

BUY KENYA- BUILD KENYA STRATEGY



REPUBLIC OF KENYA

JUNE, 2017



FIRST EDITION

CONTENTS

LIST OF FIGURES	3
ABBREVIATIONS AND ACRONYMS	4
PREFACE	6
FORWARD	7
ACKNOWLEDGEMENT	8
EXECUTIVE SUMMARY	9
1. INTRODUCTION	13
1.1. BACKGROUND	13
1.2. GLOBAL CONTEXT	16
1.3. KENYA'S SITUATION AND THE REGIONAL ECONOMIC INTEGRATION AGREEMENTS	17
1.4. OBJECTIVES OF BUY KENYA BUILD KENYA STRATEGY	18
1.4.1. OVERALL OBJECTIVE	18
1.4.2. SPECIFIC OBJECTIVES	18
1.4.3. PREFERENCE AND RESERVATION	18
1.4.4. SUPPORT FOR LOCAL MANUFACTURERS	18
2. SITUATIONAL ANALYSIS	21
2.1. REVIEW OF CURRENT STATUS – THE SWOT	24
2.2. ASSESSMENT OF EXPORT AND IMPORT – CONSUMPTION STRUCTURE	25
2.3. EXISTING POLICIES AND REGULATIONS	25
2.4. THE PROBLEM STATEMENT	26
2.5. JUSTIFICATION FOR BUY KENYA - BUILD KENYA STRATEGY	25
3. STRATEGIES	28
3.1. LEGAL AND REGULATORY FRAMEWORK TO GUIDE PUBLIC PROCUREMENT	29
3.1.1. RESERVATION OF 40% OF PUBLIC PROCUREMENT BUDGET FOR LOCAL GOODS AND SERVICES	29
3.2. PROVIDING AN ENABLING BUSINESS ENVIRONMENT	29
3.2.1. PROVIDING SUBSIDIES AND INCENTIVES TO LOCAL PRODUCERS	30
3.2.2. ENHANCING QUALITY INFRASTRUCTURE TO PRODUCE COMPETITIVE GOODS AND SERVICES	30
3.2.3. SAFEGUARDING INTELLECTUAL PROPERTY RIGHTS	31
3.2.4. FACILITATING CAPACITY BUILDING PROGRAMMES	31
3.2.5. INDUSTRIAL RESEARCH AND DEVELOPMENT, INNOVATION AND TECHNOLOGY TRANSFER	32
3.3. ENHANCING MARKET ACCESS OF LOCALLY PRODUCED GOODS AND SERVICES	32
3.3.1. PROMOTING COMPETITIVENESS AND CONSUMPTION OF LOCAL PRODUCTS AND SERVICES	33
3.3.2. PACKAGING FOR MARKET ACCESS	33

3.3.3. BRANDING FOR MARKET ACCESS	33
3.3.4. PROVISION OF WORKING, SHELF SPACE AND PHYSICAL MARKET INFRASTRUCTURE	33
3.4. ADVOCACY	34
3.4.1. AWARENESS AND COMMUNICATIONS CAMPAIGNS	34
3.4.2. CORPORATE REPORTING AND VOLUNTARY LABELLING	35
3.4.3. ADVERTISING AND PUBLICITY OF PRODUCTS AND SERVICES	36
4. MONITORING, EVALUATION AND REPORTING	38
4.1. MONITORING AND EVALUATION FRAMEWORK	38
4.2. REWARDS AND SANCTIONS	38
4.3. REPORTING GUIDELINES AND FORMAT BY THE NATIONAL GOVERNMENT MINISTRIES, DEPARTMENTS AND AGENCIES	39
4.3.1. MONITORING AND EVALUATION BY MINISTRY OF INDUSTRY, TRADE AND COOPERATIVES	39
4.3.2. MONITORING AND EVALUATION BY ANTI-COUNTERFEIT AGENCY (ACA)	39
4.3.3. QUALIFICATION OF LOCAL CONTENT	40
4.4. IMPLEMENTATION APPROACH	41
5. ANNEXES	53
5.1. ANNEX 1: REPORTING TEMPLATE OF RESERVATION OF A MINIMUM OF 40% OF PROCUREMENT BUDGET FOR LOCALLY PRODUCED GOODS AND SERVICES	53
6. REFERENCES	55

ABBREVIATIONS AND ACRONYMS

AGOA	-	Africa Growth and Opportunity Act
AGPO	-	Access to Government Procurement Opportunities
BK BK	-	Buy Kenya – Build Kenya
BMC	-	Buy Malawi Campaign
COMESA	-	Common Market for Eastern and Southern Africa
CS	-	Cabinet Secretary
EAC	-	East African Community
EBE	-	Enabling Business Environment
GDP	-	Gross Domestic Product
IGAD	-	Intergovernmental Authority on Development
IOR-ARC	-	Indian Ocean Rim-Association of Regional Cooperation
IPRs	-	Intellectual Property Rights
KAM	-	Kenya Association of Manufacturers
KEPSA	-	Kenya Private Sector Alliance
KES	-	Kenya Shillings
KNTC	-	Kenya National Trading Corporation
LDCs	-	Least Developed Countries
M & E	-	Monitoring and Evaluation
MDAs	-	Ministries, Departments and Agencies
MoITC	-	Ministry of Industry, Trade and Cooperatives
MSEs	-	Micro and Small Enterprises
MSMEs	-	Micro Small and Medium Enterprises
NSC	-	National Steering Committee
NTBs	-	Non-Tariff Barriers

NTP	-	National Trade Policy
PPADA		Public Procurement and Asset Disposal Act
PPRA	-	Public Procurement Regulatory Authority
R & D	-	Research and Development
SADC	-	Southern African Development Community
SAPS	-	Structural Adjustment Programs
SDII	-	State Department for Industry and Investment
SDT	-	State Department for Trade
SEZ	-	Special Economic Zones
SMEs	-	Small and Medium Enterprises
SWOT	-	Strengths, Weaknesses, Opportunities and Threats
TBT	-	Technical Barriers to Trade
UNCTAD	-	United Nations Commission on Trade and Development
WTO	-	World Trade Organization

PREFACE



The Government of Kenya has taken strides in the formulation and effective implementation of policy reforms in various fields including trade, agriculture, and industry, among others with the aim of promoting local industries. Achieving productivity through local production is not easy, but has significant pay-off such as eliminating increased competition from imported goods and services hence businesses achieve economies of scale thereby bolstering competitiveness.

The Ministry will continue to work closely with all stakeholders to improve on total factor productivity, improve on quality and standards, and ultimately raise competitiveness for locally produced goods and services. This is anticipated to culminate in locally produced goods and services being accorded preferential local market access by the public and private sectors, thus creating synergy that contributes to building a strong integrated agricultural, industrial and service base, which are necessary to nurture wealth generation in the economy and ultimately increase job opportunities.

In order to grow the manufacturing sector, there is need for increased purchase of locally produced goods and services by both the Public and Private sectors. “The Buy Kenya - Build Kenya Strategy” is aimed at inculcating in the mind of all Kenyan citizens, patriotism and preference for Kenyan goods and services as a means of supporting the domestic economy.

This Buy Kenya - Build Kenya Strategy, therefore, provides not only a road map but also a suitable framework to stimulate Kenya’s economy by strongly encouraging public and private sector expenditure that supports goods and services produced locally. In this way we will together foster the spirit of patriotism and pride in Kenyans consuming local products and services.

Adan A. Mohammed, EGH

CABINET SECRETARY

MINISTRY OF INDUSTRY, TRADE AND COOPERATIVES

FORWARD



The Kenyan economy is supported by two levels of production cycles namely: production and manufacturing for local consumption and for external market in response to consumer preferences. Past efforts to improve on both elements of production and consumption has met appreciable success as manufacturers start industries in the country to address the process of produce and the need of Kenyans. Despite this good progress, recent trends show that local consumption of locally produced goods and services has not grown in proportion to the population growth. The gap created by the internal demand for goods and services has been bridged by imports.

The Buy Kenya - Build Kenya Strategy therefore seeks to enhance competitiveness and consumption of locally produced goods and services. In order to achieve this, the strategy has identified commodities and services where the country has competitive advantages. The strategy pays keen attention on the issue of quality assurance and particularly on need to upscale innovation in packaging and branding locally manufactured products for local consumption and external market.

The strategy encourages local production processes to pay special attention to local content and value addition requirements to enhance local market access for locally produced goods and services. In order to spur local consumption the government will provide subsidies and tax reliefs for manufacturers geared to manufacturing for domestic consumption.

Implementation of this strategy is estimated to cost about Kshs 2.4 billion over the next five years and will require a critical look at existing laws and procedures with a view to aligning them to the requirement of this initiative. The Presidential Directive on Reservation of Minimum 40% of public procurement budget for locally produced goods and services has been incorporated in the performance contracting services for all MDAs. It envisaged that the public and private sector institutions that best comply with this strategy will receive due recognition by the government.

Dr. Chris Kiptoo, CBS

PRINCIPAL SECRETARY

STATE DEPARTMENT FOR TRADE

ACKNOWLEDGEMENT

The State Department for Trade in the Ministry of Industry, Trade and Cooperatives would like to express deep and sincere gratitude to the following for their dynamic involvement in the development of this strategy. The Cabinet Secretary and Principal Secretaries of the Ministry of Industry, Trade and Cooperatives for their guidance, commitment and unwavering support to the Buy Kenya - Build Kenya initiative.

The State Department for Trade takes cognition of the invaluable support by the Heads of participating institutions for identifying and nominating suitable technical officers to be members of the Buy Kenya - Build Kenya Taskforce. These include: The State Department for Trade, State Department of Cooperatives, State Department for Investment and Industry, Brand Kenya Board, Kenya Investment Authority, Kenya Industrial Research and Development Institute, Kenya Bureau of Standards, Kenya National Trading Corporation, Kenya Institute of Business Training, Weights and Measures Department, and Export Promotion Council.

For both individual and team efforts, the State Department for Trade is grateful for the following Taskforce Members for their input and time that led to the successful development of the Buy Kenya - Build Kenya Strategy: *Mr. Rajeev Arora* (Advisor - CS office); *Dr. Jeremiah M. Nyatichi* from the State Department of Cooperatives; *Mr. Samuel Rere* from Brand Kenya Board (BKB); *Mr. Kenneth K. Murimi* from the Export Promotion Council (EPC); *Mrs. Joyce Chepkemboi* from the Kenya National Trading Corporation (KNTC); *Mrs. Getrude M. Nyungu* from Weight and Measures Department (W&M); *Mr. Solomon Kiawa* from Kenya Institute of Business Training (KIBT); *Mrs. Susan Njoki Njoba* from Kenya Investment Authority (KenInvest); *Mr. Joseph Gachanja* from the Kenya Bureau of Standards (KEBS); and *Dr. Fredrick Musieba* from Kenya Industrial Research and Development Institute (KIRDI).

The other Task Force members include *Mrs. Milka Muthiu* from Department of International Trade; *Mr. Antony Njeru* from Central Planning and Project Management Unit (CPPMU); and *Mr. Wilis Olwalo* from the Supplies Chain Management Unit. The Task Force members from Department of Internal Trade who were also members of the Secretariat under the Chairmanship of *Mrs. Joyce Ogundo* include *Mr. Robert O. Okoth*, *Mr. Lucas R. Mwago*, *Mr. Tobias O. Odongo*, *Mr. John K. Gatere* and *Mr. Mathew Komen*. The Secretarial services to the Task force were provided by *Ms. Susan Mwangi*.

Finally, special recognition goes to *Mrs. Joyce Ogundo* for ably chairing the Taskforce and spearheading the Secretariat. The Secretariat members from the Department of Internal Trade are also acknowledged and appreciated for their commitment in planning and coordination of the meetings and driving the process to a successful conclusion.

EXECUTIVE SUMMARY

Kenya has pursued export oriented economy which has seen the introduction of diverse export incentives and regimes. The export incentives have led to rise in manufacturing for exports especially in the targeted sectors. Although the incentive regime seems to have achieved positive results, the lack of strong complementary efforts to mitigate against strong competition for imports into the country has reversed the gains made. Whereas the export driven focus has led to the increase of manufacturing capacity and contribution to GDP, local consumption has been suppressed due to limited initiatives geared towards promotion of local consumption. This has left the country exposed to the vagaries of uncoordinated import inflows to fill the created gap. The rise in imports has resulted into negative balance of payments over time.

The Governments' efforts towards creating an enabling business environment through business environment reforms has been acknowledged as an important pre-requisite for stimulating a public and private sector response that leads to economic growth, and ultimately employment and income generation. There is however need to adopt a balanced approach to economic liberalization with a view to supporting the production, purchase, supply, and consumption of locally produced goods and services.



These challenges form an opportunity for the National and County Governments to rally the entire country behind a noble agenda that will encourage the consumption of locally produced goods and services while advocating for use of local materials in the manufacturing process with the aim of stimulating economic growth. The Government has launched multi-facet strategies towards this end. One of the latest initiatives is the Buy Kenya-Build Kenya campaign. The Buy Kenya-Build Kenya Campaign Strategy was developed in April 2017 following a Presidential directive that a strategy be formulated to drive consumption of locally produced goods and services. The Buy Kenya-Build Kenya initiative is expected to enhance competitiveness of local firms; stimulate local production; and promote industrialization, a key priority area in Vision 2030. In addition, the strategy shall contribute towards mitigating the impacts of the trade deficits.

Five key result areas and diverse deliberate interventions have been proposed for the successful implementation of this strategy. The key result areas have been broadly categorized into legal and regulatory framework to guide public procurement; provision of an enabling business environment; enhancing market access of locally produced goods and services; and, advocacy and institutional framework for sustainability related activities.





Several strategies are proposed for each key result area whose implementation requires a well coordinated approach between state actors and private stakeholders. Among the key strategies of enhancing realization of the Strategy's objectives of providing Legal and Regulatory framework in public procurement processes include reservation of 40 percent of Public Procurement Budget by MDAs for Locally Produced Goods and Services; Consumer Protection requirements (promoting the use and conformity to standards); providing subsidies and incentives to local producers; and enhancing quality infrastructure to produce quality and competitive Goods and Services. With regards to the creation of an enabling business environment, the strategy proposes provision of subsidies and incentives to local producers in targeted sectors; provision of quality infrastructure to enhance competitiveness of local products and services; safeguarding Intellectual Property Rights; and increased investment in Industrial Research and Development, Innovation and Technology transfer. Under enhancing market access as key result area, the strategies include promoting competitiveness and consumption of local products and services; packaging for market access and branding for market access.

The strategies will be implemented under public-private framework component including undertaking awareness and communications campaigns; ensuring effective corporate reporting and voluntary labeling; and enhancing advertising and publicity of locally produced products and services, among other strategies.

This Strategy aims to create a single and unified platform to streamline and coordinate government and private efforts aimed at enhancing public confidence in consuming locally produced goods and services. It is a deliberate effort in promoting the Kenyan brand and patriotism amongst the citizens of this great nation for the common good. It is for this reason that the Government is playing a leading role in the implementation of this strategy as well as coalescing private sector involvement. The formulation and implementation of this strategy is a demonstration of the government's commitment to shape the country's destiny by leveraging on internal capacity to promote domestic consumption for indigenous products in order to stimulate industrial and economic growth. It is a beginning of a transformative journey towards establishing sustainable internal-driven development pillars as envisioned under Vision 2030.

1. INTRODUCTION

1.1. Background

The development of Buy Kenya – Build Kenya Strategy is driven by an overriding objective that its successful implementation will encourage the consumption of locally produced goods and services. This is further informed by the foregoing historical background, current situation and a fundamental assumption that producers and service providers will be able to supply globally competitive goods and services for consumers' preferences, choices and tastes.

Immediately after independence and with the aim of ensuring rapid economic development and social progress for all Kenyans, the government developed and implemented Sessional Paper No. 10 of 1965 on African Socialism and its Application to Planning in Kenya. The Paper placed emphasis on promotion and protection of the domestic industries.

The second major phase in the evolution of strategy which influenced production and trading pattern in Kenya was through the Structural Adjustment Programs (SAPs) by Sessional Paper No.1 of 1986 on Economic Management for Renewed Growth. The emphasis shifted from reliance on import substitution and protectionism towards a strategy that led to manufacturers being encouraged to produce goods for export with reform programmes aimed at improving efficiency, stimulating private investment and increasing the sector's foreign exchange earnings.

Currently, the country's growth is being guided by the Kenya Vision 2030 which encourages local production of goods and services and the development of the informal sector.

Brand Kenya Board was established in 2008 with a government commitment to put in place an

“ *In March 2015, the President of Kenya gave a directive that all Government agencies should reserve 40% of their procurement budget for purchase of locally produced goods and services.* ”



integrated coordinating mechanism for building and enhancing the country's image and national identity to rally its citizens behind it. One of its core mandates is to identify and distinguish Kenyan products, services and concepts that would create and maintain the Kenya Brand. The board promotes production and consumption of locally produced goods and services as well as increases the recognition of Kenyan goods and services in the international market. In March 2015, the President of Kenya gave a directive that all Government agencies should reserve 40% of their procurement budget for purchase of locally produced goods and services. In September 2015, the Special Economic Zones Act was enacted to encourage production of goods through providing tax incentives and reducing transport costs by manufacturing close to sources of raw materials and have discounts in utilities like power bills. The Public Procurement and Asset Disposal Act, 2015 further provides for preferential treatment for locally manufactured goods and services. Section 155 (2) of the Act provides preferential procurement for wholly obtained goods and services. These initiatives and many others were aimed to encourage production of locally made goods for both domestic and international market.

Presently, Kenya's production, trading and consumption patterns are guided by market-driven principles of liberalization under the World Trade Organization (WTO), which came into effect in 1995. The liberalization has led to lowering and elimination of tariffs; reduction of non-tariff barriers in Kenya's domestic and export markets thereby improving market access to Kenya's products and other countries imported products into the domestic market in equal measure. The current increased efforts in the regional economic

integration initiatives under the East African Community (EAC) and Common Market for Eastern and Southern Africa (COMESA) have also led to the influx of goods manufactured from the region and beyond.

The Governments' efforts towards creating an enabling business environment through business environment reforms have been acknowledged as an important pre-requisite for unleashing a public and private sector response that leads to economic growth, and ultimately employment and income generation. There is, however, need to adopt a balanced approach to economic liberalization with a view to supporting the production, purchase, supply, and consumption of locally produced goods and services. It is in this respect that policy initiatives geared at stimulating production and consumption in the domestic market can be viewed.

When locally produced goods and services are accorded commensurate preferential local market access by the public and private sectors and citizens, synergy created will contribute to building a strong integrated agricultural, industrial and service base that nurture wealth generation in the economy and ultimately increase opportunities for more jobs.

“ *Developing a strategy on Buy Kenya- Build Kenya is one of the measures whose effective implementation will go a long way in enhancing Kenya's competitiveness and consumption of locally produced goods and services.* ”

Globally, Governments are becoming increasingly involved in local economic development programs: government-supported programs that seek to increase local jobs or the local tax base by undertaking measures such as providing assistance to individual entrepreneurs, cushioning Small and Medium Enterprises (SMEs) against market failures among others. There is therefore need to review the existing legal and regulatory framework such as the Public Procurement and Disposal Act and the Competition Act among others to make them more responsive to these national priorities and aspirations.

Increased competition from imported goods and services is a challenge to Kenyan produced goods and services. Locally manufactured goods compete with cheaper products from the emerging economies and developed countries. The increasing trade deficits have equally weakened Kenya's economic growth and thus compromised the domestic industrial base's ability to generate employment opportunities for the youth.

These challenges form an opportunity for the National and County Governments to rally the entire country behind a noble agenda on Buy Kenya – Build Kenya whose hallmark entail

promoting competitiveness of domestic products in both the domestic and international markets. Developing a strategy on Buy Kenya- Build Kenya is one of the measures whose effective implementation will go a long way in enhancing Kenya's competitiveness and consumption of locally produced goods and services.

The strategy aims at mitigating the impacts of the trade deficits and to inject and create momentum for sustained industrial and commercial growth in Kenya among other benefits.

1.2. Global Context

With the rise of modern global economy, it is increasingly becoming more complex for countries, especially less developed and young developing countries such as Kenya, to create and sustain a national self-reliant prosperity. Faced with huge challenges of how to improve national competitiveness and raise standards of living, many countries have pursued policy initiatives that are aimed at raising internal productivity capacity. This approach has seen implementation of policy initiatives that are focussed on enhancing utilization of internal resources such as human (people), capital and natural endowments to produce valuable goods and services. Policy measures such as efforts to manage exchange rates as well as policies aimed at relaxing antitrust laws are among measures that have been used to promote stability at domestic markets. Others include procurement measures designed to give a preference to businesses that meet certain characteristics such as those owned by veterans; and usage of environmentally sustainable practices including encouraging manufacturing within the state.

Bench marking with global best practices reveal that many countries have protected their own industries/local production with a similar initiative. Such countries include the USA where *"Congress has broad authority to place conditions on the purchases made by the federal Government or with federal dollars. One of many conditions that it has placed on direct government purchases is a requirement that they be produced in the United States. The most familiar of these requirements is known as the Buy American Act, which is the major domestic preference statute governing procurement by the federal government"*. Other countries with similar initiatives for promoting domestic industry and local economy include Ghana, China, Malaysia and Tanzania.

Other nations use "reciprocal laws." These require public contracting agencies, in determining the lowest responsible bidder, to add a per cent increase to each out-of-state bidder's bid price equal to the per cent of preference given to local bidders in the bidder's home state. For instance, if the low bidder is from a state that grants a 10 per cent preference to its own in-state bidders, the procurement agency must add 10 per cent to that bidder's price when evaluating the bid.

A bigger threat to local procurement policies may lie in international trade agreements. These agreements, and the rules of the World Trade Organization that oversees them,

contain provisions that make local preferences vulnerable to challenges, and in some cases, even aim to explicitly undo them. Some countries have procurement policies that require local governments to buy from local vendors, or at least give local businesses preferential treatment. Local companies are required to improve their quality and standards in order to acquire the certification mark or the right to use a national 'brand' or logo.

1.3. Kenya's Situation and the Regional Economic Integration Agreements

i) Existing Regional Trade Protocols

At the regional front, Kenya's trade policy initiatives such as the Buy Kenya Build Kenya are bound to be influenced by the protocols signed under the East African Community (EAC), Common Market for Eastern and Southern Africa (COMESA), Intergovernmental Authority on Development (IGAD), Indian Ocean Rim-Association of Regional Cooperation (IOR-ARC), and the EAC-COMESA- SADC Tripartite Free Trade Area (TFTA) and the Continental Free Trade Area (CFTA) under the African Union (AU).

Kenya is, however, not the only country in the region that has developed initiatives aimed at promoting consumption of local products. For instance in the EAC, there is the Uganda's Buy Uganda Build Uganda Policy which is premised on several national development policies and strategies that encourage the consumption of locally produced goods and services. The policy's objectives are to promote consumption of local goods and services; promote the use and conformity to standards to guarantee quality goods and services; and to provide capacity building programs to local suppliers of goods and services.

The Tanzania Public Procurement Act states that suppliers or contractors of procurement activities may be limited on the basis of their nationality. It also allows the procuring entity to apply for preferential treatment and grant a margin of preference of certain goods manufactured, mined and grown by local Tanzanians when evaluating their tenders. The Act further has provided for reservation scheme for qualifying locals traders.

Similarly in COMESA, the Buy Malawi Campaign (BMC) strategy is a revised edition of what was developed in November 2009 which has led to strengthening the procurement environment; effective and robust communication and market planning; exemplary leadership and effective implementation management; and an improved business environment and competitiveness of Malawi domestic producers.

Under the Proudly South African campaign, a Local Procurement Accord was signed by the government, business community, organized labour, and the community constituency where each party committed to undertake several roles in encouraging and promoting the procurement of local goods and services.

Among the Accord's objectives are to foster local job creation; encourage innovations and competitiveness; and supporting the attainment of goals of the Industrial Policy.

ii) Regulatory Framework Gaps

Critical production issues need to be addressed such as creating a sufficient inventory of what the country produces and in what quantities. There have been loopholes in the regulatory framework and gaps in Kenya's procurement law which have affected policies to enhance growth of industries. Under the Public Procurement and Asset Disposal Act, 2015, the government has made concerted efforts aimed at facilitating the initiatives that give priority to locally manufactured goods over cheap imports. Poor implementation and enforcement of the provisions of the Act has, however, led to inability to shield local products from competition from imports.

The private sector, through the Kenya Association of Manufacturers (KAM), launched the Manufacturing Priority Agenda 2017 which outlines their strategic intent in promoting their products and services. The program targets to expand the sector's contribution to the economy by 1.6 per cent annually in the next three years while enhancing contribution to the GDP from 10.5% in 2017 to 15 per cent by 2019. The success of this agenda to expand the production capacity in the country requires supportive legal and regulatory structures.

Through business environment reforms, the government has made efforts towards creating an enabling business environment stimulating a public and private sector response leading to economic growth, and ultimately employment and income generation. Local products and services require a preferential treatment in the local market by both the public and private sectors to enable effective integration of the agricultural, manufacturing and service sectors so as to contribute towards wealth and job creation.

1.4. Objectives of Buy Kenya Build Kenya Strategy

1.4.1. Overall objective

The overall objective of Buy Kenya - Build Kenya Strategy is to increase competitiveness and consumption of locally produced goods and services. The Strategy aims to promote and enhance the consumption of Kenya's own products and services in both absolute figures and as a proportion of the gross domestic product (GDP). Enhanced consumption of locally produced goods and services will contribute to among other things, employment creation, and poverty reduction, promote value addition, stimulate production and product diversification; and encourage growth of local industries.

In summary, the Buy Kenya – Build Kenya Strategy aspires to promote the competitiveness of locally produced goods and services by the public and private sector as well as the citizens. This in turn creates synergy that contributes to building a strong integrated agricultural, industrial and service base that nurture wealth generation in the economy and ultimately increase opportunities for more jobs. Success of the strategy depends on

effective participation of all the stakeholders in particular from the National and County Governments; the Private Sector players; the Civil Society; and the citizens.

1.4.2. Specific objectives:

The specific objectives of Buy Kenya Build Kenya Strategy include:

- i) Identifying commodities and services where the country has competitive advantage;
- ii) Enhancing competitiveness and local consumption of locally produced goods and services;
- iii) Enhancing standards and quality assurance;
- iv) Facilitating branding, packaging, innovation and trade;
- v) Facilitating capacity building;
- vi) Enforcing transparency in private and public procurement procedures and strengthening Public Private Partnerships in promotion of Buy Kenya Build Kenya strategy; and,
- vii) Developing criteria for determining local content.

1.4.3. Preference and Reservation

Among other objectives of the Buy Kenya – Build Kenya Strategy is to enhance the consumption of locally produced goods and services through Government and Private Sector procurement programs by according preferences and reservations.

Subsequently, Ministries, Departments and Agencies (MDAs) are required to reserve a minimum of 40% of their procurement budget for locally produced goods and services. Preferences and reservations treatment to goods and services wholly or partially produced in Kenyan is also a requirement by the Public Procurement and Asset Disposal Act, 2015 section 155 (1) (2) (3a).

1.4.4. Support for local manufacturers

It is the intent of government to enhance support to local manufacturers and industries to gain the required capacity for increased productivity. Improved productivity of quality products will in turn improve the competitiveness of the country as well as create employment opportunities for Kenyans and revenue for the state.



2. SITUATIONAL ANALYSIS

This situational analysis covers a review of key strengths, weaknesses, opportunities and threats (SWOT) that need to be considered from a global, regional and national perspective. The others include the assessment of the export and import structure; appraisal of past and current policy initiatives that provide insights of the challenges facing demand and supply of local products and services.

2.1. Review of Current Status – the SWOT

Kenya has the potential to become a more competitive player in the regional and global economy. However, the country's global competitiveness remains challenged due to low levels of productivity, un-conducive business regulatory environment and inadequate infrastructure development, in the face of rising importation of consumer products. The situational analysis below highlights Kenya's current position visa vie the global and regional environment for supporting local production and consumption as follows:-

S

Strengths

i) Improved ranking

Globally, Kenya has shown great improvement in ranking on the ease of doing business indicators, having improved by 44 points from position 136 in 2013 to position 92 in 2016. Some of the country's innovation such as MPESA is recognized internationally.

ii) Good climatic condition

Kenya has conducive climatic conditions for quality agricultural produce for both local and export markets due to its location. Availability of globally competitive raw materials, for instance, Arabica coffee, tea, flowers, wet blue hides, are sufficient to support locally produced quality products.

iii) Highly skilled and trained human capital

Kenya's human resource is globally competitive and is sufficient to support local industries. The country boasts one of the most highly skilled and trained human capital in South of the Sub-Sahara. The people are very entrepreneurial and innovative.

iv) Strategic location and Regional economic hub

Regionally, Kenya is the economic hub in the Eastern Africa and has rising opportunities and expanded markets created by the Regional economic blocks.

v) Well established financial institutions

Financial and insurance services offered by Kenya are leading in the region and Organizations are increasingly opening regional branches. Well developed telecommunication service has increased the attractiveness of Nairobi as a financial centre in the region.

vi) Changing consumer patterns

Nationally, there is a changing consumer pattern supported by the growing middle class influenced by global consumption trends. This provides a critical mass to warrant production of quality locally produced goods and services. The country also has key institutions that will facilitate production of world class products. With the increase of renewable energy projects, well developed financial and manufacturing industries, Kenya is sufficiently positioned to support increase in local production.

vii) Supportive policy environment

The development of policies such as the National Trade Policy, Export Promotion Strategy, the National Industrial Strategy; and the One Village One Product among others have offered the catalytic support required for the development of niche products to encourage inter county trade.



Weaknesses

Despite the great effort to produce and market primary products in the global markets, there is a declining trend in the identity of Kenyan products abroad. Development of local industries such as the textile sector is also greatly hampered by importation of cheaper products and a growing middle class with appetite for imported products. In the regional front, recent relocation of Kenyan industries due to relatively more conducive business incentives outside in the neighboring countries such as land and slow implementation of regional agreements are some of the weaknesses that are responsible for the low levels of productivity.

High cost of doing business in the country, low levels of research and development, weak and/ or lack of entrenched anti-dumping and antitrust laws and regulations, loose border control and goods imported under the pretext of second hand products are some of the key challenges facing the country and which have significantly contributed to the flooding of the domestic markets with imports of questionable quality and standards.

Ineffective enforcement of regulations to support production of major commodities coupled with low levels of national patriotism to support consumption of locally produced products and a general mentality that imported products are superior has also been a big challenge leading to low level of productivity of processed products in the country. The high cost of credit has also limited access to finance especially for Small and micro enterprises. There is therefore need to address these weaknesses to warrant consistent export and supplies into the local market. In the same vein, Research and Development on consumer products needs to be enhanced and distribution channels be well structured.

O

Opportunities

The key opportunities that Kenya should take advantage of in the global arena include facilities such as the Africa Growth and Opportunity Act (AGOA), membership and participation in the UNCTAD, the WTO among others. Being a signatory to various regional trade agreements such as the EAC Common Market Protocol, IGAD, EAC-COMESA-SADC TFTA and CFTA, Kenya is best placed to exploit the existing opportunities. East Africa region is fast becoming an oil producer. Nationally, there is a fast growing population and increased activity on unexploited resources. Support for local production is also demonstrated by Government regulation on 40 % consumption of locally produced goods. If fully exploited, existing regulations and regulatory support shall have the potential to trigger a substantial and robust internal production and consumption levels capable of propelling the country to new heights of industrial growth.

T

Threats

Among the key threats that need to be factored in include:- stiff competition from global commodities as a result of international treaties and the threat to local production owing to importation of cheaper products. Due to liberalization policy, more countries are coming to grow their produce in Kenya for own consumption. Regionally, the relocation of Kenyan industries to other countries in the region, increase in Technical Barriers to Trade (TBT) and Non-Tariff Barriers (NTBs), as well as low pace of implementation of the EAC Common Market Protocol, are considered key threats which are likely to slow down the advancement of local production.

Kenya is categorized as a developing country while the others are LDCs, which is a constraint to markets. The other threats include steady rise in importation of counterfeit products and increasing threats of terrorism and insecurity that impact negatively on the country's economic performance

The weakening of the currency and counterproductive trade restrictions are also a hindrance to local production of goods and services.

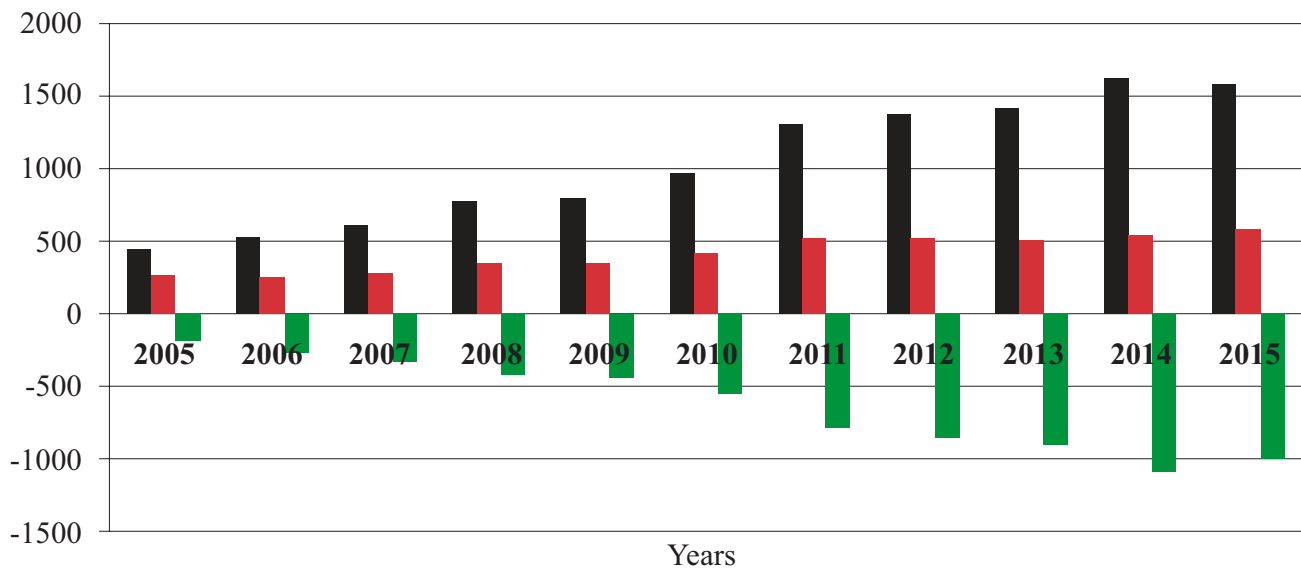
2.2. Assessment of Export and Import – Consumption Structure

i) Composition of Domestic Exports by Broad Economic Category

Kenya has persistently recorded unfavorable balance of trade since 2005 as can be seen in **Figure 1**. In 2015, the balance of trade recorded a deficit of KES 997 billion, a slight improvement from 2014 deficit of KES 1,081 billion. Leading export earners were:- tea, horticulture; articles of apparel and clothing accessories and coffee which collectively accounted for 54 % of the total export merchandize. According to the Economic Survey 2016, Africa remained the leading destination of Kenya's exports accounting for 41.7 % of total exports.

During the period under review, food and beverage remained the dominant source of export earnings accounting for 44.7 per cent by broad economic category. The bulk of this category was in **unprocessed form for household consumption**. Non-food industrial supplies were the second leading category of exports recording a marginal growth to KSh 129 billion in 2015. Consumer goods not elsewhere specified accounted for 24.9 per cent of export earnings, valued at KSh 124 billion in 2015.

As can be deduced from **Fig.1** Kenya's balance of Trade has been worsening over time surpassing the 100 billion mark in 2014. This clearly demonstrates that the country's consumption is tilted in favour of imports. The increasing trend to consume imported products has resulted in the unfavourable balance of trade which impacts on the country's growth and development. This therefore calls for policy and administrative measures that will re-orient the economic and social well-beings of the nation towards instituting measures to reverse the situation.

Figure 1: Kenya's Balance of Trade 2005-2015

Source of Data: Economic Survey 2016

ii) Composition of Imports by Broad Economic Category

Kenya's imports have continued to exhibit an upward trend over the years as can be seen in figure 1 above. Asia is the leading /dominant source of imports. Petroleum products continued to account for the largest share of imports 13.6 % in 2015 followed by industrial machinery. Others include plastic in primary and non-primary forms, medicinal and pharmaceutical products, wheat, organic and inorganic chemicals.

It should be noted that while unprocessed food and beverages are a dominant source of export earnings, processed food and beverages to the tune of Ksh 56, 519 million was imported into the country in 2015.



2.3. Existing Policies and Regulations

National Trade Policy: The country has for many years operated without a coherent framework for coordination of the formulation and implementation of trade policy. This omission has led to a situation where trade policies are scattered in different government documents and regulations with absolute lack of a harmonization and coordination mechanism. The effect of this omission has been manifested in conflicting policies, weak policy implementation and inability of the policies to correct the deteriorating balance of trade and unexploited trade potential in the domestic economy, regional and global market.

The National Trade Policy (NTP) is developed and is the central policy framework upon which the **Buy Kenya Build Kenya Strategy** will be anchored.



Agricultural policy: The thrust of agricultural policy focuses on increased agricultural productivity and food security. There are no specific strategies which encourage local consumption.



Industrial Policy: Industrial reforms in Kenya are spelled out in three blue prints namely: Poverty Reduction Strategy Paper (2005), Economic Recovery and Wealth Creation (2003) and vision 2030 (2007). All these policy documents contain proposals targeting productivity and general performance of the industrial sector.

2.4. The Problem Statement

Kenya has pursued export oriented economy which has seen the introduction of diverse export incentives and regimes. Despite these efforts, Kenya's imports have increased dramatically resulting in negative balance of payments over time. Whereas the export driven focus has led to the increase of manufacturing capacity and contribution to GDP overtime, it has led to minimal attention to policies geared towards promotion of local consumption. This has left the country exposed to the vagaries of strong competition from imports to fill the created gap.

Kenya has subscribed to several regional and multilateral trading arrangements aimed at expansion of markets for local products. A common factor of these agreements has been progressive removal of non-tariff measures. This, however, has exposed the domestic market to strong competition from cheap products from other countries that have flooded the domestic market and suppressed consumption of locally produced products. Further the influx have disproportionately affected growth of local enterprises, especially the Small and Medium Enterprises (SMEs), compromising their key role of job-creation for both formal and informal employment. Finally, there is an emerging trend where Kenyans have developed a higher affinity towards imported products because of perceived superior quality, better pricing and availability of imports goods.

These challenges form an opportunity for the National and County Governments to rally the entire country behind a noble agenda on Buy Kenya - Build Kenya whose hallmark entail promoting competitiveness and consumption of domestic products in both the domestic and international markets. Development of Buy Kenya - Build Kenya Strategy is one of the measures aimed at enhancing the competitiveness and consumption of locally produced goods and services. The strategy shall contribute towards mitigating the impacts of the trade deficits and to inject and create momentum for sustained industrial and commercial growth in Kenya among other benefits.

2.5. Justification for Buy Kenya - Build Kenya Strategy

The Government's reform efforts aimed at creating an enabling business environment has been acknowledged as an important pre-requisite for stimulating a public and private sector response yielded to economic growth, and ultimately employment and income generation. There is, however, need to adopt a balanced approach to economic liberalization with a view to supporting the production, purchase, supply, and consumption of locally produced goods and services.

Indeed when locally produced goods and services are accorded preferential local market access by the public and private sector and citizens, synergy is created that contributes to building a strong integrated agricultural, industrial and service base that nurture wealth generation in the economy and ultimately increase opportunities for more jobs.

Globally, Governments are becoming increasingly involved in local economic development programs: government-supported programs that seek to increase local jobs or the local tax base by undertaking measures such as providing assistance to individual entrepreneurs, and cushioning SMEs against market failures among others. This is why Government is currently reviewing the existing legal and regulatory framework such as the Public Procurement and Asset Disposal Act, 2015 and the Competition Act among others.



3. STRATEGIES

In this chapter, the strategies and intervention measures are broadly categorized into legal and regulatory framework to guide public procurement; provision of an enabling business environment; enhancing market access of locally produced goods and services; and advocacy and institutional framework for sustainability related activities. The activities for each strategy are presented as follows:

3.1. Legal and Regulatory Framework to Guide Public Procurement

The Government, being the largest single entity in consumption of goods and services which in the current budgetary plans to spend Kshs 2.29 trillion in the 2017/2018 financial year, will be at the forefront in promoting local producers by purchasing locally manufactured goods. It is evident from the statistics that the Government spending on imported products has grown tremendously as Government expenditure increases. Therefore there is need for a shift in purchase of locally produced goods and services which will lead to increased economic activities within the country.

“ *In the recent past, the Government of Kenya has made a number of policy decisions aimed at giving preference to Micro and Small Enterprises (MSEs) and the disadvantaged groups for public procurement.* ”

In the recent past, the Government of Kenya has made a number of policy decisions aimed at giving preference to Micro and Small Enterprises (MSEs) and the disadvantaged groups for public procurement.

These include the amendment of the Public Procurement and Disposal Regulations (Preference and Reservations) of 2011 and the Public Procurement and Asset Disposal Act, 2015 and Access to Government Procurement Opportunities (AGPO) for women and youth.

The Government will promote the culture of buying local within the public sector through its policy decisions. This would then be encouraged within the private sector as the basis for promoting locally produced products and services by providing preferential treatment to local manufacturers in tenders. Among the strategies to address legal and regulatory issues include:-

3.1.1. Reservation of 40 % of Public Procurement Budget for Local Goods and Services

To effectively enforce the directive reservation of a minimum of 40 per cent (%) of the procurement budget for locally produced goods and services, the government shall:

- i) Review, simplify and publish guidelines of the Public Procurement and Asset Disposal Act with step by step instructions and tips on how to respond to public tenders with a focus to Kenyan goods and services;
- ii) Review Public Procurement and Asset Disposal Act (PPADA) 2015 to enforce the directive to reserve 40 per cent of the procurement budget for locally produced goods and services;
- iii) Create a data base in partnership with the private sector of all goods/services produced locally;
- iv) Gazette various categories of goods and services reserved for local suppliers;
- v) Develop and provide format for reporting compliance with the 40 per cent (%) rule;
- vi) Undertake consultation with the National Treasury to make local content a requirement for all government procurement contracts;
- vii) Adopt and enforce the EAC Rules of Origin that specifies the required value addition.
- viii) Develop guidelines for extension of local preference to County levels; and,
- ix) Establish a unit to evaluate and monitor all procurements for local components and publish findings.

3.2. Providing an Enabling Business Environment

An enabling business environment (EBE) includes; norms and customs, laws, regulations, policies, international trade agreements and public infrastructure that either facilitate or hinder the movement of a product or service along its value chain. Conventions, treaties, agreements and market standards shape the global business enabling environment. Trade agreements, such as the Lomé Convention or AGOA, can open opportunities for firms; simultaneously, complying with international standards, can be expensive for small firms, precluding them from being competitive. The business enabling environment at the national and local level encompasses policies, administrative procedures, enacted regulations and the state of public infrastructure.

The creation of an enabling business environment through various reforms has been acknowledged as an important pre-requisite for unleashing a public/private sector response that leads to dynamic growth, and ultimately employment and income generation.

There should be a balance between the relative merits and development impact of improvements of various dimensions of the business environment on the one hand, and of targeted public policy interventions on the other. The government shall intervene in the following ways to make locally produced goods and services compete optimally in the liberalized market:-

3.2.1. Providing Subsidies and Incentives to Local Producers

In order to provide the appropriate subsidies and incentives to local producers and service providers, the government shall:

- i) Review the impact and propose enhancement of subsidies on agricultural inputs, machinery, and utilities to encourage investment in all sectors and local products and services cheaper in the market to compete effectively with cheap imports;
- ii) Review duty and tax exemptions to local manufacturers and service providers who import machinery or equipment meant for improving production technology and capacity to promote the quality of locally produced goods and services;
- iii) Review preferential treatment to local manufacturers in the Special Economic Zones (SEZ);
- iv) Offer tax rebates and/or other incentives to manufacturers using locally sourced raw materials or meet set percentage of local materials in their production processes; and
- v) Review the percentage of products of EPZA that may be offloaded into the local market.

3.2.2. Enhancing Quality Infrastructure to Produce Competitive Goods and Services

In order to enhance quality infrastructure to produce competitive goods and services, the government in collaboration with the private sector shall:

- i) Enforce standards related to products, measurements, materials, processes, among others, to strengthen local product brands;
- ii) Enhance the enforcement of use of accurate measures and up-to-date technology through constant testing, verification and calibration of measuring equipment;

- iii) Improve and increase accreditation of testing laboratories and agencies to relevant international institutions;
- iv) Promote quality planning, quality assurance, quality control and quality improvement;
- v) Enhance certification of products, accreditation of industries and plants, quality inspections and disseminating of information relating to standards; and
- vi) Strengthen all the Ministries, Departments and Agencies (MDAs) that have the mandate in quality infrastructure to enhance effectiveness.

3.2.3. Safeguarding Intellectual Property Rights

An effective Intellectual Property Rights (IPRs) system serves to cushion inventors and reward innovation. For Kenya's products to be competitive, the country must adhere to the principles of IPR. This strategy will be achieved through the following activities:

- i) Formulate and enforce a National Intellectual Property Policy to provide the requisite, institutional and legal framework for the administration, management, commercial exploitation, protection and enforcement of intellectual property rights;
- ii) Restructuring and strengthening the Intellectual Property Tribunal to enhance its effectiveness; and
- iii) Strengthening institutional capacity for IPR and increase knowledge and awareness of IPR issues and its importance to investors; especially those who specialize on local production of goods and provision of services.

3.2.4. Facilitating Capacity Building Programmes

In order to ensure the prerequisite capacities are in place, the Government in collaboration with the private sector shall:

- i) Enhance the capacity of local producers and suppliers in complying with trade requirements such as pre-packaging requirements, bar-coding, business registration among others through the development of training materials and curriculum;
- ii) Develop capacity building programs with a view of boosting the capacities of socially and economically disadvantaged sections of the community such as the marginalized groups (youth, women and people with disabilities); and
- iii) Design and implement appropriate programs to promote value addition, production of high-value, and niche marketing.

3.2.5. Industrial Research and Development, Innovation and Technology Transfer

The Government will pursue the following strategy intervention measures aimed at enhancing industrial research, development, innovation and technology transfer:-

- i) Develop a policy framework to support commercialization of homemade research findings;
- ii) Strengthen the linkages between universities, research and development institutions, middle level colleges, polytechnics, other training institutions and department of state responsible for industrialization to undertake joint market driven research for commercialization;
- iii) Formulate mechanisms to facilitate collaboration with the private sector in research, technology-transfer and product development;
- iv) Increase funding from the exchequer and mobilize other resources from within and without for research and development; and
- v) Create science and technology parks as well as industrial clusters as provided for in Kenya Vision 2030.

3.3. Enhancing Market Access of Locally Produced Goods and Services

Towards enhancing market access of locally produced goods and services, the government shall pursue the following intervention measures:

3.3.1. Promoting Competitiveness and Consumption of Local Products and Services

The following activities will be undertaken to promote competitiveness and enhance consumption of local products and services:

- i) Implement programs to improve the quality of locally manufactured goods;
- ii) Establish Trade Finance Facility and encourage use of credit guarantee system for both exporters and domestic producers;
- iii) Implement safeguard measures (trade remedies) to curb the influx of sub-standard, dumping and counterfeit goods;
- iv) Implement the provisions of Public Procurement of locally manufactured products by exploiting the policy on 30% of all public procurement to youth and women; and
- v) Organise exhibitions and trade fairs targeting specific local products and services.

3.3.2. Packaging for Market Access

The following activities will be undertaken to promote packaging for market access:

- i) Support packaging industries to meet the increasing level of product quality and packaging needed by the both the local and the international markets;
- ii) Offer support to deserving MSMEs to set up a common packaging platform that meets the consumer requirements;
- iii) Facilitate packaging technology acquisition and best practices through hosting of international trade exhibitions;
- iv) Strengthen the visibility and function of the Kenya Packaging Institute; and
- v) Introduce training curriculum on packaging at the tertiary institutions.

3.3.3. Branding for Market Access

The following activities will be undertaken to promote branding for market access:

- i) Strengthening the Brand Kenya Board to roll the Mark of Identity Initiative to give Kenyan goods an identity;
- ii) Create awareness on mark of Identify for Kenyan goods to consumers and producers; and
- iii) Encourage retailers to improve the visibility of Kenyan products on shelves.

3.3.4. Provision of working, shelf space and physical market infrastructure

The following activities will be undertaken to promote provision of working space as well as encourage retail outlets to increase shelf space for local goods and services:-

- i) Closing certain streets or parts of a street/town for some hours/days and allowing small traders, hawkers and street vendors conduct their trade;
- ii) Promote the provision of working sheds and space to enable traders to conduct their activities;

- iii) Provide rebate schemes and other incentives to private retail outlets such as supermarkets to expand shelf-space for local goods and services;
- iv) Government stores such as Uchumi and Kenya National Trading Corporation (KNTC) should be strengthened and offered incentives and support to increase the stock ratio and space for local goods; and,
- v) Expand physical market infrastructure and improve conditions of existing markets.

3.4. Advocacy

Advocacy is a powerful tool used in influencing social changes and guaranteeing access to resources, funding and information. Advocacy can also be used to help make service providers and organizations accountable ensuring there is transparency in their actions and decisions. Advocacy therefore results into positive changes that may be directed at government policies, laws, procedures and practices. The change may also be intended to correct a social behaviour, perception, belief or opinion. In order to enhance positive change in the citizens towards embracing and valuing locally produced goods and services, and to foster the spirit of patriotism and pride in Kenyans consuming local products and services, the following advocacy programs shall be undertaken:



3.4.1. Awareness and Communications Campaigns

Awareness and education is one of the most powerful tools for providing individuals with the appropriate skills and competencies to become sustainable consumers. Information and awareness-raising among consumers through public communications campaigns will be used to promote sustainable consumption. The communication of promoting locally produced goods and services has to be concisely passed to the right audience who include the government, private sector, development partners and the civil society organizations.

The government in collaboration with the private sector stakeholders and consumer organizations will therefore mount awareness and communication campaigns aimed at

increasing awareness on the importance of consuming locally produced goods and services. The communication is aimed at addressing consumer ignorance on what is locally made. The sensitization and awareness campaigns will appeal to the consumers' patriotism, economic and social responsibility. The campaigns will sensitize the consumers and make them aware that when they buy locally produced goods and services, they contribute towards Kenya's economic growth, help prevent job losses and create job opportunities. In this regard, the government will take the following measures towards awareness creation and communication campaigns:-

- i) Encourage enterprises to put up special shops for local products in selected outlets;
- ii) Holding Buy Kenya – Build Kenya business forums, summits, expo's and thematic events;
- iii) Facilitate special consumer awareness campaigns in the media; and
- iv) Awareness campaigns to address the negative mind-set and stigma about Kenyan products.

3.4.2. Corporate Reporting and Voluntary Labelling

Corporate sustainability reporting is used by companies to inform consumers of their social and environmental values and practices beyond the sustainability characteristics of individual products, which are usually covered by labelling. Such information disclosure is now one of the main mechanisms by which consumers are informed of the environmental and social conditions under which products have been produced. In addition to goods-producing companies, sustainability reporting is being adopted by firms providing services, including financial (e.g. investments, insurance, pensions), tourism, and transport. Reporting topics include:- corporate governance, environmental performance, health and safety of employees, community contributions, and supply chain management.

The activities to be undertaken to ensure corporate sustainability reporting include:

- i) Sensitization of producers on the need to voluntary label products; and,
- ii) Verification of claims on voluntary labelling.

One of the most commonly used instruments for influencing sustainable consumer choices is voluntary labelling which has expanded to more products and countries in recent years. The most viable labels are those where environmental or social claims are verified by a third party, including governments and non-governmental organizations. These can be multi criteria labels, which compare products with others in the same category on

a number of impacts throughout their lifecycle, or single issue labels which refer to a specific environmental or social characteristic of a product. These labels are most useful when they communicate complex information on sustainability in a simple way and provide transparency which enables consumers to make informed choices. Activities to be undertaken to ensure voluntary labelling include:

- i) Voluntary labelling products (environmental/social claims); and,
- ii) Verification of claims on voluntary labelling.

3.4.3. Advertising and Publicity of Products and Services

Television and radio commercials, billboards, flyers, magazines, and other forms of advertising are aimed at promoting consumption in all its forms. Whereas at one time its sole function was to make people buy more, advertising is now responding to new demands from consumers looking for greater significance, transparency and ethics.

Commercial advertising can be a powerful force for promoting sustainable consumption in highlighting the sustainability dimensions of goods and services and convincing consumers to purchase these products, sometimes regardless of price. The following activities will be undertaken to promote advertising and publicity:

- i) Create content for television and radio commercials, billboards, flyers, magazines, stickers and other forms of advertising and publicity;
- ii) Solicit for partnership with private sector and development partners for sponsorship of Buy Kenya – Build Kenya advertisements and promotions;
- iii) Undertake advertising and publicity activities;
- iv) Design and use of label promoting Buy Kenya – Build Kenya initiative on locally produced goods; and,
- v) Provide tax rebates on advertising and publicity of locally produced goods and services by the National and County government.



4. MONITORING, EVALUATION AND REPORTING

This Chapter outlines the monitoring, evaluation and reporting framework for the Buy Kenya Build Kenya Strategy. It gives main output/outcome indicators and guidelines for first national implementation period 2017/18 -2021/22. It also identifies annual targets for inclusion in Performance Contracts of all Ministries, Departments and agencies (MDAs). Principle guidelines that inform the development and implementation of the BK-BK Strategy are also discussed. Format on reporting compliance of reservation of minimum of 40% of procurement budget for locally produced goods and services by MDAs is attached as Annex 1.

4.1. Monitoring and Evaluation Framework

In order to monitor progress towards the achievement of strategy objectives, National Steering Committee (NSC) will employ an effective Monitoring and Evaluation (M&E) system developed by the Ministry of Industry, Trade and Cooperatives.

In addition, the Ministry will establish a unit to oversee the implementation of the strategy. The established Unit will conduct periodic surveys on the uptake of the consumption of locally produced goods and services and avail the results to inform public debate and further action. To monitor implementation of the BKBK strategy, all MDAs will be expected to submit their annual procurement plans to the Unit at the beginning of the financial year.

The M&E system will provide a framework for regular assessment of the implementation of the Strategy. Monitoring and evaluation will be undertaken by the Unit in collaboration with all Ministries/Department/Agencies and private sector.

The M&E System, which will rely on the result and Implementation Matrices, is designed to ensure the following:

- Establishment of clear reporting schedules, channels and feedback mechanisms on an on-going process requiring time and commitment of all;
- Candid specifications of the roles of individuals submitting or receiving the reports; and
- Clear statement and definition of action plans to be taken on specified monitoring results in terms of resource adjustment change of strategy or review of programmes/ activity.

4.2. Rewards and Sanctions

The NSC is mandated to recommend rewards and sanctions on the level of implementation by the individual MDA as well as private sector entities.

4.3. Reporting Guidelines and Format by the National Government Ministries, Departments and Agencies

Performance Contracting is an important tool for documenting, managing and reporting on project and programme performance in government. It enables timely and consistent collection of comparable performance data for making management decisions. Performance contracts facilitate self – evaluation and allow MDAs to systematically collect and analyze performance information to track progress toward achievement of deliverables and results. The Revised Performance Contracting Guidance for FY 2016-17 requires that MDAs set aside 40% of their procurement budgets to procuring locally made products and services and that each Agency or Department submits a quarterly report to the Ministry of Industry, Trade and Cooperatives.

To ensure smooth implementation of the Presidential Directive and the PC requirements on the 40% procurement Budgets threshold by MDAs, the Strategy proposes to undertake the following;

- i) The implementing Ministry/Department/Agency working with other state actors such as the National Treasury and Ministry of Finance to develop the guidelines on local content and a criteria conferring local status for goods and products;
- ii) Make provisions for uniform applicability and enforceability of the guidelines and reporting format including gazettelement of the guidelines and logo; and,
- iii) Constitute a special unit to monitor and report on compliance by MDAs.

4.3.1. Monitoring and Evaluation by Ministry of Industry, Trade and Cooperatives

The Ministry of Industry, Trade and Cooperatives has been mandated to undertake periodic monitoring and evaluation as well as prepare progress reports with a view to ensuring smooth implementation of the Buy Kenya – Build Kenya Strategy. Consequently, MDAs are required by the Directorate of Performance Contracting to prepare quarterly reports on the implementation of the minimum 40% reservation of all procurement budgets on locally produced goods and services, and submit to the Cabinet Secretary (CS) responsible for Trade. The format on reporting compliance of reservation of a minimum of 40% of procurement budget for locally Produced goods and services by MDAs is as provided in Annex 1.

4.3.2. Monitoring and Evaluation by Anti-Counterfeit Agency (ACA)

As provided for in the Performance Contracting Guidelines for FY 2016-17, the Anti-Counterfeit Agency will restrict and stop dumping of substandard and counterfeit goods in the domestic market.

The ACA will work closely with the implementing Ministry to ensure the realization of the Strategy objectives and aspirations especially in the following;

- i) Strengthen the capacity of ACA and KEBS to efficiently and effectively monitor dumping of sub-standard and counterfeited goods in the country;
- ii) Enhance penalties to discourage offenders; and,
- iii) Encourage regional approach to counter and deal with counterfeiting and dumping of sub-standard products.

4.3.3. Qualification of Local Content¹

Goods and services will qualify as locally produced when those goods and services meet the following principles or criteria:-

- i) Where goods and services are wholly produced in Kenya using local inputs;
- ii) Where goods and services are not wholly produced in Kenya using local inputs but have undergone a substantial transformation of value addition of at least 35% (EAC and COMESA rules); and,
- iii) The qualifying criteria for services shall be based on the four modes of supply as applicable under the WTO Services Agreement.

The Ministry responsible for Trade together with other relevant government organs shall further formulate other relevant and binding guidelines as well as mechanisms of monitoring performance of other implementing agencies as and when deemed necessary.

¹ Certification from Kenya Bureau of Standards (KEBS) for local content to be provided during the procurement process

4.4. Implementation Approach

In order to ensure a smooth, effective and a well coordinated implementation approach of the Strategy. A National Steering Committee (NSC) will be formed to guide and supervise the Strategy implementation. The NSC shall be the highest decision making organ on matters relating to the implementation on the Strategy. It shall be composed of representatives from the Ministry of Finance, Office of the President, Council of Governors, and Private Sector Alliance, Kenya Association of Manufactures, KNCCI, and Consumers' Association. The NSC will be convened by the CS responsible for the implementation of the Strategy.

The implementation approach will focus on the national objectives of the BKBK strategy. The proposed activities, corresponding output and outcomes have been stated with their respective lead and implementing Ministries, Departments and agencies and/or agencies under the stewardship of a National Steering Committee (NSC). The multi-agency steering committee will be expected to submit periodic reports to the office of the president. The NSC will continuously review the process to ensure smooth and effective implementation of the strategy.

Activity	Output	Actor(s)	Budget (KES)"000"	Time Frame				
				Y1	Y2	Y3	Y4	Y5
Key Area 1: Legal and Regulatory Framework to Guide Public Procurement								
Expected Outcome: Effective implementation of the Procurement and Asset Disposal Act								
Strategy 1: Implementation of the Procurement and Asset Disposal Act (PPADA)								
i. Simplify conditions and publish guidelines with step by step instructions on how to respond to public tenders	Published guidelines	PPRA	2,000					
ii. Sensitize MDAs, private sector and suppliers on PPADA								

Activity	Output	Actor(s)	Budget (KES)“000”	Time Frame				
				Y1	Y2	Y3	Y4	Y5
Strategy 2: Reserve a Minimum of 40 per cent (%) of Public procurement budget for Locally Produced Goods and Services								
Expected Outcome: Expenditure of minimum of 40% of national government procurement budget on locally produced goods and services								
i. Amend Public Procurement and Asset Disposal Act (PPADA) 2015 to enforce the directive to reserve 40 per cent of the procurement budget for locally produced goods and services.	Amended PPADA	Public Procurement Regulatory Authority (PPRA)						
ii. Develop and update list of locally produced goods/services.	List of locally produced goods/services	MoITC -SDII in collaboration with KEPSA, KAM, APSEA, KNCCI,	2,000					
iii. Gazette categories of locally produced goods and services.	Gazette Notice	MoITC	100					
iv. Develop the format for reporting compliance with the 40 per cent (%) rule.	Reporting Template	MoITC	500					
v. Prepare report on the compliance of the 40 per cent rule	Report of the Compliance	MoITC, All Government MDAs	3,000					

Activity	Output	Actor(s)	Budget (KES)“000”	Time Frame				
				Y1	Y2	Y3	Y4	Y5
vi. Develop criteria to determine local content.	Criteria developed	MoITC, KAM, KEPSA, KNCCI & National Treasury,	5,000					
viii. Publish an annual report to inform the public on the compliance of the 40% rule for locally produced goods and services	Publicised report	MoITC, PPOA	100					
Key Area 2: Providing an Enabling Business Environment								
Strategy 1: Provide Subsidies and Incentives to local producers								
Expected Outcome: Competitively priced locally produced goods and services.								
i. Review the subsidies programmes on agricultural inputs, machinery, and utilities to improve the competitiveness of locally produced goods and services	Subsidies provided to producers	The National Treasury, MOALFL	4,000					
ii. Review duties and tax exemptions to local manufacturers on machinery and inputs to promote the quality of locally produced goods and services.	A list of local manufacturers exempted from taxes	National Treasury, MoITC	2,000					

Activity	Output	Actor(s)	Budget (KES)“000”	Time Frame				
				Y1	Y2	Y3	Y4	Y5
Strategy 2: Enhance Quality of Infrastructure to Produce Competitive Local Goods and Services								
Expected Outcome: Increased Production of Quality Locally Produced Goods and Services								
i. Enforce standards related to products, measurements, materials, processes, among others, to strengthen local product brands.	Standardised products sold to the local market	KEBS	5,000					
ii. Enforce use of accurate measures and measuring equipment through constant testing, type approval and calibration of measuring equipment	Reliable measurements used	KEBS, W&Ms	5,000					
iii. Promote quality planning, quality assurance, quality control and quality improvement.	Improved quality local products and services	Relevant MDAs	2,000					
iv. Carry out certification of products, accreditation of industries and plants, quality inspections and disseminating of information relating to standards	Certified products and services	Private and Public bodies, KENAS	10,000					

Activity	Output	Actor(s)	Budget (KES)“000”	Time Frame				
				Y1	Y2	Y3	Y4	Y5
Strategy 3: Safeguarding Intellectual Property Rights								
Expected Outcome: Safeguarded Intellectual property rights of producers/innovators								
i. Finalize and enforce the National Intellectual Property Policy to provide the requisite, institutional and legal framework for the administration, management, commercial exploitation, protection and enforcement of intellectual property rights	National Intellectual Property Policy	KIPI	10,000					
ii. Restructure and strengthen the Intellectual Property Tribunal to enhance its effectiveness.	Effective Intellectual Property Tribunal	KIPI	10,000					
iii. Sensitize and create awareness on IPR issues and its importance to investors; especially those who specialize on local production of goods and provision of services.	Informed investors on IPR issues	KIPI	5,000					

Activity	Output	Actor(s)	Budget (KES)“000”	Time Frame				
				Y1	Y2	Y3	Y4	Y5
Strategy 4: Facilitating Capacity Building Programmes								
Expected Outcome: Awareness created on trade requirements								
i. Develop curriculum and training materials to enhance the capacity of local producers in complying with trade requirements such as pre-packaging rules, bar-coding, business registration among others	Curriculum and Training materials	KIBT	3,000					
ii.Build capacity programs for socially and economically disadvantaged sections of the community such as the marginalized groups (youth, women and people with disabilities)	Awareness created among the marginalized groups	MoITC	10,000					
iii. Design and implement appropriate programs to promote value addition, production of high-value, and niche marketing	Programmes designed & implemented	MoITC	5,000					

Activity	Output	Actor(s)	Budget (KES)“000”	Time Frame				
				Y1	Y2	Y3	Y4	Y5
Strategy 5: Industrial R&D, Innovation and Technology Transfer								
Expected Outcome: Enhanced Innovations and Technology Transfer to the Local Manufacturers								
i. Develop a policy framework to support commercialization of homemade research findings	Policy framework	KIRDI	10,000					
ii. Strengthen the linkages between Universities, R&D institutions, middle level colleges, polytechnics, other training institutions and department of state responsible for industrialization to undertake joint market driven research for commercialization	Research findings on innovations, market taste and preferences, and diversification of products	Universities, tertiary and research institutions	2,000					
iii. Collaborate with the private sector in research, technology-transfer and product development	Product diversification	KIRDI, Research Institutions, Universities, Technical institutes & private sector.	10,000					

Activity	Output	Actor(s)	Budget (KES) “000”	Time Frame				
				Y1	Y2	Y3	Y4	Y5
iv. Establish a science and technology park as well as industrial clusters as provided for in Kenya Vision 2030	Technology and Industrial parks created	MoITC						
Key Area 3: Enhancing Consumption of Locally Produced Goods and Services								
Strategy 1: Promote Consumption of Local Products and Services								
Expected Outcome: Increased consumption of locally produced goods and services								
i. Undertake sensitization of locally produced goods and services	Awareness created	MoITC, KAM, KEPSA, BKB, KTB	100,000					
ii. Implement Trade remedies law to curb the influx of sub-standard, dumping and counterfeit goods	Reduction in counterfeit and sub-standard goods.	MoITC, ACA, KEBs, KRA						
iii. Organise exhibitions and trade fairs targeting specific local products and services.	Trade fairs and exhibitions for specific local products	MoITC, KAM, KEPSA, BKB	10,000					
Strategy 2: Packaging for Market Access								
Expected Outcome: Increased visibility and awareness of locally produced goods and services by consumers								
i. Profile packaging industries; provide standards and incentives for packaging. and sensitize packaging industries on the available packaging	-Improved quality of packaging of locally produced products	KEBS, KAM, -Producers, Research institutions etc.	10,000					

Activity	Output	Actor(s)	Budget (KES) “000”	Time Frame				
				Y1	Y2	Y3	Y4	Y5
ii. Facilitate MSMEs to set up a common packaging platform that meets the consumer requirements	Common packaging platform developed	KEBS, Producers, and research institutions	5,000					
iii. Encourage appropriate packaging technology acquisition and best practices by linking producers with packaging industries	Availability of appropriate packaging technology	MoITC	3,000					
iv. Strengthen the visibility and function of the Kenya Packaging Institute:	Improved packaging skills among SMEs	KPI and Government	2,000					
Strategy 3: Branding for Market Access								
Expected Outcome: Improved marketing for locally produced goods and services								
i. Strengthening the Brand Kenya initiatives for Kenyan goods and services.	-Enhanced awareness by consumers -Increased use of mark of identity by manufacturers	GOK, BKB, Consumers and producers	500,000					
ii. Create awareness on mark of Identify for Kenyan goods to consumers and producers	Awareness created on the Mark of Identify	BKB	30,000					

Activity	Output	Actor(s)	Budget (KES)“000”	Time Frame				
				Y1	Y2	Y3	Y4	Y5
iii. Encourage retailers to improve the visibility of Kenyan products on shelves	Increased stock of local produce in retail outlets	MoITC, suppliers and retail outlets UCHUMI, KNTC	10,000					
Key Area 4: Advocacy								
Strategy 1: Awareness and Communication Campaign								
Expected Outcome: Perception change of citizens towards locally produced goods and services.								
i. Undertake sensitisation campaigns to address the negative mind-set and stigma about Kenyan products	Sensitization campaigns undertake	Private sector / MoITC	500,000					
ii. Organize Bi-annual Buy Kenya-Build Kenya business forums/ summits	Awareness to business community on Buy Kenya-Build Kenya	Private sector / MoITC	500,000					
iii. Organize targeted product specifics trade fairs and exhibitions for local products and services	Awareness created on local products among citizens	Private sector / MoITC	500,000					

Activity	Output	Actor(s)	Budget (KES) “000”	Time Frame				
				Y1	Y2	Y3	Y4	Y5
iv. Facilitate enterprises to put up special shops/shelves for local products in selected outlets (could be established in Uchumi outlets)	Special outlets created for local products	Private sector / MoITC	2,000					
Strategy 2: Corporate Reporting and Voluntary Labelling								
Expected Outcome: Enhanced Compliance by Companies on Environmental and Social Aspects of Business Practices								
i. Sensitize producers on the need to voluntary label products	Companies voluntarily label their products	MoITC	5,000					
i. Verify claims on voluntary labelling	All labels registered verified	MoITC, SDII	4,000					
Strategy 3: Advertising and Publicity of Products and Services								
Expected Outcome: More informed consumers and the general public								
i. Create content for television and radio commercials, billboards, flyers, magazines, stickers and other forms of advertising and publicity	Content for television and radio commercials, billboards, flyers, magazines created	MoITC, Producers, and research institutions	50,000					

Activity	Output	Actor(s)	Budget (KES)“000”	Time Frame				
				Y1	Y2	Y3	Y4	Y5
ii. Solicit for partnership with private sector and development partners for sponsorship of Buy Kenya – Build Kenya advertisements and promotions	Partnerships created	Producers, and research institutions	5,000					
iii. Undertake advertising and publicity activities	Awareness created on available local products	Producers, and research institutions	50,000					
iv. Design and use of label promoting Buy Kenya – Build Kenya initiative on locally produced goods	Design for labelling	Producers, and research institutions	10,000					
Total Budget Estimate			2,407,700					

5. ANNEXES

5.1. Annex 1: Reporting Template of Reservation of a Minimum of 40% of Procurement Budget for locally Produced goods and services

Name of Ministry/Department/Agency: _____

Reporting Period: Financial Year _____

Quarter _____

Total Procurement Budget for the Financial Year (Kshs) _____

Quarter's Expenditure Target on Locally Produced Goods and Services:

Amount (Kshs): _____

Percentage(%): _____

S/ No.	Tender Description	Product/ Service Procured	Name of Manufacturer/ Service Provider and Product Brand Name/	Country of Manufacture/	Name of Supplier/	Date Awarded/	Contract Value/	Status of payment
No.				Origin	Company/ Contact	Purchased	Amount (Kshs)	
1.								
2.								
3.								
4.								
5.								
6.								
7.								
8.								
9.								
Total Amount Procured in Quarter (Kshs)								
Quarter's Percentage of the Total Procurement Budget (%)								
Cumulative Percentage of the Total Procurement Budget (%)								
Quarter percentage of locally manufactured goods procured (%)								
Quarter Percentage of imported goods procured (%)								
Percentage Compliance level (%)								

6. REFERENCES AFRICA GROWTH AND OPPORTUNITY ACT (AGOA), UNITED STATES OF AMERICA CONGRESS

COMESA Rules of Origin, COMESA Secretariat

EAC Common Market Protocol, East African Community Secretariat

EAC Rules of Origin, East African Community Secretariat

Economic Survey, 2017, GoK: Kenya National Bureau of Statistics,

Economic Survey, 2016, GoK : Kenya National Bureau of Statistics,

Statistical Abstract, 2016, GoK : Kenya National Bureau of Statistics

Constitution of Kenya, Government of Kenya (GoK)

Public Procurement and Disposal Act and the Competition Act, 2015, GoK, Government Printer,

Agriculture Development Strategy, GoK: Ministry of Agriculture, Livestock and Fisheries

Agricultural Development Policy, GoK: Ministry of Agriculture, Livestock and Fisheries

Industrial Policy, GoK: Ministry of Industry, Trade and Cooperatives

Kenya Industrial Transformation Programme, 2015, GoK: Ministry of Industrialization and Enterprise Development

National Trade Policy 2016, GoK: Ministry of Industry, Trade and Cooperatives,

Sessional Paper No. 10 of 1965 on African Socialism and its Application to Planning in Kenya, GoK,

Sessional Paper No.1 of 1986 on Economic Management for Renewed Growth, GoK

Special Economic Zones Act, GoK

Kenya Vision 2030: GoK, The Presidency, Ministry of Devolution and Planning

Buy Malawi Campaign Strategy, Government of Malawi; Ministry of Industry and Trade

Buy Uganda - Build Uganda Policy, 2014: Government of Uganda; Ministry of Trade, Industry and Cooperatives,

Manufacturing Priority Agenda 2017; Kenya Association of Manufacturers (KAM)

Proudly South African – Annual Report 2013-2014, Republic of South Africa, Ministry of Economic Development

Local Procurement Accord, 2011; Republic of South Africa, Ministry of Economic Development,

Proudly South African Campaign; Republic of South Africa, Ministry of Economic Development,

Tanzania Public Procurement Regulations, 2013, United Republic of Tanzania, Government Printer



Ministry of Industry, Trade and Cooperatives

State Department for Trade

Teleposta Towers

P.O. BOX 30430-00100

GPO, Nairobi,

Kenya

Tel: +254 20-2731531 l Fax: +254 20-2731511

Web: www.industrialization.go.ke