REPUBLIC OF KENYA

STATE DEPARTMENT FOR TRADE

MINISTRY OF INDUSTRY, TRADE AND COOPERATIVES

KENYA NATIONAL AGOA STRATEGY AND ACTION PLAN

2018 - 2023






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Prepared by the Ministry of Industry, Trade and Cooperatives with support from the United States Agency for International Development's (USAID) East Africa Trade and Investment Hub.

MESSAGE FROM THE CABINET SECRETARY

The Kenya National African Growth and Opportunity Act (AGOA) Strategy and Action Plan (2018 – 2023) provides strategies and actions for increasing exports to the United States (U.S.) informed by an analysis of identified priority sectors. The overall approach of the Strategy offers multiple actions in areas ranging from expanding U.S. market share and buyer diversification to trade facilitation, skills development, increasing productivity, trade-support capacity building, and export supply development.

The development of the Strategy and Action Plan demonstrates the commitment of the Government in supporting national export activities. The document also confirms the progress we are making as a country in strengthening our relations with the United States especially in areas of export trade and investment.

The five-year plan (2018 -2023) will require resources to implement including financing trade and investment missions; exhibitions, product development and adaptability activities; awareness campaigns among others. We have given ourselves ambitious targets which we must achieve by 2023. While the apparel sector is considered the leader, it will be necessary to equally improve the performance of the other identified sectors to avoid the over reliance on the apparel sector in the U.S. market. I note with satisfaction that the Strategy has focused on critical sectors whose products have high export potential and which will enable us achieve our set targets. The particular sectors considered in the strategy include apparel, home décor and personal accessories, processed and specialty foods including nuts, flowers, coffee, tea and fresh fruits and vegetables.

The Ministry appreciates the work that has gone into the development of this document and is grateful to the USAID East Africa Trade and Investment Hub which supported the initiative. We look forward to implementing the proposals and action plan that have been presented in the Strategy. It is however, important to point out that the document having been prepared with the public private participatory approach, every one of us will be expected to play his or her part to make sure that the efforts of the government towards implementing the Strategy is fully supported. The business community is encouraged to take advantage of the Strategy and exploit opportunities provided under AGOA.

The Ministry expects to immediately kick-start the implementation of the Strategy by carrying out countrywide awareness and sensitization activities so that our business community is informed of the opportunities therein and how to take advantage of them.

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

FOREWORD

This second Kenya National AGOA Strategy and Action Plan (2018 – 2023) has been developed under the stewardship of the State Department for Trade, with the support of East Africa Trade and Investment Hub. It succeeds the first Strategy which covered the period 2012 to 2016.

The development of the Strategy and Action Plan in the seven sectors involved an in-depth market analysis, high-level conceptual sector reviews, and participatory consultations with industry and administrative key stakeholders in the country at both national and county government levels. The Strategy also took the views and feedback from buyers in the United States. It thus articulates provisions under AGOA which are aimed at increasing Kenya's exports to the United States by providing an in-depth sectoral analysis of the supply side and U.S. end market.

Although Kenya has performed relatively well in the last Strategy in terms of growth of her exports to the United States, there are still challenges and constraints which have affected the exploitation of AGOA opportunities to a very large extent. These include, limited supply capacities, stringent product standards, inadequate understanding of the U.S. market and competition from cheaper origins, among other challenges. The Strategy proposes necessary mitigations to address them.

Implementation of the recommendations and the actions suggested in the Strategy will require full commitment and cooperation of all stakeholders. Kenya can benefit immensely from the opportunities provided in the AGOA within the seven remaining years to its expiry in 2025. The Ministry through State Department for Trade will ensure that the Strategy is fully implemented for the development of Kenya and the strengthening of economic and trade relations between Kenya and the United States.

Dr. Chris Kiptoo, CBS
Principal Secretary
State Department for Trade
Ministry of Industry, Trade and Cooperatives

ACKNOWLEDGEMENT

The Ministry is grateful that the second Kenya National AGOA Strategy and Action Plan 2018 – 2023 has been successfully developed with the highest level of professionalism and dedication. We appreciate without reservation the depth of knowledge that has gone into the work. The informative document that goes beyond just a Strategy will form part of reference material to those interested in the AGOA market.

We therefore, first and foremost acknowledge the invaluable support of the USAID through the East Africa Trade and Investment Hub (the Hub), in making this Strategy development and publication possible. We appreciate both local and international consultants, particularly the lead consultants who were engaged in this assignment for the high level of professionalism they exhibited throughout the work.

Our appreciation goes to the stakeholders who participated in one way or the other during the process of developing the Strategy particularly trade and investment related firms and institutions. We are grateful to the public promotion, facilitation and regulatory institutions that formed the source of information which went into the Strategy. We acknowledge the private sector organizations which worked closely with the consultants by providing inputs necessary for producing the Strategy.

Finally, we commend the Ministerial staff, particularly the State Department for Trade for the efficient facilitation and supervision of the work. Your contribution has enabled a successful completion of the assignment.

TABLE OF CONTENTS

LIST OF FIGURES

LIST OF TABLES

ACRONYMS AND ABBREVIATIONS

ABEC	African Bird's Eye Chillies
AFA	Agriculture and Food Authority
AfDB	African Development Bank
AGOA	African Growth and Opportunity Act
APHIS	Animal and Plant Health Inspection Service
BRICS	Brazil, Russia, India, China and South Africa
CBIK	Centre for Business Information in Kenya
COMESA	Common Market for Eastern and Southern Africa
CRI	Coffee Research Institute
CTC	Crush, Tear, Curl
CTPAT	Customs Trade Partnership Against Terrorism
DFI	Development Finance Institution
DRC	Democratic Republic of Congo
DTF	Distance to Frontier
EAVCA	East Africa Venture Capital Association
EBA	Everything But Arms
EPA	Economic Partnership Agreement
EPC	Export Promotion Council
EPZA	Export Processing Zones Authority
EU	European Union
FDI	Foreign Direct Investment
FPEAK	Fresh Produce Exporters Association of Kenya
FTZ	Free-Trade Zone
GAP	Good Agricultural Practices
GDP	Gross Domestic Product
GMO	Genetically Modified Organism
GMP	Good Manufacturing Practice
GNI	Gross National Income
GSP	Generalized System of Preferences

HACCP	Hazard Analysis and Critical Control Points
HD&PA	Home Décor and Personal Accessories
HS	Harmonised System
HTS	Harmonized Tariff Schedule
ICDC	Industrial and Commercial Development Corporation
IDB	Industrial Development Bank
IFC	International Finance Corporation
IFE	International Floriculture Expo
IFTEX	International Flower Expo
IRI	Information Resources Inc
ISO	International Organization for Standardization
KALRO	Kenya Agricultural and Livestock Research Organisation
KAM	Kenya Association of Manufacturers
KCTA	Kenya Coffee Traders Association
KEBS	Kenya Bureau of Standards
KenInvest	Kenya Investment Authority
KEPHIS	Kenya Plant Health Inspectorate Service
KFC	Kenya Flower Council
KHC	Kenya Horticultural Council
KIPI	Kenya Industrial Property Institute
KIRDI	Kenya Industrial Research and Development Institute
KNCCI	Kenya National Chamber of Commerce and Industry
KPA	Kenya Ports Authority
KPLC	Kenya Power and Lighting Company
KPMG	Klynveld Peat Marwick Goerdeler
KRA	Kenya Revenue Authority
MED_LRG	Medium to Large
MDGs	Millennium Development Goals
MoALF	Ministry of Agriculture, Livestock and Fisheries
MoITC	Ministry of Industry, Trade and Cooperatives
MTP	Medium-Term Plan
NARL	National Agricultural Research Laboratories
NC-AGOA	National Committee on AGOA

NEDS	National Export Development and Promotion Strategy
NITA	National Industrial Training Authority
NTB	Non-Tariff Barrier
NTMS	Non-Tariff Measures
NYC	New York City
PMA	Produce Marketing Association
RTD	Ready-to-drink
SAF	Society of American Florists
SAP	Structural Adjustment Program
SEZA	Special Economic Zones Authority
SHU	Scoville Heat Unit
SME	Small and Medium Enterprises
SO	Strategic objective
SPS	Sanitary and Phytosanitary
SSA	Sub-Saharan Africa
The Hub	East Africa Trade and Investment Hub
UAE	United Arab Emirates
UNCTAD	United Nations Conference on Trade and Development
UPS	United Parcel Service
U.S.	United States of America
USDA	U.S. Department of Agriculture
USITC	United States International Trade Commission
WRAP	Worldwide Responsible Accredited Production
WWFSA	Wholesale Florists & Florist Supplier Association

EXECUTIVE SUMMARY

i) Background

The Kenya National African Growth and Opportunity Act (AGOA) Strategy and Action Plan provides strategies and actions for increasing exports to the U.S., informed by an analysis of identified priority sectors.[1] The overall approach of the Strategy includes multiple actions in areas that range from expanding U.S. market share and diversifying buyers to facilitating trade, to developing skills, increasing productivity, building trade support capacity and developing export supply.

Early in the Strategy development process, the State Department for Trade and other export-related stakeholders under AGOA selected several sectors for market and supply analysis; products with high export potential to the U.S. including apparel, home décor and personal accessories, processed and specialty foods, flowers, coffee, tea and fresh fruits and vegetables were identified. Stakeholders discussed the findings of both supply and U.S. end market analyses at validation workshops, during which they also deliberated on proposed strategies and actions for each sector.

This Strategy and Action Plan also contains a review of the relevant economic, investment and business climate context, Kenya's performance in exporting to the U.S. under AGOA for the 2012-2016 period, identified challenges and constraints, benchmarking of competitive factors, sector supply overview and a proposed action plan for the seven identified cluster sectors.

ii) Key Findings

Kenya's top exports to the U.S. comprise woven apparel, knit apparel, coffee, tea and macadamia nuts. The country's total exports globally maintained an average of US$5.6 billion during the 2012-2016 period. In contrast, exports to the U.S. grew from US$389.5 million in 2012 to US$551.5 million in 2016, while Kenya's AGOA/GSP exports grew from US$293 million in 2012 to US$393 million in 2016. Exports in the seven sectors identified in this Strategy increased in value and continue showing growth potential. Exports of tea, coffee, fresh produce and processed/specialty foods grew above the average although Kenya's share of the U.S. import market ranges from less than 1% to 6.8% of all U.S. imports.

Despite the limited share, Kenya remains one of the top performers of non-oil exporters under AGOA with apparel accounting for the majority of the exports. Due to its size and linkages with large U.S. buyers, this sector presents strong growth potential. However, in order to reduce the risk of over-reliance on apparel, this document emphasises the importance of promoting other high potential growth sectors.

[1] Development of the Strategy and Action Plan was informed by supply and end market analysis, a high-level conceptual sector review, interviews with companies and key stakeholders in Kenya, feedback from buyers in the U.S., the East African Trade and Investment Hub's (the Hub) experience in supporting AGOA activities and a participatory process involving seven validation meetings with key stakeholders.

The Strategy also identifies progressive value addition as an avenue for greater export product diversification, and highlights the home décor and personal accessories sector as a growth area if products are developed, designed and priced for the niche market. However, due to the mostly artisanal manufacturing processes, production in the sector is still limited.

Other sectors earmarked for possible growth through value addition are agriculture-based and include fresh produce and commodities such as tea and coffee, and specialty foods. If supply, quality and distribution constraints are resolved, U.S. demand for these products could grow exponentially.

iii) Challenges

The U.S. market in general and AGOA preferences in particular provide good opportunities to attract investors that could strengthen market linkages, transfer technology and provide capital and know-how to Kenya. However, the Strategy flags insufficient investment in the identified sectors as a continuing concern. In order to achieve Vision 2030 growth rates, Kenya should increase its efforts towards investment promotion.

Although Kenya has performed relatively well in exporting to the U.S., the country still faces constraints that limit its export growth, related to low capacity of export companies and inadequately resourced support institutions. Some cross-sectoral constraints identified during stakeholder consultations include:

a) Lack of AGOA awareness by companies and public sector agencies
b) Limited awareness of the U.S. market and commercial practices
c) Small and medium enterprises' (SMEs) limited export supply and capacities for large export markets such as the U.S.
d) Limited capacities to meet U.S. standards and buyer requirements
e) High cargo freight costs and extended delivery time to the U.S.
f) Inadequate trade financing and investments for export expansion of SMEs

g) Limited institutional capacity for supporting AGOA

h) Non-Tariff Barriers (NTBs) and business climate constraints related to exporting to the U.S.

i) Lack of competitiveness, low productivity, poor quality and negative impact of climate change on the agricultural sector

Despite trade opportunities arising from tariff preferences provided under the AGOA and the General System of Preferences (GSP), Kenya is yet to fully exploit the U.S. market. For instance, in 2016, the U.S. imported apparel worth US$83 billion while Kenya only exported US$340 million worth of apparel to the U.S. during the same period. In 2016, U.S. home décor and accessories imports amounted to US$18.1 billion of which Kenya's exports only accounted for a total of US$3.1 million, demonstrating a significant opportunity for Kenya to work with stakeholders to expand its U.S. market share.

iv) Action Plan to Increase AGOA Exports

This Strategy and Action Plan presents stakeholders' joint vision to expand Kenya's exports to U.S. for national economic prosperity. Consistent support to the selected sectors is critical for the success of the Strategy and further improvement of the enabling environment for exports. The U.S. market is dynamic as new products are frequently launched in the market. Exporters should therefore expect competition in every instance, including in niche products. This Strategy proposes specific sector actions towards improving exports and will require effective coordination, adequate resources and commitment from the public sector for its success.

This five-year plan takes into consideration the U.S. market demand and Kenya's supply capacity identified through feedback obtained from key stakeholders in various engagements and from the Strategy's validation meetings. The proposed strategies are presented in two categories, namely cross-sector and sector-specific strategies and actions for each of the seven sectors. The Strategy also identifies target products with short-term and mid-term potential. It projects total exports to the U.S. will increase by 100% from US$552 million in 2016 to US $1,105 million by 2023.

The Ministry of Industry, Trade and Cooperatives and the National Committee on AGOA (NC-AGOA) will oversee implementation of the Strategy. The two entities should determine the necessary resources required and ensure their allocation for effective implementation while maintaining a keen focus on companies and products with already-identified buyers for quick results. Some products or sectors may have longer timelines for achieving desired results. This is because new trade relationships with U.S. buyers may take some time to develop, or because the associated value chains may have gaps that are more complex to resolve.

Relevant government departments and parastatals led by the Export Promotion Council (EPC), and sector associations will implement the activities together with export companies. It is envisaged that the U.S. market information, training and specialised technical assistance will be available to contribute to the process. In addition, regulatory and promotion institutions such as Export Processing Zones Authority (EPZA), Kenya Investment Authority (KenInvest) and the Kenya Bureau of Standards (KEBS), among others, are expected to undertake specific roles, particularly with regard to strengthening quality standards, supporting organised producer groups and other exporters to develop and consolidate their export supply from both rural and urban areas.

v) Key Recommendations

During the consultations and meetings, stakeholders recommended:

1) Increasing AGOA awareness and knowledge in the private and public sectors
2) Deepening the understanding of the U.S. market and key competitors in targeted sectors
3) Improving supply capacity and productivity of SMEs in the target sectors
4) Supporting exporters' compliance with the U.S. market requirements and standards
5) Achieving competitive ocean and air freight costs and delivery time to the U.S.
6) Providing timely and competitive trade and investment financing to exporters particularly the SMEs
7) Removing non-tariff barriers (NTBs) to trade and improving climate for investment
8) Enhancing institutional capacity to support exporters to utilize AGOA
9) Improving exporting sectors' competitiveness, productivity and resilience against negative impacts of climate change.

1

INTRODUCTION

1.1 Background

In order to support economic growth in developing countries, the U.S. has formulated various programmes to grant preferential U.S. market access for products from these countries. For sub-Saharan Africa (SSA), preferential access is provided through AGOA. Signed into law by President Bill Clinton on 18th May 2000, the Act provides for duty- and quota-free entry of eligible exports into the U.S. from eligible sub-Saharan African countries including Kenya.

AGOA extended the GSP program - a U.S. trade program established on 1st January 1976, by the Trade Act of 1974. The GSP was designed to promote economic growth in the developing world by providing preferential duty-free entry for up to 4,800 products from 104 independent countries and 17 territories and non independent countries[2], including Kenya. Currently AGOA has 6,421 eligible duty free product tariff lines for AGOA-eligible countries.

18/05/2000

The date the AGOA was signed into law by President Bill Clinton.

6,421

Number of eligible duty-free product tariff lines for AGOA-eligible countries.

[2] **Source:** https://ustr.gov/sites/default/files/gsp/Beneficiary%20countries%20March%202018.pdf

Kenya has achieved considerable success in utilising the trade preference offered under AGOA. By 2016, the U.S. was Kenya's second largest export market. There is still considerable potential for the expansion of exports in view of the 10-year extension of AGOA to 2025.

This Strategy reviews the economic and export performance of Kenya under the first Kenya National AGOA Strategy (2012-2016), undertakes value chain analysis in relation to the benefits accruing from AGOA and proposes a selection of high-potential exportable products to the U.S. It also reviews the business environment, investment policy in Kenya and competitive benchmarks for transport and logistics, as well as other trade facilitation services. The Strategy recommends and proposes cross-cutting and selected product-specific actions necessary to address both supply and end market issues that negatively impact competitiveness of export products and investment attraction. It thus analyses several product sectors to assess the status, potential, challenges and recommendations to support full utilisation of the AGOA market opportunity.

1.2 Mandate of the State Department of Trade

The mandate of State Department for Trade is focused on international trade, trade development policy, promotion of retail and wholesale markets, development of micro and small enterprises, fair trade practices, consumer protection and private sector development. The mandate thus includes Kenya's trade with various regional cooperation and trade preference programs such as AGOA.

1.3 Justification of the Strategy

Kenya is among the top SSA countries exporting non-oil products to the U.S. under AGOA. The major exports are textile and apparel yet there are a number of products that could perform equally well in the U.S. market. The experience from the first Kenya National AGOA Strategy (2012-2016) showed that Kenya has the potential to increase exports, diversify and introduce new products in the U.S. market, hence the need to develop a second strategy to address this potential. The renewal of AGOA up to 2025 provides the impetus for AGOA-eligible countries such as Kenya to strategize on how to take advantage of the program. This Strategy provides a road map to fuller utilisation of AGOA provisions.

1.4 Objective of the Strategy

The goal of the Kenya National AGOA Strategy is to increase exports to the U.S. by 10.4% annually[3] in support of 20% annual export growth rate in the National Export Development and Promotion Strategy. Its specific objectives are to:

1) Increase AGOA awareness and knowledge in the private and public sectors
2) Increase understanding of the U.S. market and competition in targeted sectors
3) Support Kenyan exporters' compliance with U.S. market requirements and standards

[3] The National Export Development and Promotion Strategy has set the aim of growing exports by 20% in five years. Target sectors are agriculture, livestock and livestock products, manufacturing, handcrafts plus textiles and apparel. Identified target markets expected to absorb increased Kenyan exports are Uganda, Tanzania, DRC, Rwanda, South Sudan, Egypt, Germany, Belgium, Pakistan, the Netherlands, United Kingdom and the U.S. Kenya will also improve trade balance with India and China. The two countries have become Kenya's competitors for the regional market.

4) Provide a competitive business environment to attract investments and improve trade facilitation with the U.S. including:
   a. Timely and competitive trade and investment financing to SME exporters
   b. Competitive sea and air cargo freight costs and delivery time to the U.S.
   c. Institutional capacity to support exporters to utilise AGOA
   d. Adoption of research and modern technology in export supply chains including at farm, post-harvest and processing levels

To achieve the export target, the Strategy prioritized the following sectors: apparel, home décor and personal accessories, processed and specialty foods, flowers, coffee, tea, and fresh fruits and vegetables. The full implementation of this Strategy will contribute to the realisation of the National Export Strategy Vision of transforming Kenya's economy through exports of value-added goods and services.

1.5 Anchoring Policies and Development Process of the Strategy

The Kenya National AGOA Strategy and Action Plan is developed in the context of Kenya's long-term policy blueprint, Vision 2030. Developed in cognisance of the Constitution of Kenya 2010, which establishes two levels of government - the national and county governments. The Strategy is also informed by various policies and strategies that aim to spur economic growth through effective participation in domestic as well as international trade.

The National AGOA Strategy and Action Plan is therefore aligned to the following strategic policy documents, among others:

i) **The Kenya Vision 2030** is the national long-term development policy that aims to transform Kenya into a newly-industrialising, middle-income country providing a high quality of life to all its citizens in a clean and secure environment. In its Economic Pillar, the policy envisages the creation of a stable economy that attracts and retains investments with a focus on agriculture, manufacturing and trade. The pillar contributes to the goal of creating a globally competitive and prosperous country with a high quality of life, achieving newly-industrialised and middle income country status by 2030 and meeting the Millennium Development Goals (MDGs).[4] By supporting diversified, balanced and strong value-added industry, improved productivity and export skills, the focus on the U.S. market will assist Kenya to integrate with the rest of the world through export expansion and market diversification, within the scope of its national vision.

ii) **The Medium-Term Plan.** Kenya's Vision 2030 is being implemented in successive five-year Medium Term Plans (MTPs) with the first covering the period 2008 – 2012. Kenya's overall economic policy seeks to address persistent security challenges and infrastructure bottlenecks, while

[4] Kenya Vision 2030 priority investment sectors are: infrastructure, energy, science and technology innovation, tourism, agriculture and livestock, manufacturing, business process off-shoring and financial services.

preserving macroeconomic stability. On the fiscal side, this entails substantial infrastructure investment that also supports exports under AGOA. This Strategy will be implemented within the context of the third MTP 2018-2022, under preparation.

iii) **The Industrial Transformation Strategy** and **the National Export Development and Promotion Strategy** address issues related to product and market diversification, value addition, enhanced productivity and non-traditional exports, among others. Many of the key products and selected proposed actions of the National Export Development and Promotion Strategy (NEDS) such as tea, coffee, horticulture, agro-processing, textiles and apparel and leather; as well as increasing manufacturing output, are contextualized in this Strategy.[5]

iv) **The National Trade Policy** aims to transform Kenya into a competitive export-led and efficient domestic economy. The policy covers export development and promotion for both domestic and international trade. The policy is based on the Kenya Vision 2030 blueprint. It addresses among other issues, functional undertakings on the coordination of regional trade matters under regional configurations such as the East African Community (EAC), the Common Market for Eastern and Southern Africa (COMESA) and the European Union (EU). The policy thus provides for formulation of strategies (e.g. the Kenya National AGOA Strategy) and programs for implementation of bilateral, regional and multilateral trade arrangements as well as formulation and implementation of the export development strategy. The policy further recognizes the need for promotion of counties as centres of production and export product diversification by use of e-portals and capacity-building activities.

[5] Strategic objectives of the AGOA Strategy are largely aligned with the National Export Development and Promotion Strategy.

v) **The Kenya National AGOA Strategy 2012-2016** contributed valuable lessons, especially with regard to challenges in implementing programmed strategic interventions as discussed in section 1.6.

The Strategy development process was carried out at the international (U.S.), national and county levels with the Ministry of Industry, Trade and Cooperatives (MoITC) as the lead government stakeholder ministry through the State Department for Trade. The process entailed interviewing stakeholders on issues, constraints and opportunities at the sector, product and individual firm levels, as well as getting views from U.S. importers. The field interviews provided an opportunity for counties - key producers of export items - to contribute to the Strategy.

Data and information collection methods included participatory approaches using both structured and unstructured instruments. Unstructured engagement involved key informant discussions which enriched qualitative information gathering, while the structured questionnaire was administered for purposes of gathering quantitative data. The primary data was thus gathered through:

i) Stakeholder consultative forums (presentation of inception report, meetings)
ii) Key informant interviews
iii) Focus group discussions (both national and county levels)
iv) Validation Workshops

Secondary data was gathered through desk research and literature review using relevant reports, policy documents, books, journals, magazines and website materials, among others.

1.6 Lessons Learned from Kenya National AGOA Strategy 2012 -2016

The first Strategy illuminated Kenya's potential to maximize gains from AGOA and further served to guide the country's engagement with the U.S. with regard to trade expansion. The Strategy was also instrumental in clearly articulating Kenya's position and successfully lobbying for AGOA extension to 2025. Through the policy component of the Strategy, Kenya successfully mobilised other eligible SSA countries to lobby the U.S. for the extension.

Trade between the U.S. and Kenya expanded in 2016 with exports to the U.S. rising from US$389.5 million in 2012 to US$551.5 million, with imports from the U.S. decreasing from US$568.6 million in 2012 to US$393.9 million in 2016. This indicates that with a well-designed and implemented Strategy, Kenya could gain immensely from trade with the U.S.

However, several challenges negatively impacted the optimal implementation of the Strategy. Weak institutional structure for implementation of the Strategy was a major challenge; the National Committee on AGOA – tasked with spearheading implementation of the Strategy – was not well-resourced and could therefore not properly undertake the programmed activities. The next strategy should therefore, strengthen and resource the National Committee on AGOA.

The Strategy was inadequately publicized to the relevant stakeholders and the envisaged sensitization only partly undertaken due to lack of resources. Of the four sub-committees (Policy and Advocacy, Agriculture, Textile/ Apparel and Non-Agriculture) only the first properly carried out its planned activities as per the Strategy. Sub-committee representation was irregular as institutions kept designating different officials for committee meetings which hampered the performance of the Strategy.

The State Department for Trade did not adequately emphasize the implementation of the Strategy. This was reflected in low allocation of budget and human resources to coordinate the activities of the National Committee on AGOA whereas the Strategy envisioned that each sub-committee would be supported by a secretariat comprising skilled personnel to deliver on key actions outlined in the Strategy.

2

SITUATION ANALYSIS

2.1 Country Overview

With a gross national income (GNI) averaging US$1380,[6] Kenya is the fifth largest economy in SSA and is considered the economic, financial and transport hub of eastern Africa. Its coastline boasts well-developed infrastructure around the city of Mombasa along the Indian Ocean. Investment and industrial activities in Kenya have historically been concentrated around areas with links to external powers and influence. Indicators pointing to expansion and stability in macroeconomic environment include low oil prices, a rebound in tourism, strong remittance inflows and government-led infrastructure development initiatives. Kenya's stability has created a growing entrepreneurial middle class, which has risen by about 5% in the last eight years.

5%

Percentage increase in Kenya's entrepreneurial middle class in the last eight years.

$1380

Kenya Gross National Income per capita (World Bank 2017)

[6] World Bank 2016 Data. https://data.worldbank.org/Country/Kenya

In 2008, Kenya launched its economic blueprint, the Kenya Vision 2030, which aims to achieve sustained annual economic growth of 10% in a prosperous, globally competitive country with a high quality of life by 2030. The implementation of Kenya Vision 2030's first MTP led to rapid growth in investment in infrastructure, manufacturing and general economic activities. Kenya has undertaken a number of reform processes in the investment climate, which has undergone continuous improvement by successive governments and led to Kenya being increasingly favourably ranked in the Ease of Doing Business, as annually reviewed by the World Bank. The journey to the current state of regulatory, business and investment policy environment has been gradual and continues to produce good results in terms of investment attraction, export performance and enhanced tourist arrivals.

Kenya has an elaborate Public Private Partnership Act, which came into effect in 2013. The Act aims to increase the country's ability to attract and engage the private sector in major public projects including infrastructure development. Private sector participation in these projects, which are typified by huge financial outlay, helps to resolve funding gaps that had previously hindered national development. The Act provides a uniform legal framework for the private sector to participate in financing, building and operating infrastructure services and facilities through concessions or other contractual arrangements with the government. In order to address inadequacies in infrastructure, which limit competitiveness and economic growth, and in order to increase resources for public investments, Kenya started to raise funds in the international capital markets and issued the first sovereign bond offering in mid-2014. Some of these resources have been allocated to infrastructure with the involvement of foreign investors through public private partnerships (PPPs). The new railway connecting Mombasa and Nairobi, and improvements in the port at Kisumu, are aimed at significantly reducing inland freight costs.

The business climate in Kenya is also strengthened by provisions in the Constitution of Kenya 2010 on the protection of private property.[7] The country is also committed to international treaties to which it is a signatory, with such treaties and international protocols forming part of Kenya's laws.

The agricultural sector directly contributes 26% of the gross domestic product (GDP) and a further 27% indirectly through linkages with other sectors.[8] The sector employs more than 40% of the total population and provides 75% of rural employment including through crop and livestock activities. Over 75% of agricultural output is from small-scale, rain-fed farming or livestock production. Over 65% of export earnings are generated from the agricultural sector. However, the sector is vulnerable to drought-related challenges leading to periodic food shortages. Industrial manufacture and processing, particularly of consumer products, contributed 9.2%[9] of the GDP by 2016 and is an important source of employment.

2.2 The African Growth and Opportunity Act

This section provides an overview of AGOA and Kenya-U.S. export performance. It details the requirements for duty-free treatment, rules of origin, including apparel rules of origin, AGOA visa requirements and procedures.

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[7] Constitution of Kenya 2010, Article 40

[8] UN Food and Agriculture Organization (FAO) Representative Office in Kenya. www.fao.org/kenya/fao-in-kenya/kenya-at-a-glance/en Retrieved 25th February 2018

[9] Economic Survey 2017, Kenya National Bureau of Statistics, page 23, Table 2.2, Gross Domestic Product by Activity.

2.2.1 Overview of AGOA

AGOA is a trade preference initiative signed into law by the then President Bill Clinton on 18th May, 2000. It provides duty-free entry into the U.S. market for eligible exports from qualified SSA countries including Kenya. AGOA extends the GSP program, allowing duty-free entry for approximately 2,000 new tariff line items, most significantly: textiles and apparel, which is not typical of regular GSP. GSP is another U.S. trade program designed to promote economic growth in the developing world by providing preferential duty-free entry for products from 129 designated beneficiary countries and territories including Kenya. The U.S. Trade Act of 1974 instituted the GSP on 1st January 1976.

Since the first enactment, there have been four extensions of AGOA in August 2002, July 2004, December 2006 and June 2015. The current phase of AGOA expires in September 2025. Currently, over 6,400 products are eligible for duty-free and quota-free U.S. market entry under the program.

2.2.2 Export Performance under AGOA

Table 1: Sub-Saharan Africa – All AGOA Exports (US$ Million)

	2012	2013	2014	2015	2016
All SSA countries AGOA Exports to U.S.	34,975	26,932	14,411	9,439	10,752
Total Kenya AGOA + GSP Exports	389.5	452.3	591.3	573.1	551.5

Source: *USAID East Africa Trade and Investment Hub with AGOA trade data from US-ITC*

The major exports under AGOA are crude oil and energy-related products, accounting for up to 48% of all AGOA U.S. imports. The exports of non-oil and gas products have been increasing up to almost half of all U.S. imports from SSA under AGOA and GSP. The main products are apparel, agricultural products (cocoa beans, mangoes, tea, coffee beans, raw tobacco), motor vehicles, processed foods, home décor and fashion accessories.

$174.7 MILLION

Decrease in Kenya's imports from the U.S. from US$568.6 million in 2012 to US$393.9 million in 2016.

$103 MILLION

Increase in Kenya's AGOA/GSP exports to U.S. from US$293 million in 2012 to US$396 million in 2016.

$162 MILLION

Increase in Kenya's exports to the U.S. from US$389.5 million in 2012 to US$551.5 million in 2016.

SEPTEMBER 2025

When the current phase of AGOA will expire.

Over 350,000

Number of direct jobs, and over 1,000,000 indirect jobs, generated in SSA countries through the AGOA initiative

AGOA has had a positive impact in SSA countries; the initiative has generated over 350,000 direct jobs, and over 1,000,000 indirect jobs. While Table 1 indicates that the value of all SSA AGOA exports (minus GSP) decreased from US$34.9 billion to US$10.7 billion between 2012 and 2016, Kenyan AGOA/GSP exports to U.S. increased from US$293 million to US$396 million. Kenyan AGOA/GSP exports to U.S. reached a high of US$434 in 2015. The drop in SSA exports could be attributed to lower oil prices and the 2009 economic crisis that reduced U.S. demand for imports. The most affected countries were oil exporters such as Nigeria, Angola and Chad.

Table 2: Top AGOA Export Countries (US$ Million)

Country	2012	2013	2014	2015	2016
Nigeria	17,563	10,823	2,801	1,408	3,485
South Africa	3,678	3,668	3,116	2,859	2,843
Angola	7,247	6,711	4,384	1,831	1,999
Chad	2,377	2,398	1,633	1,479	775
Kenya	293	343	423	434	396
Lesotho	301	321	289	299	295
Mauritius	175	200	227	218	201
Madagascar	2	4	4	44	97
Ghana	61	92	80	34	66

Source: *USAID East Africa Trade and Investment Hub Analysis of USITC Data.*

Kenya is among the top AGOA exporters of non-oil products in SSA. As shown in Table 2, in 2016, the country was the fifth top exporter under AGOA ahead of Ghana and Lesotho. It is the second best non-oil exporter to U.S. after South Africa.

2.2.3 Rules of Origin (ROO) for AGOA Products

The following are conditions for products originating from eligible AGOA countries to enter the U.S. market duty-free under AGOA:

a) The product must be imported directly from the AGOA-beneficiary country into the U.S.

b) Items must be the "growth, product or manufacture" of one or more AGOA-beneficiary countries (these requirements can be met jointly by more than one AGOA beneficiary in a concept known as 'cumulation of origin').

c) Products may incorporate materials sourced from third countries (i.e. non-U.S. and non AGOA-beneficiary) provided the sum of the direct cost or value of the materials produced in one or more designated AGOA-beneficiary country(ies), plus the "direct costs of processing" undertaken in the AGOA-beneficiary country(ies), equal at least 35% of the product's appraised value at the U.S. port of entry. This means that the cost of local materials plus direct cost of processing must be more than or equal to 35%.

d) In addition, a total of up to 15% of the 35% local content value (as appraised at the U.S. port of entry) may consist of U.S.-originating parts and materials. This concept is called "bilateral cumulation of origin".

e) Certificates of origin must be issued by the designated competent authority. Kenya Revenue Authority (KRA) is the designated competent authority for issuance of all preferential Certificates of Origin in Kenya. The Authority issues two types of certificates namely the AGOA textile certificate, and VISA for apparels; and GSP certificate for all

other articles covering both the GSP scheme and AGOA. The GSP certificate is for non-textile products including commercial crafts (home décor and personal accessories), fruits, tree nuts, preparation of fruits and vegetables and cereals, among others.

f) The U.S. importer must request duty-free treatment under AGOA on the relevant customs entry form (Form 7501) by placing "D" in column 27 before the U.S. tariff number identifying the imported article.

2.2.4 AGOA Apparel Provision

AGOA provides duty-free and quota-free treatment for eligible apparel articles made in qualifying SSA countries which include Kenya. Key elements of the Apparel Provision are listed below:

a) **Product Visa system**. Eligible SSA countries wanting to export apparel duty-free into the U.S. under AGOA must first be certified as having complied with the "Wearing Apparel" provisions. This entails establishing an effective product visa system to prevent illegal transhipment or the use of counterfeit documentation, as well as having instituted required enforcement and verification procedures. This is called the **"AGOA Visa"** which is only required for Apparel and Category (0) textile exports. The visa is an arrangement that establishes documentary procedures for each shipment of AGOA-eligible apparel products from Kenya to the U.S. The AGOA visa stamp is issued by the designated competent authority which affixes it on the commercial invoice. In Kenya, the competent authority is the KRA Customs Department. Information on how to register and get AGOA visa can obtained from the State Department for Trade, Kenya Association of Manufacturers (KAM), Export Promotion Council (EPC), Kenya Revenue Authority Customs Departments and EPZA, among others.

b) **Third Country Fabric Provision**. Under a Special Rule for lesser-developed beneficiary countries, apparel made from fabric originating anywhere in the world enjoys an additional preference in the form of duty-free/quota-free access subject to a cap of 3.5% of prior year's total imports of that product into the U.S.

c) **Apparel made from U.S. fabric, yarn, and thread** is provided with duty-free and quota-free access to the U.S. market without limitations. Such apparel may also have been "embroidered or subject to stone-washing, enzyme-washing, screen-printing or other similar processes."

d) **Apparel made from domestically produced fabric and yarns,** or from fabrics and yarns produced in AGOA-beneficiary countries in SSA, qualifies for preferences. Such market access into the U.S. is subject to a quantitative restriction. Currently there is a combined cap for apparel made of third country fabric, amounting to 7% of prior year U.S. imports of all garments.

e) **Apparel otherwise eligible for preferential treatment under AGOA** shall not be ineligible for the duty-free benefits simply because the article contains certain interlinings of foreign origin, as long as the value of such interlinings (and any findings and trimmings) does not exceed 25% of the cost of the components of the assembled apparel article.

f) **Manufacturers of apparel wishing to export duty-free to the U.S. under AGOA** are required to "maintain complete records of the production and the export of covered articles, including materials used in the production, for at least two years after the production or export." For this purpose, manufacturers are required to draw up and sign a "Certificate of Origin."

2.2.5 Textile and Textile Articles (Category 0)

AGOA expanded benefits to textile articles originating entirely in one or more lesser developed beneficiary SSA country (ies). This provision extends preferential treatment to textile articles such as fibres, yarns, fabrics, and made-up goods (i.e., towels, sheets, blankets, floor coverings). It is implemented through the AGOA Visa Arrangement, under Category 0.

2.2.6 Hand-loomed/Handmade/ Folklore Articles/Ethnic Printed Fabrics (Category 9)

AGOA provides duty- and quota-free benefits for hand loomed, handmade, folklore articles, or ethnic printed fabrics, made in eligible SSA countries. This provision is known as "Category 9." This extends duty-free treatment to articles that may not otherwise qualify for AGOA if they are completely handmade and hand loomed and do not include any modern features such as elastic or zippers, etc.

2.2.7 Footwear

All footwear from the AGOA countries are duty-free, provided that it meets the rule of origin. The rule of origin for footwear under AGOA is a change to headings 6401 through 6405 from any heading outside that group subject to a regional value content of not less than 35% of the appraised value of the product. The 35% must comprise the sum of the cost of the materials produced in any one or a combination of AGOA countries, and the direct costs of processing operations performed in any one or a combination of AGOA countries.

2.2.8 Non-Textile Travel Goods

All non-textile travel goods from the AGOA countries are duty-free provided they meet the rule of origin. The rule of origin for non-textile travel goods is a change to subheading 4202.11, 4202.19-4202.21, 4202.29-4202.31, 4202.39-4202.91, or 4202.99 from any other chapter, provided there is a regional value content of not less than 35% of the appraised value of the product. The 35% value conditions is the same as the above footwear requirements.

Note: The AGOA preference program offers duty benefits for some textile travel goods (Exporters should check the specific HTS on *www.agoa.info* for product eligibility).

400%

Increase in Kenya's exports to the U.S. from US$110 million in 2000 just before introduction of AGOA preference to US$551.5 million in 2016

2.3 Kenya's Trade with the U.S.

Kenya exports mainly primary agricultural products, while importing mainly high-value capital and finished products. Agricultural exports contribute close to two-thirds of Kenya's exports, concentrated on a few products (such as tea, coffee and horticulture). The main export destination for agricultural products is Europe while EAC and COMESA are the largest markets for manufactured goods, except apparel, which is mostly exported to the U.S. under AGOA.

Table 3 shows that Kenya's total exports to the U.S. increased 400% from US$110 million in 2000 just before the introduction of AGOA preference to US$551.5 million in 2016. This is compared to 65.9% U.S. import growth from US$237.5 million in 2000 to US$393.9 million in 2016. Major contributors to export growth include nuts (macadamia), tea, processed fruits, tobacco and apparel made of man-made fiber while coffee and fresh produce

Table 3: Comparison of Kenya Merchandise Trade with U.S. and with the Rest of the World (US$ Million)

Year	Kenya exports to U.S.	Kenya exports to rest of world	% Kenya exports to U.S. to Kenya global exports	Kenya imports from U.S.	Kenya imports from rest of world	% Kenya imports from U.S. to Kenya total imports	Balance of trade Kenya–U.S.
	(a)	(b)	(a/b)100	(c)	(d)	(c/d)100	(a – c)
2000	**110.2**	**1,734***	**6.4**	**237.5**	**3,105.0***	**7.6**	**-127.3**
2012	389.5	6,134.4	**6.3**	568.6	16,282.1	**3.5**	**-179.1**
2013	452.3	5,537.0	**8.2**	635.7	16,394.5	**3.9**	**-183.4**
2014	591.3	6,111.9	**9.7**	1,640.7	18,386.1	**8.9**	**-1,049.4**
2015	573.1	5,616.7	**10.2**	943.4	19,421.3	**4.9**	**-370.3**
2016	551.5	5,663.0	**9.7**	393.9	14,315.6	**2.8**	**157.6**

Source: *Analysis by Author from https://www.census.Gov>balance*

Foreign Trade – U.S. Trade with Kenya. Figures are on nominal basis and not seasonally adjusted. The figures are rounded. *www.wo.org* International Trade & Market Access DataITC and UNCOMTRADE data Centres. *Retrieved on 8th April, 2017.*

sustained their export volumes. Meanwhile, during the period 2012-2016, Kenya's total exports to the world averaged US$5.6 billion. The growth of Kenyan exports to the U.S. could further be attributed to a combination of several internal and external factors such as:

a) The results of first Kenya National AGOA Strategy 2012 implementation especially on policies and trade facilitation, such as the extension of AGOA and third country fabric provision to 2025

b) The attraction of investments by the EPZs

c) Growing global concerns about Corporate Social Responsibility (CSR) that caused multinational apparel firms to look for new suppliers outside low-cost Asia

d) Kenya's relatively competitive labour costs and availability of skilled workers in the apparel sector

e) Growing U.S. market opportunities for traditional and value-added agri-food exports from Kenya.

In terms of Kenya–U.S. trade compared to Kenya–rest of the world trade, there was an upward trend in exports to U.S. as a percentage of total Kenyan exports. In 2016, export trade grew 16% up from 10.2% in 2015 while import growth dropped to 2.8% from 4.9% in 2015. The reduced percentage of Kenya's imports from the U.S. against Kenya's total imports from the world could be attributed to the surge of imports from Asian countries, especially China and India. Most goods imported into Kenya originate from Asia.

Table 4: Ten Major Kenyan Exports to U.S. by 5–Digit End Use Code 2007 to 2016 (US$ Million)

Product 5-digit end use	HTS	2012	2013	2014	2015	2016
Green Coffee	09011	47.5	32.5	43.6	43.7	38.4
Fruits, Frozen Juices	00120	.6	1.5	2.1	11.9	5.5
Nuts	00140	33.2	29.9	40.1	47.7	42.6
Teas, Spices	00170	15.7	17.0	19.6	20.5	26.6
Fish & Shellfish	01000	.3	.4	.4	.4	.2
Tobacco & Waxes	12070	4.2	2.2	3.9	6.8	8.7
Apparel, Household Goods - cotton	40000	165.3	144.4	167	162.7	162.2
Apparel, Household Goods - non wool or cotton	40020	84	153	200.7	195.4	166.7
Gemstones, Other	42110	1.6	2.1	3	2.5	2.,7
Artwork, Antiques, Stamps	41320	1.1	1.4	.8	2.5	1.5

Source: *https://www.census.Gov>5-digit end-use imports – Kenya Foreign Trade – U.S. Trade with Kenya. Retrieved 8th April, 2017*

In regard to markets, fifteen countries import over 70% of total exports[10] from Kenya to the world.

Table 4 indicates that Kenyan exports to the U.S. are mainly apparel and textile products, which remain the most promising but have periodic fluctuations. In 2016, 94% of EPZ apparel exports (in value) went to the U.S. Apparel of synthetic fibre is the top category followed by cotton apparel. Fluctuations may be attributed to the uncertainty associated with the approaching expiry of respective AGOA phases. The consistent export levels of coffee, tea and nuts (notably macadamia), except when prices fluctuated, are indicative of significant growth potential, which calls for strategic positioning.

Impressive export performance in the apparel and textile sector may be attributed to trade established through Kenya's Export Processing Zones (EPZs) program. Firms operating in the zones focus mainly on the U.S. market under AGOA and have thus established strong business relations with big U.S. retail outlets, especially department stores.

As per Table 5, the number of established apparel enterprises at the EPZs has remained almost constant, but the positive impact in Kenya is reflected in the number of jobs, export earnings and investments, which have been continuously increasing.

Table 6: Kenya Exports to the U.S. by Sector (US$ '000)

Sector	2014	2015	2016
Agriculture	44,370	61,672	50,612
Textiles and Apparels	373,821	367,282	339,311
Forest	642	465	424
Footwear	113	307	112
Minerals and Metals	104	119	182
Machinery	178	3	115
Transportation	9	4	4
Electronics	4	34	25
Miscellaneous	3,543	3,832	3,720
Chemicals	699	302	343
Total	423,483	434,020	394,848

Source: *U.S. Department of Commerce. www.agoa.info-tralac's online AGOA information portal*

[10] Depending on the source of trade data, the value found for Kenyan exports has a wide range of differences at the product and sector level. This was the case for COMESA statistics, COMTRADE, TRADEMAP, US-ITC, Datamyne and others. Kenya trade and investment data are recorded in KShs. only. This does not guarantee liability of values due to inconsistent rate of exchange conversion to U.S. dollars. Even the U.S. customs information showed in some bills of lading that some products from other EAC countries shipped through Mombasa were recorded at U.S. customs ports as imports from Kenya. Exporters mentioned that similar cases of coffee, tea, horticulture shipped to U.S. from Europe and Canada are originally from Kenya but recorded as from a different origin. For our analysis US-ITC import data have been used.

Table 5: Impact of AGOA on EPZ Apparel Sector Performance in Kenya

	2012	2013	2014	2015	2016
Number of Apparel Enterprises	22	22	21	21	21
Apparel Jobs	28,298	32,932	37,785	41,597	42,496
Apparel Exports in US$ Million	239	281	344	359	339
Apparel Exports in Million Pieces	81.3	79.3	81.9	84.6	74
Total Apparel Investments by EPZ Enterprises- Stock in US$ Million	127	156	171	160	150

Source: *EPZA Annual Reports*

As shown in Table 6, the majority of Kenyan exports are apparel followed by agri-food (coffee, tea, agri-processed, horticulture). However, there was a slight decline in apparel exports between 2014 and 2016. Exports in other sectors are smaller and have fluctuated, especially in products sensitive to international commodity prices.

Kenyan exports constitute a small share of the huge volume of U.S imports. Table 7 shows that in most sectors, Kenya's share of total U.S. imports is under 1%; except for tea where the share ranged from 4.6% in 2012 to 6.8% in 2016. This demonstrates the high potential for export expansion and bigger U.S. market share for competitive Kenyan products.

Table 7: Kenya's Market Share in the U.S. - Selected Sectors (US$ Million)

USA Product Imports from Kenya and World	2012	2013	2014	2015	2016
U.S. Apparel Imports from Kenya	254	309	392	381	352
U.S. Apparel Imports from the World	77,212	80,254	84,832	88,124	83,116
% of Kenya on all U.S. Apparel imports	**0.33%**	**0.38%**	**0.46%**	**0.43%**	**0.42%**
U.S. Home Décor & Personal Accessories Imports from Kenya	7	8	8	12	10
U.S. HD&PA Imports from the World	130,865	132,510	133,142	127,108	134,928
Percent of Kenya on all U.S. HD&PA Imports	**0.0053%**	**0.0060%**	**0.0059%**	**0.0094%**	**0.0076%**
U.S. Fresh Fruits & Vegetables Imports from Kenya	33	30	41	47	43
U.S. Fresh Fruits & Vegetables Imports from the World	17,417	19,213	22,715	24,482	26,794
% of Kenya on all U.S. Fresh Fruits & Vegetables Imports	**0.19%**	**0.16%**	**0.18%**	**0.19%**	**0.16%**
U.S. Flower Imports from Kenya	3	5	8	8	7
U.S. Flowers Imports from the World	1621	1678	1967	2012	2165
Percent of Kenya on all U.S. Flowers imports	**0.21%**	**0.31%**	**0.40%**	**0.41%**	**0.31%**
U.S. Coffee Imports from Kenya	49	33	45	45	39
U.S. Coffee Imports from the World	6534	5324	6013	6034	5746
Percent of Kenya on all U.S. Coffee Imports	**0.7%**	**0.6%**	**0.7%**	**0.7%**	**0.7%**
U.S. Tea Imports from Kenya	15	16	19	19	26
U.S. Tea imports from the World	343	357	370	362	381
Percent of Kenya on all U.S. Tea Imports	**4.6%**	**4.7%**	**5.1%**	**5.4%**	**6.8%**
U.S. Processed & Specialty Foods Imports from Kenya	34	30	41	51	48
U.S. Processed & Specialty Foods Imports from the World	24581	25483	27719	28412	29854
Percentage of Kenya on all U.S. Processed & Specialty Foods Imports	**0.05%**	**0.06%**	**0.07%**	**0.14%**	**0.12%**

Source: *US-ITC Analysis by the Hub*

2.4 Selected Sector Reviews and SWOT Analysis

The section analyses the situation of the selected products in view of their export potential with particular focus on the U.S. under AGOA. The products include textile and apparel, home décor and personal accessories, coffee and tea. Others are processed and specialty foods and horticultural products such as fresh fruits and vegetables, and cut flowers.

2.4.1 Textile and Apparel

a) Sector Overview

The textile and apparel sector is one of the drivers of industrialisation in Kenya. In 2017, it comprised a total of 22 large and foreign-owned companies, 170 medium and large companies, eight ginneries, eight spinners, 15 weaving and knitting companies, nine accessories manufacturers and over 74,000 micro and small companies, including fashion designers and tailoring units. Investments in the EPZs have led to export growth in the sector. The value chain from fibre to fashion (F2F) involves cotton cultivation, ginning, spinning, weaving, knitting, dyeing and finishing, garment and accessories manufacturing. However, the fashion sub-sector is nascent and cotton production has decreased in the last decade with deficits covered by imports from nearby countries such as Tanzania, Uganda and others.

In 2017, only 15 of Kenya's 52 textile mills were operational, and running at only 45% capacity[11] with mainly old machines and obsolete technology. Production costs - especially energy and overheads - are high. For example, the cotton fabric cost structure in Kenya would be 25% electricity, 12% labour, 24% material, 6% maintenance and 33% overhead. Limited investments downstream have led to capacity imbalances, weak productivity and poor quality in the spinning, weaving and fabric finishing segments. While apparel is a more advanced subsector,[12] due to limited local capacity, about 93% of inputs are imported. The apparel industry mainly uses imported fabric from South Korea, China, Indonesia, Singapore and others and the country relies more on cut, make and trim (CMT) activities. This is in contrast with other countries, which are moving up the value chain, integrating and providing a wider range of services to buyers.

Despite the challenges, Kenya is favoured by internal factors such as competitive wages, supply of skilled workers in garment-making, high worker retention, available water supplies, port efficiency, proximity to Europe, investments in the EPZs and the influence by growing concerns about CSR that caused multinational apparel firms to seek new suppliers outside low-cost Asia.

The U.S. has the largest market for the apparel sector in the world. In 2016, consumer expenditure on apparel in the U.S. was US$312 billion, while total U.S. apparel imports were US$83 billion. The major apparel products imported were the following:

- Sweaters, pullovers, sweatshirts, etc. valued at US$14.1 billion
- Women's suits (not knit) valued at US$9.37 billion
- Men's suits (not knit) valued at US$8.2 billion
- Women's suits valued at US$5.63 billion
- T-shirts valued at US$5.2 billion

[11] Kenya Textile and Apparel Industry. Diagnosis, Strategy and Action Plan. Ministry of Industrialization and Enterprise Development p.9

[12] Kenya Textile and Apparel Industry. Diagnosis, Strategy and Action Plan. Ministry of Industrialization and Enterprise Development p.9

Table 8: U.S. Imports of Apparel from Kenya and Import Share (US$ '000)

Category	2012	2013	2014	2015	2016
U.S. Apparel Imports from Kenya	254,389	308,617	378,818	368,382	340,538
U.S. Apparel Imports from the World	77,672,472	80,414,726	82,662,682	85,509,196	80,884,817
Kenya Market Share of U.S. Imports	0.33%	0.38%	0.46%	0.43%	0.42%

Source: *US-ITC data, Prepared by the Hub*

As indicated in Table 8, apparel exports from Kenya to the U.S. grew from US$254 million in 2012 to US$340 million in 2016. Kenya accounts for only 0.4% of the US$81 billion American apparel import market.[13] Bangladesh, a low-cost favourite, is approximately 9% more expensive than Kenya, but commands 6% of the U.S. import market.

Table 9 indicates that the main apparel product categories exported to the U.S. at the 2 digit H.S. level were knitted or crocheted apparels (Category 62), and not knitted or crocheted apparels (Category 61). The exports have fluctuated due to the size of buyers' orders that can change drastically from year to year, due to price or delivery time.

Table 10 details the quantity of apparels manufactured, employment, imports, exports and the number of apparel firms at the EPZs. About 25% of the firms in the EPZs are apparel manufacturers being the major contributors to the employment opportunities. Apparel firms generate an average of 80% of all jobs in the EPZs and contribute about 30% to investment

[13] Kenya's Industrial Transformation Program. Ministry of Industrialization and Enterprise Development (2015)

Table 9: U.S. Apparel Imports from Kenya (2012-2016) in US$ '000

HTS Number	Import program	2012	2013	2014	2015	2016
61: Articles of apparel and clothing accessories knitted or crocheted	AGOA excluding GSP	115,932	157,919	179,484	169,689	130,110
	No program claimed	1141	2403	3196	449	278
Sub-Total 61		117,073	160,321	182,680	170,138	130,389
62: Articles of apparel and clothing accessories, not knitted or crocheted	AGOA excluding GSP	136,694	147,155	194,105	197,361	209,028
	No program claimed	622	1140	2029	883	1118
	GSP	0	0	4	0	3
Sub-Total 62		137,316	148,296	196,138	198,244	210,149
Total U.S. Imports HTS 61 - 62		**254,389**	**308,617**	**378,818**	**368,382**	**340,538**

Source: *US-ITC data. Analysis by the Hub*

Table 10: EPZ Apparel Production, Exports, Firms, Investments & Employment

Variable/Year	2012	2013	2014	2015	2016	% Growth (2015/16)
Quantity of Apparel Exported (Pieces Million)	81.3	79.3	81.9	84.6	N/A	
Exports (US$ Million) under AGOA	239.3	242.46	302.44	352.44	352.45	0.1
Employment (No.)	28,298	32,932	37,785	41,597	42,645	2.5
Investments (US$ Million)	107.32	134.65	150.51	157.08	144.13	-8.2
Imports (US$ Million)	146.99	187.50	204.52	190.28	176.96	-7.0
No. of Firms	22	22	21	21	21	0
Annual Average Exchange Rate (KSh. to US$)	84.5	86.1	87.9	98.1	101	3

Source: *Economic Survey 2017, EPZA Annual Report 2017*

in the EPZs while the average contribution to exports is 55.1%. The apparel sector thus sustains the viability of the EPZ program in Kenya. The Government is establishing a textile industrial cluster in the Athi River EPZ. This initiative will leverage existing infrastructure at the zone while enhancing the country's participation in the textile and apparel sector in SSA.

The improved multi-modal (sea-rail-road) transport infrastructure has boosted competitiveness of the sector. To further enhance this, Kenya has to improve labour productivity through more training, investment in managerial and technical skills, acquisition of technology equipment and more incentives for workers.

Table 11 presents the competitiveness challenges that Kenya's apparel industry faces, benchmarking it with five African and Asian competitors. From the table, Kenya has power costs of between U.S. 16 to U.S. 18 cents per kilowatt-hour, the highest cost of power. Power/electricity is an important input in the production processes along the cotton and textile value chain. The industry in Kenya also experiences the highest frequency in power outages, which interfere with production and export schedules. The loss of sales stands at 5.6% compared to China with 0.1% and Vietnam at 1.1%. In terms of labour costs, Kenya is within the middle range at between US$110 to 150 compared to Ethiopia in the lower range of US$50 to 60 and the highest range in China at US$550.

Development of raw material base depends on the revitalisation of the cotton industry.[14] Some of the interventions in place towards this end include:

a) Giving free cotton seeds for planting
b) Providing credit to small holder farmers at a rate of US$552 per hectare
c) Establishing a small farmers' participatory integrated crop management approach program to improve production efficiency
d) Reviewing regulation of transgenic crops, paving the way for introduction of bio-technology cotton
e) Complementary extension services between the Cotton Growers Association and the Ginners Association
f) Mapping out strategies for revitalisation of the sector at all levels, regional (provincial) and national

[14] Cotton Development Authority, 2011

Table 11: Comparisons of Competitive Factors between Kenya and Major Textile and Clothing Competitors

Variables	Kenya	Ethiopia	Tanzania	India	China	Vietnam
2013 export values (US$ '000)	308.6	94	248	40,192	273,959	21,534
Cotton production ('000/480 Lb. bales)	32	175	375	30,000	30,000	17
Cost of electricity (US cents/KWh)	16 - 18	2 - 5	12	7 - 12	9 - 15	8
% sales loss in power outages/year	5.6	2.6	5.5	2.0	0.1	1.1
Cost of construction (US$/ft²)	21	40	34	18 - 20	15 - 20	20 - 25
Bank lending rates (Est. annual % rates)	14 - 18	8.5	19	7 - 13	7	6 - 7
Time taken to clear customs (imports, exports) in days	31	37	44	12	17	15

Source: *Economic Survey 2017, Kenya Textile and Clothing Value Chain Roadmap 2016 - 2020, Note that some of Kenya's indicators have improved since 2013 - reduced time to clear customs, and improved bank interest rates (below 14%).*

g) Organising farmer groups to lobby for their interests and benefit from economies of scale

h) Developing 100% bale testing system to help brand Kenya cotton

Trends in the global market will affect Kenya's capacity to compete sustainably. It is therefore critical to develop strategic scenarios such as:

a) Current focus on assembly and CMT requires improved process efficiency, workforce development and adequate policies; and

b) Due to the rise of low-cost centres of production such as Ethiopia and Myanmar, Kenya must shift from contract manufacturing to start providing fully integrated services including input sourcing, product development and design.

Both scenarios require workforce development, skills acquisition, foreign direct investment (FDI), a strong business association and an enhanced policy and business environment.

b) Summary of the U.S. Apparel End Market Analysis

The U.S. is the largest importer of fashion-related products in the world. In 2016, the U.S. imported fashion related goods worth US$83 billion comprising mostly manufactured apparel such as sweaters, pullovers, and sweatshirts. In the same year, U.S. consumers spent US$312 billion on apparel purchases while export of U.S. textiles and apparel were estimated at US$22.9 billion, with over 50% comprising industrial inputs. Almost 80% of U.S. apparel imports originated from the ten top countries which account for 78% of the total U.S imports: China (30%), Vietnam, Bangladesh, Indonesia, Honduras, India, Cambodia, Mexico, El Salvador and Nicaragua. What is more revealing is the upward trend in four countries, namely:

- Vietnam, which until early in 2018 was

expecting trade preference to the U.S. under the Trans-Pacific Partnership (TPP).[15]

- Honduras, which enjoys trade preference to the U.S. under the Central America Free Trade Agreement (CAFTA).[16]
- Mexico, which enjoys trade preference to the U.S. under the North American Free Trade Agreement (NAFTA).
- Nicaragua, which enjoys trade preference to the U.S. under CAFTA.

There is a recurring trend of growing market share for countries with trade preferences to the U.S. such as those under AGOA. Some African counties such as Ethiopia, Kenya and Madagascar expanded their apparel exports to the U.S. in 2016. Sourcing and importing apparel to the U.S. from East Africa has been steadily growing since AGOA was extended for ten years in 2015.

However, for Kenya to reap the rewards of AGOA exports, the Strategy must focus its attention and effort on products that are most in demand by U.S. importers, and already being produced in Kenya. The apparel end market analysis report compared total U.S. imports to Kenya global exports to create a best-matched category for those products with higher U.S. demand trends, and growth in Kenya exports. There is a clear indication that apparel with synthetic fibre content has a better duty advantage under AGOA for Kenya than those with 100% cotton fibre content.

The following products came out as the best options for Kenya to take advantage of AGOA based on the above criteria:

2.4.2 Home Décor and Personal Accessories

a) Sector Overview

[15] The Trans-Pacific Partnership (TPP) is a proposed free trade agreement among 11 Pacific Rim economies in which the U.S was initially included. The TPP's future was uncertain after the United States' withdrawal. Several signatories, however, signalled their intention to rework TPP without U.S. participation. In January 2018 the remaining eleven countries agreed on a revised TPP, now renamed the "Comprehensive and Progressive Agreement for Trans-Pacific Partnership" (CPTPP). The agreement remains substantially the same, but contains a list of 20 "suspended provisions" that were added to the TPP at the U.S.'s insistence and that are now no longer binding.

[16] CAFTA is an expansion of the North American Free Trade Agreement (NAFTA) to five Central American nations (Guatemala, El Salvador, Honduras, Costa Rica and Nicaragua), and the Dominican Republic.

Table 12: Target Apparel Export Categories for Kenya

HTS Code	Duty Savings	Description
A] Knitted Shirts in Synthetics for ALL genders and ages:		
6105.20	32%	Men & Boys, Shirts, Knitted, of Synthetic
6106.20	32%	Women's & Girls, Shirts, Knitted, of Synthetic
B] T-shirts in Cotton & Synthetic for ALL genders and ages:		
6109.10	16.5%	T-shirts, Knitted, of Cotton
6109.90	32%	T-shirts, Knitted, of Synthetic
C] Sweaters in Synthetic for ALL genders and ages:		
6110.30	32%	Sweaters (pullovers & cardigans), of Synthetic
D] Woven Pants & Shorts in Cotton & Synthetic for ALL genders and ages:		
6203.42	16.6%	Men & Boys, Trousers/Shorts, Woven, of Cotton
6203.43	27.9%	Men & Boys, Trousers/Shorts, Woven, of Synthetic
6204.62	16.6%	Women & Girls, Shorts & Trousers, Woven, of Cotton
6204.63	28.6%	Women/Girls, Shorts & Trousers, Woven, of Synthetic
E] Woven Shirts in Cotton & Synthetic for ALL genders and ages:		
6205.20	19.7%	Men & Boys, Shirts, Woven, of Cotton
6205.30	25.9% + 29.1cents/kg	Men & Boys, Shirts, Woven, of Synthetic
6206.30	15.4%	Women & Girls, Shirts, Woven, of Cotton
6206.40	26.9%	Women & Girls, Shirts, Woven, of Synthetic
F] Dresses, for Women & Girls in Cotton & Synthetic as part of SME products:		
6104.42	11.5%	Women & Girls, Dresses, Knitted, of Cotton
6104.43	14.9%	Women & Girls, Dresses, Knitted, of Synthetic
6204.42	8.4%	Women & Girls, Dresses, Woven, of Cotton
6204.43	16.0%	Women & Girls, Dresses, Woven, of Synthetic

Table 13: Apparel Sector SWOT Analysis

STRENGTHS	WEAKNESSES
1. Strong apparel exporter in the region and in SSA AGOA-eligible countries 2. Mature industry (111 years) 3. Well-established institutional framework 4. Mid-level competitive wages 5. Available workers skilled in garment-making and high worker retention 6. Port efficiency and proximity to Europe 7. Competitive services and incentives at the EPZs	1. Worn out infrastructure 2. Limited access to finance 3. High cost of labour and energy with low productivity 4. Obsolete textile machines and equipment 5. Lack of raw material leading to importation which extends delivery lead time 6. Lengthy logistical bureaucracy
OPPORTUNITIES	**THREATS**
1. Growing CSR concerns have caused large international apparel firms to seek new suppliers outside the low-cost Asia 2. Capability to exploit green production concept for premium returns from the markets: U.S. and EU through energy efficient production 3. Availability of small batch market which gives premium returns with low volumes (U.S. and EU markets)	1. Intense competition from the region for AGOA market (Ethiopia, Mauritius, Madagascar, Botswana, South Africa, Swaziland etc.) 2. Competition from low cost – high volume producers and exporters from the Asian continent 3. Negative impact of second hand clothing imports in the apparel industry oriented to the local market

Home décor refers to functional and decorative items which enhance the interior of a home, including furniture; textiles, especially rugs, bath textiles, bed textiles, kitchen and dining textiles; floor coverings, such as tiles, wood and laminates, vinyl and rubber, carpet and rugs; and decorative pieces, such as bowls, baskets, boards, lighting, pottery, carvings, paintings, artwork. Fashion accessories refer to those items that contribute to one's outfit to enhance personal presentation and confidence. They add to completeness, convenience and attractiveness to complement the wearer's look. The accessories include assortment of jewellery such as earrings, rings, bracelets, necklace and anklets. They also include belts, handbags, basketry, wallets, scarves, neckties, gloves, eyewear, hat, handkerchief, suspenders, walking stick and footwear.

The home décor and fashion accessories sector in Kenya, like in many African countries, has experienced slow growth over time due to its domination by informality and traditional products. The sector falls under the SMEs category mainly dominated by artisan families across the cultural divide. It is mainly driven by tradition and folklores found in different cultures and traditions.

The modern creative industry has not yet developed competitive export qualities or quantities. Kenya for example cannot yet substantially export its industrial manufactured furniture or other items of home décor and personal accessories despite the potential. The informal sector popularly known as "jua kali" has many talented artisans. However, they often lack finesse, product perfection and ability to manufacture export-quality items.

In recent years, government promotion agencies and development partners have been supporting the development of quality products based on functional handicrafts. These have been developed using basketry (e.g. for kiondos), soap stone, coconut shells, bamboo, clay (pottery), wood and others to make bowls, napkin holders, salad spoons, bookmarks, folders, jewellery (necklaces, bracelets, earrings out of coconut shells, soapstone, wood), etc. African Heritage, Kazuri, Kitengela Glass and Kisumu Innovation Centre are some of the companies leading unique product development in the sector.

Kenya's market share of U.S. imports is less than 1% of the US$123 billion market size. Table 14 shows Kenya's 2016 market share in U.S. imports mainly based on traditional hand-crafted items such as carvings from wood and soapstone, jewellery and leather products. It is not easy to access reliable data due to informality in the sector. However, many of Kenya's handicrafts exported to the U.S. fall under Category 9, which includes textile and folklore products. Folklore articles are generally apparel, apparel accessories and decorative furnishings with a traditional and historical message or attachment to the country or community producing them. The exports are in small quantities, with the exception of jewellery and semi-precious stones - high value items with low socio-economic impact compared to other products. There is therefore great opportunity if the sector improves in designs and adopts a market-driven approach with new functional type products with export consolidation possibilities.

Table 14: Kenya Exports of Home Décor and Personal Accessories (HD&PA) to the U.S. Compared to Total U.S. World Imports of HD&PA Products in 2016

HS Code	Product	Kenya Export Value to U.S. (US$ '000)	U.S. imports of HD&PA from Rest of the World (US$ '000)	% Share of Imports of Kenya HD&PA to the U.S.
44	Articles of wood	395	19,526,301	0.02
46	Manufacture of straw, of esparto or of other plaiting materials; basket ware and wickerwork	126	559,683	0.02
97	Works of art, paintings, collectors' pieces and antiques	1069	9,889,730	0.01
42	Articles of leather; saddler and harness; travel goods, handbags and similar containers; articles	457	13,292,245	0.00
63	Other made-up textile articles; sets; worn clothing and worn textile articles, rugs	141	14,638,525	0.00
71	Jewellery, precious stones, metals, articles, etc.	2989	65,347,119	0.00
	TOTAL	5,177	123,256,603	0.00

Source: *UN COMTRADE Statistics*

The growth of the U.S. market for home décor and fashion accessories is driven by the expansion of the real estate industry, globalisation, use of online retailers, improved lifestyles due to an increase in disposable income and use of eco-friendly products.[17] There is significant U.S. market potential for unique and attractive products that depict the folklore and traditional life of the people, and are functional. While entry into the sector is not restricted, competition for crafts is intense and price-driven.

<1%

Percentage of Kenya's market share of U.S. imports of the **$123 billion** home décor and personal accessories market size.

$664 BILLION

Amount of global home décor and accessories market is forecasted to grow to during the 2015-2020 period.

b) Summary of U.S. End Market Analysis

The global home décor and accessories market is forecasted to grow to US$664 billion during the 2015-2020 period. This is mainly due to the expansion of the real estate industry. Per U.S. Census Bureau data, real estate growth in U.S. averages 4% annually, creating a continued need for home products. Globalisation has also made it easier for consumers to buy home décor products at various price points with continual variety. The U.S. end market analysis focused on products that Kenya has the greatest potential to expand or capture new markets under AGOA.

[17] https://www.alliedmarketresearch.com/home-decor-furnishing-market

The products selected included:

(1) Articles of leather, harness, travel goods, etc.

(2) Manufacture of plaiting material, basketwork, etc.

(3) Other made textile articles, sets, etc.

(4) Jewellery, precious stones, metals, coins, etc. and

(5) Works of art, collector's pieces and antiques

(6) Articles of wood

In all these categories except jewellery, the U.S. is the largest importer in the world. The U.S is the fourth largest importer of jewellery in the world. The products identified represent 16.7% (US$123,256,603) of all imports coming into the U.S. in 2016. In the same year, the AGOA beneficiary countries exported products worth US$19,344,154 to the U.S., of which Kenya's exports accounted for US$5.1 million. Below is the summary of U.S. imports of selected products:

Jewellery

In this classification, U.S. imports represent 10.5% of world imports for products in 2016 equivalent to US$65,347,119. It was ranked fourth-largest importer in world in this category. Jewellery has registered 0% import growth in value between 2012- 2016. However Kenyan exports to the U.S. grew 12% in the same periods. Kenya's main competitors are India, China and Mexico.

Works of Art

U.S. imports represent 41.7% of world works of art products. These are products considered to have aesthetic value, and to be beautiful, intriguing, interesting, creative or extremely well done. In 2016, U.S. imports of these products totalled US$9,889,730. The U.S. was ranked number one in world imports in this category. This market segment registered 8% growth between 2012 - 2016 while Kenya's exports to the U.S. grew by 21% over the same period. It is thus a promising market for Kenya's works of art products. The main competitors in this market segment are Russia (with oil paintings on canvas as the main products), the United Kingdom (with the main products being sets of lithographs) and Italy (stone carvings).

Articles of Leather

In this product segment, the U.S. imported products worth US$13,292,245 representing 18.9% of the total world imports of article of leather in 2016 and making the U.S. the number one importer in the world in this category. The importation of articles of leather grew by 2% between 2012 - 2016. However, Kenya's exports to the U.S. declined by 2% over the same period. This presents an opportunity for Kenya to reassess its performance to expand the U.S. market share in this classification. Kenya's main competitors in this products segment are China (main product is leather women's tote), Italy (leather satchel) and Vietnam (leather ladies' satchel).

Articles of Wood

In 2016, the U.S. ranked second in world imports in this category with importation of products worth US$19,526,301 accounting for 15% of the world imports of the article of wood. U.S. imports in this products segment grew by 9% between 2012 - 2016. This is a growth market if Kenya can meet U.S. market access requirements for different types of wood products. The main exporters to the U.S. in this product segment are India (carved wooden elephant), China (main product - set of wooden vases) and Thailand (main product - set of wooden food of service trays). The U.S. imported 8% of Kenya's exports in this classification in 2016.

However, Kenya's exports to the U.S. declined by 12% over the same period.

Articles of Textiles

U.S. imports represent 26.8% of world imports for products in HS Code 63. In 2016, the U.S. imported products worth US$14,638,525 making it the premier world number importer of the articles of textiles. U.S. imports of articles of textile grew by 4% in value from 2012 - 2016. In 2014, with goods worth US$7,095,628, China was the largest exporter in this category to the U.S.

c) Home Décor and Personal Accessories Sector SWOT Analysis

STRENGTHS	WEAKNESSES
1. Mature production skills based on authentic culture and folklore 2. Functionality: both office and domestic utilities 3. Familiarity in destination markets though inadequate marketing 4. Institutional support systems in place	1. Insufficient market information/secrecy 2. Inadequate business capital/lack of credit facilities 3. Low product development & adaptability uptake 4. Small production capacity 5. Unknown quantified supply. Product statistics not easily accessible. Statistical isolation of products exported not easy due to generality of codes 6. Some of the raw materials are acquired from non-renewable sources (e.g. exotic wood, stones) 7. Inability to achieve economies of scale through exporting industrially manufactured HD&PA products 8. Lack export product quality and poor design 9. Lack of dedicated internet portal or framework for sector players to access relevant information including feedback on the products
OPPORTUNITIES	**THREATS**
1. Huge market in the U.S. and Europe (traditional market) for high-end products with excellent design and functional value 2. Large number of U.S. tourists visiting Kenya and HD&PA products at hotels and promotional events	1. HD&PA products from cheap Asian origins (mainly mass machine-made) 2. Duplicate designs from Africa competing in same market 3. Environmental concerns (depletion of forests, shells, exhaustible materials – soapstone) 4. Unprotected intellectual property rights prone to infringement

2.4.3 Coffee

a) Sector Overview

Coffee is a strategic product for Kenya. Renowned as a high-quality Arabica variety, Kenyan coffee is used for specialty outlets in Europe and the U.S. and blending with other varieties in the world market. Coffee is grown in 23 counties of Kenya's 47 counties and mainly traded through the Nairobi Coffee Exchange, which has evolved into a highly-respected institution in the industry. Entry access is not restricted but must adhere to the compliance of standards, norms, the requirements of Crops Act 2013, the Coffee (General) Regulations 2016 and the various sector member associations. Competition is streamed through sale in Nairobi Coffee Exchange or farm gate.

Kenyan AA grade was the first single-origin coffee to be widely identified by its origin name in the early days of the U.S. specialty coffee movement in the 1990s. As a coffeehouse staple, it was often the only African coffee represented. The varieties of commercially grown coffee in Kenya were developed by predecessors of the National Agricultural Research Laboratories (NARL).[18] Apart from French Mission, (Jamaican) Blue Mountain, and Robusta, the latest Batian variety is Arabica coffee bred through intensive back-crossing to traditional coffee varieties. Quality varieties are developed in collaboration with the Coffee Research Institute (CRI) - one of 16 research institutes under the Kenya Agricultural and Livestock Research Organisation (KALRO). Warehousing assures quality through highly-specialised storage facilities. Logistics include issuance of coffee warranties on behalf of farmers and exporters. Several trade and legal documents are required in the export of coffee.

A direct sale, commonly referred to "Second Window," is where a marketing agent directly negotiates with a buyer outside the country and a sales contract is signed and registered with the coffee directorate. The directorate registers the contracts after inspecting and analysing the coffee for quality and value.

[18] Kenya Coffee Traders Association. www.kenyacoffee.co.ke

Table 15: Coffee Plantation Area, Production and Exports

Area/Production	Plantation Category	2012	2013	2014	2015	2016
Area under Coffee ('000 hectares)	Small holder	85.2	85.2	85.3	87.4	88.2
	Estates	24.6	24.6	24.7	26.1	25.8
	Total	**109.8**	**109.8**	**110.0**	**113.5**	**114.0**
Production ('000 Metric Tons)	Small holder	27.0	21.9	32.7	27.2	30.8
	Estate	22.0	17.9	16.8	14.8	15.3
	Total	**49.0**	**39.8**	**49.5**	**42.0**	**46.1**
Kenyan Exports to the World (US$ Million)		222.71	163.28	199.13	205.80	213.71

Source: *AFA Coffee Directorate*

There are two categories of marketing agents: Commercial Marketing agents who offer services for commercial purposes and grower marketers who are growers licensed to market their own coffee.

The Kenya Coffee Traders Association (KCTA) involves stakeholders in the entire value chain, namely coffee nurseries, growers (farmers), pulping stations, millers, management and marketing, packers, roasters, buyers, warehousing, dealers, warehousemen, roasters and coffee equipment suppliers, auctioneers (the Nairobi Coffee Exchange) and exporters.[19] Members are required to follow responsible and correct business practice. The association works closely with government institutions such as Coffee Directorate under Agriculture and Food Authority and Coffee Research Institute in creating a conducive legal and business environment for growth in the sector. Extension services and support to the smallholder farmers who own the larger farms should be improved to increase production.

Table 15 indicates the area under coffee plantation, production and values of exports from 2012 to 2016. Production increased from 42,000 metric tons (MT) in 2015 to 46,100,000 MT in 2016. This could be attributed to government support with subsidised fertilisers and the bi-annual production cycle, where a good year of harvest is followed by reduced harvest the following year. The average yield for co-operatives increased by 10% while that of estates decreased by 0.7% in the 2015/16 period.[20]

Table 16: Kenya Coffee Exports to the U.S. from 2012 to 2016 (US$ Million)

Product HS 5-digit	2012	2013	2014	2015	2016
Green Coffee	47.5	32.5	43.6	43.7	38.4

Source: *https://www.census.Gov>5-digit end-use imports - Kenya*

In 2016, the five top export destinations for Kenyan coffee were Germany, the U.S., Belgium, Sweden and Finland. Table 16 indicates that exports of green coffee have decreased in value due to international market price fluctuations and lower production. Kenya is no longer among the top ten producers of coffee in the world.

[19] Kenya Coffee Traders Association. www.kenyacoffee.co.ke

[20] Economic Survey 2017 p.152

Although Kenya is well-regarded for its transparent and professional coffee systems, some regulatory costs and fees render the cost of coffee uncompetitive. On average, Kenyan coffee prices are 38% higher than its regional neighbours. Over 90% of Kenyan coffee is Arabica, which is the most common type of specialty-grade coffee. Kenya's climate, soil and processing techniques produce some of the world's richest and most-balanced coffee known for its bright acidity, highly-valued taste and texture. Given its unique history in the U.S. specialty coffee market, Kenyan specialty coffee is thus offered by practically all major U.S. specialty coffee importers. Special efforts should therfore be made to improve productivity, research new coffee varieties to face climate change and introduce coffee farming in other feasible locations for wider crop development and coverage.

b) Summary of U.S. End Market Analysis

Coffee is the most highly traded agricultural product in the world – and only the second most highly traded commodity after oil. At 1.6 billion kilograms annually, the U.S. is the largest global importer of coffee with this quantity more or less equally distributed between commodity and specialty grade coffee. Only about 5% is roasted, while the rest is in raw (green) form. Green bean imports are divided up into those that have been decaffeinated (6%); those of the Robusta species (21%); and those of the Arabica species (68%).

Of the almost 1.1 billion kg of non-decaffeinated green Arabica coffee imported by the U.S. in 2016, East Africa's share represented only 4%. Of this 4% share, five countries dominate East Africa's contribution to the U.S. specialty coffee

c) Coffee Sector SWOT Analysis

STRENGTHS	WEAKNESSES
1. Kenya coffee is a globally recognised brand 2. Mature sector with 124 year history 3. Adequate climate and soil for growing coffee 4. Established institutional framework 5. Strong legislative framework	1. Production affected by change of land use to real estate development especially in Central region 2. High cost of production 2. Coffee politics frequently volatile due to a long value chain/poor corporate governance 3. Some varieties not disease resistant 4. Low production/low productivity 5. Production and marketing costs are higher than regional competitors 6. Lack of affordable credit to farmers 7. Mismanagement of coffee cooperative societies
OPPORTUNITIES	**THREATS**
1. Kenyan Arabica specialty coffee popular in the market 2. Ethical coffee production enjoys market acceptance 3. Emerging markets are promising (South Korea, Canada, Switzerland etc.) 4. U.S. Arabica coffee imports growing	1. Fluctuating coffee prices in the international market 2. Competitive regional growers and exporters (Ethiopia, Uganda, Tanzania, Rwanda)

industry: Ethiopia at 1.36%, Uganda at 0.69%, Kenya at 0.57%, Tanzania at 0.43% and Rwanda at 0.36%. Within East Africa, Kenya's position fell from second place to third between 2015 and 2016, trading rankings with Uganda. U.S. global Arabica coffee import volume has been growing steadily. Imports grew 4.5% in 2012 rising by 5.9% in 2016 to reach 1,087 million kg.

In 2016, 112 million 60kg bags of all types of coffee were traded globally. The U.S. imported nearly 25% of this. Although Brazil, Vietnam and Colombia grow the majority of coffee imported by the U.S., the U.S. imports coffee from practically all seventy or so coffee-producing countries in the world.

For Kenya to enhance its participation in the U.S. specialty coffee industry and bolster its reputation as a global specialty coffee leader, it must improve extension services and support to smallholder farmers, enhance price competitiveness, strengthen existing U.S. trade linkages, and re-invigorate U.S. industry appreciation for Kenyan specialty coffee. By achieving these objectives, Kenya can regain its role as the most well-known and identifiable African specialty coffee in the U.S. specialty coffee industry.

Table 17: Volume of Green Arabica Coffee from East Africa Imported by U.S.[21]

East African Country	2012	2013	2014	2015	2016
Kenya	**7,488,299**	**6,615,110**	**7,249,383**	**7,518,554**	**6,202,775**
Burundi	844,057	654,203	944,485	1,033,589	1,408,676
DR Congo	422,570	382,616	1,179,858	1,110,482	593,019
Ethiopia	9,963,360	13,230,345	14,603,513	18,367,218	14,794,767
Malawi	110,374	157,516	274,231	178,095	370,784
Rwanda	4,057,912	3,532,831	5,031,165	4,979,475	3,961,265
Tanzania	4,226,690	4,212,917	4,948,963	5,836,043	4,657,848
Uganda	4,107,442	6,150,889	5,717,136	5,512,800	7,516,790
Zambia	57,600	12,360	57,601	17,584	114,350
Zimbabwe	4,000			19,200	90,716
EAST AFRICA TOTAL	**31,282,304**	**34,948,787**	**40,006,335**	**44,573,040**	**39,710,990**
GLOBAL TOTALS	**914,136,377**	**954,827,440**	**985,542,447**	**1,027,648,958**	**1,087,933,412**

Source: *U.S. Census Bureau, Economic Indicators Division. Accessed July 2017*

[21] Ibid

2.4.4 Tea

a) Sector Overview

Tea is a traditional export commodity for Kenya. Primarily grown by smallholders,[22] the commodity sustains about 10% of the country's population. Tea is a mature industry with established norms and standards. It is the highest foreign exchange earner and employment generator. Entry access to the sector is through cooperatives (smallholders) or estates (large plantations). Sale is via the auction in Mombasa as well as at farm gate.

Kenya accounts for approximately 10% of global tea production and is the third largest black tea producer in the world after China and India. It is the largest exporter of mostly black tea. The country consumes about 5% of its production and exports the rest, constituting 20% of the world's tea exports.[23] Much of the tea grown in Kenya is processed using the crush, tear, curl (CTC) method, making it suitable for use in blends popular in most black-tea markets, including India, the United Kingdom and North America. CTC tea has a homogeneous taste and a strong generic, bold "tea" flavour and is the base of most Indian tea blends as well as a significant portion of breakfast teas. In terms of product diversification, Kenya is currently producing 10 million kg of purple tea in seven licensed factories located in different parts of the country. A kilogram of purple teas is sold at US$18.80 compared to US$2.70 average for black CTC at the Mombasa auction.[24] The production of new tea varieties, especially green, purple and herbal teas, is becoming more important in an increasingly competitive market. A World Bank study[25] predicts that in three to five years, Kenya will be exporting purple tea with average value of US$60 million, constituting 5% of total tea export earnings.

The sector contributes about 4% of the national GDP and 26% of total exports. Total production is about 350,000 MT per year.

Pakistan is the main market destination for Kenyan tea importing about 24% of the total tea exports followed by Egypt. The top 15 destinations for Kenyan tea in 2015 and 2016 are shown in Table 18. During the period reviewed, countries such as Egypt, Sudan, Russia, Poland, Iran and Indonesia increased their purchases while other countries maintained the same level of purchases or decreased import quantities.

[22] Economic Survey 2016

[23] Analysis of Incentives and Disincentives for Tea in Kenya – MAFAP SPAAA, July 2013

[24] Business Daily, April 25, 2017

[25] www.worldbank.org/en/news/feature/2017/creatingkenyaspurpletea

Table 18: Top 15 Kenya Tea Export Destinations

Destination	Quantity (Kgs) 2016	Quantity (Kgs) 2015
Pakistan	8,626,939	11,868,783
Egypt	7,921,073	7,300,284
United Kingdom	3,943,729	4,951,492
Sudan	2,560,786	1,139,323
UAE	2,317,700	3,573,051
Russia	1,984,516	1,736,573
Yemen	1,025,050	1,702,610
Kazakhstan	949,248	962,100
Poland	873,816	732,356
Saudi Arabia	626,430	706,292
Iran	391,757	300,350
Nigeria	333,187	462,392
Somalia	325,940	541,673
U.S.	**324,237**	**504,474**
Indonesia	319,500	143,240

Source: *AFA Tea Directorate*

b) Tea Sector SWOT Analysis

STRENGTHS	WEAKNESSES
1. Well-established institutional framework 2. Renowned high-quality tea 3. Over 50 tea varieties that guarantee quality diversification 4. Tea factories are certified with internationally-acclaimed standards, for example, ISO22000, HACCP, Rain Forest Alliance, Fair Trade GMP 5. Free from pest or diseases and grown without agrochemical additives	1. Slow adaptation to new varieties and diversification, for example orthodox, oolong, and specialty teas (herbals, purple etc.) 2. Low rate of innovation along the value chain 3. Rising cost of production due to frequent labour unrest, rising farm wages and high energy tariffs 4. Failure to penetrate and market value-added tea in the international market
OPPORTUNITIES	**THREATS**
1. Increasing population in Africa and Asia 2. Increased awareness of health benefits of tea in Europe and America 3. Increased income levels and expanding middle class with sizeable spending ability on tea drinking 4. Increased global demand for specialty teas, especially purple, orthodox, white and herbal teas 5. Rising U.S. tea imports driven by millennials' high consumption	1. Oversupply of black CTC tea in key markets 2. Low consumption of tea in Africa 3. Declining tea prices in the world market 4. Competition from Asian growers and exporters

In the U.S., the quantity of traditional tea purchases was lower due to increased demand for specialty teas. The U.S. imports less than 1% of Kenya's tea. In 2016, Kenya tea exports to the U.S. market generated approximately US$21 million. Over-reliance on a few export partners is identified as a major challenge for Kenyan tea industry.[26] This underscores the importance of diversifying into emerging markets such as the U.S.

c) Summary of U.S. End Market Analysis

The tea market in the U.S. is growing with Americans consuming larger quantities of tea each year. In 2016, the U.S. imported nearly US$760 million in tea (excluding herbal tea), making it the world's third largest tea importer behind Russia and Pakistan, and the only western country whose imports are increasing. Total U.S. tea imports, at customs value, increased by 3.6% from 2015 to 2016, reaching nearly US$463 million. The top suppliers were China, Argentina, India, Japan and Sri Lanka. The U.S. grows a small amount of tea, mostly herbal, and exported produce worth about US$102 million, mainly to Canada.

According to the Tea Association of the U.S.A., the sector projects compound annual growth rates of 3 to 5% in the coming years, driven by an increase in volume as well as value, of tea imports. Approximately four out of five Americans drink tea. For the so-called

[26] Monroy et al 2013

millennials,[27] tea consumption reaches an estimated 87%. This population in particular is driving the upward trend in tea consumption and price. Consumers are becoming more health-conscious and are willing to pay for better-quality tea and innovations in flavours, packaging and convenience.

In 2017, black tea accounted for 86% of consumption, green tea for 13% and multiple varieties accounting for the remaining 1%. In general, black tea imports are increasing, while green tea imports are gradually decreasing. From 2015 to 2016, black tea imports increased 2.3%.

The ready-to-drink (RTD) tea, which accounted for nearly 46% of the market in 2016, is growing at about 4% per year. Customers see it as a convenient and tasty alternative to sugary beverages and are increasingly willing to pay more for a higher quality product. Since RTD tea is consumed cold, sales peak in the summer months of July and August. As RTD tea's market share expands, loose tea, bagged tea, tea mixes and pods' market share is decreasing.

Specialty teas, especially iced tea, are experiencing sales increases of around 10% per year. The "artisanal tea" market is growing too as consumers want to know where the product comes from, how it is produced, how the tea growers benefit and how friendly it is to the environment. Consumption of organic, fair-trade certified and genetically modified organism (GMO)-free teas is similarly expanding in the U.S. These certifications give market advantages but cost-benefit analysis is needed when deciding whether to pursue certification.

According to the Tea Association of U.S.A., in 2016, the average U.S. household spent about US$38 on tea, although spending patterns varied across age, ethnicity, geography and income. Average consumption is highest in the northeast and west and lowest in the south and mid-west. Although millennials are leading the way in greater tea consumption and increasingly purchasing higher-quality tea in pursuit of the variety of flavours and health benefits, older consumers still bought higher-quality products. However, young consumers also bought more RTD tea. There are even some tea products available for children, such as Davidson's Children's Tea and Tiesta Tea's Blueberry Wild Child.

Americans of Asian origin consume and spend the most on tea per household, with spending concentrated on loose-leaf green tea. The fastest-growing segment of the U.S. market is Hispanics/Latinos who now make up about 16% of the population. They often buy herbal tea.

However the U.S. market is highly competitive, comprised of a handful of U.S. growers and numerous importers that are supplied by exporters from almost every tea producing country. In 2016, the U.S. imported approximately US$26 million in tea products from Kenya, making Kenya the 11th tea exporter to U.S. Kenya should launch an aggressive campaign to market its high-quality black tea and specialty teas such as purple and orthodox tea. This can be done by developing new tea products for the U.S. market that build on Kenya's success with black teas to include more of purple, herbal, tea extracts and medicinal teas and agri-tourism.

10%

Approximate percentage of global tea production by Kenya, making her the third largest black tea producer in the world after China and India.

[27] People born from the mid-1980s to 2000

2.4.5 Fresh Fruits and Vegetables

a) Sector Overview

The most commonly-grown fruits in Kenya are watermelons, bananas, oranges, mangoes, pineapples, papayas, and avocados. However, fruit and vegetable exports largely comprise pineapples, avocados, French beans, sugar snaps and passion fruit, among others.

Table 19 shows the performance of major crops in Kenya. Exports of fresh fruits increased from US$47 million in 2012 to US$73 million in 2016 while exports of vegetables grew from US$249 million in 2012 to US$307 million in 2016. The indicators point out that Kenya has significant growth potential in the sector.

This sector is the second highest foreign exchange earner for Kenya after tea. It has a high impact on the national economy as it employs a large number of the population at the rural level. Business competition is regulated by strong associations such as Fresh Produce Exporters Association of Kenya (FPEAK), and the Kenya Association of Fruits and Vegetables. Entry is not restricted as long as the entrant complies with the standards, norms and code of conduct defined by the industry stakeholders. The sector has developed standards that are either at par or higher than world standards.

FPEAK promotes, lobbies, advocates for and ensures standards and compliance in the fresh produce sector on behalf of its members. The sector membership organisation has developed world-recognised standards such as the Kenya Good Agricultural Practice (Kenya GAP). Its main objective is to promote the horticultural sector by undertaking market intelligence, export promotion, technical support and training of the members. FPEAK works closely with Kenya Plant Health Inspectorate Service (KEPHIS) and Horticultural Crops Directorate to maintain high-quality fresh produce in Kenya.

Table 19: Kenyan Exports of Fresh Fruits and Vegetables (2012 – 2016)

Year	Fruits		Vegetables		Totals	
	Export Vol. Tons '000	Value US$. 'Mill.	Export Vol. Tons '000	Value US$. 'Mill.	Export Vol. Tons '000	Value US$ 'Mill.
2012	31.1	47	66.4	202	97.5	249
2013	31.1	48	77.2	229	108.3	277
2014	35.1	54	70.3	188	105.4	242
2015	46.2	66	69.7	209	115.9	275
2016	48.7	73	78.8	234	127.5	307

Source: *Economic Survey 2017p.155. AFA, Horticultural Crops Directorate,*
Horticulture Validated Report 2014. P.11Excludes exports of processed horticultural produce and nut

b) Fresh Fruits and Vegetables Sector SWOT Analysis

STRENGTHS	WEAKNESSES
1. Highly-professionalised institutional framework 2. Strong advocacy, lobbying and promotion institutions 3. Industry has accreditation by international industry quality standards certification organisations 4. Suitable climate for diverse tropical and some temperate fruits and vegetables production 5. Well-established industry and institutional structures	1. High energy tarrif driving up costs 2. Costly management of storage to retain post-harvest quality of products before shipment
OPPORTUNITIES	**THREATS**
1. Seasonal market opportunities for some fruits and vegetable when Kenya products can fill gaps in supply from South America 2. Promising emerging markets in the U.S., Japan and China 3. Support of well-established international flower promotion, lobby and advocacy organizations: International Association of Horticultural Producers	1. Stiff international and regional competition in the industry e.g. from Ethiopia, Latin America-Colombia, Ecuador, Brazil, Mexico etc 2. Lack of direct air flights to U.S. fruit and vegetable markets 3. Stringent rules and regulations on phyto-sanitary standards and strict surveillance resulting in high costs and lengthy pest risk analysis approval by U.S. agencies of new products.

2.4.6 Processed and Specialty Foods

a) Sector Overview

In this Strategy, the processed and specialty foods sector includes processed fruits, nuts, herbs and spices. Processed products such as mango puree and pineapple in different presentations are also produced in large quantities in Kenya.

Annual sales of specialty food in the U.S are approximately US$105 billion. The domestic market is still small for many processed food categories in Kenya, compelling companies to export in order to be profitable. Products currently available in bulk or fresh (honey, coffee, tubers, mango, pineapple and few other fruits, grains/cereals, dairy, macadamia, spices) may be processed in several ways for exporting.

A summary of production in the sector of processed foods such as mango purees, chilies and nuts is as follows:

i) Mango production in Kenya has been estimated to reach 878,000 MT in 2017 and 1,415,000 MT in 2022.In 2013, mango production in Kenya covered an area of 46,980 hectares which produced 581,290 MT valued at US$71 million. The main varieties of mango grown in Kenya are apple mango and *Ngowe*.

ii) Kenya has undertaken pineapple production for a long time with exports of juice concentrates and tinned pineapple slices emerging as an important activity. Kenya exports pineapple juice to the U.S.

iii) Annual macadamia production in Kenya averages 15,000 MT covering more than 2,000 hectares. It represents about 10% of the world's total production. The leading producer is South Africa, followed by Australia, China and Hawaii. With an estimated annual market value of US$5 million, macadamia is grown in Kenya as a cash crop for foreign exchange earnings. The industry is primarily export-based with only a small amount of nuts domestically consumed.

iv) Chilies can be exported whole or processed into a range of products, including hot sauces and chili powder. Kenya grows many varieties of chilies, including cayenne pepper, jalapeno, serenade, habanero and bird's eye chili popularly known as ABEC (African Bird's Eye Chili). The Bird's Eye Chili is known to be one of the hottest types of chilies on the market. It ranges between 100,000 and 225,000 value on the Scoville Heat scale (SHU). The Kenyan variety of ABEC has SHU value of up to 180,000. Although originally introduced in Africa by the Portuguese (who call it "piripiri"), it has been growing on the continent for centuries. Chilies are produced commercially in a number of African countries, among which Malawi has been the market leader over the last decade.[28] The volumes of chili exports are small with an international demand estimated to be about 500 or 600 tons per annum.

The rising global competitive demand and prices for macadamia has led Kenyan farmers to harvest their crop prematurely in order to turn a quick profit from Chinese middlemen who offer money in advance to farmers for their crop at below market prices. The majority of these nuts in-shell are then exported illegally through a coordinated syndicate involving foreign firms, local dealers and clearing agents.[29] This is a major challenge in the industry.

In the case of chili, steep international competition in trade is due to the existence of different market segments appealing to different types of chilies. The North American market is well supplied by Mexico and Asia while Asia is basically self-sufficient. Europe is supplied by Asia, Latin America and Africa. The Asian

581,290 MT

Mangoes produced in Kenya in 2013, covering more than **46,980 Ha**, and valued at **$71 million**.

15,000 MT

Average macadamia production in Kenya, covering more than 2,000 Ha, representing **10%** of the world's total production.

600 TONS

Estimated average volume of international chilli demand per annum .

[28] Road Map for Developing & Strengthening the Bird Eye Chili Sector", December 2014, International Trade Centre

[29] Foodnews, December. 2011

region, led by India and China, is by far the leading producer of dry chilies and peppers in the world accounting for nearly three-quarters (72%) of the world's crop followed by Africa with a 17% share of the world's production.[30]

A key trend in the food industry in the U.S. is the rapid growth of demand for products exhibiting ethnic and spicy qualities**.** This trend has stepped up competition in the supply of specialty foods. Herbs and spices, dried fruits and vegetables, soy sauces and chili sauces achieved strong growth in 2016, experiencing retail value growth rates of 7%, 5% and 6%, respectively. This reflects a shifting preference among Americans, particularly the younger generation, toward healthier and more flavourful products as well as a growing desire for diets from a wide variety of cultures.[31] Consumers with a penchant for bold flavours, gourmet cooking sauces, dressings and condiments are projected to grow over the forecast period, with retail volume sales steadily growing by 5% and retail value growing by 8% from 2016-2021.

Table 20 presents the comparative rates of duty between AGOA and general U.S. imports of specialty foods. In-shell macadamia have a duty rate of 1.3 cents per kg (US$13 per MT) and are not eligible for tariff preferences under AGOA. Imports of kernels have a duty rate of 5 cents per kg (US$50 per MT) and are eligible for duty-free tax preferences under "Code D3" of AGOA. In all the products enlisted, Kenya can still be competitive since the ones that are not AGOA-eligible such as hot sauces do not attract duty either.

The specialty food sector in Kenya is dominated by herbs and spices apart from mango puree, macadamia nuts among others. This being an emerging industry, support to exporters has been minimal. The industry has no stakeholder association hence it is aligned to Kenya Association of Fruits and Vegetable Exporters.

[30] USDA, Research Services, 2016

[31] Road Map for Developing & Strengthening the Bird's Eye Chillies Sector, December 2014, International Trade Centre

Table 20: Comparative Duty Rates (AGOA vs. General) of Some Selected Specialty Food Products

Product Category	Product Description	HTS Code	AGOA Eligible (Duty Free)	General (if not AGOA or other special category)
Mango Puree	Guava and mango pastes and purees, being cooked preparations	20079950	Yes	1.3%
Macadamia	Macadamia nuts, in shell	08026100	Yes	5 cents/Kg
Macadamia	Macadamia nuts, shelled	08026200	Yes	5 cents/Kg
Cashew	Nuts, fresh or dried, in shell	08029082	Yes	5 cents/Kg
Cashew	Nuts, fresh or dried, shelled	08029098	Yes	5 cents/Kg
Hot Sauces	Mixtures of mashed or macerated hot red peppers and salt	0904.22.73	No	Free
Pineapples	Pineapple juice, of a Brix value exceeding 20, concentrated (in degree of concentration greater than 3.5)	20094940	Yes	1 cent/litre

Source: *https://agoa.info/about-agoa/products.html; https://hts.usitc.gov/*

Table 21: U.S. Imports of Processed and Specialty Foods from Kenya (US$ '000)

HTS Number	2012	2013	2014	2015	2016
0801 Cashew nuts	1,917	2,571	1,067	1,702	2,911
0802 Macadamia nuts	31,112	26,366	37,465	43,149	38,600
1515 Fixed vegetable fats and oils (including jojoba oil) and their fractions, whether or not refined, but not chemically modified	562	576	1,446	3,245	4,228
1513 Coconut (copra), palm kernel or babassu oil and their fractions, whether or not refined, but not chemically modified	154	0	82	935	746
3203 Colouring matter of vegetable or animal origin and preparations based thereon	0	635	835	780	696
1521 Vegetable waxes (other than triglycerides), beeswax, other insect waxes and spermaceti, whether or not refined or coloured	568	588	516	929	664
1102 Cereal flours other than of wheat or meslin	20	199	352	346	345
1108 Starches; inulin	0	0	0	0	80
0910 Ginger, saffron, tumeric (curcuma), thyme, bay leaves, curry and other spices	15	22	14	9	21
2103 Sauces and preparations; mixed condiments and mixed seasonings; mustard flour and meal and prepared mustard	22	11	70	83	20
1517 Margarine; edible mixtures or preparations of animal or vegetable fats or oils or of fractions	0	11	5	7	10
2106 Food preparations nesoi	4	4	0	72	8
0904 Pepper of the genus piper; fruits of the genus capsicum (peppers) or of the genus pimenta, dried, crushed or ground	0	0	0	5	2
2102 Yeasts; other single-cell micro-organisms, dead (other than medicinal vaccines of heading 3002); prepared baking powders	4	0	0	0	0
0409 Honey, natural	188	15	0	0	0
0906 Cinnamon and cinnamon-tree flowers	15	0	0	0	0
Total U.S. Imports from Kenya (selected processed & specialty foods including nuts)	**34,581**	**30,998**	**41,852**	**51,262**	**48,331**

Source: *US-ITC*

The largest export category is nuts (macadamia and cashew), as detailed in Table 22, but there are other products such as vegetable oils, natural colorants and spices that have been growing.

Except vegetable oils, natural colorants, cereals, macadamia and processed pineapple, the export of most Kenyan foods to the U.S. has been minimal and in bulk. The trade analysis and interviews with select U.S. buyers found that there is market for all selected products if they have a competitive price (to be assessed directly on a case-by-case basis with potential exporters). Potential demand in the U.S. can significantly exceed the limited supply capacity of most Kenyan companies, although the logical strategy of trying to export first to the regional market is a valid approach that can allow experience and skills-gaining for trade with more complex but profitable markets such as the U.S., Europe or Asia.

b) Summary of U.S. End Market Analysis

Specialty foods are foods that offer customers additional value that maybe be based on characteristics such as ethnic or cultural origin, extraordinary ingredient usage or innovative packaging. These products often command a premium price.

The U.S. specialty food market is a big industry. Every year, tens of thousands of new specialty food products are imported into the U.S. from all over the world. They are as diverse as the specialty food industry itself. Some are huge successes, while many are tragic failures. Research could spell the difference between success and failure.

In the U.S. the industry is extremely logical; buyers, whether from major distributorships or small specialty shops, simply want to sell product. They leave very little to chance, and rely heavily on sales data, SPINS Inc. reports and Information Resources Inc. (IRi) statistics. Every section of a supermarket is carefully laid out, and every product is there to generate sales.

According to the America Specialty Food Association, America's specialty food sector has expanded well beyond other food sectors since 2014. Sales have grown by 15% between 2014 and 2016, to registered dollar sales worth US$127 billion.[32] All food sales at retail grew by 2.3% over the same period. Specialty foods are therefore out-pacing non-specialty counterparts in almost every category, as consumers make more discerning food choices.

In 2016, increased purchases online contributed to slower year-over-year growth at retail and food service level, which resulted in sales dropping from 9.1% in 2015 to 5.5% in 2016. For the first time, growth in multi-unit grocery and mass merchants outdid that of natural or specialty chains. This was driven by millennials, a convenience-oriented consumer group, which tends to buy specialty foods wherever they shop.

It is therefore critical to know the target customer when approaching the U.S. specialty food market. When presenting a new product to a buyer, whether from a distribution company or retail organisation, the only question that a buyer wants answered is "where is this product going to go"? Manufacturers who have an answer to that will find buyer presentations significantly easier and readily realise success.

Packaging is also key in this industry. Kenyan exporters should consider the natural and organic market channels as some of the most rapidly expanding segments of the U.S. specialty food industry. In recent years,

[32] Specialty Foods Association Infographic on State of US Specialty Food Sector, 2017

these products have left the confines of the independent "natural and organic markets" and gained prevalence in mainstream supermarkets. According to the University of Vermont, over 46% of all organic product sales take place in mainstream supermarkets, led by such pioneering organisations as Whole Foods Markets and Wild Oats. 7% are sold through farmer's markets, food service and other non-retail stores. Certification is also a critical element when deciding to approach the natural and organic market channel.

c) Processed and Specialty Foods Sector SWOT Analysis

STRENGTHS	WEAKNESSES
1. Availability of low-cost raw materials (pineapple, mango, vegetables, chili, nuts) 2. Incentives for processing in EPZs and SEZs 3. Stable business environment (although it can be improved) 4. Well-established institutional structures to develop the industry	1. Inability to cope with market demand for products such as macadamia and chilies 2. Low yields per macadamia tree (up to 50% lower than the average yield of Australian trees) 3. Expensive and unreliable electricity 4. Limited technological awareness 5. No export marketing skills for the U.S. market. 6. Unstable supply for some local raw materials (herbs, chilies, etc.) 7. Poor packaging and branding 8. Most operations are small SMEs with limited resources 9. Meeting U.S. standards takes time and resources 10. Required high level of investments but credit is expensive
OPPORTUNITIES	**THREATS**
1. U.S. consumers are more interested in safe, tasty and exotic foods; e.g. the middle class has high demand for processed foods that use chilies, or natural organic products and foods with healthy ingredients 2. AGOA allows duty-free access to the U.S. market for imported raw materials and inputs from third countries 3. U.S. market opportunities and potential buyers are branding Kenya as a source of healthy and quality high-value natural/organic products. Consumer preference for authentic, transparent food leads to greater attention paid to the "origins" of the food that are more "traceable" from farm to table. Consumers want food grown naturally and with love, as well as simplicity in its production 4. African immigrants have opened food-service establishments featuring African cuisine that is considered healthy, with bold flavours using natural herbs and spices	1. Rejection of shipments of nuts in the international markets due to immature harvesting thus compromising quality 2. Stiff competition between Chinese buyers against the rest leading to early harvesting and illegal sales especially of macadamia 3. Increasing Sanitary and Phytosanitary (SPS) and NTBs not only in the U.S. but in international markets 4. Intense competition from South Africa, Egypt, Ethiopia, Uganda and other regional countries

2.4.7 Cut Flowers

a) Sector Overview

Kenya has over 500,000 people including over 100,000 flower farm employees who depend on the floriculture industry, which impacts over 2 million livelihoods. The flower industry comprises large, medium, and small-scale producers who have attained high management standards and have invested heavily in value addition through adoption of modern technology in production, precision farming and marketing. Farmers utilise technologies such as drip irrigation, fertigation systems, greenhouse ventilation systems, net shading, pre-cooling, cold storage facilities, grading, bouqueting, fertiliser recycling systems to prevent wastage, wetlands for waste water treatment, artificial lighting to increase day length, grading/packaging sheds and refrigerated trucks.

Table 22: Exports of Cut Flowers from Kenya from 2012 - 2016

Year	Export Volume in '000 Tons	Export Value, US$ Million
2012	108.3	650
2013	105.6	560
2014	114.8	599
2015	122.8	629
2016	133.7	708

Source: *Economic Survey 2017 p.155. AFA, Horticultural Crops Directorate, Horticulture Validated Report 2014.*

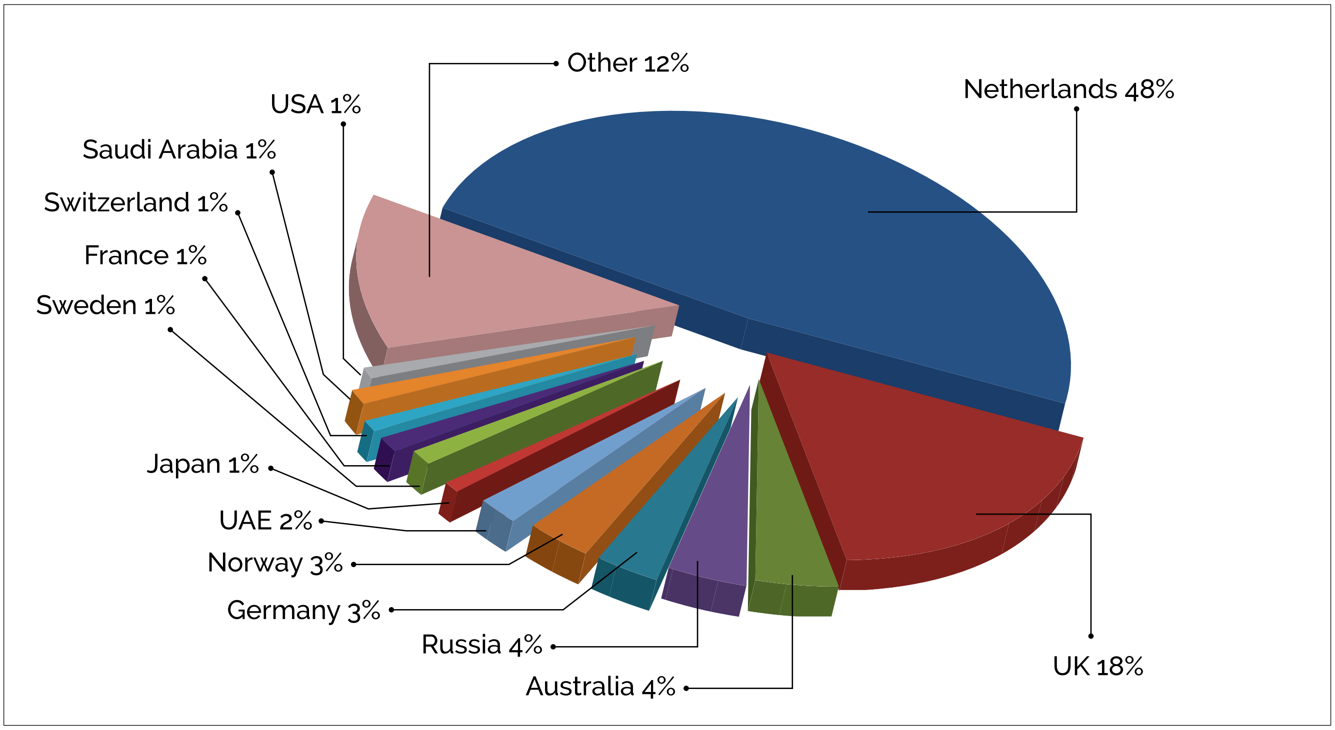
Flower exports started in Kenya during 1960's and have grown steadily since then. In 2016, flower exports in volume were nearly 134,000 MT and were valued at US$708 million, as shown in Table 22. While cut flower exports increased by 23.4% in volume from 2012 to 2016, there was only an 8.9% increment in value implying that average export prices per weight of cut flowers has been decreasing.

With a market share of 38%, Kenya is the leading global exporter of cut roses to the EU. Although, roses constitute the majority of exports, a tendency towards product diversification is apparent. Carnations, chrysanthemums, lilies and alstroemerias have become important export products alongside other flower types and cut foliage. Approximately 50% of exported flowers are sold through Dutch auctions. However, direct sales are also growing. In the United Kingdom, supermarkets are the main outlets. Over 25% of exported flowers are delivered directly to these channels, providing an opportunity for value addition at source through sleeving, labelling and bouquet production. Kenyan flowers are exported to nearly 60 countries around the world, including distant markets such as Japan, China, Australia and the U.S.

Diagram 1 shows that in 2016, the Netherlands was the leading destination for Kenyan flowers, commanding 48% of export volume. This is followed by the United Kingdom at 16%. Apart from the traditional Dutch destination for Kenyan flowers, emerging markets such as Australia and Russia are developing steadily.

The U.S. cut flower and ornamental plant market was valued at US$4,470 million in 2015, growing at 4% per annum. Of this, 9% comprises of cut flowers and 2% cut greens. U.S. production of cut flowers was US$374 million in 2015 but has been declining since the 1980s due to imports. In 2015-16, the U.S. was the largest importer of cut flowers globally, importing US$1392 million, with 70% of cut flowers sold in the market being imported. Major source markets are Colombia (62%), Ecuador (23%) and Netherlands (7%). Roses are the main imported flower (41%) with chrysanthemums, carnations, alstromeria

Figure 1: Destination of Kenyan Flower Exports in 2016



Source: *ITC UN COMTRADE statistics 2017*

and gypsophila contributing lower shares (14%, 7%, 5% and 2% respectively). Cut flower imports have steadily been increasing. For cut roses, major suppliers are Colombia (58%) and Ecuador (37%). The U.S. still imports very small quantities of Kenyan flowers comprising only 1% market share even though there is positive growth. This may be due to very stiff competition from countries closer to the U.S. such as Colombia and Ecuador, both of which have been exporting flowers to the U.S. for decades. Colombia has a Free Trade Agreement (FTA) with the U.S., thus allowing tariff-free access. Ecuador has compensating tariffs on some cut flowers (roses in particular) through government incentives.

As per Table 23, Kenyan exports of flowers to the U.S. fluctuated in the period 2012-2016. While exports grew steadily between 2012 and 2014 from US$3.4 million to US$6.4 million respectively, there was a decrease between the years 2015 to 2016, from US$6.3 million to US$5.2 million respectively.

Table 24 points to the high potential for Kenya to expand its exports to the U.S. market. U.S. imports of flowers from other countries in the world are significant. Kenya exports flower categories such as chrysanthemums, carnations, lilies and orchids, which are in

38%

Percentage market share, making Kenya the leading global exporter of cut roses to the EU.

> 500,000

People in Kenya, including over **100,000** flower farm employees depending on the floriculture industry, impacting over **2 million** livelihoods.

high demand in the U.S., to other destinations demonstrating a market opportunity in this jurisdiction. However, shipping time and freight costs present significant limitation for the export of fresh cut flowers to the U.S. The anticipated introduction of direct flights from Kenya to the U.S. will be instrumental in overcoming this hurdle although larger freight capacity might be needed.

Table 23: U.S. Imports of Flowers from Kenya 2012-2016 (US$ '000)

HTS Number	2012	2013	2014	2015	2016
603: Cut Flowers and Buds Suitable for Bouquets or Ornamental Purposes, Fresh, Dried, Dyed, Bleached, Impregnated or Otherwise Prepared	2,026	3,429	4,364	4,844	4,025
602: Live Plants Nesoi (Including Their Roots), Cuttings and Slips; Mushroom Spawn	1,021	1,422	1,722	1,007	991
604: Foliage, Branches, Grasses, Mosses Etc. (No Flowers or Buds), for Bouquets or Ornamental Purposes, Fresh, Dried, Dyed, Bleached etc.	321	427	340	418	190
601: (values less than US$1,000) Bulbs, Tubers, Tuberous Roots, Corms etc., Dormant, in Growth or In Flower; Chicory Plants and Roots for Planting	0	0	6	0	0
TOTAL	**3,368**	**5,277**	**6,432**	**6,268**	**5,206**

Source: *US-ITC data, Analysis by the Hub*

Table 24: Kenyan Exports of Cut Flowers and U.S. Imports from Rest of World (US$ '000)

HS code	Product label	Kenya's exports to U.S.			U.S. imports from world					Kenya's exports to world				
		2012	2013	2014	2012	2013	2014	2015	2016	2012	2013	2014	2015	2016
'060312	Fresh cut carnations	2	0	4	97,986	93,902	87,888	84,380	92,818	30,145	19,756	20,006	**20,768**	**18,227**
'060314	Fresh cut chrysanthe-mums	0	0	0	153,431	169,144	171,386	174,295	187,959	76	171	60	**4138**	**11,813**
'060319	Fresh cut flowers (other)	39	55	59	386,020	384,955	378,365	396,624	449,035	64,056	59,558	61,378	**66,253**	**77,005**
'060311	Fresh cut roses	2226	3060	4111	458,815	474,681	513,831	522,342	569,634	400,000	398,394	465,339	**572,619**	**561,802**
'060313	Fresh cut orchids	0	0	0	22,688	20,752	19,761	20,723	27,063	22	10	12	**449**	**586**
'060315	Fresh cut lilies	0	0	0	40,020	41,174	40,432	44,921	52,527	0	0	2436	**635**	**802**
'060390	Dried, dyed, bleached or prepared flowers	0	55	257	8509	8747	7633	14,453	12,493	2352	2108	4222	**7989**	**5629**

Source: *ITC UN COMTRADE statistics 2017*

b) Cut flower Sector SWOT Analysis

STRENGTHS	WEAKNESSES
1. Representative, strong trade association, good image (Kenya Flower Council) 2. Very competitive production costs 3. Good quality product, very good vase life, adequate product and colour range 4. Access to new varieties (observance of breeders' rights) 5. Mature, competitive industry already accessing demanding, stringent markets with great success (EU, Japan, Australia etc.) 6. Strong technical capacity both at private and government level 7. Easy access to new plant varieties from experienced breeders	1. Difficulty sustaining volumes, supply, developing trust as reliable suppliers 2. Cost of maintaining post-harvest quality, plant health, cold chain 3. Difficulty of gearing production/ colours/ flower types towards very specific peak dates 4. Sourcing product from other companies or countries to complete product range is difficult 5. Packaging and presentation need improvement, including box sizes (uniformity) 6. Complex paperwork and regulations 7. High airfreight cost and limited access to freight capacity 8. Lack of familiarity with U.S. market trends and customer needs
OPPORTUNITIES	**THREATS**
1. Growing demand in U.S. cut flower market, including in sweetheart roses where Kenya has supply 2. Discussions on potential collaboration with key stakeholders in the region (i.e. Ethiopian Airlines, sourcing flowers or services from other countries) 3. Emerging relationship with U.S. Department of Agriculture (USDA)/Animal and Plant Health Inspection Service (APHIS) 4. Support of well established international flower promotion, lobby and advocacy organizations: Union Fleurs (International Flower Trade Association), International Florist Organization	1. Exchange rate fluctuations (U.S. dollar vs. local currency and Euro) 2. Limited freight capacity (e.g. of direct flights when they happen), freight costs 3. Strict U.S. phyto-sanitary requirements 4. Stiff competition, strong dominance from Latin America at every step of the marketing chain 5. Dutch Auction system's dominance, minimizing U.S. importer knowledge of Kenyan flowers

2.5 Policy and Competitive Environment

There are four aspects for consideration in creating conducive environment for business, namely, regulatory, business and investment policy environment, business climate, investment and competitive environment, and investment promotion and FDI.

a) Regulatory, Business and Investment Policy Environment

Immediately after independence, Kenya introduced an import substitution industrialisation policy which promoted investments into production of basic commodities to reduce the import bill. The policy introduced import restrictions, high rates of import duties, control of exchange rates, and interest subsidy. The implication of the policy was negative as it created a band of monopolists, shrunken market, bad financial assets and an uncompetitive entrepreneurial culture. It also encouraged unscrupulous means of acquiring services, including for obtaining foreign exchange allocation licenses, thus allowing corrupt practices that served to undermine the intention of the policy.

Under the export-oriented industrialisation policy push in the 1980s and 1990s, Bretton Woods institutions, the World Bank and the International Monetary Fund (IMF), advocated for more open and free economic activities in developing countries including Kenya. They promoted an economic framework known as the Structural Adjustment Program (SAP), which was thought to address economic challenges facing developing countries and countries in transition. The programs pushed for lifting of government controls on several economic activities and for state corporation reforms. The initial outcomes of the reform initiatives were difficult for the Kenyan manufacturing sector to absorb since the sector had for many years been controlled and cushioned under the mixed economy policy adopted from the time of independence. For example, in 1993 the inflation rate hit 100% for the first and only time in Kenya. From 1991 to 1993, agricultural growth decreased to an annual average rate of 3.9%, and the budget deficit reached over 10%. The manufacturing sector suffered reform shocks, with some enterprises closing down while others reverted to importation.

In the 1980s to 1990s, the policy was reviewed to focus more on export-oriented industrialisation. The policy abolished import restrictions while promoting "Buy Kenya Build Kenya," a reduced rate of duty, exchange rate liberalisation and establishment of investment and trade promotion and facilitation agencies. The institutions established were the Investment Promotion Centre, 1982 (currently, Kenya Investment Authority); Export Processing Zones Authority, 1990; and Export Promotion Council, 1992. These institutions were national vehicles to promote exports and investment opportunities in the country. Kenya Investment Authority and Export Processing Zones Authority continue to promote and regulate investments and export-oriented activities to date. In order to improve services for export and import trade as well as other tax and duty-related activities, the tax administration regime in the country was also reviewed. The Kenya Revenue Authority was established in 1995 (effective 1st July, 1995) through an act of Parliament, Chapter 469, Laws of Kenya.

In 1997, the Government introduced the Sessional Paper No. 2 on Industrial Transformation to the Year 2020 with a focus on improving investment conditions in the country. Major and effective economic reforms were introduced from 2002. These resulted in the development of the blueprint Kenya Vision 2030, which succeeded the implementation of the Economic Recovery Strategy for Wealth and Employment Creation. The Strategy put the economy back on track, encouraged investment and lifted GDP growth from a paltry 0.6% in 2002 to 6.1% in 2006.

Vision 2030, launched in 2008, aims at sustained annual economic growth of 10% to make the country globally competitive and prosperous with a high quality of life by the year 2030. The implementation of the Vision's first 5-year medium term plan (MTP) witnessed rapid growth in investment in infrastructure, manufacturing and in general economic activities. Reforms have since been made to the investment climate and successive governments have continued to make improvements guided by the Vision. Kenya has therefore experienced progressive improvement in its ranking in the Ease of Doing Business as annually reviewed by the World Bank. The journey to the current state of regulatory, business and investment policy environment has been long and gradual but continues to produce good results in terms of investment attraction, export performance and enhanced tourist arrivals.

Kenya has an elaborate Public Private Partnership Act that came into effect in 2013. The Act aims at increasing the ability of the country to attract and involve the private sector in major public projects including infrastructure development. Private sector participation in these huge capital-intensive projects helps to bridge funding gaps that had hitherto hindered national development. The Act provides a uniform legal framework for the private sector to participate in financing, building and operating infrastructure services and facilities through concessions or other contractual options with the government.

The business climate in Kenya is also strengthened by the provisions of the Constitution of Kenya 2010 on the protection of private property.[33] The country is further committed to international treaties to which it is a signatory. Such international treaties and protocols form part of Kenya's laws.

1993

The first and only time in Kenya when the inflation rate hit **100%** .

2008

The year **Vision 2030** was launched with the aim of a sustained annual economic growth of 10% to make the country globally competitive and prosperous with a high quality of life by the year 2030.

2013

The year **Public Private Partnership Act** came into effect, with the aim of increasing the ability of the country to attract and involve private sector in major public projects including infrastructure development.

[33] Constitution of Kenya 2010, Article 40

b) Business Climate, Investment and the Competitive Environment

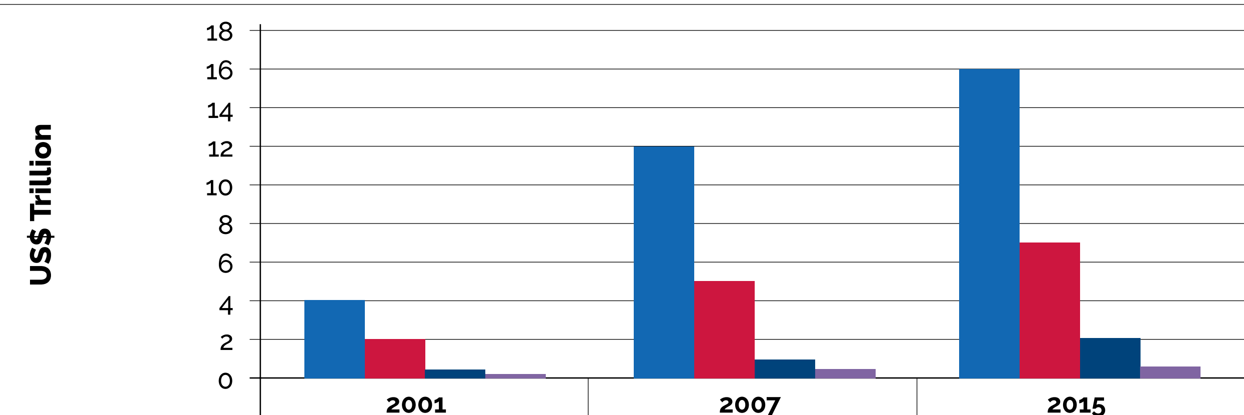
Global investment flows in 2016 were slow, with all regions registering a decrease in net inflows. Global inflows dropped by 2% to US$1.75 trillion. Inflows to developing economies declined by 14% to US$646 trillion. Africa experienced a 3% decrease, receiving only US$59 billion and Asia 16% with US$443 billion. However, developed economies experienced 5% growth with US$1 trillion inflows. Investment flows occurred mainly in the services, manufacturing and primary goods sectors, as well as a little in unspecified goods.[34]

Figure 1 depicts the trend of global inward FDI inflows between 2001 and 2015. The services sector remains the major investment choice. By 2015, the sector had attracted US$16 trillion compared to only US$4 trillion in 2001, showing the highest growth rate of FDI inflows. This is followed by the manufacturing sector which had attracted investments valued at US$7 trillion in 2015 compared to an inward FDI stock of US$2 trillion in 2001. Kenya needs to focus more on the development and provision of incentives in the services sector in order to be a participant in the lucrative sector and to attract services investment.

Kenya's attraction of both domestic direct investment and FDI is informed by a number of policy and legal instruments guiding investment promotion, facilitation and regulation. The important role of investment in Kenya's economic development is recognized and efforts have been directed at continually improving the business environment to enhance attraction and retention of foreign investment and to support expansion of domestic investment.

[34] World Investment Report, 2017, UNCTAD, page.46

Figure 2: Estimated Global Inward FDI Stock by Sector; 2001, 2007 and 2015 (US$ Trillion)



	2001	2007	2015
Services	4	12	16
Manufacturing	2	5	7
Primary	0.5	1	2
Unspecified	0.2	0.5	0.6

Source: *UNCTAD, FDI/MNE database (www.unctad.org/tdistatistics)*

Investment and business promotion agencies have developed strategies to advocate for public policies, laws and regulations that facilitate the improvement of investment and business climate in the country. Investment models in Kenya may be in the form of private, public or PPPs. The Kenya Investment Authority, EPZA, and EPC complemented by the Kenya Private Sector Alliance (KEPSA), KAM and the Kenya National Chamber of Commerce and Industry, among other institutions, have continuously worked towards creating an enabling environment for business and investment in the country. Kenya has therefore substantially improved in its doing business index ranking as surveyed by the World Bank in the recent past.

Table 25 shows that Kenya continued to improve in the doing business index having moved to position 80 in 2018 from the previous rank of 92 out of the 190 countries that were surveyed.[35] This was a remarkable improvement from position 136 out of 189 countries ranked in 2014. In EAC countries, Kenya, at rank 80, had the second best location for doing business after Rwanda, ranked 41 out of the 190 countries reviewed. Uganda was ranked 122, Tanzania 137, Burundi 164 and South Sudan 187. South Africa, a major economy in SSA, was 82 while Botswana was behind Kenya at 81.

[35] World Bank Doing Business 2017 Equal opportunity for All

Table 25: Kenya Ease of Doing Business Ranking (2017 -2018)

Topic	2018 Rank	2017 Rank	Change in Rank	2018 DTF (% points)	2017 DTF (% points)	Change in DTF (% points)
Overall	80	92	12	65.15	61.22	3.93
✓ Starting a Business	117	116	-1	83.20	83.13	0.07
✓ Dealing with Construction Permits	124	152	28	63.16	57.18	5.98
✓ Getting Electricity	71	106	35	76.68	64.43	12.25
Registering Property	125	121	-4	54.49	54.40	0.09
✓ Getting Credit	29	32	3	75.00	70.00	5.0
Protecting Minority Investors	62	87	25	58.33	53.33	5
Paying Taxes	92	125	33	71.67	61.72	9.95
✓ Trading across Borders	106	105	-1	67.63	66.38	1.25
Enforcing Contracts	90	87	-3	58.27	58.27	-
Resolving Insolvency	95	92	-3	43.11	43.39	- 0.28
✓ = doing business reform making it easier to do business						

Source: *Adapted with modification from World Bank Doing Business 2018 Equal Opportunity for All*

NB: DTF = Distance to Frontier. Closer the DTF to 100 point the better the performance

The country substantially improved on all the indicators except five, namely: starting a business, registering property, trading across borders, resolving insolvency and enforcing contracts. In overall performance Kenya had a positive percentage change (3.93%) in the distance to frontier (DTF) score, which assesses the absolute level of regulatory performance over time on the scale of 0 – 100%.

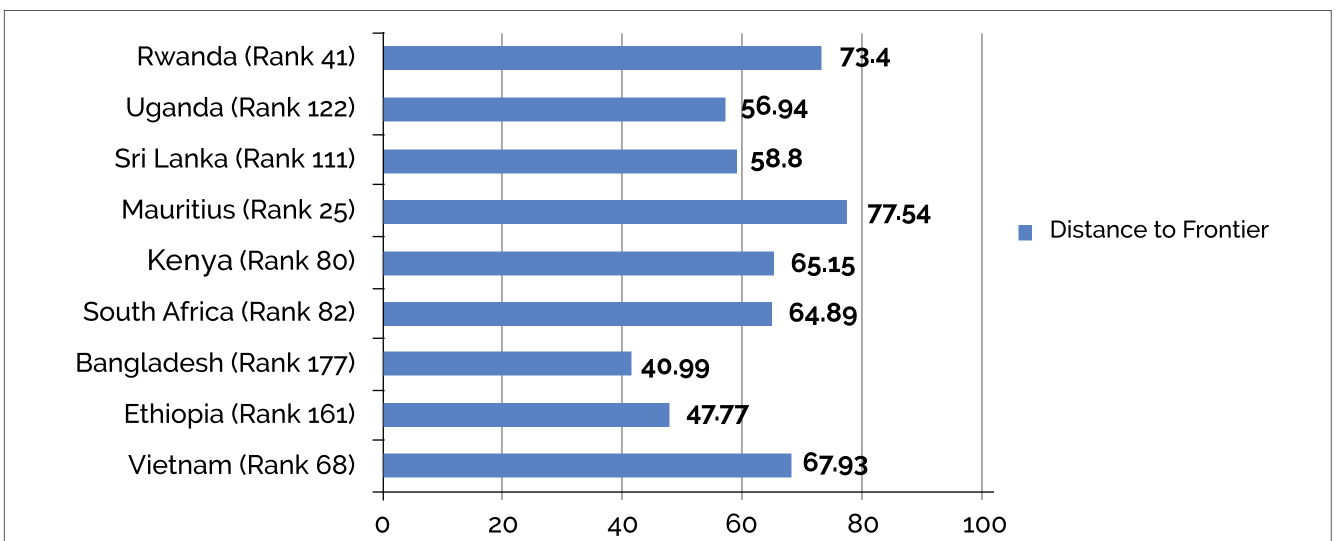
Note: The rankings are benchmarked to June 2016 and based on the average of each economy's DTF scores for the ten topics included in this year's aggregate ranking. The DTF score benchmarks economies with respect to regulatory practice, showing the absolute distance to the best performance in each Doing Business indicator. An economy's distance to frontier score is indicated on a scale from 0 to 100, where 0 represents the worst performance and 100 the frontier. For the economies for which the data cover two cities, scores are a population-weighted average for the cities.

Figure 2 indicates that Kenya achieved an average performance when compared with the selected countries, scoring a 65.15 DTF in the of ease of doing business index. The best in the comparators is Mauritius (77.54) followed by Rwanda (73.40). In the EAC region, Rwanda is the best in rank at 41 followed by Kenya (80). In Africa, Mauritius ranked best at rank 25 while Ethiopia was ranked 161. Benchmarked with the Asian region, Bangladesh and Sri Lanka ranked lower than Kenya, ranking 177 and 111 respectively while Vietnam was ahead of Kenya at rank 68.

Despite the improvements, there are several concerns that investors and business people have raised in regard to Kenya's business environment. Investment promotion agencies have particularly raised concerns over poor coordination and time-consuming processes for a new investor to establish operations in the country. On average, it takes 25 days to start a business in Kenya after undergoing about six procedures.[36] Stakeholders also raise concerns

[36] World Bank Doing Business 2018

Figure 3: How Kenya and Comparator Economies Rank in the Ease of Doing Business



Source: *Doing Business database.2018 International Bank for Reconstruction and Development/The World Bank Doing Business Report. Analysis by Author* over weak incentive framework, conflicting legislation, poor investor after-care and perceptions of corruption. There are also challenges with regard to accessing land, which is considered very expensive, and related community resistance to sell land especially in the counties. However, these challenges will effectively be dealt with through the new National Export Development and Promotion Strategy, the Kenya Investment Policy and other national and county policy instruments aimed at further improving the business environment in the country in line with Kenya Vision 2030.

c) Investment Promotion

In order to meet the goals of Kenya Vision 2030, the total investments to GDP ratio per year should be a minimum of 32%, and GDP growth should exceed 10%.[37] In 2016, Investment/GDP ratio was only 20.65%;[38] and the GDP grew 6%. Consequently, efforts to attract investments should be significantly increased in the short-term. The improvement in the Ease of Doing Business ranking is a positive indicator, but on its own is insufficient to attract more FDI. Kenya's access to the larger EAC market, more advanced economy than its neighbours and the positive investment climate, may serve to attract international firms seeking a location for their regional or African operations if all these aspects are properly promoted to the right investors.

Established in 2004, KenInvest is mandated to promote and attract FDI. The core functions include policy advocacy, investment promotion and investment facilitation (including investor tracking and after-care service). Most of its services are provided locally, and are focused on policy issues or facilitating administrative procedures and licenses. The Authority acts as a one-stop resource for foreign investors interested in Kenya. Investment in Kenya may be private, public or through a PPP.

EPZA also conducts investment promotion targeted to attract export-oriented investment into the EPZs. Details of the investment incentives offered by Kenya, especially under specialised programs like EPZs, compared to other countries are provided in Annex B.

$317 MILLION

The highest total FDI from U.S. to Kenya was recorded in 2013.

NO. 80

Kenya's rank on the Ease of Doing Business in 2018, out of 190 countries.

25 DAYS

The average time it takes to start a business in Kenya after undergoing about six procedures.

[37] Kenya Vision 2030 and Kenya Investment Authority Policy

[38] IMF World Economic Outlook. www.knoema.com/IMFWEO2017Oct/imf-world-economic-outlook

The U.S. Department of State[39] views Kenya as having a generally positive investment climate that has rendered the country attractive to international firms seeking a location for their regional or Africa operations. The investment climate is characterised by stable monetary and fiscal conditions and a legal environment that makes few distinctions between foreign and domestic investment. Kenya has a strong telecommunications infrastructure, a robust financial sector and solid aviation connections both within Africa and to Europe and Asia. Its port at Mombasa is the major trade gateway for much of East Africa. Kenya has a well-educated population and a growing urban middle class. Increasing integration among the members of the EAC as well as Kenya's membership in other regional trade blocs provide growing access to a large market outside Kenya.

d) Foreign Direct Investment

FDI inflows into Kenya decreased from US$1380 million in 2012 to US$394 million in 2016. This is a low level of FDI considering the size of its economy. Among the causes were insufficient investment promotion, corruption and less favourable business climate.[40] Other African countries such as Ethiopia (US$3196 million), Tanzania (US$1365 million), Mozambique (US$3093 million) and South Africa (US$2270 million) have been more successful in attracting FDI in 2016.

[39] U.S. Department of State 2015 Investment Climate Statement p.3 retrieved 9th July, 2017

[40] According to the Kenya Investment Authority, the FDI inflow could have reached as high as US$2.5 billion in 2016. These figures highly contrast data provided by UNCTAD's World Investment Report 2017 which suggests that the FDI inflow to Kenya was only US$394 million in 2016 and has never crossed the US$1.5 billion in the last years.

Table 26: Kenya Foreign Direct Investment 2012-2016 (US$ Million)

	2012	2013	2014	2015	2016
FDI Inflows	1380	1119	821	620	394
FDI Outflows	154	138	28	45	66
Cross Border M&A – Net Sales	86	103	20	202	55
Cross Border M&A – Net Purchases	-	-	48	167	61
FDI Stock			10,219	10,839	11,233
Number of Greenfield Investments			64	96	40

Source: *World Investment Report 2017. UNCTAD*

Table 26 indicates that the majority of outward investment remains in the EAC due to the Kenyan preferential market access between EAC member countries (Burundi, Kenya, Rwanda, South Sudan, Tanzania, and Uganda). There were 40 new Greenfield FDI projects and 55 mergers/acquisitions deals in 2016. Over the years, Kenya has signed 19 bilateral investment treaties (11 in force), and seven treaties with investment provisions (EAC, COMESA, African Union, EU, U.S.).[41]

[41] Kenya Investment Authority and World Investment Report, 2017

Table 27: FDI Projects and Capital Investment in Kenya 2012-2016

Year	No. of Projects	Capital Investment (US$ billion)
2012	59	1.1
2013	78	2.6
2014	60	1.7
2015	84	2.4
2016	38	1.1

Source: *FDI Markets (www.fdimarkets.com)*

Table 27 shows that the number of investment projects decreased in the period 2012-2016. Capital investments have also fluctuated, with the lowest level registered in 2016. This was despite continuous improvement in the Ease of Doing Business index. The best performance was in 2013 followed by 2015 when capital investment values were US$2.6 and US$2.4 billion respectively.

Table 28 shows that FDI inflows into Kenya are quite erratic. In 2015 construction investment was valued at US$1330 million but dropped to US$264.72 million in 2016. During the period, energy registered inflows of US$580.57 million in 2016 up from a paltry US$31.42 million in 2015. Poor performers were financial services at US$0.75 million in 2016 and nil the other years under review, while mining dropped to US$0.97 million in 2016 from a high of US$463.47 million. Construction and energy sectors seemed to be doing better than the rest. Education, financial services and health are the poorest performers in FDI attraction.

In the period reviewed, Kenya had attracted investments from some 53 countries. Most of them were from Europe, Africa, North America, Asia and Middle East. However, only 13 of these countries contribute 80-90% of all the FDI.

Table 29 provides the amounts of FDI by country in the five-year period 2012-2016. The average investment values in five years was US$1285.03 million with five top investors being South Africa with average investment in the period of US$259.61 million; United Kingdom with US$249.15 million; China with US$119.95 million; Ireland with US$92.30 million and the U.S. with an average of US$86.83 million. The presence of China as investor has been

Table 28: FDI in Kenya by Sector 2012-2016 (US$ Millions)

Sector	2012	2013	2014	2015	2016
Agriculture	-	430.72	3.22	27.89	17.02
Construction	13.16	9.97	489.33	1,330.48	264.72
Education	-	-	-	-	1.42
Energy	23.51	198.38	111.50	31.42	580.57
Financial Services	-	-	-	-	0.75
Health	-	-	-	-	7.47
ICT	2.91	0.33	109.23	11.25	15.43
Manufacturing	76.06	228.58	27.28	32.24	79.97
Mining	84.99	-	5.09	463.47	0.97
Service	290.12	25.53	71.32	109.97	108.99
Tourism	107.41	13.19	51.93	26.21	-
Wholesale and Retail	-	20.32	5.24	144.99	770.17
Grand Total	**598.16**	**927.02**	**874.14**	**2,177.92**	**1,847.46**

Source: *FDI Markets (www.fdimarkets.com)*

Table 29: Top FDI Countries in Kenya 2012-2016 (US$ Million)

Country	2012	2013	2014	2015	2016	Five Year Average
Canada	14.82	108.10	27.44	3.7	19.1	**34.63**
China	158.88	21.73	272.32	39.1	107.7	**119.95**
Denmark	1.11	-	35.99	0.1	82.3	**23.9**
France	0.72	4.81	-	0.5	309.8	**63.12**
Germany	198.18	2.45	0.57	5.6	52.0	**51.76**
India	12.57	52.40	24.82	25.3	108.1	**44.64**
Ireland	0.12	-	0.36	460.9	0.1	**92.30**
Netherlands	0.24	0.48	2.89	3.0	81.7	**17.66**
Rwanda	-	-	-	111.9	0.2	**22.42**
South Africa	17.68	0.63	27.42	1,196.0	56.3	**259.61**
Switzerland	0.56	-	118.95	9.3	0.6	**25.88**
United Kingdom	67.59	245.79	92.77	50.1	789.5	**249.15**
U.S.	56.10	317.19	14.24	36.0	10.6	**86.83**
Top 13 Countries	528.57	753.57	617.77	1,941.44	1,618.00	**1091.87**
Grand Total	**598.32**	**927.04**	**874.14**	**2,177.92**	**1,847.74**	**1285.03**

Source: *World Investment Report, 2017, Kenya Investment Authority and Analysis by Author*

more visible in large infrastructure projects with bilateral credit lines that the Chinese government uses to promote its exports to Kenya. U.S. investments in Kenya have not been significant compared with other countries. The highest FDI from the U.S. to Kenya was in 2013 when it totalled US$317 million. It is estimated that in 2016, there were 125 U.S. firms operating in Kenya with most of them having Kenya as their headquarters for the region.

2.6 Opportunities for the EAC under AGOA

The U.S. is a big export market for products from all over the world including Kenya. Established exporters from other countries have strong trade linkages, have built up their image and reputation and their presence is for the long term. In Table 30, a comparison of overall U.S. market size, U.S. world imports and U.S. imports in Kenya shows that Kenyan imports have a very small share.

Table 30: Comparison of U.S. Total Imports to U.S. Imports from Kenya in 2016

Product	U.S. Imports (US$)	U.S. Imports from Kenya (US$)	Kenyan Share of total U.S. Imports
Apparel	83 billion	340 million	0.41%
Home Décor & Accessories	134 billion	3.1 million	0.02%
Coffee	5.7 billion	35 million	0.06%
Tea	454 million	26 million	5.73%
Processed & Specialty Foods	29 billion	5.8 million	0.20%
Cut Flowers	1.4 billion	4.4 million	0.31%
Fresh Fruits & Vegetables	26 billion	54 million	0.21%

Source: *Sector U.S. End Market Reports, trade data from the U.S. Department of Commerce and the U.S. International Trade Commission.*

Table 30 shows that for each selected sector, there is room for export growth as the U.S. import is large. Kenya's share of the U.S. import market ranges from below 0.21% to 5.73% of all the U.S. imports. This confirms the opportunity available for growth in the U.S. market. However, there are many factors that influence country exports to other markets such as profitability, adequate trade network, easy market access and import requirements and regulations.

Kenya traditionally exports to Africa due to its proximity and access through the EAC and COMESA; to the EU due to long-established business links and to the U.S. mainly due to the AGOA program. Asia (China, India and Pakistan) have also shown positive performance as emerging markets.

The performance of regional trade against Kenyan trade with the U.S. is indicated in Table 31. Asia is the leading source of imports for Kenya. Although Kenya had a deficit trade balance with the U.S. in 2014 and 2015, there was a positive balance in favour of Kenya in 2016 although with decreased value. The U.S. import figures include imports for re-exports to other countries.

Table 31: Regional and U.S. Trade with Kenya 2014 to 2016 (US$ Billion)

Year/Region	Exports			Imports		
	2014	2015	2016	2014	2015	2016
Africa	2.41	2.42	2.34	1.46	1.49	1.40
European Union	1.40	1.45	1.41	2.86	2.96	2.65
Asia	1.00	1.31	1.41	9.90	9.82	9.57
U.S.	0.383	0.41	0.53	1.69	1.26	0.48

Source: *Kenya Economic Surveys 2015, 2016, & 2017*

Freight costs are an important factor for determining the competitiveness of Kenyan products. It is currently cheaper to ship from Mombasa to China than to any U.S. port.[42] The anticipated introduction of direct flights from Kenya to the U.S. will greatly boost exports and business between the two countries.

The completion of the construction of a railway network in East Africa is expected to increase regional trade. This will enhance the development of regional export value chains for some of the promising markets. Some potential opportunities are available for regional integrated value chains especially the regional raw materials or intermediate industrial products including apparel with fabrics, cotton and components; leather with processed skins and leather goods inputs/components; and agri-food processed products such as coffee, tea, nuts, fruits and vegetables.

2.7 Benchmarking Competitiveness

The benchmarks are based on competitiveness in the relevant parameters such as general costs of factors, freight cargo time and rates among others. Competitiveness may be achieved across the board or in specific sectors.

Table 32 shows some factor cost comparisons for Kenya with other countries. These countries were selected due to their competitive relevance to Kenyan sectors such as apparel and agriculture. Other factors, such as Value Added Tax (VAT), import taxes, corporate tax holidays, availability of industrial parks and land for construction, had no major differences among the comparator countries. From the table, the following comparisons are observed:

i) Labour costs in Kenya are lower than in South Africa and Mauritius, but not as competitive as Ethiopia, Madagascar, Sri Lanka and Bangladesh. These countries attract more FDI in manufacturing, and some sectors have higher productivity than Kenya.

ii) All countries have the same working hours (45hrs), except Bangladesh, Uganda and Ethiopia, which have more weekly working hours (48hrs), and Madagascar with 40 hrs.

iii) Ethiopia and Sri Lanka have the lowest electricity rates and this gives them an advantage for industries where electricity is an important cost, e.g. textiles, apparel, food processing, furniture and wood among others.

iv) Countries such as South Africa have lower costs in rent.

v) Ethiopia and South Africa have the cheapest water rates.

vi) Borrowing costs in local currency are lowest in South Africa and Mauritius. Bank loan interest in Kenya is 14%.

The work permit fee for expatriates in Kenya is high compared to other countries. This may restrict the interest of foreign investors in new lines of products, where specialised production and export marketing skills, are not available in Kenya. It may also limit the interest of foreign investors who may need expatriate service.

[42] The large quantity of imports from Asia causes that the vessels in return have considerable empty cargo space. Therefore, freight of a 40' container from Mombasa to Shanghai or other ports in Asia are offered at US$800 versus over US$2000-US$3,200 to U.S. ports.

Table 32: Comparison of General Factor Costs

	South Africa	Kenya	Tanzania	Uganda	Ethiopia	Mauritius	Madagascar	Sri Lanka	Bangladesh
Monthly wage US$ skilled/ semi-skilled	$1485.59/ $269.77	$125 -170/ $70-130[43]	$80-90 / $60-65	$55-105/ $ 100-140	$85-120 / $40-50[44]	$300 / $150	$66/ $52	$66/ $58	$90 / $68[45]
Weekly working hours[46]	45	45	45	48	48	45	40	45	48
Overtime allowed/ week	10	15	15	12	12	15	20	12	12
Rent EPZ factory (per sq m/year)[47]	$4 - $15	$26 - $48	$21– $48	$48	$24 - $48	$35 - $53	$24	$64 - $80[48]	$33
Electricity (US$ per kwh)	$0.08 - $0.12	$0.09 - 0.18[49]	$ 0.09	$0.12	$ 0.03	$0.10 - 0.13[50]	$0.18	$ 0.08[51]	$0.08 - 0.09[52]
Water cost US$ m3 [53]	$0.032	$0.55	$0.75	$0.89	$0.25 - 0.50	$0.33 - 0.53	$0.32	$0.40	$ 0.30
Bank interest rate (local currency)	10.5%	14%[54]	14% - 16%	24 %	9% - 12%[55]	10.5%	18%	14%-16%[56]	10% - 13%
Bank interest (in US$)	5% - 9%	7% - 9%	7% - 9%	12 %	9% - 12%[57]	5% - 6%	10% - 12%	5.5% - 7%[58]	6% - 9%
Inflation rate 2016[59]	6.4%	8%	7%	9.5%	2.2%	6.4%	6.6%	3.6%	6.7%
Work permits for expats (Annual cost in US$)[60]	$111.6	$1,000[61]	$750	$74	$200	$200	$100	$131	$60

Source: *Interviews and publications. Prepared by the Hub*

[43] Kenya minimum wage has 3 tiers depending on location. The highest rate for the major cities (Nairobi, Mombasa or Kisumu), a medium rate in major municipality (Mavoko, Ruiru and Limuru) and the lowest rate applicable in all other areas;

[44] There is no minimum wage guide in Ethiopia. Average estimates from Ethiopia Investment Commission. Actual rates vary from enterprise to enterprise;

[45] Bangladesh minimum wage is set by the Minimum Wage Board. Current was in 2013. Next expected to be set in 2018;

[46] Source: Respective Local labour laws;

[47] Rent at government owned industrial parks is lower than private. *Source: Respective Industrial Parks or Export Processing Zones;*

[48] The rent is subject to 11% VAT. *Source: Board of Investments of Sri Lanka, www.investsrilanka.com*

[49] Following a Presidential directive on 26th Nov 2017, Industries can now access power at 50% during off peak hours;

[50] Day time rate is $0.13 while off peak rate is $0.10

[51] Off peak rates can go to as low as $0.04 for heavy industrial consumers. S*ource: Board of Investment of Sri Lanka;*

[52] According to Dhaka Electric supply limited, off peak rate is $0.08 per kwh (www.desco.org.bd/?page=tariff-rate);

[53] Actual rates differ with location/region; The rates are as per estimates for the main cities as reported by the International Benchmarking Network for Water and Sanitation Utilities (www.tariffs.ib-net.org) and export processing authorities;

[54] KCB base lending rate is 10%. Banks loans can charge up to 14%. Industrial Development Bank Kenya has a 10-12% credit line from India for purchasing equipment and inputs from India

[55] This rate is only available in state owned banks. Private banks charge as high as 16% - 18%;

[56] The rate of 14% is applicable to green energy loans while 16% is for overdrafts. Normal fixed loans are available at 15.5% *Source: Sri Lanka Commercial Bank, www.combank.lk/newweb/en/rates-tariffs/lending-rates*

[57] Ethiopia restricts borrowing in Foreign Currency including USD. *Source: https://www.tesfanews.net/ethiopias-foreign-currency-crisis/*

[58] Foreign currency loans (in US Dollars) as at October 2017. *Source: http://www.dfcc.lk/en/investment/rates*

[59] As per World Bank Country data for 2016;

[60] *Source: Local Immigration laws and Investment Promotion agencies;*

[61] Cost of work permit for an investor who invests at least $100,000 or more is $1,000 per year;

Table 33: Ocean Freight Comparisons (Rates in US$)

	Kenya (Mombasa)	Tanzania (Dar)	Ethiopia (Djibouti)[62]	Mauritius (Port Louis)	Madagascar (Toamasina)	S. Africa (Durban)	Sri Lanka	Bangladesh
To Newark, New Jersey, USA, 40 Foot	$3,266 - $4,732	$5,600- $6,732	$3,520- $6,132	$6,692	$7,095	$2,580- $3,600	$1,480	$3,730
To Newark, New Jersey, USA, 20 Foot	$2,107 - $4,500	$3,000- $4,500	$2354- $4,267	$4,367	$4,770	$1,650- $2,432	$1,240	$1,405
Transit Time (Days)	26	33	23	39	35	25	24	31
To Charleston, South Carolina, USA, 40 Foot	$6,332	$6,332	$7,732	$8,292	$8,695	$2,580- $3,661	$1,480	$3,730
To Charleston, South Carolina, USA, 20 Foot	$5,300	$5,300	$5,067	$5,167	$5,570	$1,699- $2,453	$1,240	$1,405
Transit Time (Days)	31	38	27	44	40	30	30	40
To Los Angeles, California, USA, 40 Foot	$4,450	$4,450	$ 4,247	$ 5,117	$5,317	$3,285 -$3,630	$1,900	$2,850
To Los Angeles, California, USA, 20 Foot	$2,535	$2,535	$2,332	$2,577	$2,677	$2,157 – $2,384	$1,575	$2,190
Transit Time (Days)	48	48	48	61	57	30	31	33
To Portland, Oregon, USA, 40 Foot	$4,997	$4,997	$4,247	$5,117	$5,317	$3,469 - $3,834	$1,900	$3,450
To Portland, Oregon, USA, 20 Foot	$2,600	$2,600	$2,332	$2,577	$ 2,677		$1,575	$2,715
Transit Time (Days)	60	60	53	66	62	34-40	41	51

Source: *Interviews, Shippers Council of East Africa 2015 logistics Performance Survey, Maersk Wold Freight Rates*

Note: These are indicative average rates and are subject to seasonality. Park/land to port road/haulage time is not included.

[62] Rates for Ethiopia are from port of Djibouti which is the major port used by Ethiopia. In land costs to the port will range from $ 1,300 to $ 1,600 depending on distance from Park to the Port;

Generally, freight rates are subject to market changes, seasons, type of products transported and currency adjustment. Table 33 provides freight rates for containerised and conventional cargo for some U.S. ports. Sri Lanka is among the comparator countries that have the lowest freight rates to the U.S. followed by South Africa. Although many exporters interviewed mentioned that ocean freight rates from Kenya were too high, the rates are still cheaper than from ports in Tanzania, Mauritius and Madagascar. Ethiopia exports via Djibouti involve costs amounting to between US$1,300 to US$1,600 per container for apparel to move a container from Addis Ababa to Djibouti. Furthermore, the transit time from Kenya is short compared with the other countries. Mauritius, Madagascar and Bangladesh have the longest transit time. Overall, in terms of ocean freight rates, the major competitors to Kenya are South Africa and Sri Lanka.[63]

Improved port efficiency and reduced railroad rates from Nairobi to Mombasa will improve Kenya's cost, insurance and freight (CIF) price competitiveness in the U.S. market.

Table 34 shows the estimated air freight cost from Nairobi to main U.S. cities in the East Coast such as the airports of New York City (NYC). Consolidated cargo over 1,000 kg has lower rates. Ethiopia, Tanzania and Madagascar have the lowest rates, and Mauritius has only one day of transit time compared with three days for the other countries. South Africa also has several direct flights to cities in the U.S. and provides discounted rate for cargo depending on the volume shipped by their exporters' airlines.

14%

Average bank loan interest in Kenya, compared to the lowest borrowing costs in local currency in South Africa and Mauritius.

$2.70-4.00

Air freight cost per kg from Kenya to U.S. East Coast for 500 kg cargo.

$2.70

Air freight cost per kg from Kenya to U.S. East Coast for 1000 kg cargo.

[63] Nigeria could be a threat in the future given that ocean freight rates from Apapa Port to NYC are 25% lower than Kenya's although it currently does not have a significant non-oil export supply.

Table 34: Air Freight Comparisons

	Kenya	Tanzania	Uganda	Ethiopia	Mauritius	Madagascar	Sri Lanka	Bangladesh
To U.S. East Coast (Cost per Kg) 500 kg / 1000 kg	$4.00 / $2.70	$5.50 / $2.50	$3.55 / $1.95	$5.32 / $1.70	$3.08 / $3.03	$5.50 / $2.50	$5.73 / $5.50	$ 3.13 / $ 4.75
Transit Time (Days)	3	3	3	3	1	3	3	3

Source: *Interviews and Publications*

Note: *These are only indicative average rates depending upon volume and negotiations with airlines*

It is anticipated that Kenya will have direct flights to the U.S. (NYC) from October 2018. This is expected to reduce delivery time and increase the competitiveness of CIF prices of textiles, apparel, home décor, specialty foods, valuable crafts, flowers and fresh produce. Furthermore, efforts to negotiate reduced air cargo freight rates will significantly create competitiveness and increase AGOA exports to the U.S.

2.8 Apparel Case Study

Apparel was selected for a case study because it is the main export sector under AGOA.

43,500

Number of locals employed by the 25 enterprises in the textile and apparel sector in Kenya.

Table 35: Apparel Sector Selected Comparisons (2016)

Overview	Kenya	Tanzania	Uganda	Ethiopia	Madagascar	Mauritius	Sri Lanka	Bangladesh
Number of Export-Oriented Textile and Apparel Enterprises[64]	25[65]	6	4	150	95	100	366	4,500
Estimated Number Employed in Textile and Apparel	43,500	13,000	4,000	60,000	100,000	60,000	300,000	4,200,000
Estimated % of Partial or Full Local Ownership	10-15%	33%	50%	6-10%	12%	70%	N/A	N/A
Number of Days to Transport from Port to Park[66]	1	1-2	2-3[67]	4-7[68]	1-3	1	1	1
Duty-Free Market Access to U.S./EU	AGOA/ EPA	AGOA/ EBA	AGOA/ EBA	AGOA/ EBA	AGOA/ EPA	AGOA/ EPA	EU-GSP	EU-GSP, EBA
Availability of One-Stop-Shop Services	No	Yes	Yes	Yes	No	No	No	Yes

Source: *The Hub Benchmarking Competitiveness Report 2018*

64 Enterprises exporting 60% and above of their products;

65 21 of the export oriented textile and apparel enterprises are located at EPZs;

66 Duration varies depending on distance from the main port for export;

67 Uganda relies on the port of Mombasa in Kenya, at least 2 days by road to move goods;

68 Ethiopia (land locked country), relies on the Port of Djibouti. It takes at least 4 days by road to move the goods. This is expected to reduce with the introduction of cargo trains in 2018-19;

Table 35 depicts the performance of select comparators to Kenya that export at least 60% of their textile and apparel production. Bangladesh is the leader with a total of 4,500 enterprises and employment of 4,200,000 people. The second highest comparator is Sri Lanka with 366 enterprises employing 300,000 people.

Out of the eight comparators, on employment Kenya ranks sixth with only 25 enterprises which employ 43,500 locals. The lowest performer in the comparison is Uganda with four enterprises employing 4,000 people.

From the figures available, Mauritius has the highest full local ownership at 70% followed by Uganda at 50% and Tanzania at 33%. Full local ownership in Kenya ranges between 10 and 15%. Figures for Bangladesh and Sri Lanka were not available.

Kenya, Mauritius, Sri Lanka and Bangladesh, all of which have a coastline, spend only one day for the finished products to reach the port for exports. Ethiopia has the longest park to port duration of four to seven days as it relies on Djibouti's port. Uganda, which is also landlocked, takes two to three days to get its exports to the port of Mombasa. All the countries except Sri Lanka and Bangladesh have duty-free market access to the U.S. and the EU under AGOA/EPA or EBA arrangements. Sri Lanka has market access through EU-GSP while Bangladesh is under the EU-GSP and EBA arrangements. Tanzania, Uganda, Ethiopia and Bangladesh provide one-stop-shop services to investors.

3

CHALLENGES AND STRATEGIC ISSUES

3.1 Introduction

In general, compared to other countries in the region, Kenya has firms and sector support institutions with experience in export trade. Most successful exporters to the U.S. are large companies (according to Kenyan business standards), both foreign and locally owned, that have few linkages with SMEs. Strategic local partnerships involving large experienced exporters can however benefit export growth in all sectors.

3.2 Cross-Cutting Challenges and Strategic Issues

The key challenges identified during the consultations and interviews with stakeholders were related to lack of awareness and information on the U.S. market and AGOA, freight costs and delivery time, difficulties achieving standards, lack of adequate skills and financing, inadequate export supply, competition from cheaper origins and restrictions on U.S. visas, among others. The following table outlines the challenges and details the necessary strategic interventions to address them.

Table 36. Cross-Cutting Challenges and Strategic Issues Identified in Exporting to U.S.

Challenge	Narrative	Strategic Objective (SO) and Strategic Interventions
1. Lack of awareness of AGOA by companies and public sector agencies	a. Low awareness of AGOA potential and requirements by SMEs, public agencies and counties b. Some county governments see exports as a source of revenue to be taxed wherever possible. This leads to multiple levies and taxes being applied	**SO 1. Increase AGOA awareness and knowledge in the private and public sectors** 1. Develop and disseminate AGOA 101, other AGOA handbooks and newsletters in print and electronic format (website, social media, TV, videos, radio) 2. Sensitize and train exporters, trade association staff and public sector workers on AGOA benefits and requirements through seminars; encourage county governments to embrace exports 3. Promote AGOA awareness amongst U.S. consumers, buyers and U.S. trade associations and Kenya as a competitive source of quality products for U.S. market under AGOA
2. Limited awareness of the U.S. market and commercial practices	a. U.S. market potential, import requirements and potential unknown b. Few SMEs export to U.S. c. Many U.S. buyers not aware of Kenya as a possible source of import products; neither do they know that AGOA is duty-free	**SO 2. Increase understanding of the U.S. market and competition in targeted sectors** 1. Promote partnerships and linkages with U.S. traders and trade institutions through B2B meetings, collaboration agreements and exchange visits 2. Collate end market information on U.S. trade trends, emerging opportunities and market characteristics for target products; disseminate information to private sector and trade associations 3. Assist private companies to explore/ exploit U.S. market opportunities through participation in trade fairs, market study visits and B2B meetings

Challenge	Narrative	Strategic Objective (SO) and Strategic Interventions
3. SMEs' limited export supply capacities for large export markets such the U.S.	a. Fragmented, atomized production, weak value chains b. Limited availability of raw materials and inputs c. SMEs not organized to grow d. Low productivity and limited resources in key sectors (e.g. macadamia, textiles, gemstones, apparel, fruit and vegetables) e. SMEs have difficulties fulfilling export orders, and thus view AGOA as only for big, established firms f. Absence of export marketing and management skills	**SO 3. Improved supply capacity and productivity of SMEs in target sectors** 1. Select products with demand in U.S. market to benefit from targeted technical assistance; expose clusters to best practices in production. 2. Promote clusters to share sourcing of common inputs and do consolidation and joint marketing of quality products for export 3. Provide technical assistance for product development, design and packaging to enhance product innovation and quality in line with market needs 4. Expose exporters to relevant technology for expanded production through local and overseas trade shows and sourcing visits
4. Limited capacities to meet U.S. standards and buyer requirements	a. Lack of knowledge of specific market requirements and how to meet them b. Costly and complex certification processes e.g. WRAP and ISO	**SO 4. Support Kenyan exporters' compliance with U.S. market requirements and standards.** 1. Develop and disseminate handbooks for target products on market standards, certification requirements and other resources; use Handbooks and other resources to train producers, exporters and trade facilitators on U.S. market standards and regulations and certification processes 2. Support Kenyan exporters to obtain certification by supporting costs of certification training and audits for qualified exporters

Challenge	Narrative	Strategic Objective (SO) and Strategic Interventions
5. High cargo freight costs and extended delivery time to the U.S.	a. By Air: Nairobi to NYC – US$ 1.9/ kg, 3-7 days transit b. By Road- Nairobi to Mombasa 40 foot container US$ 850-1,000 -1 day c. By Sea: Mombasa – Newark (U.S.), 40 foot container US$ 3,266-4,732 Mombasa- Los Angeles (U.S.), 40 foot container US$ 4,450 d. No direct flight to the U.S., which restricts export of perishable products	**SO 5. Achieve competitive ocean and air cargo freight costs and delivery time to the U.S.** 1. Support private exporters through trade associations, negotiate with air carriers for affordable air cargo rates and adequate air cargo capacity to U.S. 2. Support trade associations to engage with freight consolidators, KPA, Kenya Railways and Kenya National Highways Authority so as to provide more cost-efficient freight services at port and inland railway and roads, and to increase freight space available to small shippers
6. Lack of adequate trade financing and investments for SMEs' export expansion	a. Official bank lending rate of 9-14%, with collateral not readily available to SMEs b. Bank rate for trade finance is regularly 12-20% even in U.S.$ c. Limited sources of capital for export investment including from stock exchange d. FDI investors have high risk perception of market	**SO 6. Provide timely and competitive trade and investment financing to exporters.** 1. Establish export credit guarantee schemes to provide affordable pre- and post-shipment trade finance products 2. Leverage innovative non-bank financing tools through partnership with financial sector players who have designed innovative financing tools for small growing businesses 3. Restructure development finance institutions (DFIs), advance funds to DFIs to on-lend or invest in exporting firms, including providing customized trade finance facilities with few collateral security requirements 4. Support SMEs to become investment-ready and support pre-investment evaluations of exporter's investment proposals 5. Proactive attraction of new investments in selected AGOA sectors

Challenge	Narrative	Strategic Objective (SO) and Strategic Interventions
7. Limited institutional capacity to support AGOA	a. Lack of strong, continuous institutional champion to promote AGOA b. Inadequate staff capacity and resources for proper technical support of AGOA export sector e.g. to Ministry and agencies responsible for public health, Kenya Bureau of Standards, Department of Veterinary Services, Kenya Plant Health Services for product standards, food safety, training in HACCP	**SO7. Enhance institutional capacity to support exporters to utilize AGOA** 1. Restructure and resource NC- AGOA, with each member body designating by name a full time officer as a member. 2. Strengthen and resource with staff, funds and equipment an AGOA Division and Information Center within the State Department for Trade for AGOA information dissemination, market linkages and capacity building services in collaboration with other agencies 3. Build capacity of sector trade associations and chambers of commerce to train members to export under AGOA and support them to train their members
8. NTBs and business climate constraints related to exporting to the U.S.	a. Poor state of infrastructure, e.g. road, rail networks and storage facilities b. Smuggling of raw materials, denying industry access to them, e.g. macadamia nuts c. High cost of doing business in Kenya despite regulatory reform	**SO 8. Remove non-tariff barriers to trade and improve business climate for investment and facilitation of trade with U.S.** 1. Review and rationalize multiple regulatory restrictions, taxes and levies affecting export business 2. Assist trade associations to establish, adopt and enforce codes of conduct to regulate conduct of sector players; promote use of code amongst exporters to U.S. and create awareness of code amongst U.S. buyers 3. Expand Kenyan exporters' access to U.S. distribution networks through use of export warehouses in U.S. 4. Promote uptake of incentive program and of industrial parks, EPZs and SEZs by exporters

Challenge	Narrative	Strategic Objective (SO) and Strategic Interventions
9. **Lack of competitive-ness, low productivity, poor quality and negative impact of climate change**	a. Reduced productivity due to reducing size of farms, lack of irrigation systems, improper selection of crops for ecological zone, poor agronomic practices b. High cost of inputs, water and energy c. Irregular water, power supply d. Inadequate investment in and application of innovation and research and development	**SO:9. Improve exporting sectors' competiveness and resilience against negative impacts of climate change** 1. Support private sector associations to formulate and lobby for policy reforms on land consolidation, irrigation and effective agricultural extension 2. Partner with research and development agencies to disseminate information on innovations relevant to export processors 3. Support policy incentives to reduce cost of electricity, gas and fuel oils for industry, and to encourage use of renewable energy such as solar and wind power in export sector

Table 37: Sector Non-Tariff Measures Faced by Kenyan Exporters When Exporting to the U.S. Market

Non-Tariff Measure	Apparel	Home décor	Coffee	Tea	Processed & Specialty Foods	Flowers	Fresh Fruits & Vegetables
Technical regulations, USDA requirements, buyer standards	x	x	x	x	x	x	x
Conformity assessment, e.g. quality, minimum residue levels (MRLS) on agricultural products and sanitary and phyto-sanitary (SPS) measures on plant and animal products	x				x		x
Pre-shipment inspection and other formalities					x		x
Charges, taxes and other para-tariff measures			x	x			
Quantity control measures							
Finance measures		x			x	x	x
Price control measures					x		
Anti-competitive measures					x		
Distribution restrictions	x		x	x	x		x
Rules of origin	x	x					

Source: *Interviews, Validation Workshop, the Hub*

In addition to the cross-sector challenges, Table 37 gives a summary of the perceived non-tariff measures (NTMs) that affect each selected sector when exporting to the U.S.[69] As mentioned by exporters, technical requirements and standards required for agricultural and textile products are the most common NTMs. The processed food sector experienced many of the NTMs.

Solutions for overcoming the challenges identified when exporting to the U.S. and the strategic interventions considered were the basis for proposing the strategic objectives, actions and outputs of the overall AGOA Strategy. These, together with the input of the end market analyses, as well as the validation workshops and consultation processes, have informed the development of cross-sector and sector-specific interventions.

[69] This table is based on comments from the interviews in Kenya. A more detailed information of NTBs to all export markets should be found at the Kenya National Export Strategy (in process)

4

ACTION PLAN

4.1 Targets

This section quantifies the potential targets in the identified sectors. The AGOA Strategy and Action Plan covers a five-year implementation period from 2018 – 2023. Therefore, all things remaining constant, the scenario below can be considered.

Target growth: To double the 2016 export value by 2023. This is an average annual rate of 10.41%, slightly more than double the 5.01% growth for total exports to the U.S. achieved in the period 2012-2016.

$1,105.3 MILLION

The export target for all the sectors to increase by 2023, with the apparel sector still being the leader in exports.

Table 38: Kenya AGOA Strategy – Proposed Sector Export Targets (US$ million)

Sector	2016 Actual	Average Annual Growth Rate 2011-2016	Average Annual Growth Rate 2017-2023	2017	2018	2019	2020	2021	2022	2023
Apparel	340.7	4.4%	9.70%	373.7	410.0	449.8	493.4	541.3	593.8	651.4
Home Décor and Personal Accessories	3.8	3.5%	10.20%	4.2	4.6	5.1	5.6	6.2	6.8	7.5
Coffee	38.5	6.9%	16.70%	44.9	52.4	61.2	71.4	83.3	97.2	113.5
Tea	26.8	12.4%	14.00%	30.6	34.8	39.7	45.3	51.6	58.8	67.1
Processed Foods/ Specialty Foods	5.3	28.3%	28.00%	6.8	8.7	11.1	14.2	18.2	23.3	29.8
Flowers	5.2	2.40%	5.30%	5.5	5.8	6.1	6.4	6.7	7.1	7.5
Fresh Fruits and Vegetable	39.5	9.8%	12.00%	40.0	40.5	40.9	41.4	41.9	42.4	42.9
Others	92.8		10.41%	102.5	113.1	124.9	137.9	152.3	168.1	185.6
Total Kenya exports to the U.S. in the 7 Selected Sectors and in other Sectors	**552.6**	**5.01%**	**10.41%**	**608.1**	**669.9**	**738.8**	**815.6**	**901.5**	**997.6**	**1,105.3**

Source: *Data on this site have been compiled from tariff and trade data from the U.S. Department of Commerce and the U.S. International Trade Commission.*

Table 38 illustrates the target scenario for Kenya's export to U.S. for the target seven sector and other products. The Strategy aims to double 2016 export value to U.S. by 2023 with an average annual growth rate of 10.41% translating to export of US$ 1,05.3 million at the end of the period. This represents a doubling of the average annual growth rate achieved in the first strategy 2012-2016 of 5.01%. The apparel sector will still be the leader in exports. Other sectors such as processed and specialty foods, home décor, flowers and fresh fruits and vegetables, due to increased competitiveness and market potential, may reach much higher levels than the set targets in the table. It is important to consider that the range of products exported to the U.S. may change. This would be due to market or supply conditions.

4.2 Strategic Interventions

4.2.1 Products Selected by Sector

The list of selected products is based on a demand analysis by expert opinion, available trade data and interviews with buyers. The strategic intervention for the exploitation of the product potentials are in two categories, namely short-term and mid-term potentials.

a) Short-Term Potential

Table 39 presents the list of products recommended as a result of the U.S. market analyses and selected visits to exporters in Kenya. Companies that are export-ready could start to offer the suggested products to potential buyers.

Table 39: Sectors and Products with Short-Term Potential

Sector	Product
Apparel	Knitted Shirts in Synthetics for all genders and ages T-shirts in Cotton & Synthetic for all genders and ages Sweaters in Synthetic for all genders and ages Woven Pants & Shorts in Cotton & Synthetic for all genders and ages Woven Shirts in Cotton & Synthetic for all genders and ages Dresses, for Women & Girls in Cotton & Synthetic as part of SME products
Home Décor & Personal Accessories	Articles of leather, harness, travel goods, etc. (Handbags, totes, travel luggage, wallets, leather accessories, belts, small leather goods) Manufactures of plaiting material, basketwork (Sisal rugs, baskets, organisers, desk accessories, wall hangings) Other textile made articles, sets, etc. (Home textiles-pillows, table runners, placemats, napkins, throws) Jewellery with precious stones, metals, etc. (with Gold, Ruby, Emerald, Zoisite, Green Garnet, brass, glass beads, ceramic beads) Works of art (paintings, sculptures, collector's)
Processed & Specialty Foods	Vegetable oils (avocado, macadamia, others), nuts (macadamia, cashew), mango pulp, spices, chili sauces, dried fruits (pineapple, mango, banana), canned fruits (pineapple)
Flowers	Roses, carnations, alstroemerias, lilies, and gypsophylas
Coffee	Green Arabica[70] Organic coffee
Tea	Black CTC[71] Green Tea, flavoured teas, and others
Fresh Fruits & Vegetables	French beans, sugar snaps, baby corn

Source: *Author*

b) Mid-Term Potential

In addition, during the demand analysis phase, other emerging products were identified, as shown in Table 40, that may have mid-term potential. However, further research will be required on these products during Strategy implementation.

[70] Green coffee imported into U.S. is duty-free anyway and thus not AGOA-eligible but that product included in strategy due to economic potential and importance.

[71] Most black teas are duty-free in the U.S., and thus not AGOA-eligible products, but tea was added to the list of selected product due to U.S. market potential and economic importance to Kenyan exports.

Table 40: Emerging and Mid-Term Potential Products

Sector	Product
Apparel	Fashion, high-end brands, garments
Home Décor & Personal Accessories	Designed high-end products for fashion and décor brands
Processed & Specialty Foods	Other vegetable oils, organic jams, jellies, snacks
Coffee	Organic and branded packaged roasted coffee
Tea	Black & green packaged, purple tea, herbals and infusions
Flowers	Cut propagation materials and foliage, tropical flowers
Fresh Fruits & Vegetables	Avocado, mango, Asian/African vegetables and others

Source: *Author*

4.2.2 Strategic Objectives

The following objectives have been developed from the outcome of the engagements with both supply and end market stakeholders. The cross sector action plan is based on the following strategic objectives:

i) Increase AGOA awareness and knowledge in the private and public sectors

ii) Increase understanding of the U.S. market and competition in targeted sectors

iii) Improve supply capacity and productivity of SMEs in target sectors

iv) Support Kenyan exporters' compliance with U.S. market requirements and standards

v) Achieve competitive ocean and air cargo freight costs and delivery time to the U.S.

vi) Provide timely and competitive trade and investment financing to exporters

vii) Enhance institutional capacity to support exporters to utilize AGOA

viii) Remove non-tariff barriers to trade, and improve business climate for investment and facilitation of trade with U.S.

ix) Improve exporting sectors' competiveness and resilience against negative impacts of climate change.

4.2.3 Action Plan

Based on the feedback obtained from key stakeholders in all the validation meetings conducted, detailed strategic objectives, required actions, outputs, key players and time frame have been designed to address the challenges identified. These are presented as cross-cutting issues, which apply to all clusters/ sectors that this Strategy examined, and sector-specific strategies for all the selected sectors.

Table 41: Cross-Cutting Sector Strategy – Action Plan

Strategic Objectives	Key Actions Required	Outputs	Time Frame		Key Actors	Level of Resource Required	Remarks
			S-T	M-T			
1. Increase AGOA awareness and knowledge in the private and public sectors	1. Develop and disseminate AGOA 101, other AGOA handbooks and newsletters in print and electronic format (website, social media, TV, videos, radio)	- Materials including AGOA Handbooks, AGOA 101, newsletters developed/ updated and disseminated - Trade support agencies and institutions utilizing AGOA 101 and other AGOA handbooks	X	X	EPC, NC-AGOA, State Department for Trade, EPZA, Brand Kenya Board, KAM, KNCCI, Kenya Embassy in Washington, Media, CCA, U.S. Chamber of Commerce Country Governments	Low	Utilize social media and webinars for some seminars.
	2. Sensitize and train exporters, trade association staff and public sector workers on AGOA benefits and requirements through seminars, and webinars Encourage county governments to embrace exports	- Forums held where stakeholders are sensitized on AGOA - Increased awareness and understanding of AGOA opportunities and processes, by trade intermediaries and private sector staff - County governments more supportive of exporters	X	X		Medium	
	3. Promote AGOA awareness amongst U.S. consumers, buyers and trade associations and promote Kenya as a competitive source of quality products for U.S. market under AGOA	- U.S. buyers, consumers and institutions aware of how to utilize AGOA to import from Kenya - U.S. buyers, consumers and U.S. institutions aware of Kenya's offering - Number of B2B meetings promoting Kenyan exports to the U.S. under AGOA	X	X		Medium - High	Use electronic newsletters, websites, social media, linkage between U.S. and Kenyan trade associations and B2B meetings

Strategic Objectives	Key Actions Required	Outputs	Time Frame		Key Actors	Level of Resource Required	Remarks
			S-T	M-T			
2. Increase understanding of the U.S. market and competition in targeted sectors	1. Promote partnerships and linkages with U.S. traders and trade institutions through B2B meetings, collaboration agreements and exchange visits	- Collaboration agreements between Kenyan and U.S. institutions and enterprises - B2B meetings held - New business linkages established	x	x	NC-AGOA, EPC, EPZA, KAM, Hub, KNCCI, State Department for Trade, county governments, Ministry of Agriculture, Trade Associations, State Department for Trade, American Chamber of Commerce –Kenya Chapter, Media	Medium	
	2. Collate end market information on U.S. trade trends, emerging opportunities and market characteristics for target products. Disseminate information to private sector and trade associations	- U.S. market studies and market intelligence reports and articles/blogs on key products completed and distributed - Kenyan exporters more aware of U.S. market opportunities - Kenyan exporters better equipped to handle competition in U.S. market	x	X		Medium	For sustainablity, charge a user fee for the information, to contribute to some of research costs. Use media to disseminate.
	3. Assist private companies explore/exploit U.S. market opportunities through participation in trade fairs, market study visits and B2B meetings	- Number of U.S.-oriented activities where U.S. and Kenyan agencies and firms participate - Increased capacity of private sector to engage in trade with U.S. buyers - Number of sector trade shows attended	X	X		Medium	

Strategic Objectives	Key Actions Required	Outputs	Time Frame		Key Actors	Level of Resource Required	Remarks
			S-T	M-T			
3. Improved supply capacity and productivity of SMEs in target sectors	1. Select products with demand in U.S. market to benefit from targeted technical assistance and expose clusters to best practices in production	- Target products and clusters identified - Cluster firms exposed to best practices in production - Program for improvement in productivity and Good Manufacturing Practices - Results successfully replicated in other clusters.		X	NC-AGOA, EPC, EPZA, KAM, Hub, KNCCI, State Department for Trade, county governments, Ministry of Agriculture, Trade Associations, State Department for Trade, American Chamber of Commerce –Kenya Chapter, Media	Medium	Replicate intervention, where successful.
	2. Promote clusters to share sourcing of common inputs and do consolidation and joint marketing of quality products for export	- Enterprises engaged in joint marketing and export consolidation - Producer groups increasing their exports - Increase in cluster productivity - Cost of sourced inputs reduced - Inputs more readily available to producers	X	X		Medium	
	3. Provide technical assistance for product development, design and packaging to enhance product innovation and quality in line with market needs	- Exporters able to produce market- led product designs - Improved packaging of export product - Higher perceived value of export products		X		Medium	Utilize local product design and development talent where available.
	4. Expose exporters to relevant technology for expanded production through local and overseas trade shows and sourcing visits	- Exporters aware of technology sources for their industry - Exporters sourcing relevant technology for their production	X	X		Medium	Use electronic communication, social media and peer-to-peer learning where possible to reduce costs

Strategic Objectives	Key Actions Required	Outputs	Time Frame		Key Actors	Level of Resource Required	Remarks
			S-T	M-T			
4. Support Kenyan exporters' compliance with U.S. market requirements and standards.	1. Develop and disseminate handbooks for target products on market standards, certification requirements and other resources. Use handbooks and other resources to train producers, exporters and trade facilitators on U.S. market standards, regulations and certification processes	- Export Handbooks with market requirements developed - Exporters have relevant information on U.S. market requirements and technical standards - Trade associations, trade promotion agencies and regulatory agencies include information on U.S. import market requirements on their websites - Number of Kenyan exporters, trade facilitators and regulators trained in U.S. market standards, U.S. product regulations and certification process	X	X	NC-AGOA, EPC, State Department for Trade, Ministry of Agriculture (HCD, KEPHIS, Veterinary Department), KEBS, USDA/APHIS, Trade Associations, KAM, KNCCI	Medium	
	2. Support Kenyan exporters to obtain certification by supporting costs of certification training and audits for qualified exporters	- More Kenyan producers achieve compliance with U.S. market requirements - Cost of training and audit more affordable to exporters	X	X		Medium	This activity requires adequate funding for training and certification. GOK to develop proposals for funding support from development partners.
5. Achieve competitive ocean and air cargo freight costs and delivery time to the U.S.	1. Support private exporters through trade associations, negotiate with air carriers for affordable air cargo rates and adequate air cargo capacity to U.S.	- Cheaper air freight rates to U.S. for exporters - Available cargo space to U.S. for export sector based on demand projections and benchmarked prices - Increased exports of fresh produce to U.S. (fruits, vegetables, cut flowers, foliage)	X	X	NC-AGOA, EPC, KPA, KRA, Freight Consolidators, Kenya National Highways Authority, KR, Freight Forwarders Association, Shippers Council, Ministry of Transport, State Department for Trade, KAM, KNCCI, Trade Associations	Medium	Hub did price parity study for fresh produce air freight costs from Nairobi to New York. Minimum volumes and tonnage of export product needed to justify airline investment.

Strategic Objectives	Key Actions Required	Outputs	Time Frame		Key Actors	Level of Resource Required	Remarks
			S-T	M-T			
	2. Support trade associations to engage with freight consolidators, KPA, Kenya Railways, Kenya National Highways Authority so as to provide more cost-efficient freight services at port and inland railway and roads, and to increase freight space available to small shippers	- Trade association agreements with service providers to increase/ improve services to various exporters - Shorter turn-around and transit times for export and import - Several categories of dry products can reach U.S. by sea in good time - Cheaper freight costs, - Increased consolidated freight capacity available	X	x		High	Completion of ongoing infrastructure projects along northern corridor and at Mombasa port can help to increase port and rail efficiency, and reduce transit times and costs.
6. Provide timely and competitive trade and investment financing to exporters.	1. Establish export credit guarantee schemes to provide affordable pre- and post-shipment trade finance products	- Exporters have access to ready export credit - Pre- and post-shipment trade finance affordable to SMEs		X	NC-AGOA, State Department of Trade, Kenya Investment Authority, CMA, East Africa Venture Capital Association IDB/ICDC/ DBK, World Bank/IFC, AfDB, Central Bank of Kenya, National Treasury, KAM, KNCCI, Trade Associations, KenInvest, EPZA, State Department of Industry and Investment	High	
	2. Leverage innovative non-bank financing tools through partnership with financial sector players who have designed innovative financing tools for Small Growing Businesses	- Private equity and loan finance available to SME exporters - New financing instruments available to financials sector	X	X		Medium	Hub has been supporting process of innovating trade finance products, and could assist government in its design and implementation process

Strategic Objectives	Key Actions Required	Outputs	Time Frame		Key Actors	Level of Resource Required	Remarks
			S-T	M-T			
	3. Restructure development finance institutions (DFIs), advance funds to DFI(s) to on-lend or invest in exporting firms, including providing customized trade finance facilities with few collateral security requirements	Exporting firms accessing investment capital and trade finance with fewer collateral requirements	x	x	NC-AGOA, State Department of Trade, Kenya Investment Authority, CMA, East Africa Venture Capital Association IDB/ICDC/ DBK, World Bank/IFC, AfDB, Central Bank of Kenya, National Treasury, KAM, KNCCI, Trade Associations, KenInvest, EPZA, State Department of Industry and Investment	High	Budget Speech 2018 confirms Government's commitment to reforming DFIs.
	4. Support SMEs to become investment-ready and support pre-investment evaluations of exporters' investment proposals	- SMEs better prepared to receive investment - Lowered cost of financial institutions evaluation of SME lending or investment risk	X	X		High	Build on existing interventions to serve "missing middle" segment's access to capital program which have resulted in key successes for early stage export firms.
	5. Proactive attraction of new investments in selected AGOA sectors	- Investment missions completed - New firms set up - Existing firms expand - Capacity to export, expanded	X	X		High	
7. Enhance institutional capacity to support exporters to utilize AGOA.	1. Restructure and resource National Committee on AGOA, with each member body designating by name a full time officer as a member	- Well resourced, reinvigorated and functioning NC-AGOA - Informed and timely participation of members	X		NC-AGOA, State Department for Trade, National Treasury, EPC, Kenya Embassy in Washington, Trade Associations, KAM, KNCCI	Low	

Strategic Objectives	Key Actions Required	Outputs	Time Frame		Key Actors	Level of Resource Required	Remarks
			S-T	M-T			
	2. Strengthen and resource with staff, funds and equipment for AGOA Unit within the State Department for Trade to provide oversight, coordination and policy for AGOA strategy implementation in collaboration with other agencies	- AGOA Unit in State Department for Trade well-staffed and equipped	X		NC-AGOA, State Department for Trade, National Treasury, EPC, Kenya Embassy in Washington, Trade Associations, KAM, KNCCI	Medium	
	3. Support Export Promotion Council to provide information, promote market linkages and deliver capacity building for exports under AGOA	- Enhanced EPC capacity to support AGOA exporters	X	X		High	Enable EPC to also expand CBIK to avail many U.S. market databases and online resources to exporters supported through technical assistance to do U.S. market analysis
	4.Build capacity of sector trade associations and chambers of commerce to train members' to export under AGOA	- Trade Association staff capacity built - Enterprises have their AGOA skills enhanced through training - Exporters have access to up-to-date AGOA and U.S. market information - Exporters assisted to identify suitable trade events to reach U.S. buyers - Several U.S. trade shows and buyer missions implemented in AGOA Promotion Unit calendar	X	X		Medium	

Strategic Objectives	Key Actions Required	Outputs	Time Frame		Key Actors	Level of Resource Required	Remarks
			S-T	M-T			
8. Remove non -tariff barriers to trade, and improve business climate for investment and facilitation of trade with U.S.	1. Review and rationalize multiple regulatory restrictions, taxes and levies affecting export business	- Taxes and levies hampering exports of target product rationalized - Ease of doing business increased	X	X	NC-AGOA, State Department for Trade, State Department of Industry and Investment, Country Trade Offices, Kenya Revenue Authority, National Treasury, KAM, Trade Associations, EPZA, SEZA, KenInvest, Private Industrial Park Operators, ERC, KPLC, Water Utilities	High	
	2. Assist trade associations to establish, adopt and enforce codes of conduct to regulate conduct of sector players; promote use of codes of conduct amongst exporters to U.S. and create awareness of code amongst U.S. buyers	- Kenyan exporters to U.S. adopt and adhere to codes of conduct - U.S. buyers become aware of codes of conduct and more willing to trade with compliant exporters	X	X		Medium	Has worked well in the flower sector
	3. Expand Kenyan exporter's access to U.S. distribution networks through use of export warehouse in U.S.	- Improved inventory management in U.S. - Better availability of product in market - Reduced shipping costs - Increased ability to sell branded goods		X		High	
	4. Promote uptake of incentive programs and of industrial parks, export processing zones, special economic zones by exporters	- Exporters aware of incentives available for their export operations, - More exporters utilizing industrial parks, SEZs for their export operations - Export trade with U.S. expanded	X	X		Medium	

Strategic Objectives	Key Actions Required	Outputs	Time Frame		Key Actors	Level of Resource Required	Remarks
			S-T	M-T			
9. Improve exporting sectors' competiveness and resilience against negative impacts of climate change.	1. Support private sector associations to formulate and lobby for policy reforms on land consolidation, irrigation and effective agricultural extension	- Policy position papers on land consolidation, irrigation and effective agricultural extension for fresh produce and specialty food exports	X	X	NC-AGOA, Ministry of Agriculture, Council of Governors, Individual County Governments, ERC, Ministry of Energy, Ministry of Water, NCST, Ministry of Infrastructure, Universities, Applied Research Institutions, Trade Associations, KNCCI, KAM	Medium	
	2. Partner with research and development agencies to disseminate information on innovations relevant to export processors	- Export processors aware of relevant research findings and innovations - Innovators and researchers have feedback on their innovations and findings - Research collaborations formed involving exporters and processors.		X		Medium	Can apply to various sectors – spinning technology, coolers for fresh product, post-harvest drying technology, natural fabric dyes for hand-weaving sector.
	3. Support policy incentives to encourage use of renewable energy such as solar and wind power in export sector.	- Policy position papers and proposals to incentivize use of renewable energy in export sector		X		Medium	
	4. Advocate for reduction in operating costs through more efficient operation by utility providers and regulatory agencies.	- Position paper on reforms to utility sector tariffs, removal of miscellaneous taxes in utility bills (electricity, water, sanitation) and streamlined regulatory processes e.g. payment of statutory deductions and taxes - Expanded use of electronic single window E-portal for expedited data interchange of all trade related data		X		High	Lobby to also focus on increasing transparency of regulatory processes, enhancing predictability of operating environment and increasing security.

Sector-Specific Strategies

The following are the sector specific strategies developed from the outcome of engagements from both supply and end market stakeholders.

Table 42: Apparel

Strategic Objectives	Key Actions Required	Outputs	Time Frame S-T	Time Frame M-T	Key Actors	Level of Resources Required	Remarks
1.Technical training for apparel workforce	Engage organizations to train incoming workforce to enhance the foundation of growth for SMEs and the big companies Improve NITA's capacity for industrial training (responsiveness/ commitment/speed)	- Technical training delivered in production techniques and other related areas including "bid" sample making - Apparel is promoted as a career	X X	X X			This is for both SMEs and large firms who need to nurture a sustainable workforce. This would be an expansion of Kenya's current program. The teaching staff must include experienced and hands-on industry professionals, knowledgeable in the U.S. market requirements.
2. Expand management & administrative training	Engage individuals and institutions with U.S. market experience to train Kenyans in middle and upper management, merchandising and administration roles	- U.S. buying and import process, decision making and expectations including communication and costing for the U.S. market learned	X		NITA, EPZA, the Hub, KAM, Enterprises	Low to Medium	This is directed towards all exporters who want to master the U.S. market. They must become confident, proactive and consistent.
3. Increase market linkages with U.S.	Organize well-planned participation of apparel firms in selected U.S. market trade shows, using annual calendar of selected shows Collect and disseminate information on U.S. market, technology, operations and finance Organize inward U.S. buyer missions to meet with vendors	- Market intelligence and reports disseminated in a timely manner - Marketing strategies for specific U.S. market segments developed - Apparel firms linking to U.S. buyers	X X X	X X X	State Department of Trade, EPC, Private Sector	High Medium High	Need assistance from U.S. experts This is for all suppliers that want to export to the U.S. They must travel to the country for better understanding of the market, and to engage in face-to-face meetings; and make themselves visible and accessible on a consistent basis to engage buyer confidence and trust.

Strategic Objectives	Key Actions Required	Outputs	Time Frame		Key Actors	Level of Resources Required	Remarks
			S-T	M-T			
4. Increase sector access to finance	Provide funds for capital investment and trade finance through government initiatives via DFIs	Funding for assets, operations, certifications, working capital will provide a platform for growth individually based on each suppliers needs.	X	X	Private Sector, DFIs, the Hub	Medium	Equity, debt for machinery, instrastructure, working capital and and trade finance are key needs of sector. Major needs include paying for certification (WRAP, CTPAT), needle detectors for childens apparel factories, trade shows and marketing.
	Develop non-collateral based financing mechanisms for sector SMEs	Government guarantee for SMEs		X		Low	
	Promote use of trade insurance and credit guarantee schemes	Increased use of Africa trade/insurance related finance	X	X		Low	
5. Diversify products and services that Kenya can provide to U.S. market	Engage Sector Specialist to guide product development and share trend research for product offering suitable for the U.S.	Sample lines that are well merchandised, priced right and marketable meeting buyer expectations and winning orders. Some experienced firms providing full package services including design, logistics and distribution to U.S. customers, earning better returns	X	X	The Hub, Private Sector	Medium	SMEs need guidance with their designed products for sale in the U.S.; Large and medium sized firms are well-placed to get into higher value services including full package service- adding design, complex processing, input sourcing, logistics, U.S.-side warehousing and distribution services to earn more.
	Conduct demand analysis for accessories and trims as investment opportunities	Feasibility study for trims and accessories production	X			Medium	
6. Increase sales of Kenyan apparel brands in U.S. market	Engage companies to develop marketing platforms, online payment at lower cost, website and social media strategy	Suppliers are able to promote their brand and/or capabilities to the U.S. market	X		The Hub, Private Sector	Low to Medium	This targets exporters who want to promote themselves and interact with the U.S. market.

Strategic Objectives	Key Actions Required	Outputs	Time Frame		Key Actors	Level of Resources Required	Remarks
			S-T	M-T			
7. Expand compliance certification of apparel suppliers	Engage with WRAP office, CTPAT online and specialists in children's wear where applicable, to support apparel firms to achieve compliance certification.	- U.S. compliance requirements met - More Kenyan apparel vendors considered by U.S. buyers, as eligible to supply apparel.	X		Private Sector	Medium	This is for most medium to large companies, and all children's wear companies.
8. Increase sector understanding of U.S. buying process	Engage U.S.-based professionals to help exporters understand the different buying levels and entry points for suppliers Sensitize Kenyan apparel vendors on buying process	- Increased understanding of the U.S. market and how to engage different levels of buyer	X		Private Sector	Low to Medium	Every supplier must analyse their product, capabilities and infrastructure and then work one-on-one with knowledgeable U.S. contacts to help engage U.S. buying entities that match.

Table 43: Home Décor and Personal Accessories

Objectives	Proposed Strategic Actions	Outputs	Key Stakeholders	Comments
1. Transition industry from handicraft to Creative Industries	Define, develop and organise a formal industry model to better link to market demand. The model should provide for protection of exporters' intellectual property rights, promotion of geographic indicators and building of Kenyan product brands.	- Strategy for product design. - Intellectual property rights in the market of supply, product and materials protected, (website for copyrights registration and sector information established), fee-based, legal support for intellectual property rights protection - Geographical indicators of the sector promoted - Brand identity established and influencers used as brand ambassadors for Kenya designs	State Department for Trade, Kenya Tourism Board, KIPI, SMEs and Associations, Kenya Embassy USA	Position sector around artisans and design, not handicrafts. Strategy based on clusters. E.g. Maasai beadwork, Kisagau sisal bags, Turkana baskets, Gikomba wood carvings. Tourism board should promote handmade products inspired by traditional heritage.

Objectives	Proposed Strategic Actions	Outputs	Key Stakeholders	Comments
	Training programs to build capacity as creative industry in technical skills, marketing, costing and pricing Provide product development and design technical assistance to exporters and artisans	- Artisan training programs - Business training for private companies. e.g. U.S. costing and pricing - Design and product development interventions	County Governments, Kenya Leather Development Council, Evelyn College of Design, Thika Leather Training Centre, NGOs	
	Map clusters, train producer/exporters association Support evaluation for creation of national sector association Promote adoption of industry code of conduct	- Mapping of associations, roles and alignment. - Clusters identified, mapped and trained. - Sector better organized and aligned. - Improved ethics in industry.	State Department for Trade, Training Institutions, Associations	
	Market research to understand other export sector models, e.g. BRICS countries and Ethiopia, Bangladesh, India, Vietnam	- Lecture series and learning programs to share knowledge of the export model - Development trips to understand and learn from southern hemisphere successes, e.g. India, Vietnam, Bangladesh	State Department for Trade, EPC, Leaders in the Sector	
	Embed women's empowerment initiatives within the creative industries.	- Benchmarked female sector participation - Female entrepreneur challenges identified - Communication campaign to increase awareness of multi-stakeholders on the vital role of women and the benefits of their role in the sector, and to remove charity stereotypes	State Department for Trade	

Objectives	Proposed Strategic Actions	Outputs	Key Stakeholders	Comments
2. Improve trade linkages to the U.S. and increase awareness of Kenya as supplier.	Engage sector consultants for specific buyer identification, and to conduct market trend research	- Buyers identified. - Investment made in trade promotion. - Market knowledge availed to the sector companies. - Market direction provided that will lead to increased sales.	EPC, Associations, SMEs, KNCCI	Recurrent dissemination of market intelligence. Reduce security concerns to encourage buyers to visit Kenya and spend more time.
	Organise buyer missions to Kenya	- Potential sales and trade linkages established. - Buyer product development goals facilitated. - Order processing and logistics supported.		
	Support U.S. trade show participation	- Increased exporter awareness of the U.S. market and potential sales. - Contacts established with U.S. market and buyers.	State Department for Trade, EPC, SMEs, Associations	
	Educate the U.S. buyer and consumer on Kenya as a destination for business in the creative industries	- Marketing campaign which would include public relations engagement for Kenya to promote the creative industries that highlight companies.	Tourism Board, Kenya Embassy DC, Associations	Enhance accountability of public agencies involved.
3. Improve value chain competi-tiveness to meet in-ternational standards.	Exempt exporters from miscellaneous taxes including levies on power tariffs Negotiate freight costs with shippers and airlines	- Lower power costs. - Promotional consolidated air shipment for SMEs, e.g. UPS, DHL - Reduced taxes and levies - Enhanced cost competitiveness, speed to market.	KPLC, State Department for Trade, Exporters, KAM, KRA	Incentives to reduce power costs. Negotiations with airlines.
	Provide training in production skills, product development and quality management to SMEs and trade intermediary institutions Assist firms get market related certifications	- Technical training in production skills, product development and quality management - Improved skills in sector - Packaging materials more available	KLDC, Thika Training Institute, State Department for Trade, KIRDI, KEFRI	Support collaboration schemes for producers and SMEs. Use independent certifying agencies, e.g. Intertek.

Objectives	Proposed Strategic Actions	Outputs	Key Stakeholders	Comments
	Train mid-level management on technical skills and how to manage customer care relations with buyers	- Staff of sector firms have capacity built - Technical and technical skills enhanced	EPC, Universities UON, ADD	Explore donors support.
4. Expand export supply.	Promote use of factoring to finance productions for export orders Encourage development of new finance products with fewer collateral requirements Provide incentives such as exemption of taxes on specialized inputs like dyes and tools Promote investment in the sector's value chain - both raw materials and production of goods	- Expanded access to capital and trade finance - More exporters able to finance export orders - New finance products available to sector	Kenya Bankers, Association, State Department for Trade, EPC, KIVA Fund	Critical activity – First priority.
		- Investment capital attracted to sector - Reduced production costs	KenInvest, Kenya Embassies, State Department for Trade	
	Support clusters to collaborate through shared sourcing, consolidation of shipments, co-production. Provide incentives through County Governments, EPZs, SEZs and industrial parks to exporters of products e.g. removal of miscellaneous taxes and levies, import tax exemption on key imported inputs; service production spaces	- Improved investment climate for sector - Clusters identified and supported - Reduced cost of production and freighting shipments - Associations and clusters improve ability to consolidate supply for SMEs	County Governments, State Department for Trade, EPC, Associations, EPZ, KRA	Promote joint activities for supporting exports.

Objectives	Proposed Strategic Actions	Outputs	Key Stakeholders	Comments
	Promote planting and responsible harvesting of forest and plant materials Support SMEs to identify and purchase appropriate tools, machinery and production management software applications Promote recycling and re-use of waste materials	- Increased production efficiency and reduced operating costs - Availability of sustainable raw materials - Reduced wastage - New products created from recycled waste	KIRDI, Ministry of Agriculture, State Department for Trade, Associations	Encourage new service providers to the value chain activities.

Table 44: Coffee

Objectives	Proposed Actions	Outputs	Time Frame		Key Stakeholders	Level of Resources Required
			S-T	M-T		
1. Increase exportable volumes of specialty-grade coffee.	Improve extension services to smallholder farmers	- More farmers trained in GAP techniques - Access to inputs improved - Higher volumes of specialty-grade Arabica produced	X	X	Coffee Directorate and County governments Cooperative Societies U.S. Importers (Joint-Value)	High High
	Accelerate research to identify a suitable substitute for Ruiru 11	- Promotion of different variety resistant to coffee berry disease	X	X	Coffee Research Institute	High
	Develop a narrative to address concerns about its inferior quality	- Issuance of widespread industry response that supports Ruiru 11's equal quality	X	X	Coffee Directorate	Medium
	Facilitate investment in capital improvements to cooperative society factories	- Infrastructure upgraded to support desired quality levels - Cooperative societies able to manage and upkeep factories	X	X	Coffee Directorate Cooperative Societies	High Medium
	Encourage joint-value models	- More joint-value relationships formed between cooperative societies and U.S. importers - Training, support, access to finance, and guaranteed markets provided by importers in return for higher-quality volumes	X	X	U.S. Importers Cooperative Societies	Low Medium

Objectives	Proposed Actions	Outputs	Time Frame		Key Stakeholders	Level of Resources Required
			S-T	M-T		
2. Enhance competitiveness	Streamline regulations, fees and levies that increase average Kenyan specialty coffee prices	- Assessment of industry regulations and processes to identify opportunities to reduce costs - Reform policies and rules that impose inefficient costs on the industry - Relocate Nairobi Coffee Exchange to a better location - Introduce guaranteed minimum returns to stabilise production	X		Coffee Directorate Agriculture and Food Authority (AFA)	Medium (Primarily Time)
	Analyse production costs, especially those related to inputs and labour	- Reduction of production costs by improving extension services and the ability of cooperative societies to purchase in bulk - Introduce time-saving technologies and techniques - Study of profitability of organic production	X	X	Coffee Directorate and County Governments Cooperative Societies	Medium-High Medium
	Build the capacity of cooperative societies to manage themselves efficiently and professionally	- Cooperative society management trained in leadership, financial, and organisational principles - Improved service delivery to member farmers - Cooperative societies become financially viable		X	Coffee Directorate Cooperative Societies Organisational Capacity Consultants	Medium-High
3. Strengthen existing U.S. trade linkages	Identify or confirm a U.S. Specialty Coffee Liaison or office and design a communications and marketing strategy Attend coffee trade shows in the U.S.	- Establish lines of communication with domestic stakeholders - Records of all information related to U.S. sales - Regular communication between liaison and all U.S. buyers - Buyers trips to develop individual relationships	X X	 X	Coffee Directorate	Low Medium (Primarily Time)
	Identify marketable volumes available for U.S. import over the next five years	- Prioritised importing countries - Production levels projected - Production projections allocated to priority countries - U.S. allocation distributed for how Kenya to be and marketed	X		Coffee Directorate	Low

Objectives	Proposed Actions	Outputs	Time Frame		Key Stakeholders	Level of Resources Required
			S-T	M-T		
4. Re-invigorate U.S. appreciation for Kenyan specialty coffee	Design a low-cost U.S. communications and advertising campaign	- Web media, periodicals and target audiences - Communications campaign implemented	X		Coffee Directorate U.S. Importers	Low
	Heighten presence at U.S. specialty coffee trade shows	- Improved design and messaging - Opportunities to strengthen individual relationships maximised	X	X	Coffee Directorate	Medium
	Conduct a visits to U.S. importers	- Detailed business data - Strengthened individual relationships	X	X	Coffee Directorate	Medium

Table 45: Tea

Objectives	Proposed Actions	Outputs	Time frame		Key Stakeholders	Level of Resources Required	Comments
			S-T	M-T			
1. Increase exports of Kenyan tea to the U.S. by 2023 through an effective trade promotion and marketing in the U.S.	Map U.S. tea product market for consumer and industrial segments.	- Assess, organise efforts and define specific sales targets by U.S. market segment	X			Medium	
	Increase Kenyan participation in tea trade shows and buyer missions.	- More sales of black tea for blending and tea extracts	X	X		Medium	Need for assistance of specialised U.S. experts.
	Encourage blenders to use more Kenyan tea and expand production and exports selected of tea extracts	- One U.S. manufacturer with a line of all-Kenya premium teas		X	Plantation owners Tea processors	High	
	Introduce a line of all-Kenya tea. Seek alliance with established U.S. manufacturer.	- Increased Kenyan tea presence at premium outlets	X	X	East African Tea Trade, Association	Medium	This is a joint activity with importers and distributors.
	Target premium segments and retail tea shops chains that sell high value teas.	- U.S. consumers more familiar with tea from Kenya	X	X	Buyers	Medium	
	Run a targeted campaign to promote sales of Kenyan tea and premium brand positioning.			X	AFA, Tea Directorate	High	
	Create perception of Kenya tea as high quality, good value, 'pesticide free' e.g. using influencers, brand ambassadors, sponsorships, low budget media & web campaigns		X	X	Kenya Tea Development Agency	High	The case of Juan Valdez campaign for Café from Colombia is a good example of country branding.
	Engage Kenyans in U.S. diaspora to promote/market Kenyan tea. 9. Conduct a campaign to promote tea tourism. Pay part of the cost for buyers to visit Kenya as tea tourists	- More people coming for tea tourism and staying longer	X	X	Tea Growers Association EPC, KTB Tour operators and travel agencies in Kenya and U.S	Medium High	Needs involvement of tea growers association, Kenya Tourism Board and tour operators in Kenya and U.S..

Objectives	Proposed Actions	Outputs	Time frame S-T	Time frame M-T	Key Stakeholders	Level of Resources Required	Comments
2. New tea products on the market	Increase emphasis on producing purple tea Support marketing of new developed varieties (clones) through the incubation facility. Increase emphasis on producing herbal and medicinal teas with appealing package designs. Develop products that target millennial consumers and expand variety of appealing tea blends. Provide training in flavouring and blending Assess the options of strategic partnerships or outsourcing in the U.S. for processing, packaging and bottling new tea presentations (tea drinks, orthodox teas, tea bags, infusions)	- More purple tea products available to importers - More herbal and medicinal teas available to importers - More flavoured teas available to importers - Trained staff at Kenyan companies on flavouring and blending - Improved distribution and higher margins and profits	X X X X X X	 X X X	Small Growers Plantation Owners Tea Processors Buyers Tea Research Institute AFA Tea Directorate Kenya Tea Development Agency Tea Growers Association	Medium Medium Medium Medium Medium Low	Sell as nutritional supplement product, while engaging credible independent research to verify health benefits (U.S. universities and Swiss labs). Organise contests for designing unique and appealing logos and packaging presentations for premium teas. Seek quick funding resources. Business plan required.
3. More efficient trade logistics	Help Kenyan and foreign firms invest in packing specialty tea in Kenya and U.S. Assess if outsourcing services in the U.S. are profitable. Help exporters reduce shipping costs for specialty tea. Negotiate discounted rates with airlines and ocean shippers. Study the feasibility of keeping tea products in a fulfillment centre in the U.S.	- Quality tea (loose leaf and bags) packaged near the consumers - More tea packing facilities - lower shipping costs, especially for air freight - Information to use in making this decision	X X X	X	Small Growers Plantation Owners Tea Processors East African Tea Trade Association Buyers Tea Research Foundation	Medium Low Medium	Viability studies are required. Joint efforts and prepare proposals with other export sectors may reduce operational and logistic costs.

Objectives	Proposed Actions	Outputs	Time frame		Key Stakeholders	Level of Resources Required	Comments
			S-T	M-T			
	Establish common user facilities in Mombasa or elsewhere to provide streamlined shared facilities for tea packaging, blending, storage, etc. under EPZ, SEZ, etc.	More efficient logistics		X	AFA Tea Directorate Kenya Tea Development Agency	Medium	This will benefit SMEs and growers groups will reduce delivery time to export markets
	Continue modernisation of Mombasa Tea Auction (digitisation, automation, EDI for seamless trade and delivery including virtual trades/Ecommerce.) (Futuristic c.f. Dubai)	Advanced automation	X	X	Tea Growers Association	High	
	Develop E-commerce solutions integrated with logistics partners to make tea readily available to consumers across the U.S.	Increased direct sales to consumers through e-commerce		X		Medium	Need warehouse and stocks in strategic U.S. location
4. Increased competitiveness in the U.S. market	Increase efficiency in producing and processing black tea. Assess impact of harvest mechanisation, improved agronomic practices, high yield seed varieties, and good manufacturing practices.	More profits because of lower costs		X	Small Growers Plantation Owners Tea Processors	High	All these activities need to be integrated with the proposed trade logistics strategic actions
	Reduce cost of producing purple, herbal and medicinal teas	More profits because of lower costs	X	X	East African Tea Trade Association	Medium	
	Help producers obtain organic and Fair-Trade certifications	More producers and processors certified		X	Buyers Tea Research Institute	Medium	
	Promote the entry of more exporters into the U.S. market. Review Kenyan licensing regulations to attract more companies in tea and sales of tea from Kenya. Attract investments in value added tea at the EPZs and SEZs	More exporters and export supply for the U.S. market	X	X	AFA Tea Directorate Kenya Tea Development Agency Tea Growers Association	Medium	

Table 46: Processed and Specialty Foods

Objective	Action/Activity	Expected Output/Outcomes	Time Frame		Key Stakeholders
			S-T	L-T	
1. Enhance firm-level export competiveness.	Provide training to SMEs on GMP	- GMP in place at key food processing facilities	X		KEBS, KAM
	Provide firm-level technical support on relevant certifications to meet market requirements.	- Food exporters facilitated acquire food safety certification	X		KEBS, Ministry of Health, Department of Veterinary Service, KAM
	Implement a program on Food processing efficiency to improve productivity and product competitiveness.	- Firm level processing efficiency and productivity enhanced		X	KEBS, KIRDI, KAM
	Provide practical skills training to selected production and marketing staff to meet buyer requirements / expectations.	- Operational skills upgraded and training conducted	X	X	EPC, State Department for Trade
	e) Organise with reputable food laboratories to provide conformity test certificates to selected enterprises.	- At least 2 international food laboratories identified and linked to processors	X		Private Sector
2. Promote / market Kenya's specialty foods sourcing opportunities in the U.S.	Develop a detailed Kenyan products catalogue to provide information on Kenyan sourcing opportunities to potential buyers	- Product catalogue develop and distributed online and in key U.S. market segments	X		EPC, Ministry of Trade
	Identify potential U.S. buyers for the selected Kenyan products	- U.S. buyers' directory developed and disseminated	X		EPC, Ministry of Foreign Affairs, State Department for Trade
	Organise targeted B2B meetings in key entry port towns in U.S. to introduce Kenyan products	- Kenyan specific B2B meetings conducted in key U.S. ports		X	EPC, State Department for Trade, KAM, KNCCI
	Develop a program to establish partnerships with key U.S. retailers, distributors and import brokers	- Partnership with key U.S. retailers, distributors and importers established	X	X	EPC, State Department for Trade, KAM, KNCCI
	Target and attract U.S. industry influential buyers to Kenya	-U.S. industry influential buyers visits to Kenya conducted	X		EPC, State Department for Trade, KAM, KNCCI
	Sponsor targeted events such as food expos, marathons and state festivals to promote Kenyan products	- Kenya food products promoted in selected U.S. festivals and sports events		X	Brand Kenya, EPC, State Department for Trade, KAM, KNCCI
	Facilitate Kenyan enterprises' participation in selected trade expos	- Kenyan products promoted at major U.S. trade Expos	X		Brand Kenya, EPC, State Department for Trade, KAM, KNCCI

Objective	Action/Activity	Expected Output/Outcomes	Time Frame		Key Stakeholders
			S-T	L-T	
3. Increase food manufacturers and exporters awareness of U.S. market opportunities	Conduct processed and specialty foods U.S. market opportunities awareness seminars in Kenya	Exporters' awareness of U.S. export opportunities enhanced	X		EPC, KNCCI, KAM
	Work with USDA/FDA local liaison office to demystify the U.S. market requirements.	Exporters' become well conversant with market requirements	X	X	KEPHIS, KEBS, EPC, KAM, KNCCI
	Develop and disseminate U.S. market export tool kit.	Export tool kit develop and disseminated		X	EPC, State Department for Trade
4. Expand the processed and specialty foods sourcing opportunities in Kenya	Develop a detailed processed and specialty foods exporter's directory.	Exporters directory developed and disseminated		X	EPC, KAM, KNCCI
	Identify high-value/niche products such as organic products	Marketable products identified and promoted	X		EPC, KAM, KNCCI, Ministry of Industrialisation
	Develop U.S. market trade promotion action plan	U.S. trade promotion action plan developed and implemented	X		EPC, State Department for Trade, KAM, KNCCI

Table 47: Flowers

Objectives	Proposed Key Actions	Outputs	Key Stakeholders	Comments
1. Expand trade linkages, awareness and knowledge of U.S. market. Further assess Kenya's potential as flower exporter to U.S., identifying specific opportunities.	Engage key sector players to help identify buyers and get them interested in Kenyan flowers. Take wider advantage of IFTEX show	Buyers identified, attending show to learn more about Kenyan flowers and create trade relationships	KFC The Hub	Sector players can be invited to educational session in conjunction with show. Buyers attending should be taken on farm visits in additional to the show. Business rounds can be organised with exporters.
	Develop promotion in U.S. through diplomatic representatives	Information that is updated and readily available and can be used to showcase the Kenyan flower industry whenever the opportunity arises	KFC Kenyan embassy in U.S., consulates in key cities Kenya Trade Promotion Office	Provide information on Kenya flower industry, flower types, colors, quality and variety. Participate in key social or public events with Kenyan flowers. Include information on websites. Photos, videos, links with tourism efforts. Should highlight social benefits, sustainability, welfare associated to floriculture in Kenya.
	Organise "study tour" of Kenyan flower exporters to U.S.	Market intelligence with first-hand knowledge on inspection/ phyto-sanitary issues, paperwork, and customs.	KFC, The Hub EPC Kenya Embassy USA	To maximise efficiency, visit may be organised (beforehand) in conjunction with a tradeshow where Kenya is exhibiting (i.e. IFE).
2. Improve market competitiveness, particularly logistics, packaging and quality assurance.	Conduct training sessions on postharvest management, packaging and cold chain	Awareness on market requirements and how to comply, extending quality and vase life avoiding complaints and interceptions	KFC The Hub	Preferably in-person workshops or seminars, with information then posted on website. Alternatively a webinar works.
	Conduct more detailed study on quality standards and average prices during high and low consumption	Knowledge on specific standards per flower type, grading requirements, specific colours and other characteristics associated to peak consumption dates	KFC The Hub	Preferably in-person, hands-on workshops or seminars, with information then posted on website. Alternatively a webinar works.
	Create branding/ image, or special name for Kenyan flowers	Specific market niche for Kenyan flowers, not in direct competition with product presently imported by U.S. (i.e. from Colombia and Ecuador)	KFC Advertising, media company	This effort is worthwhile as long as Kenyan exporters decide to sell consumer-ready bouquets in the U.S. market. If flowers are sent to wholesale markets and thus re-packaged or re-assembled, this effort will lose impact.

Objectives	Proposed Key Actions	Outputs	Key Stakeholders	Comments
3. Address plant health issues and how they can impact U.S. market access	Develop Pest Risk Analysis for main flowers exported by Kenya. Liaise with local USDA/APHIS office	USDA/APHIS with information on the incidence of key pests and diseases affecting Kenyan flowers, to generate trust and help establish the risk of introduction of pests to the U.S. Clearance of Kenyan flowers by APHIS upon entrance to the U.S. facilitated. Reduced interceptions	KFC KEPHIS APHIS	
	Provide information and/or conduct training sessions on key phyto-sanitary issues when exporting to U.S. Follow-up with APHIS on interceptions occurring	Exporters knowledge on main problems enhanced and tools acquired to prevent or solve such problems before flowers are shipped	KFC KEPHIS	KFC and KEPHIS can request APHIS /CPB officials to share information on interceptions, which can be the basis for work with flower exporters aimed at reducing such interceptions through prevention and control before shipping.
4. Assess freight capacity/cost, identify port of entry	Discussion with freight forwarders and airlines. Give careful consideration to port of entry with Kenya Airways. Discuss options with Ethiopian Airlines. Identify key partners in U.S. (Kenyan or with ties to Kenya)	Expected cost, capacity and frequency of freight addressed. This will clarify volumes of flowers that Kenya can initially supply, help with integrated export cost assessment vs. expected prices	KFC Kenyan Airways Ethiopian Airways Freight/ cargo companies	Although a “non-traditional” port of entry may have advantages, it is essential that key logistic services are in place (APHIS inspection, ground transportation, cold rooms, cargo facilities) and that importers/clients are happy to move flowers from that point. Miami is a highly competitive scenario – but has all the facilities at hand.
5. Expand/ promote presence of Kenyan flowers	Attend/exhibit in tradeshows	Disseminated information on Kenyan flower industry. Showcase Kenyan flowers. Establish contacts with prospective buyers	KFC The Hub	Int. Floriculture Exhibition (IFE) and either Produce Marketing Association (PMA) or Wholesale Florists & Florist Supplier Association (WWFSA). Detailed pre-show preparation is strongly encouraged.
	Analyse benefits of membership in key U.S. associations	Increased presence of Kenyan flower companies in U.S. market, establish potential sales and contacts	KFC The Hub	Suggested:Society of American Florists (SAF), WWFSA, Association of Floral Importers of Florida (AFIF). This may need to be done in a stepwise manner.
	Improve/enhance promotional materials	Enhanced web/internet presence, develop top quality catalogues, brochures. Conduct promotional efforts with magazines, media	KFC	Take advantage benefits deriving from internet presence (improved websites, both at the KFC and individual company levels). Contact editors, journalists, bloggers than can further promote the Kenyan flower industry

Objectives	Proposed Key Actions	Outputs	Key Stakeholders	Comments
6. Explore and promote government incentives for flower exporters to expand export supply.	Analyse possible incentives to boost exports to U.S., including facilitating sourcing flowers from other countries and/or establishing a "flower trade hub" Targeted investment promotion efforts to attract investors from countries that have advanced flower sector and can bring technology, marketing and distribution capacities. Leverage supply with flowers from other African countries that might use Nairobi airport for shipping their products.	Kenyan flower exports to U.S. expanded. Promoting image and importance of Kenyan floriculture internationally. Long-term sustainability and taking full advantage of AGOA benefits Strategic alliances and joint investments Joint exports with other countries	KFC, State Department for Trade, the Hub. Kenyan embassies and specialised consultants	Many incentives are in place around the world (and also in Kenya) to promote exports. These can be further streamlined to benefit the Kenyan flower industry. Target potential flower sector investors from Colombia, Netherlands, Ecuador and others. Leverage IFTEX June 2018 not only to promote trade but investments too.

Table 48: Fresh Fruits and Vegetables

Objectives	Proposed Action	Output	Time Frame		Key Players	Level of Resources Required	Comments
			S-T	M-T			
1. Enhance Kenyan fresh produce companies; export capacity and export readiness.	Assess export competitiveness of three or more selected companies and help them to set up business strategy/plans for the U.S. market	A reasonable amount exported to the U.S. by the selected companies	X		EPC AFA Exporters	Medium	Companies pre-selected based on the identified U.S. demand and export readiness
	Advise on export quotations, samples, buyer identification, initial contact and exporter visit to regional markets and the U.S.		X		EPC	Medium	Coaching and training is required
	Assistance in quality, packaging and marketing so the firms will be ready to export. Coordination with airlines and cold storage for direct flights		X		KEBS Horticultural Directorate FPEAK KHC	Medium	Use of U.S. experts is required

Objectives	Proposed Action	Output	Time Frame		Key Players	Level of Resources Required	Comments
			S-T	M-T			
	Monitoring and follow-up. Disseminate lessons learned to the Kenyan export community		X		EPC KEPHIS Horticultural Directorate FPEAK KHC	Low	Companies pre-selected based on the identified U.S. demand and export readiness
2. Reduce gaps in the export value chains of promising fresh produce (mango, avocado, pineapple, banana, baby corn, chilies, other garden vegetables and specialty beans)	- Assess gaps in the export value chains for selected frrsh produce - Design strategies for value chain export development. - Improve cold storage capacities - Coordinate implementation of advanced technologies for zero carbon and 4 degrees	Increased current exports. Development of new export products	X X X X	X X X	EPC Horticultural Directorate FPEAK KHC	Medium Medium High High	
	Advocate for transition to irrigation as opposed to rain-fed agriculture to reduce the dependency on seasonal rains	Increased irrigation activities that expand supply	X			High	

Objectives	Proposed Action	Output	Time Frame		Key Players	Level of Resources Required	Comments
			S-T	M-T			
	Develop quick maturing and high-yield crops to enhance productivity for export market.	Program for introducing new high-yield seeds and better agronomic practices for increased crop productivity and high quantity and quality harvest Program for supply collection and consolidation of export crops established for producer groups Training program for quality assurance of export products at quantity desired available	X	X	MoALF, Exporters, KALRO, AFA	Medium	
	Increase agricultural extension services to all counties for targeted export products in partnerships with exporters and MoALF	Program for extension services on specific export crops for the U.S. market.	X	X	MoALF, County Governments	Medium	
3. Reduce NTBs and SPS restrictions for fresh produce	Proposal and action plan to achieve NTBs elimination and SPS accreditation with U.S. for selected fruits and vegetables	Increased exports to U.S. of mango, chili peppers, garden vegetables, avocado	X		KEPHIS, FPEAK State Department for Trade	High	Coordinate with KEPHIS and directly with U.S. APHIS Agency

Objectives	Proposed Action	Output	Time Frame		Key Players	Level of Resources Required	Comments
			S-T	M-T			
4. Increase awareness of U.S. regulations and import requirements for fresh produce	Work with relevant U.S. regulators to develop protocols for fresh produce products exports to U.S.	Additional horticulture products approved by U.S. AMPHIS	X		APHIS USDA U.S. Experts	High	Seek donor funding
	Specialised training on: i) U.S. import requirements, customs procedures ii) Sanitary, quality standards and certifications iii) Exposure to U.S buyers	Awareness of U.S. import requirements, sanitary and quality has increased	X		APHIS USDA U.S. Experts	High	Organise group training within business associations to develop and improve their capacities
5. Increase investments in export development and U.S. buyers in the sector	U.S. buyers missions to Kenya Online platform to promote the fresh produce export products and sector. Identify, select and advocate interests of investors in the Kenyan fresh produce sector	Investments in the sectors, and exports materialised	X X X	 X 	KenInvest EPZA EPC	High Medium Medium	Use of specialised consultants to identify importers and potential foreign and U.S. investors
6. Mitigate weak quality assurance systems and provide assistance	Assistance on quality improvement Train KEPHIS inspectors in U.S. quality regulations and import requirements Provide the minimum equipment and tools to conduct the necessary tests and certifications	Improved quality of exports to the U.S.	X X X	 X	KEPHIS APHIS MoALF Horticultural Directorate FPEAK KHC	High	Specialised assistance from the FDA, USDA and U.S. food certification agencies
7. Increase quantities available for export	Create groups of producers with shared export services costs Study viability of export cooperative or consortia for members Intergrate fragmented export supply chain	Lower costs distributed among members. Transport capacity and efficiency of sea containers and air cargo has increased	X X 	 X	EPC County governments, Horticultural Directorate FPEAK KHC	High Medium	Need to identify champions in the private sector for leading these initiatives

4.3 Working Structure

The following structures have been developed to enable seamless implementation of the Strategy. Each stakeholder identified and those that might not have been explicitly identified in the Strategy are expected to perform their role towards the achievement of the overall objective of this Strategy.

4.4 Roles and Responsibilities for Implementation

Table 49: Working Structure for Strategy Implementation

Institution	Role	Expected outputs
EXPORTERS	Responsible for exporting to the U.S. Beneficiaries of technical assistance, training and support to improve competitiveness and enter the markets	Increase in number of exporters Product diversification Increase in value of exports
MoITC	General Oversight for AGOA and for NC-AGOA Resource mobilization for AGOA Strategy implementation Coordination of AGOA trade facilitation issues with Government Ministries, agencies and private sector National, regional and international trade policy as it relates to AGOA Industry specific competitiveness (energy, labor, access to raw materials etc.)	Adequate AGOA Strategy coordination and support Well-established and resourced AGOA unit Functioning AGOA National Committee with 40% private sector membership Funds to support implementation sourced and provided
MINISTRIES, DEPARTMENTS AND AGENCIES	Support for exporters, with respect to - incentives - trade and investment facilitation - trade promotion - ease of doing business - agricultural production support services and policy issues - other constraints that require multi-institutional involvement.	Coordinated policy, fiscal and technical support to exporters
COUNTY GOVERNMENTS	Promote business producer groups and clusters Identify exportable products and promote their production Provide enabling environment for export business especially to the U.S. under AGOA	Proactive targeted sector investment promotion County export product cluster supported

Institution	Role	Expected outputs
EPC	Disseminate information on AGOA to stakeholders in Kenya and U.S. Promote exports to the U.S. Support business linkages between U.S. and Kenyan businesses through tradeshows, trade missions and buyer missions Provide and disseminate regional and U.S. market intelligence and information through its Center for Business Information of Kenya (CBIK) Train exporters how to export to the U.S.	Trade opportunities and information provided Increase in number of exporters Increase in buyer-seller linkages Increase in number of trade shows, trade missions and buyer missions organized Exporters' trade capacity built
KEPHIS	Development of Pest Risk Analysis for main fresh produce items exported by Kenya to U.S. Liaison/collaboration with USDA/APHIS to facilitate clearance of Kenyan flowers by APHIS. Technical support to fresh produce exporters (capitalization) U.S. market requirements, including training fresh produce exporters on U.S. quality requirements.	U.S.-specific Pest Risk Analysis protocols for fresh produces in place Number of fresh produce exporters that meet U.S. market requirements increased Number of fresh produce products approved to enter U.S. market
KEBS	Training and technical support to companies for GMP, ISO, HACCP and related standards Testing and quality certification	Exporters enabled to meet technical and certification requirements
KNCCI & OTHER PRODUCT-SPECIFIC ASSOCIATIONS	Support coordination with members related to AGOA activities Trade partnerships with U.S.-based peer institutions	SMEs enabled and facilitated to export Partnerships established with U.S. associations and chambers
KAM & KEPSA	Support activities with members in the related sectors Coordinate synergies with other development partner projects Policy advocacy	Manufacturers are enabled and supported to export Policy challenges highlighted and addressed
KENINVEST **EPZA**	Proactively attract foreign investors interested in exporting to the U.S. Facilitate investments and support potential investors	Investments established and supported to increase exports
DEVELOPMENT PARTNERS	Technical and financial support to implement strategic activities in the Action Plan	Coordinated support and funding to increase production, processing and export capacities

4.5 Monitoring and Evaluation

Table 50: Monitoring and Evaluation

	Activities	Action required	Responsible entity
Monitoring and Evaluation	Quarterly or half-year progress reports of all activities and budget	Follow up and corrections in the implementation are done in a timely manner	NC-AGOA/ MoITC
	Annual updates of the action plan and budget	Resources and effort in the implementation are allocated efficiently	
	Dissemination lessons learned to the export community in Kenya	Report of AGOA best practices and lessons learned sent by direct mail to exporters and meetings for sharing experiences organized	
	Evaluation of the action plan	Bi-annual (every 2 years) evaluation of the implementation	

The intention of this activity is to facilitate corrections and adaptation to the implemented tasks. The procedures should be prepared at the beginning of the implementation period. The bi-annual evaluation should then be conducted by an independent evaluator.

There are other export facilitation and growth initiatives funded by development partners and/or government agencies in Kenya. The Ministry of Industry, Trade and Cooperatives, as the official AGOA liaison, will need to pro-actively coordinate and facilitate work plan implementation with other government agencies and stakeholders. Activities with the private sector and business associations should be coordinated through their official representative organisations.

The NC-AGOA and Ministry of Industry, Trade and Cooperatives will need to review outputs and timeframe for monitoring of action plan implementation. The tasks and outputs will be adjusted each year as part of the annual planning process.

Although many performance indicators at the output level are already mentioned in the action plan activities and will be directly collected by the Ministry of Industry, Trade and Cooperatives, additional monitoring indicators to be measured should include:

i) Value and volume of exports to the U.S. by sector

ii) Number and variety of exporters by level of export readiness, size and sector

iii) Products upgraded into value-added exports

iv) Exporters trained by sector

v) Exporters attending trade shows, outward and inward missions

vi) NTBs reduced

vii) Others that the NC-AGOA considers necessary.

In terms of monitoring and evaluation outputs, the following are suggested:

i) On a six-month basis: Report to the NC-AGOA by the officer in-charge of AGOA in Ministry of Industry, Trade and Cooperatives

ii) On annual basis: Annual updates of the action plan and budget. Report to key stakeholders. The report will be prepared by Ministry of Industry, Trade and Cooperatives

iii) On 30^{th} month of implementation (or half way point): undertake a review through Independent Assessment of Action Plan Implementation

iv) Disseminate lessons learned to the export community in Kenya (as frequent as possible)

v) A final evaluation report submitted to stakeholders at the end of the five years of implementation of the AGOA Strategy (early 2023).

ANNEXES

ANNEX A

Attendance at Interviews and Meetings for AGOA Validation Stakeholder Meetings

FOCUS GROUPS DISCUSSIONS			
Date	**Organization**	**List of Representatives Met**	**Designation**
29-5-2017	15. Kenya Investment Authority P.O. Box 55704 -00200 Nairobi **(FOCUS GROUP)**	Dr. Moses Ikiara Tel. 0722 257 552 Email: *ikiara@investmentkenya.com* *mmikiara@yahoo.com* www.investmentkenya.com Robert Bwire Roseline Ng'eno James Musau Tel. 0722 359 604 Email: *musau@investmentkenya.com*	Managing Director General Manager, Research, Policy, advocacy & Planning Manager, Policy Senior Research, Policy & Planning Officer
6-6-2017	30. UasinGishu County Government P.O. Box 40 – 30100 Eldoret **(FOCUS GROUP)**	Simeon Marona Cheplel Tel. 0722 604 146 Email: *marona.cheplel@uasingishu.go.ke* *kipkoechs@gmail.com* www.uasingishu.go.ke Kipleting Mengich Tel. 0724 652 170 Email: *mengich@gmail.com* Margaret Aiyabei Tel. 0720 693 810 Email: *Margaret.aiyabel@uasingishu.go.ke* *aiyabeijep@yahoo.com* Wycliffe O. Wasonga Tel. 0723 883 946 Email: *Wycliffe.wasonga@uasingishu.go.ke* *w.wasonga@gmail.com*	Chief Officer, Trade, Cooperatives Enterprises and Tourism Director of Trade & Industrial Development Director, Tourism & Wildlife Management Trade Development Officer
7-6-2017	32. a) Kisumu County Government P.O. Box 2738-40100 Kisumu b) KNCCI, P.O. Box 771- 40100 Kisumu c) Kenya Investment Authority, P.O. Box 1458 – 40100 Kisumu	Matilda Anne Onyait Tel. 0723 345 154 Email: *maconyait@yahoo.com* www.kisumu.go.ke Ben O. Kitoto Tel. 0722 668 617 Email: *bkitoto50@gmail.com* Laban Mburu Tel. 0721 514 326 Email: *mburu@investmentkenya.com* www.investmentkenya.com	Chief Trade Development Officer Executive Officer Manager, Regional Office

	d) Kenya Association of Manufacturers, P.O. Box 3605-40100 Kisumu e) East Africa Spectre Ltd. Vicensa Investments Ltd. P.O.Box 1545 – 40100 Kisumu **(FOCUS GROUP)**	Eric Ochieng' **Tel.** 0721 654 108 **Email:** *erick.ochieng@kam.co.ke* www.kam.co.ke Israel O. Agina **Tel.** 0708 962 010; 0722 711 450 **Email:** *aginakirembe@gmail.com* *vicensavicensa@gmail.com* *agina@knccikisumu.com* *knccik sm@yahoo.com* www.knccikisumu.com	Chapter Officer Executive Chairman (Vicensa Investments) Director (EA Spectre Ltd), Director, Business Development & Membership, KNCCI, Kisumu
8-6-2017	36. KNCCI, Siaya P.O. Box 571 – 40600 Siaya. **(FOCUS GROUP)**	Roseline A. Omuga **Tel.** 0712 226 933 **Email:** *rouzeheninvestltd@yahoo.com* www.kenyachamber.or.ke Enos O. Ruong'o **Tel.** 0720 249 132 **Email:** *enosoketch65@gmai.com* www.kenyachamber.or.ke Vallerie O. Kowitti **Tel.** 0726 241 146 **Email:** *valeriakowiti47@gmail.com* www.kenyachamber.or.ke Angeline A. Ochieng' **Tel.** 0727 086 114 **Email:** *angelineochieng@yahoo.com* www.kenyachamber.or.ke Matiko A. Akedi **Tel.** 0722 766 972; 0722 430 472 **Email:** *samcotradersltd@gmail.com* www.kenyachamber.or.ke	Chairperson Vice Chairperson Treasurer/Director Director Director
9-6-2017	38. a) Kakamega County Government P.O. Box 36, Kakamega b) KNCCI, Kakamega P.O. Box 1926-50100 Kakamega (**FOCUS GROUP)**	Kennedy Chengoli Sheddy **Tel.** 0700 204 145 **Email:** *sheddyk@yahoo.com* www.kakamega.go.ke Anthony Mwoni Amusala **Tel.** 0722 343 006 **Email:** *amusalamk@yahoo.com* Sarah O. Angutia **Tel.** 0721 750 972 **Email:** *sarahominah@yahoo.com* Manoa Waishwa **Tel.** 0721 407 499 **Email:** *kncci.kakamegacounty@gmail.com*	Senior Trade Dev. Officer Chief Executive Officer, KNCCI, Kakamega Director, Women in Business Marketing Officer, KNCCI, Kakamega

INTERVIEWS

Date	Organization	List of Representatives Met	Designation
9-5-2017	1. Kenya National Chamber of Commerce and Industry (KNCCI), Mombasa Branch P.O. Box 90271 – 80100 Mombasa	James Mureu Tel. 0729 555 000; 0710 579 977 Email: *chairman.msa@kenyachamber.co.ke* www.kenyachamber.or.ke	Branch Chairman & National Vice Chairman
9-5-2017	2. Kenya National Chamber of Commerce and Industry P.O. Box 47024 – 00100 Nairobi	George Kiondo Tel. 0722 560 426 Email: *george.kiondo@kenyachamber.or.ke* Email: *info@kenyachamber.or.ke* www.kenyachamber.or.ke	Ag. Chief Executive Officer
10-5-2017	3. Kenya Association of Manufacturers (KAM) P.O. Box 30225 – 00100 Nairobi	Phyllis Wakiaga Tel. 0722 866 001, 0722 201 368 Email: *phyllis.wakiaga@kam.co.ke* www.kam.co.ke	Chief Executive Officer
12-5-2017	4. Kenya Flower Council and Kenya Horticultural Council P.O. Box 56325 – 00200 Nairobi	Jane M. Ngige Tel. 0720 692 477 Email: *ceo@kenyaflowercouncil.org* www.kenyaflowercouncil.org	Chief Executive Officer for both organizations
12-5-2017	5. New Wide Garments EPZ Ltd. P.O. Box 292 – 00204 Athi River	Rudolf Isinga Tel. 0722 882 587 Email: *rudolf.isinga@newwide.com* www.newwide.com	General Manager, Administration
12-5-2017	6. Export Processing Zones Authority P.O. Box 50563 – 00200 Nairobi	Benjamin Chesang Tel. 0722 768 878 Email: *bchesang@epza.com* www.epzakenya.com	Senior Manager, Research, Planning and Innovation
12-5-2017	7. Export Promotion Council P.O. Box 40247 – 00100 Nairobi	Maurice Otieno & Peter Ochieng' Tel. 0722 731 167 (Otieno) Email: *motieno@epc.or.ke* Tel. 0725 103 335 (Ochieng') Email: *pochieng@epc.or.ke* www.epckenya.org	Manager, Market Development & Promotion; and Ag. Manager, Research and Planning respectively
15-5-2017	8. Makueni County Government P.O. Box 78-90300 Makueni.	Harrison Kiandiko Tel. 0727 432 461; 0700 346 398 Email: *harrisonkiandiko@makueni.go.ke*	County Director of Trade
16-5-2017	9. Taita/Taveta County Government P.O. Box1066 – 80304 Wundanyi	Richard Kibengo Tel. 0726 602 525 Email: *kibengorichard@yahoo.com*	County Director of Trade
16-5-2017	10. YKK EPZ (K) Ltd., Mombasa P.O. Box 16455-80100 Mombasa	Hiten Maru Tel. 0722 206 469 Email: *hiten_maru@ykkafrica.com* www.ykkafrica.com	General Manager

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18-5-2017	12. Department of Trade, Mombasa County Government P.O. Box 90440-80100 Mombasa	James O. Seda Tel. 0723 257 434 Email: *jameseda001@gmail.com*	County Trade Development Officer
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30-5-2017	17. Fresh Produce Exporters Association of Kenya P.O. Box 40312 – 00100 Nairobi	Hosea Machuki Tel. 020-445 1488 / 9 Mob. 0799 792 259 Email: *chiefexecutive@fpeak.org* www.fpeak.org Boniface Mulandi	Chief Executive Officer Good Agricultural Practice Compliance Officer
31-5-2017	18. Kenya Fish Processors and Exporters Association P.O. Box 345 – 00606 Nairobi	Beth Wagude Tel. 0722 687 971 Email: *admin@afipek.org* www.afipek.org	Chief Executive Officer
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31-5-2017	20. Kenya National Chamber of Commerce and Industry, Thika	Winston Kimani Kang'ethe Tel. 0714 759 533 Email: *winkimanisv@yahoo.com* www.kenyachamber.co.ke	National Trustee

31-5-2017	21. a) Jungle Macs (EPZ) Ltd b) Jungle Nuts Ltd c) Jungle Cashews (EPZ) Ltd. P.O. Box 2068 - 01000 Thika	**Mbabu Mwiti Njagi** **Tel.** 0721 266 143 **Email:** *info@junglenuts.co.ke* www.junglenuts.co.ke **Esther Wangari** **Tel.** 0710 535 303 **Email:** *info@junglenuts.co.ke*	Head of Production Deputy Head of Production
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5-6-2017	26. Bedi Investments Ltd. P.O. Box 230 Nakuru	**Jaswinder Bedi** **Tel.** 0733 636 111; 0722 206 111 **Email:** *jas@bedi.com* www.bedi.com www.itmf.org	Managing Director & President, International Textile Manufacturers Federation
5-6-2017	27. KNCCI, Nakuru County Branch P.O. Box 18454 – 20100 Nakuru	**John Kamama Mbugua** **Tel.** 0725 764 383 **Email:** *jokam2000@yahoo.com* www.kenyachamber.co.ke	Vice Chairman
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8-6-2017	31. KNCCI, Busia C/O County Trade Office P.O. Box 196 – 50400 Busia	Raphael Omusala Tel. 0707 171 797 Email: *ralphemusala@yahoo.com* www.kenyachamber.or.ke	Chief Executive Office
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9-6-2017	34. Western Fish Flies For Export P.O. Box 32 – 50105 Kakamega	Charles Omutanyi Tel. 0725 666 665 Email: *westflies300@gmail.com* *spaquaflies@yahoo.com* www.westernflies.kbo.co.ke	Director, Western Fish Flies; Chairman, MSEF/KEPSA Western; & Vice Chairman, Kakamega County Jua Kali Association

35. Ministry of Health P.O. Box 30016 – 00100 Nairobi	James Mwitari Tel. 0721 743 502 Email: *jmwitari@gmail.com* www.health.go.ke	Deputy Director, Public Health
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39. Export Processing Zones Authority Athi River EPZ	Benjamin Chesang Email: *benjamin.chesang@epzakenya.com* Fabian Olaba Email: *fabian.olaba@epzakenya.com*	Sr Manager Research & Planning Research/Business Development Division
40. Benchmarks Consultant	Joseph Nyagari Tel. 0722 776 719 Email: *joemosoti@gmail.com*	Consultant
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42. West Connection Nairobi	Bob Ngoiya Tel. 0723 101 105 Email: *bobngoiya@gmail.com*	Director
43. Export Promotion Council Nairobi	Peter Biwott Email: *chiefexe@epc.or.ke* Tel. 2228534-8 James Munyi Tel. 0720 417 086 Email: *jmunyi@epc.or.ke* Peter Ochieng Email: *pochieng@epc.or.ke* Tel. 0722 205 875	Chief Executive Officer Manager Export Liason Services Manager Research & Planning
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45. Jungle Organic Thika, Kenya	Robert Musyoki Tel. 0721 274 550 Email: *marketingintl@junglenuts.co.ke*	International Marketing
46. Alpha Knits Ltd Nairobi	Hiran Bid Tel. 0733 771 829 Email: *h-bid@alphaknits.com*	Director
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50. Agriculture and Food Authority (AFA) Tea Directorate Nairobi	Samuel Ogola Tel. 0722 200 556 Email: *ogolas@teaboard.or.ke*	Interim Head
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(NOTE: This list does not include participants at the validation workshops mentioned in section 7.1, Table 41)

ANNEX B

Investment Promotion Incentives - Benchmarked in the East African Community

Table 51: Comparative Investment Incentives in the Region

INCENTIVE	ETHIOPIA	RWANDA	TANZANIA	UGANDA	KENYA
Tax Reduction/ Exemption	1- 9 years income tax holiday; For investment in some areas, is granted an income tax deduction of 30% for 3 consecutive years after expiry of income tax exemption.	0%–15% preferential corporate income tax rate; 5–7-year tax holiday; For EPZs and FTZs, exemption from withholding tax; and 0% corporate tax rate.	EPZ/ SEZ: 10 year income tax holiday	10-year tax holiday for export oriented firms	EPZ: Manufacturers and service exporters obtain10 year tax holiday (25% rate for next 10); 10 year withholding tax holiday on remittances to non-residents; 100% investment deduction allowance on new buildings and machinery invested over 20 years; Exemption from stamp duty on all transactions relating to licensed EPZ firm. General: Investment income of pooled fund or any other kind of investment consisting of retirement schemes registered by the Income Tax Commissioner is exempted from tax. Tax exemption on venture capital Tax exemption for infrastructure securities Tax exemption for real estate investment trusts
Tax on capital gains	15% to 30% capital gain tax	0% tax on capital gains	Zero rated Capital gains tax (in mining)	Capital gains aggregated with income and taxed at corporate rate (30%)	The rate of tax is 5% of the net capital gain

INCENTIVE	ETHIOPIA	RWANDA	TANZANIA	UGANDA	KENYA
VAT refunds on raw materials (import/ export/VAT reduction)	100% refund at the time of export; No export tax levied on exports (except for few products); Export credit guarantee scheme	100% drawn within 15 days; No export tax	Imports Duty drawback on raw materials for exports goods; Zero-rated VAT on goods manufactured for export	Duty drawback to apply on input of goods; No export tax	EPZ: VAT exempted on both goods and services used by EPZ firms, including machinery, raw materials, building materials, office equipment, certain fuels.
Customs duty exemption	Imports for capital goods; Spare parts worth 15% of total capital goods imports; Imports for raw materials; Export custom duties	Customs duty exemption for EPZ products	Import Duty and VAT exemption on Deemed Capital Goods	Import of Plant & Machinery; Import of raw materials, and inputs	EPZ: exempted from paying import duty on inputs including machinery, raw materials, building materials, office equipment certain fuels.
Accelerated depreciation		50% first year	Depreciation Allowance of Plant and machinery used in agriculture 100%; Capital allowance in mining 100%; Allowances for buildings for agriculture: 20% and for others: 5%.	Initial allowance on plant and machinery: 50–75%; Allowance for industrial buildings and hotels: 20%; Allowance for commercial buildings: 5%; Straight line depreciation rates of assets range 20–40%.	Capital allowance on qualifying investment exceeding K Sh.200 million (outside main cities): 150%; Allowance on other qualifying investment: 100%; Allowance on farm works: 100% (straight-line); Certain building allowances ranging from 1%-50% (straight line).
Others	Obtain loan up to 70% of investment capital from DBE	Residence permit; Recruit 3 foreign employees; 100% write-off on research and development costs.	Employing an initial quota of 5 foreigners	First arrival duty exemptions for personal effects	Double taxation agreements with selected investment source countries e.g. Germany, Uganda, Tanzania, Canada, Norway, Denmark, India, Sweden, Zambia, UAE among others. Foreign shareholding of domestic companies is up to 75% from the previous 60%.

Source: Kenya Investment Authority, Ethiopian investment Commission, Rwanda Development Board (*www.rwandahc.org/tarde-and-investment/investment-incentives-and-tax-codes*); Export Processing Zones Act, Cap.517, laws of Kenya; Kenya Revenue Authority. Rwanda AGOA Action Plan 2016.

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