanzania, DR Congo, Spain, Rwanda, Sudan, Zimbabwe, USA (Super Floral Show and New York Gift Fair) German(Ambiente Gift Fair and Fruits Logistica), Nairobi (AGOA), China (Shanghai Expo 2010) UK (International Spring Fair and Royal Agricultural Show), Malawi, Egypt and Zambia.
	Number of markets/country export opportunity reports prepared	<ul style="list-style-type: none"> 16 markets/country Export opportunity reports prepared.
	Number of exporters trained	<ul style="list-style-type: none"> Outreach programme to 200 exporters and producers of export goods and services conducted Training and marketing manuals developed and 500 SMEs trained

6. Fair trade practices and Consumer protection	Number of Zones where Legal Metrology & Testing Equipments have been calibrated & verified	<ul style="list-style-type: none"> ▪ All standards in 21 Zones verified ▪ 250,000 weights and measures equipment verified across the country ▪ 11,000 new equipment verified
	Number of weights and measures cases investigated and prosecuted	<ul style="list-style-type: none"> ▪ 600 cases of trade malpractices investigated and prosecuted
	Amount of AIA collected	<ul style="list-style-type: none"> ▪ Kshs.24 million AIA revenue collected
7. Export Processing Zones	Value of investments in EPZs increased	<ul style="list-style-type: none"> ▪ Increased value of investments in EPZs from Kshs.21,366 M in 2009 to 22,377 in 2011
	Number of jobs created in EPZs	<ul style="list-style-type: none"> ▪ Jobs created in EPZs from 30,623M in 2009 to 34,227M in 2011
	Number of enterprises established	<ul style="list-style-type: none"> ▪ Increased number of enterprises operating in EPZs from 83 in 2009 to 93 in 2011
	Value of exports from EPZs increased	<ul style="list-style-type: none"> ▪ Increased export earnings from EPZs from Kshs. 26,159M in 2009 to 33,400M in 2010.
8. Entrepreneurial and Business Management	Number of MSMEs operators trained	<ul style="list-style-type: none"> ▪ 2,400 MSMEs operators trained
	Number of business research, consultancy and counseling services conducted	<ul style="list-style-type: none"> ▪ 4000 MSMEs operators counseled through business clinics
	Number of follow-ups made on past KIBT trainees	<ul style="list-style-type: none"> ▪ 350 past MSMEs trainees contacted
Sub Programme	Expected Outputs	Performance Indicator
Programme II- Co-ordination of East African Community Matters Outcome –Deepened and Widened EAC Integration		
Consolidation and Sustained implementation of a fully fledged EAC Customs Union and operationalization of the EAC Common Market.	Increased Trade and Cross Border Investment Opportunities through Free Movement of Persons, Labour, Capital, Goods, Services, right of establishment and residence.	<ul style="list-style-type: none"> -Percentage increase in trade volume - Percentage increase in foreign investments
	Operational Regional Integration Centers	Four border posts/integration centers operationalized for effective and efficient trade facilitation
Laying the foundation for the EAC Monetary Union and Political Federation	EAC Political Federation fast tracked	<ul style="list-style-type: none"> Three Annual Reports and Surveys Research findings Reports

	High Level Taskforce on Monetary Union established and Working towards harmonization of exchange rates, fiscal and monetary policies, and eventual establishment of one EAC Central Bank	Monetary Union established
Participation in EAC cross-cutting regional integration activities including harmonization of EAC-SADC-COMESA Trade Regimes.	Trade Agreement in line with EAC framework identified	No. of Agreements & Protocols
	Bilateral and multilateral political and social engagements	No. of bilateral and multi lateral engagements
	Stakeholder engagement in integration process	Citizen and Private Sector driven integration process
<p>Programme :III National Heritage and Culture</p> <p>Outcome: Increased sense of national identity, cohesion and patriotism</p>		
Name of Sub-Programme	Key output	Key performance indicators
1 Public records and archives management	Preservation of records for posterity enhanced	<ul style="list-style-type: none"> • Archival materials acquired from 390 public offices • 7.5 million Pages of documents digitized. • Documents microfilmed. • 3000 documents restored
	Records management best practices in public offices	<ul style="list-style-type: none"> • Records management policy disseminated • Records management activities including records survey, records appraisal, sensitization workshops undertaken in 890 offices. • 15 public offices advised on the establishment of documentation link centres.
	Access of archival materials enabled to researchers and members of the public.	Users served at the Kenya National Archives.
	Additional records and archives storage space provided.	<ul style="list-style-type: none"> • Construction of purpose built Archives Building • Installation of Mobile shelves in all the records storage areas • Open Records Centres in Central, Eastern and North Eastern Provinces • Provision of off-site storage for archival materials microfilm and digitized copies for security. • Installation of an automatic fire

		suppression system for security of archival material
2 Research, preservation and promotion of National Heritage	Heritage sites developed	<ul style="list-style-type: none"> • Developed Heroes corner at Uhuru Gardens • A developed Mausoleum of Koitalel Arap Samoei in Nandi • Rehabilitated old buildings in Shimoni • Rehabilitated monuments and buildings in Lamu • Rehabilitated old DC house in Machakos • Stabilized Vasco Da Gama pillar in Malindi
	Museums and Exhibitions developed	<ul style="list-style-type: none"> • A built and developed Garissa museum • A rehabilitated Kitale Museum • Exhibitions developed and mounted in the third gallery in Kisumu Museum • Exhibitions developed and mounted for Jomo Kenyatta house in Maralal • Exhibitions developed at Nairobi National Museum • Exhibitions developed for Kabarnet Museum • A built and equipped Narok museum
	Biomedical research infrastructure developed	<ul style="list-style-type: none"> • A built Research materials collection Centre at NMK • Rehabilitated and developed research facilities at Institute of Primate research
National Cultural Services	Developed structures and mechanisms for strengthening cultural / creative industries.	<ul style="list-style-type: none"> • An established International Centre for Arts and Culture • 17 Cultural centres developed across the country • 100 cultural groups, Institutions and Individuals benefit from cultural grants. • 200 youths trained on music and dance annually. • 13 cultural exchange protocols negotiated • 33 cultural exchange programmes coordinated • 600 cultural practitioners registered and the Cultural databank updated • Draft Act to ensure that communities receive compensation or royalties for the use of their cultures and cultural heritage

	Visual arts and oral traditions promoted	<ul style="list-style-type: none"> • 9 visual arts capacity building workshops and art exhibitions held • One ICH element nominated for safeguarding • 4 Intangible Cultural Heritage elements documented • 8 workshops and seminars for provincial language committees coordinated
	Performing arts and artist developed and promoted	<ul style="list-style-type: none"> • 45 community cultural festivals coordinated • 9 capacity building workshops for performing artists held. • 9 Kenyan music and cultural festivals held.
	Indigenous health practices and nutrition promoted	<ul style="list-style-type: none"> • 8 capacity building workshops for cultural practitioners held across the country. • Annual traditional Medicine (ATM) day organized and marked in 8 regional areas. • 3 Traditional foods cooking competitions organized • Draft a Bill to recognize and protect the ownership of indigenous seeds and plant varieties, their genetic and diverse characteristics and their use by the communities of Kenya.
	Kenyan music and dance developed and promoted.	<ul style="list-style-type: none"> • National Music policy finalized • Volume 2 bulletin of Kenyan musicians Biographies published • Four educational documentaries developed on Kenyan music • 600 music and dance practices of Kenya recorded annually for reference and posterity • 50 music scores on Kenyan music both traditional and contemporary published • National symposium for 200 participants on Kenyan Music held to discuss research findings on Kenyan music and dance .30 research papers disseminated and discussed during the symposium. • 300 talented youth musicians identified and empowered with music skills • 600 performing groups trained and presented during State, National Days

		<p>and other public fora.</p> <ul style="list-style-type: none"> • Launch county music and dance development programmes in 10 counties. • Complete the 3rd phase of Permanent Presidential Commission on Music administration block
2.Public library services	A comprehensive database on all Kenyan authors and their works	<ul style="list-style-type: none"> • National bibliography information collected, maintained and ISBN issued • Lobby publishers for timely submission of legal deposit copies to the National Library • Digitization of Kenya National Bibliography
	library network in Kenya expanded	<ul style="list-style-type: none"> • National Library of Kenya upgraded • Conduct a Library and information services needs' analysis and implementation • Compliance with KNLS Community Library Development Policy • Extension Services provided in marginalized areas through mobile library services • Automation and integration of all library services to improve access
	Provision of additional library information materials	<ul style="list-style-type: none"> • 120,000 additional book stocks made available
Coordination and Regulation of the NGOs Sector	Improved policy, legal and regulatory framework	<ul style="list-style-type: none"> • Review the NGOs Coordination Act 1990 • Review Code of conduct for NGOs • Develop Audit guidelines for NGOs
	Improved service delivery and compliance	<ul style="list-style-type: none"> • Decentralize Services to 2 regional offices • Streamline registration and post registration processes for NGOs • Improve the Board's internal capacity for vetting • Government advised on the state of the charitable sector

Programme: IV – Tourism Promotion and Marketing

Outcome - Increased tourism Contribution to the GDP

Sub-Programme	Expected Outputs	Performance Indicator
International Tourism promotion and marketing	Increase in number of international tourist arrivals	<ul style="list-style-type: none"> ▪ International arrivals to increase from 1.49 million in 2009/10 to 3 million in 2011/12.
	Increase in tourism earnings	<ul style="list-style-type: none"> ▪ Tourism earnings to reach Kshs.200 billion in 2011/12 from 62.5 billion

		in 2009/10.
	Increase in average spending per visitor	<ul style="list-style-type: none"> ▪ Average spending per visitor to increase from Kshs 43,758 in 2009/10 to Kshs 70,000 in 2011/2012.
	Increased media coverage of Kenya and her tourism products	<ul style="list-style-type: none"> ▪ Generate Ksh. 50 million worth of media value
	Growth of Kenya's market share of regional tourist arrivals	<ul style="list-style-type: none"> ▪ 2% growth per year
	Launch new circuits/products	<ul style="list-style-type: none"> ▪ Launch 2 circuits ▪ Launch 4 new products
	Enhanced PPP with stakeholders, communities and SME investors in tourism	<ul style="list-style-type: none"> • Hold eight (8) Public Private Partnerships Initiatives/consultative meetings
	Branded items such as pens, flash disks, gift bags, Tourist maps, official attire for the Ministry, Documentaries, brochures, flyers and other promotional materials	<ul style="list-style-type: none"> • Develop 4 types of promotional materials and promotional materials
	Participation in Regional meetings - EAC, COMESA AND NEPAD	<ul style="list-style-type: none"> • Participate in all regional meetings
	Tourism crisis and Safety management Centre	<ul style="list-style-type: none"> • Equipped and operational a crisis management centre
Domestic Tourism promotion and marketing	Increased bed-nights by domestic tourists	<ul style="list-style-type: none"> • Bed-nights by domestic tourists increased from 2.15 million in 2009/10 to 3.6 million by 2011/12
Conference Tourism Development	KICC upgraded to a convention centre Increased MICE capacity Improved customer satisfaction and Increased revenues	<ul style="list-style-type: none"> • Increase in No. of Conference tourism events • Increase in conference tourism revenues
Cultural Tourism Development	State-of-Art International Arts and Culture Centre	<ul style="list-style-type: none"> • % level of completion
	Cultural Museum at Bomas	<ul style="list-style-type: none"> • % level of completion
	Cultural facilities at Bomas upgraded and renovated	<ul style="list-style-type: none"> • No. of facilities upgraded and renovated
	Traditional villages rehabilitated	<ul style="list-style-type: none"> • No. of traditional villages rehabilitated
	Cultural tourism research undertaken	<ul style="list-style-type: none"> • No. of Research reports
	Inventory of market ready products	<ul style="list-style-type: none"> • No. of inventories
	Media awareness and familiarization programs	<ul style="list-style-type: none"> • No. of media briefings • No. of familiarization tours

	Participation in local and international shows and trade fairs	<ul style="list-style-type: none"> No. of international shows and trade fairs
	Quality Cultural tourism centre develop	<ul style="list-style-type: none"> No of cultural heritage centres developed
	International & national festivals & events, Cultural ambassadors, Cultural centres, Annual cultural calendar of events	<ul style="list-style-type: none"> No. of Events Held & reports produced
Product Standardization and Classification	Expansion of tourism training capacity	<ul style="list-style-type: none"> Phase 1 of Ronald Ngala Utalii Academy completed No. of KUC Satellite training centers opened.
	Capacity building and Human resource development	<ul style="list-style-type: none"> No. of graduates in hospitality industry
	Tourist establishments, Hotels and Restaurants inspected, licensed, classified and re-classified	<ul style="list-style-type: none"> No. of Establishments and Hotels and Restaurants inspected, licensed, classified and re-classified
	Improved Tourism and hospitality standards	<ul style="list-style-type: none"> Tourism and hospitality regulations in force
	Training of more Classification Assessors	<ul style="list-style-type: none"> No. of trained Classification Assessors
	Operational and effective HRA	<ul style="list-style-type: none"> No. of HRA resolutions implemented
	Tourism area plans in place	<ul style="list-style-type: none"> No. of tourism area plans developed
Tourism Product Diversification	Small and Medium Scale Enterprises identified and linked to development partners	<ul style="list-style-type: none"> Identification Criteria developed No. of SME's identified No. of SME's linked
	Developed & diversify Tourism product & Services	<ul style="list-style-type: none"> No and types of Developed & diversify Tourism product & Services
	Home stay Operational Standards Guidelines in Place Promotion of Home stays	<ul style="list-style-type: none"> Operational Standards Guidelines in Place
	Integrated GIS on tourism product mapping to facilitate wider access to Kenya tourism products	<ul style="list-style-type: none"> Web- enabled GIS internet link
	National Tourism Research Strategy and Tourism research institute	<ul style="list-style-type: none"> National Tourism Research Strategy in place and operational tourism research institute.
	Clear and visible signage	<ul style="list-style-type: none"> No. of signs places in different areas
Tourism Infrastructure Development (Resort cities development, KTDC, TSA, ICT)	Provide concessional loan funds to tourism and tourism related facilities	<ul style="list-style-type: none"> Number of tourism facilities financed
	Make equity investments by providing venture capital in tourism projects	<ul style="list-style-type: none"> Number of projects financed
	Development of three resort cities (Isiolo, Diani and Kilifi)	<ul style="list-style-type: none"> 3 Feasibility Study Report, Study tour report, Model Designs, Master

		Plan, regional physical development plan
	Niche tourist products identified as flagship projects in the vision 2030 developed	• Three (3) flagship projects initiated
	Data on inbound/outbound tourism expenditure, tourism supply and on domestic tourism expenditure	• TSA Reports and publications
	Reviewed/Harmonized Entry/Departure Declaration Forms and of cross border arrival data	• Printed cards with promotional information • Database & Reports on Cross Border Arrivals
General Planning and administration	Tourism Policy and Bill presented to parliament and rules and regulations prepared	• Tourism Act in Place
	Enhanced service Delivery	• ISO certification

Programme: Industrial Development and Investment
Outcome – Increased contribution of industry to GDP

Sub-Programme	Expected Outputs	Performance Indicator
Promotion of Industrial development	Conduct feasibility studies on the development of five SME parks and two special economic zones	• Feasibility studies reports for the two special economic zones • Acquisition of land for the two special economic zones
	Construct phase II of the constituency industrial development centres	Phase II of the Industrial development centres constructed in 210 constituencies
	Increased funding for MSMIs	Industrialization fund established
	Products developed under 4K initiative	Four products (fruit pulper, hand loom, fish leather, light emitting diode) developed under 4K initiative
	Projects supported under One Village One Product (OVOP)	Thirty three OVOP projects supported
	Increased industrial investment in local authorities and municipalities	Twenty investment fora held in local authorities and municipalities
	Improved availability of industrial Information	Industrial Information Centre established
	Reduced incidents of counterfeiting	Operationalize anti-counterfeit Agency
Provision of Industrial Training	Students trained in entrepreneurship	600 students trained
	Increased number of courses offered	2 new courses introduced

	Increased revenue collected	Kshs. 9.2 million collected
Standardization, Metrology and conformity assessment	Standards developed	396 standards developed
	Increased level of conformity to standards	85 % level of conformity to standards
	Regional laboratories and offices constructed in Miritini	Regional laboratory and offices in Miritini operationalized
	Improved radiation testing	Complete radiation testing project
Support for business incubation for MSMEs	Industrial sheds built	10 industrial sheds built
	Credit disbursed to MSMEs	Kshs. 100 million to MSME's
	Business development services provided	Business development services provided to 70 entrepreneurs
	MSMIs linked with large enterprises	30 MSMIs linked with large enterprises
	MSMIs graduated	15 MSMIs graduated
	Increased MSMIs growth and development	48% capacity utilization
	Number of jobs created	5000 jobs created
Promotion of industrial products	Increased Industrial replacement parts and spare parts.	Assorted industrial replacement parts worth 70 million produced
	Increased production of engineering materials and alloy steels	Non-ferrous and ferrous engineering materials worth 15 million produced
	Improved skills in the metal sub sector	30 skilled operators trained
	Increased production of agricultural and irrigation equipment for value addition.	100 - 5-Horse Power Pumps for irrigation produced
	Increased production of transmission units for the Industrial sector.	500 transmission units produced
	Increase in use of aluminum and copper alloy castings	12 tons of aluminum and copper alloy casting worth 12 million produced
Promotion of Industrial Research and Development, Innovation, and	Increased technologies for value addition developed	10 prototypes developed
	MSMIs graduated	45 MSMIs graduated

Technology Transfer	Technologies commercialized	5 technologies commercialized
	Increase in technologies transferred	10 technologies transferred
Promotion of Industrial Property Rights and arbitration	Increased IP registration	1800 certificate issued
	Judgments delivered	10 judgments made
	IP Publications	1299 IP publications
	Increase IP public awareness	4 industrial visits 4 seminars held

3.1.3. Analysis of Resource Requirement by Sub-Sector

Table 3. 2: Resource Requirements by Sub-sector (Recurrent and Development) - Kshs. Millions

Su-Sector	Estimates 2010/11	Estimate 2011/12	Projected Estimates	
			2012/13	2013/14
Trade Sub-Sector	2,412	91,620	96,991	106,016
EAC Sub Sector	1,028	1,500	1,712	2,107
Heritage & Culture Sub-Sector	2,152	5,426	5,383	5,406
Tourism Sub-Sector	2,379	7,833	6,818	7,596
Industry Sub- Sector	4,282	12,976	18,374	16,915
TOTAL	12,253	119,355	129,278	138,040

3.1.4. Analysis of Resource Requirement by Programmes and sub-programmes

Table 3. 3: Resource Requirements by Programmes (Kshs. Million)

Programme	Estimates 2010/11	Estimate 2011/12	Projected Estimates	
			2012/13	2013/14

Trade Development and Investment	2,412	91,620	96,991	106,016
Co-ordination of East African Community matters	1,028	1,500	1,712	2,107
National Heritage and Culture	2,152	5,426	5,383	5,406
Tourism Development and Marketing	2,379	7,833	6,818	7,596
Industrial development and investment	4,282	12,976	18,374	16,915
TOTAL	12,253	119,355	129,278	138,040

Table 3. 4: Resource requirements by sub-programmes - Kshs. millions

	Programme	Estimates 2010/11	Estimate 2011/12	Projected Estimates	
				2012/13	2013/14
Sub-Sector 1: Trade					
Programme 1: Trade Development					
1.	Administration and Financial Services	537	81,475	81,863	82,622
2.	Regional Economic Integration	187	224	269	323
3.	Domestic Trade and Investment	459	2,309	6,177	6,281
4.	External Trade	419	1,049	3,350	12,066
5.	Business Premises Rent Tribunal Services	27	97	116	136
6.	Export Market Development & Diversification	187	954	501	560
7.	Economic and Export Processing Zones	327	4,908	4,003	3,099
8.	Fair Trade practices and Consumer Protection	224	402	414	493
9.	Entrepreneurial & Management skills development for SMES	44	202	297	437

	TOTAL	2,412	91,620	96,991	106,016
Sub-Sector II: EAC					
Programme II: Co-ordination of East African Community matters					
10.	Operational EA Customs Union and Common Market	507	697	829	998
11.	EA Monetary Union and Political Federation	241	309	357	441
12.	Harmonized EAC-SADC-COMESA Tripartite Trade Regimes.	280	494	526	669
	TOTAL	1,028	1,500	1,712	2,107
Sub-Sector III: Heritage					
Programme III: National Heritage and Culture					
13.	Research, preservation and promotion of National Heritage	806	1,347	1,199	1,235
14.	National Cultural Services	278	2,233	2,118	2,124
15.	Public records and archives management	214	254	369	480
16.	Public library services	722	1,405	1,477	1,313
17.	Coordination and Regulation of the NGOs Sector	132	187	220	254
	TOTAL	2,152	5,426	5,383	5,406
Sub-Sector IV: Tourism					
Programme IV: Tourism Development and Marketing					
18.	International Tourism promotion and marketing	721	1,970	2,575	3,762
19.	Domestic Tourism promotion and marketing	71	161	171	203
20.	Conference Tourism Development	0	630	426.2	63
21.	Cultural Tourism Development	326	406	358	410

22.	Product Standardization and classification	505	899	1,029	787
23.	Tourism Product Diversification	67	747	180	206
24.	Tourism Infrastructure Development (Resort cities development, KTDC)	408	2,518	1,532	1,565.5
25.	General Planning and administration	281	502	546.6	599
	TOTAL	2,379	7,833	6,818	7,596
Sub-Sector V: Industrialization					
Programme V: Industrial Development and Investment					
	Promotion of Industrial Dev	2,745	9,186	14,662	12,570
	Prov. of Industrial Training	124	210	112	117
	Promotion of Industrial Product	110	810	1178	1,729
	Promotion of R & D	773	790	295	347
	Promotion of IPR	39	264	674	697
	Std & capacity Assess	206	1066	650	650
	Support of MSME	285	650	803	805
	TOTAL	4,282	12,976	18,374	16,915

3.1.5. Resource Requirement by Economic Classification

Table 3. 5: Resource requirements for the Sector by economic classification Kshs. million

	Estimates	Estimates	Projected Estimates	
	2010/11	2011/12	2012/13	2013/14
(1) Current Expenditure	7092	12624.1	16720	27,973
Compensation to Employees	1069	1264	1588	2,050
Use of goods and services	1593.9	3,909	6,715	15,605
Current Transfers Govt. Agencies	4,309	6,769	7,797	9,620

Other Recurrent	121	682.1	620	698
(2) Capital Expenditure	5160	106,731	112,557	110,067
Acquisition of Non-Financial Assets	1222	87,487	91,233	92,710
Capital Transfers to Government Agencies	2,433	12,025	9,521	8,223
Other Development	1505	7219	11803	9134
Total Expenditure	12,253	119,355	129,278	138,040

Table 3. 6: Resource requirement for Sub-sectors by economic classification Kshs. million

Expenditure Classification	Estimates	Estimate	Projected Estimates	
	2010/11	2011/12	2012/13	2013/14
Trade sub-sector				
(1) Current Expenditure	1,601	3,424	6,108	14,924
Compensation of Employees	468	562	753	1,063
Use Goods and Services	511	1,651	3,966	12,277
Subsidies, Grants and Other Transfers	585	1,169	1,338	1,521
Other Recurrent	36	43	50	63
2) Development Expenditure	811	88,196	90,883	91,092
Acquisition of Non financial assets	496	82,789	86,423	87,632
Subsidies, Grants and Other Transfers	307	5,407	4,460	3,460
Other development	8	-	-	-
Total Expenditure	2,412	91,620	96,991	106,016

East African Community

Expenditure Classification	Estimates 2010/11	Estimate 2011/12	Projected Estimates	
			2012/13	2013/14
1) Current expenditure		1285.3	1456.6	1761.4
Compensation to employees	84	122	171	232.6
Use of goods and services	251.9	460	530.2	670
Current transfers to Govt agencies	585	630.2	661.6	708.4
Other recurrent	42.1	73.1	93.8	150.4
2) Capital Expenditure	65	215	255.2	346
Acquisitions of non financial assets	65	215	255.2	346
Capital transfers to government agencies	0	0	0	0
Other development	0	0	0	0
Total	1028	1500	1712	2107

National Heritage and Culture

Expenditure Classification	Estimates 2010/11	Estimate 2011/12	Projected Estimates	
			2012/13	2013/14
1) Current expenditure	1713	2,768	2,699	2,872
Compensation to employees	188	191	194	200
Use of goods and services	252	300	300	300
Current transfers to Govt agencies	1238	1,846	1,868	2,028
Other recurrent	35	431	337	344
2) Capital Expenditure	439	2,658	2,686	2,534
Acquisitions of non financial assets	190	1,687	1,779	1,877
Capital transfers to government agencies	249	971	907	657
Other development				
Total	2152	5426	5383	5406

Tourism

Economic classification	Estimates 2010/11	Estimates 2011/12	Projected Estimates	
			2012/13	2013/14
Current Expenditure				
	1,379	3,093	3,832	5,174
Compensation to Employees	126	133	137	140
Use of Goods and services	332	934	1,086	1,263
Current Transfers to Govt. Agencies	921	2,026	2,609	3,771
Other Recurrent				
Capital Expenditure				
	1,000	4,740	2,986	2,423
Acquisition of Non Financial Assets	0	0	0	0
Grants, Transfers and Subsidies	832	3,811	2,374	1,777
Other Development	168	929	612	646
Total for Programme	2,379	7,833	6,818	7,596

Industrialization

Economic classification	Estimates 2010/11	Estimates 2011/12	Projected Estimates	
			2012/13	2013/14
Industry				
Current expenditure	1,437	2,052	2,625	3,242
Compensation	203	256	333	414
Use of Goods and services	247	563	833	1,095
Current Transfers	980	1,098	1,320	1,592
Other recurrent	7	135	139	141
Capital Expenditure				
	2,845	10,924	15,749	13,673
Acquisition of Non Financial Assets	471	2,797	2,777	2,855
Capital Transfers	1,045	1,836	1,781	2,330
Other Development	1,329	6,291	11,191	8,488
TOTAL	4,282	12,976	18,374	16,915

3.2. Analysis of Resource requirement

Table 3. 7: Gross Resource Requirement Compared to BOPA ceilings - Kshs. million

	Resource requirement 2011/12	BOPA 2011/12	Difference
Recurrent	12,624	7,109	5,515
Development	106,731	4,584	102,147
Total	119,355	11,673	107,661

Table 3. 8: Recurrent Expenditure

	Estimates 2010/11		Estimates 2011/12	
	Requirement	Allocation	Requirement	Allocation
Trade	5,159	1601	3,424	1,548
EAC	977.6	898.4	1,285.3	967
Heritage	2,373	1713	2,768	1,763
Tourism	3,542	1,379	3,094	1,594
Industry	2,053	1,437	2,053	1,237
TOTAL	14,105	7028.4	12,624	7,109

Table 3. 9: Development Expenditure

	Estimates 2010/11		Estimate 2011/12	
	Requirement	Allocation	Requirement	Allocation
Trade	4,808	811	88,196	562

EAC	140	65	215	142
Heritage	1,651	439	2,658	554
Tourism	3,071	1,000	4,738	1,254
Industry	10,030	2,845	10,924	2,072
TOTAL	19,700	5160	106,731	4584

3.10d. Detailed Resource Allocation by Sub-Sector – Recurrent Expenditure

Proposed Resource Allocation – Recurrent						
Vote	Ministry		2010/11	2011/12	2012/13	2013/14
Vote 16	Trade	Gross	1,601	1,680		
		A.I.A	105	132		
		Net	1660	1,548		
		Salaries	501	480		
		Transfers	540	430		
		Others	724	770		
Vote 24	EAC	Gross	977	968		

		A.I.A	1	1		
		Net	976	967		
		Salaries	142	163		
		Transfers	497	0		
		Others	338	805		
Vote 41	Heritage & Culture	Gross	1840	1784		
		A.I.A	22	21		
		Net	1,818	1763		
		Salaries	215	194		
		Transfers	1,256	1220		
		Others	369	370		
Vote 46	Tourism	Gross	1,771	1605		
		A.I.A	271	11		
		Net	1500	1594		
		Salaries	125	130		
		Transfers	1,150	1001		
		Others	496	474		
Vote 60	Industrialization	Gross	1,097	1343		
		A.I.A	109	106		

		Net	988	1237		
		Salaries	218	210		
		Transfers	555	697		
		Others	324	436		
	Total Net Estimates		6,942	7109		

3.10e. Resource Allocation - Development Expenditure

Vote	Ministry		2010/11	2011/12	2012/13	2013/14
Vote 16	Trade	Gross	873	937		
		GOK	550	562		
		Loans	0	0		
		Grants	323	375		
Vote 24	EAC	Gross	155	207		
		GOK	90	142		
		Loans	0	0		
		Grants	65	65		
Vote 41	Heritage & Culture	Gross	481	591		
		GOK	450	554		

		Loans	0	0		
		Grants	31	37		
Vote 46	Tourism	Gross	1,190	1404		
		GOK	1,190	1254		
		Loans	0	0		
		Grants	0	150		
Vote 60	Industrialization	Gross	1,586	2,705		
		GOK	1,070	2072		
		Loans	265	303		
		Grants	251	330		
	Total GOK		3,350	4584		

Table 3.10b: Gross Resource Allocation by Sub-Sector – Summary – Kshs. million

	Sub- Sector	Estimates 2010/11	Estimates 2011/12
1.	Trade	2,060	2,617
2.	EAC	986	1,175
3	Heritage & Culture	2,108	2,375
4	Tourism	2,480	3,009
5	Industrialization	2,098	4,048
	Total	9,732	13,224

CHAPTER FOUR

1.0. CROSS-SECTORAL LINKAGES

1.1. Introduction

This sector falls under the Kenya Vision 2030 economic pillar which focuses on the following sectors; tourism, agriculture and livestock, trade, manufacturing, business process outsourcing and financial services. In executing its mandate, the sector has direct and indirect linkages with other sectors. These include; Governance, Justice, Law and Order; Agriculture and rural development; physical infrastructure; environment, water and sanitation; Macro working group; human resource development; research, innovation and technology; Public Administration and International Relations; and national security. As a result, the programmes, projects and activities within the TTI sector are cross cutting and affect the performance and output of other sectors.

1.2. Sectoral Linkages

These sectoral linkages are manifested in the following dimensions:

(i) Diversification of Exports

The TTI sector works with other sectors with a view to diversify exports through the following direct and indirect initiatives:

- Sensitization of exporters and business communities on potential export markets and opportunities;
- Trade facilitation through removal of non-tariff barriers (NTB);
- Promotion of Kenyan products overseas through trade fairs and advertisements;
- Provision of business incentives to exporters through the various administrative and economic instruments; and
- Policy intervention measures geared towards export diversification.

The sector engages closely with the Macro working group and Public Administration and International Relations sectors towards realization of the sector's objectives.

(ii) Trade negotiations

The sector is the national focal point for co-ordination and implementation of trade negotiations under the Common Market for Eastern and Southern Africa (COMESA), WTO, EPAs and EAC. The sector participated in negotiations forums leading to:-

- The launch of COMESA Customs Union in June 2009 for a transition period of five years;

- The implementation of the EAC Customs Union which came into effect in January 2010, elimination of non-tariff barriers and harmonization of trade documentation procedures;
- Participated in the successful negotiation for the EAC common market protocol which became effective from July 2010;
- Laying down the foundation for negotiations of the monetary union and political federation within the EAC.
- Access to market for manufactured products depends on tripartite trade agreements between the regional trading blocs of EAC, COMESA, and SADC.

The sector liaises closely with the Macro working group and public administration and International Relations to maximize country's trade benefits.

(iii) Provision of Investment incentives

To achieve the sector targets as outlined in Kenya Vision 2030 and the Medium Term Plan (MTP), the sector intends to attract investments by providing the following incentives:-

- Tax holidays;
- VAT and duty waiver for new establishments and materials for refurbishment of tourist facilities and four wheel tour vehicles; and
- Airlines /Charter incentive through Joint Promotional Programmes

The sector works with the macro working group to give investment incentives to foreign investors and manufacturers of goods for exports. This creates employment and brings foreign exchange to the country.

(iv) Security

For rapid social economic transformation, the country requires institutional structures which guarantee security to all. This sector has been working very closely with regional, national and international agencies to ensure a secure environment for investment, tourism development, regional integration and trade. A Police Unit (Tourist Police Unit) and a cross-sectoral National Tourism Crisis Committee have been constituted to coordinate tourism security concerns. At the national level, the sector has been working closely with the national security organs and Governance, Justice, Law and Order Sectors to achieve its targets and mandates.

(v) Infrastructure

According to the Kenya Vision 2030, infrastructural development will play a critical enabling role towards realization of the goals and objectives outlined in the vision. Infrastructural development involves road development and maintenance, affordable and reliable power supply, safe and efficient airports and sea ports, water and sanitation, and telecommunication services. Good infrastructure will ensure easy access to markets, tourist attractions, efficient and

effective movement of imports and exports. The TTI sector has been working closely with the physical infrastructure sector to ensure the infrastructural challenges are addressed.

(vi) Environment

Promotion of environmental conservation is identified as one of the country's specific environmental strategy required to support the economic pillar flagship projects and achieve the Millennium Development Goals. The strategy also will harmonize environment related laws for better environmental planning and governance. The increase in human population and climate change among others, are some of the environmental challenges that adversely affect investments, tourism and economic growth. Locally, the sector should play a leading role in ensuring environmental sustainability through ensuring new and existing businesses, adhere to the best environmental practices. In this regard, the sector works closely with Environment, water and irrigation Sector. The sector also engages with other global agencies on issues related to environmental sustainability.

(vii) Improvement of enabling Business environment

Performance of the TTI sector is affected by multiple regulations by other sectors and Local Authorities. These include numerous licenses and permits issued and administered by Ministries, Government agencies 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 Sector through the Ministry of Finance. An enabling business environment leads to increase in investment portfolio contributing employment creation and consequently economic growth.

(viii) Public Records and Archives Management

Management of public information and archives is critical for preservation of information in all sectors. The TTI sector therefore ensures that all records created by public offices are well managed and documented. To achieve this, the sector collaborates with all other sectors which provide the records for management by the Kenya National Archives and Documentation Service (KNADS). All government departments thus work closely with KNADS on records management, destruction and archiving. The archives serve as reference points to all the sectors that require reference materials held at KNADS.

(ix) National Cohesion

National cohesion and peace are key prerequisites for political stability and consequently economic growth. The sector undertakes programmes and interventions geared towards promoting integration, national cohesion, national values and social cultural development among Kenyan communities. Further, the sector promotes, preserves and maintains Kenya's rich and diverse cultures for national cohesion and identity. Notable programmes currently being implemented by the sector are cultural research, promotion of traditional conflict resolution

mechanisms, promotion of Kiswahili as a national and integrating language, intra community cultural exchange, national dress, community cultural festivals, traditional foods among other symbols of national unity and interventions. The sector works closely with the Governance, Justice, Law and Order sector that is mandated to build national cohesion.

(x) Land

Land is significant resource for socio-economic and political transformation as spelled out in KV2030. This transformation will depend on the formulation and implementation of national land policy which will facilitate the process of land administration, computerization and an enhanced land legal framework. Availability of suitable land, respect for property rights to land and address of human-wildlife conflict are some of the essential requirements for growth of this sector. The sector collaborates with the Agriculture and Rural development; and Environment, Water and Irrigation Sectors to ensure land related concerns are addressed.

(xi) Research and Development

Research and development is an important aspect of the TTI sector that leads to innovation and technology transfer, international benchmarking and adoption of best practices that increase the countries competitiveness in international sphere. The sector collaborates with Macro Working Group; Research, Innovation and Technology sector in R&D investments to ensure increased productivity.

(xii) Financial Access

A stable, functioning financial system is critical to acceleration of economic growth and ensuring macro-economic stability as well as promoting private sector development. The financial sector has witnessed robust activity and access to credit for the last five years which is attributed to continued economic growth supported by modernization of the capital market and reforms within the sector. To ensure financial access, the sector relies on the Special Programmes and Macro Working Group sectors.

(xiii) Human resource development

It is essential to create a globally competitive and adaptive human resource base to meet the challenges of rapidly industrializing economy like Kenya. Provision of adequate number of properly trained personnel is a key requirement for the sector to attain quality product and service targets. To ensure availability of adequate numbers of high skilled manpower, the sector works closely with the Human Resource Development Sector.

(xiv) Availability of industrial raw materials:

Various industries require 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 Sector.

1.3. Conclusion

Cross sectoral linkages are necessary to complement activities of the sector and minimize duplication of roles, activities, programmes and projects. The TTI sector engages the other sectors and stakeholders to ensure harmonization of cross cutting issues.

CHAPTER FIVE

2.0. EMERGING ISSUES AND CHALLENGES

Despite remarkable contribution to socio-economic growth in Kenya, the TTI 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) Inadequate funding

Despite the sector's contribution to the economic growth of the country, it has been inadequately funded such that it has been unable to achieve its intended outputs and/or set higher targets. The TTI sector contributes immensely to the country's GDP both directly and indirectly. It provides both forward and backward linkages in the production process, has a high multiplier effect and creates many jobs., the sector is poorly funded.

(ii) Inadequate 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:-

- Scatter of various policy instruments in different policy documents and legislations which are also administered by different institutions;
- Centralization of the services in Nairobi which leads to increase in cost of doing business;
- Numerous permits and licences which has made doing business cumbersome and costly;
- The regulatory framework is unfavorable to informal sector;
- Lack of appropriate legal framework to enhance compliance both by tourists' establishments and also the training institutions.

(iii) Inadequate infrastructure

The achievement of the TTI sector targets heavily relies on availability of efficient infrastructure. This includes well maintained road network, efficient and safe sea and air ports, working rail transport system, reliable and affordable electricity and efficient communication services. Whereas the Government has endeavoured to address challenges in this regard, the infrastructure is still inadequate, unreliable which has led to low productivity, high production and distribution costs; and 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 thus, further creating disparities in regional and industrial development.

The resultant high cost of doing business has made the country uncompetitive as compared to its neighbouring countries. Recently there has been a rise in cost of energy particularly oil and its

by-products. This has led to increase in the cost of production and distribution of goods and services.

(iv) Insecurity

Security is very important for the sector to attain its targets. Various insecurity concerns such as high crime rates, piracy and terrorism have greatly affected smooth operations of the sector. This has forced private operators in the sector to invest in security programmes and rise of insurance costs. 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.

(v) Declining local and foreign direct investments

In the last decade, both Local and Foreign Direct Investments (FDI) in Kenya has been on the decline, whereas the investment rates of neighbouring countries such as Tanzania and Uganda have been increasing. This could be attributed to a number of socio-economic and political factors that have caused many business enterprises to scale down, close down, or relocate to other countries with better business environment. Kenya therefore requires to put in place corrective measures to attract local and foreign investments.

(vi) Limited Access to Credit facilities and Financial Services

KV2030 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 include:-

- Lack of access to formal financial services such as credit products and trade guarantees has inhibited the competitiveness and growth of MSMEs and community based enterprises in the sector.
- Insurance premiums and interest rates are high and unaffordable to MSMEs.
- Availability of mainly short and medium term financial products while the sector requires long term financing.
- Lack of sustainable funding mechanism to support products and facilities development, refurbish the existing facilities and diversify the sector's activities with a view of opening up of other potential areas.

(vii) 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. They have also

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.

(viii) Low technology, innovation, research and development

Over the decades, budgetary resources for innovation, research and development has been minimal in the TTI sector. As a result,

- there has been limited technological capability and information on international trade opportunities which has led to most industries engaging in the production of low value-added and limited range of products.
- high cost of technology and fear of change has resulted to low technology uptake.
- there are weak linkages between the technology and research providers with the market.
- there is lack of incentives for promotion and use of existing and creation of new knowledge.

This has led to over-reliance on the few traditional exports and traditional tourist markets, uncompetitive and low product quality and diversity and fluctuation in foreign exchange earnings despite the country pursuing an export-led growth strategy. These factors have contributed to limited scope for product diversification and expansion of export base. The narrow product range and focus on few markets have restricted the growth of Kenya's exports and global competitiveness of its products.

(ix) Multiple Memberships to Regional Economic Communities (RECs)

Kenya is a member of various trading blocs such as EAC, COMESA, and IGAD. The Common External Tariff (CET), Rules of Origin (RoO) and other measures such as axle-load limits and transport insurance requirements in these blocs are not uniform. This poses a challenge to the business community in complying with these different trading arrangements which have led to technical barriers to trade and other non-tariff barriers. The sector is also 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.

(x) Weak linkages and collaboration

The mandate of the sector requires collaboration and linkages with several agencies including Government ministries and departments, the Private Sector, the Civil Society and Development Partners. However, there have been instances where mandates and functions of Ministries and agencies overlap.

(xi) Underdevelopment of Micro, Small and Medium Enterprises (MSMEs)

The Micro, Small and Medium Enterprises (MSMEs) in the Sector contributes about 20% of the GDP and creates direct formal employment to Kenyans. However, majority of the micro and small enterprises are informal, rural based and lack adequate managerial and technical capacities which has led to high mortality rate. Due to their economic status, and concentration of big enterprises in major towns, there are weak linkages, inadequate Business Development Services (BDS) and subcontracting arrangements with the medium and large firms. Similarly BDS are not readily available and affordable to most MSMEs. In addition, the growth and graduation of the firms in the sector has not fully realised its 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.

(xii) Low levels of ICT utilization

Information and communication technology has not yet been put into optimum use to facilitate more prudent business processes and efficient delivery of creative/cultural industry 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, low access to technological and market information. This has contributed to a slow process of industrialization.

(xiii) Market Access

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. The challenge facing the sector is to develop policy priorities and strategies to improve competitiveness of Kenyan products in world markets.

(xiv) Inadequate capacity

To effectively address issues on service delivery and realize its mandate, the TTI sector requires adequate human, capital and financial capacities. Currently, most of the sub-sectors indicate the following capacity challenges; understaffing, inadequate facilities and equipment, inadequate office space and field representation, limited ICT connectivity and inadequate budgetary provisions for effective service delivery. There is a need for the sector to address these capacity gaps to achieve the targets in Kenya Vision 2030.

(xv) Environmental Issues

There have been numerous global environmental concerns which generally affect the operations of the TTI sector. Climatic change and unsustainable human activities have led to negative environmental effects including global warming and environmental degradation. This has led to mitigation strategies which affect the sector operations and global competitiveness of the sector

products and services. These include control of carbon emission through carbon tax, call for use of clean and safe energy mechanisms and carbon trading programmes.

(xvi) Global Financial Crisis

Although the global economy is showing signs of recovery, it is not expected to recover soon enough to mitigate the high rates of inflation, energy prices, food prices and exchange rate fluctuation. This will affect achievement of the envisaged sector targets.

(xvii) Regional Integration

The signing and ratification of EAC Common Market Protocol (CMP), provides numerous opportunities for the TTI sector in form of increased market for the sector products and free movement of factors of production, marketing the region as one tourist destination among others. However, the integration process is facing several challenges as regards to the actualization of the protocol. First, most Kenyans and business community are currently unaware of the socio-economic benefits and provisions of the common market and integration process at large. There is also uncertainty in the sub-regional integration process due to perceived fear of loss of national sovereignty, loss of revenues and unemployment. Partner States within the EAC bloc are at different levels in terms of implementation of the CMP. There are also challenges on implementation of the Customs Union due to persistent non-tariff barriers.

CHAPTER SIX

3.0. Conclusion

Trade, Tourism and Industry Sector is a critical sector to spearhead the economic pillar of the KV2030 which aims at ensuring a sustainable GDP growth of over 10% by the year 2012. Four of the six priority sectors for quick wins that will provide impetus to Kenya's efforts to grow the economy at 10% as envisaged in the Vision are; Tourism, Manufacturing, Trade, and Business Processing Outsourcing. The sector plays a significant role in the country's economic growth and development through linkages with all sectors of the economy by creating markets for goods and services, poverty reduction and contribution to the GDP.

Despite the important role the sector plays, the sector faces a number of challenges which hinders full realization of its potential, the major one being inadequate funding from the Government. The 2011 BOPA ceiling of **Ksh. 13.224** billion represents only a 2% share of the total Government expenditure and is far much lower than the Sector request of **Ksh.119.36** billion. This allocation does not commensurate with the sector priorities as contained in the Kenya Vision 2030 and fails to underscore the importance of the sector towards economic growth.

In this regard, there is need for a deliberate reorganization of resource allocation to the MTEF sectors that will lead to Kenya's economic growth and create more opportunities essential for growth giving due consideration to the fact that, the Trade, Tourism and Industry is the major source of government revenue through VAT, income tax, import duties etc.

In the year 2009, the sector implemented various activities and programmes in respect to the development and promotion of tourism, trade, investment, industrialization and enhancement of national cohesion. As a result, the sector registered an increase in the value of merchandise, growth of trade exports, tourism market recovery but decelerated manufacturing growth. The sector also spearheaded the EAC integration initiatives, which led to finalization of negotiations ratification and signing of the Common Market Protocol (CMP).

In order to address the challenge on multiple memberships to different RECs, the sector is participating in the various tripartite meetings within the RECs with a view to harmonizing the various trading arrangements.

4.0. Recommendations

1. In order to enhance Kenya's competitiveness, there is need for support to the Sector focusing on the following:
 - Enhanced funding to the sector,
 - fast tracking regional integration and implementation of the Customs Union and the Common Market Protocol,
 - Diversifying the Kenyan exports,
 - Creating an enabling environment for transformation of informal sector into formal sector,
 - Increase value addition for locally produced products,
 - Encourage innovation in order to reap maximum gains from a changing international and regional trading arrangements,
 - Expanding the product choice and range of tourism facilities to include cultural tourism, sport and community based tourism among others,
 - Promote Foreign Direct Investment to the EAC Partner States,
 - Supporting the development and marketing of cultural products and industries.

2. There is need for the sector to harmonise overlapping functions within the sub-sectors to ensure consistency and avoid duplication of efforts and well coordination of decisions and interventions.