



REPUBLIC OF KENYA

MINISTRY OF ENVIRONMENT AND FORESTRY



SWITCH AFRICA GREEN

REVIEW OF LAWS, POLICIES AND BUSINESS ENVIRONMENT

Country Implementation Report and Plan
February 2018



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An employee at Champion Shoes company, based in Thika, working on leather offcuts that would once have been discarded as waste from the process of making shoes.

Photo | SWITCH Africa Green

Acknowledgement

The Kenya SWITCH Africa Green (SAG) Implementation Plan is a collective effort spearheaded by United Nations Environment Programme (UNEP), the United Nations Office for Programme Services (UNOPS), the United Nations Development Programme (UNDP) and the Ministry of Environment and Forestry (MEF). The Ministry would like to thank the European Union for providing funds to support the preparation of this document.

This report was prepared by staff of the Kenya Institute for Public Policy Research and Analysis - KIPPRA (Dr. Dickson Khainga, Gilbert Nyalienya, Nahashon Mwongera and John Nyangena) on behalf of the Ministry. The National Technical Coordination Committee (NTCC), coordinated by the MEF, provided overall strategic leadership and technical input to the report. The NTCC has membership drawn from the relevant Ministries, Departments and Agencies (MDAs), academia, civil society organizations (CSOs) and the Private sector. The analysis and proposals contained in this report are those of the authors and do not in any way represent the views of UN Environment, UNDP or UNOPS or that of the executive boards of the three agencies.

The Ministry would like to thank all stakeholders and other participants who gave useful inputs during the validation workshop held on 16 -17 November 2015 in Nairobi.

This report was further updated during the Kenya NTCC meeting that was held in Naivasha on 21 to 22 February 2018. The main aim was to align the policy interventions of Switch Africa Green in Kenya with the strategic direction and development agenda of the Government of Kenya in the short and long term.

Foreword

Kenya envisions to be a middle-income country with a sustained annual growth rate of 10% by the year 2030 as per the country's National Blue Print "The Kenya vision 2030". Manufacturing, agriculture and tourism have been identified as key sectors contributing to the projected annual national economic growth. Kenya's Green Economy Strategy Implementation Plan (GESIP) which guides the country's transition to an inclusive green Economy recognizes manufacturing, agriculture and tourism as priority sectors in this shift.

Kenya's aspirations contribute to the African continent's economic vision as outlined in Agenda 2063 and the broader Agenda 2030 – The Future We Want. Through the Third medium term (2008 – 2022) recognizes GESIP as one of the priorities to implement Vision 2030. More so the climate smart agriculture strategy 2017-2026 provides a pathway that leads to the attainment of food security, productivity and incomes while at the same time reducing greenhouse emission. This is part of Kenya's obligation to United Nations Framework on Climate change. In the manufacturing sector, the Kenya Industrial Transformation Programme, 2015 aims to guide Kenya towards transforming the country into an industrial hub in the region and beyond. The strategy acknowledges creation of green industry as a priority to drive a low-carbon green economy. To catalyze growth in the tourism sector, the National Tourism Strategy Blueprint (NTSB) 2030 envision to achieve a vibrant sustainable tourism industry.

Kenya is one of the six African countries supported under SWITCH Africa Green (SAG) in their transition to an inclusive green economy and to shift to sustainable consumption and production patterns and practices in micro, small and medium enterprises in sectors of agriculture, manufacturing and tourism. In this line, Kenya has come up with a SWITCH Africa Green Policy Implementation Plan that describes in depth policies, laws and regulations, and identifies implementation gaps and strategies. The implementation plan responds to policy needs to build and scale up green growth initiatives in the agriculture, manufacturing and tourism sectors through adoption of sustainable consumption and production practices.

A participatory approach was deployed leading to the validation of this report and, I would like to thank all stakeholders, and agencies involved in the developing and finalizing this report.



Ali Ndoor Ismail, CBS
Principal Secretary
Ministry of Environment and Forestry

Acronyms

AGOA	African Growth and Opportunity Act
AfDB	African Development Bank
AFFA	Agriculture Food and Fisheries Act
AMCEN	African Ministerial Conference on Environment
ASAL	Arid and Semi-Arid Lands
ASDS	Agricultural Sector Development Strategy
BAU	Business as Usual
BDS	Business Development Services Providers
CAADP	Comprehensive African Agricultural Development Programme
CCF	Climate Change Fund
CEEC	Community Education and Empowerment Centre
CFA	Community Forest Association
CIDA	Canadian International Development Agency
CIDP	County Integrated Development Plan
CITCs	Constituency Industrial Development Centres
COMESA	Common Market for Eastern and Southern Africa
CSOs	Civil Society Organizations
DANIDA	Danish International Development Agency
DFI	Development Finance Institutions
DoT	Department of Tourism
DTM	Deposit Taking Microfinance
EAC	East African Community
EPAS	Economic Partnership Agreements
ERC	Energy Regulatory Commission
EU	European Union
FAO	Food and Agriculture Organization
GDP	Gross Domestic Product
GE	Green Economy (GE)
GESIP	Green Economy Strategy and Implementation Plan
GHGs	GreenHouse Gases
GKI	Greening Kenya Initiative
GSTC	Global Sustainable Tourism Criteria
ICT	Information and Communications Technology
INDC	Intended Nationally Determined Contribution
JICA	Japan International Cooperation Agency
KAHC	Kenya Association of Hotel Keepers and Caterers
KAM	Kenya Association of Manufacturers

KATO	Kenya Association of Tour Operators
KEBS	Kenya Bureau of Standards
KFS	Kenya Forest Service
KIE	Kenya Industrial Estates
KIPI	Kenya Industrial Property Institute
KIPPRA	Kenya Institute of Public Policy and Research Analysis
KIRDI	Kenya Industrial Research and Development Institute
KNCPC	Kenya National Cleaner Production Centre
KNBS	Kenya National Bureau of Statistics
KTB	Kenya Tourism Board
KTF	Kenya Tourism Federation
KWS	Kenya Wildlife Service
LCPDP	Least Cost Power Development Plan
MAPSKID	Master Plan for Kenyan Industrial Development
MDAs	Ministries, Departments and Agencies
MEF	Ministry of Environment and Forestry
MFB	Micro Finance Bank
MTP	Medium-Term Plan
MSMEs	Micro, Small and Medium Enterprises
NAP	National Adaptation Plan
NCCAP	National Climate Change Action Plan
NCCRS	National Climate Change Response Strategy
NDC	Nationally Determined Contribution
NEMA	National Environment Management Authority
NEPAD	New Partnership for Africa's Development
NTCC	National Technical Coordination Committee
PPP	Public Private Partnerships
RECP	Resource Efficiency and Cleaner Production
ROSCA	Rotating Savings and Credit Association
SACCO	Savings and Credit Cooperative
SAG	SWITCH Africa Green
SCP	Sustainable Consumption and Production
SEZ	Special Economic Zones
SME	Small and Medium Enterprise
SREP	Scaling-Up Renewable Energy Programme
TRA	Tourism Regulatory Authority
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
UNCTAD	United Nations Conference on Trade and Development

UNOPS	United Nations Office for Programme Services
UN	United Nations
UNIDO	United Nations Industrial Development Organization
UNWTO	United Nations World Tourism Organization
VAT	Value Added Tax
WARMA	Water Resource Management Authority
WEC	World Economic Forum
WRS	Warehouse Receipt System

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1. Introduction

1.1 Background

The United Nations Conference on Sustainable Development (Rio+20) in 2012 established a basis for governments to shift to a green economy. Countries committed to undertake fundamental changes in consumption and production processes to make this shift and thereby ensure sustainable development. The shift was reaffirmed by the adoption of a 10-Year Framework of Programme (10YFP) on Sustainable Consumption and Production and by the launch of the Green Industry Platform, both by UN Environment and the United Nations Industrial Development Organization (UNIDO). African governments recognized potential growth in switching to a green economy. This would mean increased productivity and employment opportunities; a reduction in poverty and inequality; as well as attaining a cleaner environment to improve the quality of life.

The SWITCH Africa Green (SAG) programme has been developed to support African countries' drive toward a green economy (GE) and sustainable consumption and production (SCP). In addition to Kenya, SAG Programme is being piloted in Burkina Faso, Ethiopia, Ghana, Mauritius, Uganda and South Africa. This is aimed at supporting optimal use of natural resources to generate products and services to better lives and minimize the harmful environmental outcomes of poor production and consumption processes or during the life cycle of a product or a service.

The focus of SAG is to inform public and private consumers better on sustainability of consumption and production in a green economy; help development of green businesses and eco-entrepreneurship applying sustainable consumption and production practices in micro, small and medium enterprises; build business service providers that are better equipped to seize opportunities for green business development; and create sound regulatory frameworks, incentives structures, tax, other fiscal and market-based instruments to influence key economic sectors.

SAG therefore provides a framework to build synergy among governments, business and civil society towards inclusive green growth.

In 2014, Africa experienced fast economic growth with averages exceeding 5 per cent compared with other continents (African Development Bank, 2014). Nevertheless, most African countries face extreme poverty, environmental degradation, unemployment, underemployment and increased intensity and magnitude of weather extremes attributed to climate change and variability. The transition to a green economy could overcome these critical development challenges. Africa must, therefore, tackle the fundamental challenges of achieving rapid and sustained economic growth, creating broad-based meaningful employment opportunities, and

safeguarding environmental quality in the continent's use of natural resources. This requires reconfiguration of economic production, distribution and consumption structures. Adoption of SCP patterns and practices would enhance social and eco-entrepreneurship capacity and assure the efficient use of resources for progressive economic transformation.

SAG has three components namely; policy support, green business development and networking facility. The policy support component anchors preparation of this report which focuses on policy, legal and regulatory environment; business environment; comparative advantage; and trade and business opportunities of green growth in agriculture, manufacturing and tourism sectors. While the green business development is aimed at supporting transformation towards an inclusive green economy by providing services to entrepreneurs and MSMEs that enable them to start and develop green businesses, apply sustainable production practices and create trade opportunities. The networking component focuses on providing programme support services for networking and communication among the programme and countries, distilling knowledge from programme implementation for wider replication, and facilitation of policy uptake.

1.2 Study Objectives

The aim of this study is to support development of green business and eco-entrepreneurship and use of sustainable consumption and production practices by having in place three components. These are (i) micro, small and medium enterprises, and business service providers that are better equipped to seize opportunities for green business development; (ii) better informed public and private consumers; and (iii) clear policies, sound regulatory frameworks, incentives structures, tax and other market-based instruments influencing key sectors of agriculture, manufacturing and tourism.

Specific objectives of the study are the following:

Undertake an inventory of existing policies, regulations, standards and instruments in Kenya and mapping of gaps, including reviews of related SCP and green economy policies, including those related to eco-entrepreneurship and eco-innovation focusing on agriculture, manufacturing and tourism sectors.

Assess of the business environment in agriculture, manufacturing and tourism sectors and identify capacity-building needs, of the existing RECP/Business Development Services providers

Identify green investment opportunities in the agriculture,

manufacturing and tourism sectors to be outlined in terms of financial investment required, resulting increases in productivity, increase in resource efficiency and reductions in pollution, with some indications of returns on investment and payback times, where sufficient data exist.

Assess trade and comparative advantage and opportunities that arise from, or are associated with, national green economy measures, and the identification of potential export markets that could be accessed following application of such measures.

1.3 Approach to Preparation of the Switch Africa Green Report

The Kenya SWITCH Africa Green Implementation Plan was prepared through a consultative process involving the United Nations Environment Programme (UNEP), the United Nations Office for Project Services (UNOPS), the United Nations Development Programme (UNDP), the Ministry of Environment and Forestry (MEF), Kenya Institute for Public Policy Research and Analysis (KIPPRA) and members of the National Technical Coordination Committee (NTCC). The initial draft involved preparation of a comprehensive review of existing relevant policy documents and other published reports, followed by a series of consultative workshops and working retreats to refine the document. Finally, the report was validated at a national workshop in December 2016 and, later updated by NTCC members in February 2018

1.4 The Kenyan Scenario

The case for green economy/growth in Kenya has its roots in the Constitution that prioritizes a clean and healthy environment; and ensure sustainable exploitation, utilization, management and conservation of the environment and natural resources. The Kenya Vision 2030 envisages a green economy by pointing to many aspects of green growth such as sustainable consumption and production, environment conservation and restoration, and the prioritization of renewable energy. The National Climate Change Response Strategy of 2010, and its Action Plan of 2013 acknowledges the adverse impacts of climate change in Kenya; and identified priority actions towards a low carbon and climate resilient development. Other policy instruments in place include the Kenya Green Economy Strategy and Implementation Plan (GESIP), which give direction towards inclusive greening all sectors of the country. GESIP was launched in July 2017 and it is designed to harmonize green economy actions under 5 thematic areas (i) Sustainable infrastructure, (ii) Building resilience, (iii) Sustainable Natural Resource Management, (iv) Promoting Resource efficiency and (v) Social inclusion and sustainable livelihood.

A number of green initiatives are also in place in Kenya. The most notable of these is the government's effort on enhancing

renewable and clean energy resources on national energy mix.

Kenya needs to mainstream green economy/growth to cope with some of the socio-economic and environmental challenges it faces such as rapid population growth, destruction of rich and diverse ecosystems, human-wildlife conflict, degradation and pollution. It also needs green growth to increase its rate of economic growth and related aspects such as wealth and job creation. This is particularly so because natural resources play a very important part in Kenya's economy. An example is tourism industry that relies mostly on its wildlife parks and mostly white sandy beaches derived from and shielded by coral ecosystems.

Green economy would be important in dealing with the effects of some environmental challenges that are expected with the extractive sector - exploitation of oil and coal, as well as rare earth elements or metals that are anticipated would boost the mining sector.

While Kenya's grid is expected to be greener in future, there are also energy challenges in domestic energy since most Kenyans continue rely on wood for cooking, and charcoal for energy. The challenge, therefore, is to find way of replacing this with cleaner energy or ensure sustainable production and usage of energy from biomass.

2. Policy, Legal, Regulatory Frameworks for Green Economy Transformation

2.1 The Constitution of Kenya 2010

Kenya's Constitution recognizes a healthy and clean environment as a fundamental right of every citizen; and calls for sustainable exploitation, utilization, management and conservation of the environment and natural resources. Kenya's Constitution 2010 recognizes a healthy and clean environment as a fundamental right of every citizen; and calls for sustainable exploitation, utilization, management and conservation of the environment and natural resources. More specifically, Article 60 (1) (c) calls for sustainable and productive management of land resources; 69 (1)(b) requires working to achieve and maintain a tree cover of at least ten per cent of the land area of Kenya; while 69 (2) requires that every person has a duty to cooperate with State organs and other persons to protect and conserve the environment and ensure ecologically sustainable development and use of natural resources; lastly, 11 (b) recognize the role of science and indigenous technologies in the development of the nation.

2.2 The Environmental Management and Coordination Act of (2014, Amendment 2015)

The Environmental Management and Coordination Act (2014) governs environmental programme in Kenya. The Act establishes mechanism for compliance and enforcement of various tools and standards. Amendments of 2015 to the Act are meant to strengthen enforcement, promote eco-labels and voluntarism, which have shown to be effective in supporting eco-innovation in, for example, Canada, China and Japan. Voluntarism has demonstrated better environmental performance beyond compliance.

2.3 Kenya Vision 2030

The Kenya Vision 2030, implemented through 5-year Medium Term Plans (MTPs), is a long-term development blueprint that aims to transform Kenya into "a newly industrialized, middle-income country, providing a high quality of life to all its citizens in a clean and secure environment" by 2030. The vision's pillars are economic, social and political. A foundation comprising land reforms, energy, and infrastructure development (among others) support these pillars. The economic pillar identifies agriculture, tourism and manufacturing as drivers for realizing sustained annual GDP growth of over 10 per cent. The Second MTP for 2013-2017 underscores the urgency for green economy transformation through development of a national green economy strategy. The Plan identifies six key growth drivers, among them oil and minerals, and envisage

to increase the share of industries outside major urban centres by up to 50 per cent.

2.4 Green Economy Strategy and Implementation Plan

The Green Economy Strategy and Implementation Plan (GESIP) support Kenya's transition to an inclusive green development pathway. The strategy identifies sustainable infrastructure, climate resilient, sustainable natural resource management, resource efficiency, and social inclusion and livelihood as thematic areas with greatest potential. The strategy's core is to exploit synergies between economic growth, environmental sustainability, and social equity towards a green economy.

Implementation plan is guided by innovation, equity and social inclusion, resource efficiency, internationalization of externalities, governance and education (Republic of Kenya, 2016).

2.5 Private-Public Partnership Act 2013

This Act provides a framework for private-public participation in financing, construction, development, operation, or maintenance of infrastructure and development projects. This framework offers opportunity for mainstreaming green economy principles in sustainable infrastructural development in Kenya.

2.6 Climate Change Act, 2016

The Climate Change Act (2016) provides for a regulatory framework for enhanced response to climate change; mechanisms and measures to achieve low carbon climate development; and for connected purposes. The Act strengthens climate change governance and coordination structures, including the establishment of a National Climate Change Council Chaired by the President; and a Climate Change Directorate as the lead technical agency on climate change affairs.

The Act is built on the National Climate Change Response Strategy (2010), National Climate Change Action Plan (2016), National Adaptation Plan (2016), and National Climate Change Framework Policy (2016), which aims towards a low carbon and climate resilient development in Kenya.

2.7 County Integrated Development Plans (CIDPs)

Mainstreaming of green economy is critical in policy formulation, planning and budgeting processes at the national and sub-national (county) levels. This entails embedding green economy policies and initiatives in County Integrated Development Plans (CIDPs) as well as sectoral plans linked to the annual budget process (Republic of Kenya, 2015a).

2.8 The Forest Conservation and Management Act, 2016

The Forest Conservation and Management Act (2016) gives effect to Article 69 of the Constitution with regard to forest

resources - to provide for the development and sustainable management, including conservation and rational utilization of all forest resources for the socio- economic development of the country and for connected purposes. The objective of the Forest Strategy is to provide the Government's plans and programs for the protection, conservation and management of forests and forest resources.

Forests act as carbon sinks (absorbing greenhouse gases from the atmosphere) and hence central to any green economy mitigating strategy against climate change and environmental degradation.



An employee at Maisha Bora (Marrut Enterprises) explaining a process in the making of one of their products (Banana Flour)

Photo | SWITCH Africa Green

3. Assessment of Green Business Environment

3.1 Micro-Fiscal Environment

The high cost of doing business continues to dominate policy debate due to its adverse consequences on investments and overall profitability. Firms engaged in the production of goods and services using green technologies have the least possible negative impact on the environment. Consumer demand for sustainable products and services is rising, with shoppers having less disposable income in emerging markets embracing brand preferences and new technologies (UNIDO, 2014; KER, 2013).

3.2 Competitiveness Index

According to the World Bank 2016 report, doing business in Kenya has improved. The report evaluated 189 countries, ranks Kenya in position 108, 28 places up from the previous standing. This is a significant improvement, underscoring the need to sustain initiatives to improve the business environment and overall competitiveness. In comparison, Rwanda is ranked 62 and considered the easiest place to conduct business in Africa despite dropping 16 places from the 2015 report (World Bank, 2015; and 2016). The Bank's Doing Business reports shed light on how easy or difficult it is for an entrepreneur to open and run a business while complying with relevant regulations.

The reports measure changes in regulations affecting 11 areas in the life cycle of a business: starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting minority investors, paying taxes, trading across borders, enforcing contracts, resolving insolvency, and labour market regulation (World Bank 2015, 2016). However, other areas important to business — such as an economy's proximity to large markets, the quality of its infrastructure services, the security of property from theft and looting, the transparency of government procurement, macroeconomic conditions or the underlying strength of institutions — are not directly studied by Doing Business. Still, a high ranking may imply that the government has created a regulatory environment conducive to operating a business (World Bank, 2015 pp 6). The rankings notwithstanding, the business environment in Kenya is fairly good and still improving, driven by recent initiatives to liberalize the economy, an emerging middle class, cost competitiveness and a huge pool of talent. Kenya's attractiveness as an investment destination in Africa is supported by various factors that favour local and foreign investment.

The factors include:

- **Establishment of Huduma Centres:** Huduma Kenya is a programme by the Government of Kenya that aims to transform public service delivery by providing citizens

"One Stop Shop" platform. Through Huduma Centres, citizens can obtain birth certificates; national identity cards; travel passports; registration of business names; application for marriage certificates, drivers' licenses, police abstracts and many other services in one place. This reduces the time required to start a business, pay taxes and other statutory contributions.

- **Improve infrastructure system:** Kenya enjoys an extensive transport infrastructure, although its quality is uneven throughout the country. Nairobi is recognized as the transport hub of Eastern and Central Africa. The Port of Mombasa is the most important deep-water port in the region, supplying the shipping needs of more than a dozen inland countries.
- **Emerging financial market:** Kenya has a well-developed financial market. It has the makings of a regional services hub in banking and information. The financial sector consists of formal and informal financial suppliers. Formal suppliers are further categorized into banks, microfinance banks (MFBs, previously called DTMs), Microfinance institutions (MFIs-Non-deposit taking) and savings and credit cooperatives (SACCOs).

By the end of March 2015, there were 43 commercial banks, 1 mortgage finance company, 12 microfinance banks, 7 representative offices of foreign banks, 86 foreign exchange (Forex) bureaus, 14 money remittance providers and 2 credit reference bureaus. Additionally, there were at least 27 other non-regulated microfinance institutions and at least 4,000 active SACCOs. Informal suppliers of financial services include investment groups (Chamas), rotating savings and credit associations (ROSCAs), table banking group models, shylocks¹, and merry-go-rounds².

The Government has also licensed a number of microfinance banks where entrepreneurs could get credit to start a business. According to the Central Bank of Kenya report, microfinance banks operate 96 branches and 67 marketing offices. Collectively, the banks had by September 2014 granted loans and advances worth over KES 37.6 billion (USD 376 million) in 2014. The banks' deposit base stood at KES 33.2 billion (USD 332 million) as long-term borrowings decreased from KES 5.5 billion (USD 55 million) in June 2014 to KES 4.9 billion (USD 49 million) in September 2014, signaling increased reliance on deposits as a source of funding customers' loans. The number of deposit and loan accounts for these banks stood at KES 2.19 million and KES 425 thousand (USD 21,900/- and USD 4,250/-) respectively in September 2014 (CBK Reports, 2015).

1. Shylock - money lenders who charge very high interest rates.

2. Merry-go-rounds - an investment platform that allow members to borrow at low interest rates and collectively decide on investment projects

Other emerging developments in the financial sector include mobile and agency banking. Both banking systems enable clients to access money beyond banking hours and at the weekends. Besides, mobile money banking plays a key role in enabling business transactions and money transfers.

The recent growth of mobile money transfers - a form of branchless banking — has allowed millions of people, who are otherwise excluded from the formal financial system, to perform financial transactions at a relatively low cost, securely, and reliably. Those using mobile money maintain a type of account (e.g Mpesa offered by Safaricom or Airtel Money offered by Airtel) allowing them to make deposits and withdrawals through cash transactions at a network of retail agents. The subscribers can then transfer money or pay bills using text messaging.

Many mobile money accounts are not connected to an account at a financial institution, though the service providers must store the aggregate sums of the accounts in a bank. In Kenya, 79 per cent of adults own a mobile phone and 68 per cent report use a mobile phone to settle money transactions. There are over 17 million registered mobile money users in the country (see table 3.1).

Kenyan financial regulators have demonstrated a willingness to embrace innovations in financial service delivery, which was seen in the introduction of a mobile phone money transfer services. This is a good example of a new business model that promotes efficiency in financial inclusion, paperless and branchless banking.

Membership to Regional Economic Blocks: Kenya is a member of the East African Community (EAC), Common Market for Eastern and Southern Africa (COMESA), and the Inter-Governmental Authority on Development (IGAD). COMESA has 390 million people, making it an attractive base for foreign investors and companies looking to access the East and Central African market.

Preferential access of exports: Following the signing of

Economic Partnership Agreements with the European Union, exports from Kenya have had preferential access to that region. In addition, considerable effort has been made to take advantage of opportunities offered by the African Growth and Opportunity Act (AGOA) to penetrate the United States market.

Trade liberalization: The Government initiative (encompassing price decontrols, removal of foreign exchange and import controls, as well as limited deregulation of the grain sector) have strongly enhanced the Kenyan business environment. To further this effort, the Government has embarked on rationalization of import duties, consistent lowering of tariffs and reduction of licensing requirements.

Human Development: The country is endowed with an abundant, highly developed and mobile human resource, compared with some of the other alternative investment destinations in Africa.

3.3 Governance, Business Ethics and Security

While the above favorable factors for doing business abound, there are some key challenges that pose a big threat to commerce in Kenya. Among these challenges are good governance and insecurity which could be improved especially in areas of procuring land and procurement of contracts. A number of reforms have been initiated and the process of improving governance need to be monitored and tracked for continuous improvement.

Over the last five years, insecurity emanating from terrorism threats, property crime and violence has been identified as major concerns contributing to increase in the cost of doing business for companies. The Kenyan Government is putting in place measures to improve border and internal patrols, including community policing initiatives.

Table 3.1: Mobile Money Snapshot in Kenya

Category	Status
Population ('000)	40,669
% of Population 20 Yrs and above	57.7
No. of Mobile Network Operators	4
No. of Mobile Subscriptions	24,960,000
No. of Mobile Money Platforms	4
Mobile Money Subscriptions	17,800,000
Ratio of Mobile Money Subscriptions to Mobile Subscriptions (%)	71.3

Source: UNCTAD, 2013

4. Agriculture Sector Analysis

4.1 Review of Policies, Regulations, Standards and Instruments

4.1.1 Agricultural Sector Development Strategy (ASDS 2010 – 2020)

The Agricultural Sector Development Strategy 2010-2020 is the main national policy document for agriculture sector. The strategy defines the characteristics challenges, opportunities, vision, mission, strategic thrust in various interventions to propel growth and development of the sector.

The strategy outlines the following interventions to fast-track growth in the sector:

- a. Review and harmonize the legal, regulatory and institutional frameworks.
- b. Restructure and privatize non-core functions of government firms and sector ministries;
- c. Improve delivery of research, extension and advisory services.
- d. Improve access to quality inputs (fertilizers, hybrid seeds, equipment) and financial services.
- e. Improve access to domestic and external markets.

The strategy seeks to reduce unemployment and poverty in agriculture, progressively, and spur it back to growth. The ASDS is being updated to include investment opportunities in the agriculture sector and roll out mechanism at county level are integrated. A strategy document is currently under development called the Agriculture Sector Growth and Transformation Strategy (ASGTS) in Kenya 2018 – 2028.

4.1.2 Agriculture and Food Authorities Act, 2013

The Act supports the consolidation of the laws on regulation and promotion of agriculture, generally. It also supports the respective roles of national and county governments in agriculture, excluding livestock-related matters, in furtherance of the relevant provisions of the fourth schedule to the Constitution and for connected purposes. The Act supports land preservation guidelines. These include the burning clearing or destruction of vegetation; prohibiting, regulating or controlling and protection of land against degradation; the protection of water catchment areas, or otherwise, for the preservation of the soil and its fertility.

4.1.3 Crops Act 2013

The objective of this Act is to accelerate the growth and development of agriculture in general, enhance productivity and incomes of farmers and the rural population, improve investment and efficiency of agribusiness, develop agricultural

crops for export by boosting production, processing, marketing, and distribution of crops in suitable areas of the country.

4.1.4 National Food and Nutrition Security Policy

The National Food and Nutrition Security Policy deals with challenges related to nutrition and food security. The New Partnership for Africa's Development, supported by the Comprehensive African Agricultural Development Programme, enhances the national efforts in the policy. The government is also allocating resources towards increased irrigation, distribution of drought tolerant seeds for maize as well as indigenous crops such as pigeon peas, cowpeas, green grams, chickpeas and beans. Some policy initiatives aimed at encouraging the country's youth to venture into agribusiness by providing concessional loans and promoting greenhouse farming.

4.1.5 The Agriculture (Farm Forestry) Rules 2009

This applies to the maintenance of farm forest cover of at least 10 per cent of every agricultural land holding and preservation and sustenance of the environment in combating climate change and global warming.

4.1.6 Agriculture Policy 2015

The agriculture policy articulates the sector's vision, which is to link sectors across government agencies and institutions in focusing on the sustainable use of natural resources for agricultural development. The linkages are watershed development, agroforestry, soil and water management, genetic resources, pasture development and conservation, rangeland rehabilitation and fisheries resources will be managed.

4.1.7 Agriculture sector's contribution to Kenya Vision 2030

In order to achieve vision 2030, the agriculture sector is expected to grow at 7 per cent annually. This growth will be achieved through implementation of the flagship projects. The projects are enactment of the Consolidated Agricultural Reform Bill, fertilizer cost-reduction investment, disease-free zones, land registry, land use master plan, as well as arid and semi-arid lands development schemes.

4.2 Review of Status, Challenges and Opportunities

Agriculture is the primary source of livelihood for most of the population, in terms of food security, income, employment creation and foreign exchange earnings. The sector accounts for approximately one quarter of GDP annually, about half of total exports, and 15 per cent of formal employment. Small-scale agriculture and pastoralism account for about 42 per cent of the total employment in Kenya. Table 4.1 provides key indicators in the agricultural sector.

In terms of Agriculture's contribution to GDP and exports, the trend has been impressive over the four-year period with no declines recorded. The sector's performance was on an upward trend between 2011 and 2013. However, in 2014, the growth rate declined to 3.5 from 5.2 in 2013. This was attributed to erratic rains with some regions experiencing depressed rainfall (KNBS 2015a).

Similarly, the country's food security situation continued to improve from 2011 to 2013. However, it deteriorated from 2013 through 2014 as shown by a lower self-sufficiency ratio which decreased from 80.1 per cent in 2013 to 74.9 per cent.

Likewise, following diminished self-sufficiency in food production in 2014, the import-dependency ratio rose by 5.3 percentage points. Kenya's land area is 576,000 square kilometres. Of this, about 16 per cent is of high and medium agricultural potential (arable land) with adequate and reliable rainfall (UNEP 2015). Crops occupy 31 per cent of the arable land, grazing land 30 per cent, and forests 22 per cent. The rest is arid and semi-arid land, which is unsuitable for rain-fed farming; this land is used mainly by ranchers, agro-pastoralists and pastoralists (UNEP 2015).

Kenya's agriculture is mainly rain-fed, thereby making the sector vulnerable to weather variability, which leads to fluctuations in production and incomes, especially in rural areas. Overreliance on rain-fed agriculture is one of the major causes of the country's food insecurity. Farming in Kenya is

usually on a small scale. About 75 per cent of total agricultural output and 70 per cent of marketed agricultural production comes from farms around 2-3 hectares in size (UNEP, 2014). The subdivision of land, resulting from population pressure and the relative scarcity of productive agricultural land, has resulted in small uneconomic farm sizes, which cannot be managed sustainably (UNEP, 2014). The problem is further compounded by the low adoption of improved inputs such as hybrid seed, concentrate feeds, fertilizers, pesticides, and machinery by small-scale farmers. This indicates that there is huge potential for increasing productivity for farmers who adopt modern and green farming practices (UNEP 2015). In summary, the sector is facing major challenges that include the following:

- i. Stagnant or declining productivity levels.
- ii. Under-exploitation of land.
- iii. Inefficiencies in the supply chain due to limited storage capacity.
- iv. Lack of post-harvest services.
- v. Poor access to input markets.
- vi. Low value addition of most agriculture exports.

In addition, the sector is vulnerable to more frequent and prolonged droughts and major floods due to climate change. The increased frequency of these weather extremes is leading to intensified soil erosion, deforestation, loss of soil fertility and reduced productivity.

Challenges and Opportunities

The agriculture (crops, livestock and fisheries) sector faces many challenges that reduce its contribution to the economy and the improvement of livelihoods. Some of these include:

- i. Declining agricultural land due to uncontrolled subdivisions, in appropriate land use and impact of climate change.
- ii. Minimal investment in land, soil and water

Table 4.1: Key Indicators in Agricultural Sector

Indicator	2011	2012	2013	2014
GDP growth rate in Agriculture	2.4	2.9	5.2	3.5
Percent contribution to GDP	26.3	26.1	26.4	27.3
Agricultural exports as per cent of total exports	47.5	47.3	49.9	50.4
Agricultural sector wage employment as per cent of total wage employment	15.9	15.7	15.0	14.1
Food Self Sufficiency Ratio (%)	74.6	77.6	80.1	75.0
Food Import dependency ratio (%)	29.1	25.7	23.3	29.0

Source: KNBS 2015a and 2015b

management.

- iii. Low and undiversified production and productivity due to high cost of inputs, lack of targeted subsidies, low quality inputs, declining soil fertility, inadequate use of modern technology as well as pest and disease control.
- iv. Poor marketing, marketing uncertainties and low value addition.
- v. High post-harvest losses, storage and poor infrastructure.
- vi. Unfavorable policy environment (taxation and tax regimes).
- vii. Inadequate funding for the sector.
- viii. Feeding culture and consumption.
- ix. Ineffective and inefficient inter-sectoral linkages and coordination.
- x. High cost of credit and social cultural barriers to investment in agriculture.
- xi. Poor governance in farmer organizations and cooperatives.
- xii. Inadequate demand-driven research in agriculture.
- xiii. Regional and international trade barriers.
- xiv. Availability and affordability of energy.
- xv. Development and provision of tool kits related to eco-entrepreneurs.
- xvi. Network development.

In summary, existing policies have not mainstreamed greening agenda and inadequate capacity on green economy related issues, inadequate partnerships and supportive sector policy framework not harmonized.

4.3 Capacity-building Needs

To scale up and disseminate good agricultural practices and techniques, a promising approach is to establish rural agriculture networks which facilitate information sharing. In addition, improving the capacity of agriculture trainers and governmental officials would increase awareness of sustainable agricultural practices at the national and county levels. Capacity development for farmer organizations and private sector associations could be strengthened, including support for feasibility studies, development of business plans, produce-price negotiations, marketing and market linkages and policy engagement. Further, media houses reporting of information in local languages could also play a key role in building capacity on green agricultural practices.

To green the agricultural sector, partnerships among various organizations, such as international and regional bodies, are essential with respect to financial resources, policy consultations and capacity-building. These organizations include the International Development Association, the African Development Bank, the United Nations Development Programme, the United Nations Environment Programme, the

United Nations Food and Agriculture Organization and the World Bank. Public-private partnerships need be forged with private investor agricultural business interests.

Stakeholder involvement in every stage needs to be encouraged. Specific policies focusing on areas or activities suggested for greening agriculture should be developed. For instance, in organic farming, policy interventions such as the adoption of organic standards, and support for expanding local, regional and international markets for organic products could be developed.

4.4 Comparative Advantage

Kenya has embraced information and communications technology in agriculture, which could be used for green innovations, including the following:

Green Credentials: Efforts need to be enhanced to establish Kenya's green credentials on international markets. This could be done by introducing and enforcing domestic standards and working with private players in the value chain to develop and obtain internationally-recognized product labels. Investing in the necessary market institutions such as certification bodies and testing laboratories is also required.

4.5 Green Investment Opportunities

The agriculture sector is characterized by high competition from the region and beyond, high production costs that includes farm inputs and labour. The following are a few green investment opportunities:

- i. Value addition for agricultural produce. A proposal on value addition on tea, and coffee is in place.
- ii. Promotion of consumption and production of traditional foods.
- iii. Eco-labelling.
- iv. Innovative marketing approaches.
- v. Exploitation of marine resources
- vi. Forestry – enhancing forest cover (10 per cent tree cover) through afforestation Programmes, market instruments and forest governance.
- vii. Livestock disease-free zones.
- viii. Promote Warehouse Receipt System.
- ix. Water and land use investment to mitigate the impact of climate change.
- x. Promote sustainable farming to include conservation agriculture, feeding good quality forage to livestock, reducing wood and fuel burning, planting perennials like grass and trees
- xi. Harmonize existing policies
- xii. Implement GESIP
- xiii. Ensure Medium Term Plan III (MTP III) agriculture green growth indicators are tracked

4.6 Conclusion and Recommendations

The Government has been implementing policies and programme for transforming the country to a green economy. Given the importance of agriculture to the economy and to livelihoods for most people, greening of agriculture is essential for the entire economy to apply the same approach. A green economy could help the country achieve rapid and stable economic growth, environmental protection, natural resource conservation and social inclusion. Greening agriculture requires changing the sector into an innovative, commercialized and competitive one. To realize this mission, there is need to harmonize existing policies, create a new supportive policy framework, strengthen partnerships and stakeholder involvement, and build capacity among farmers, government officials, and agricultural trainers through short courses and local media houses.

For Kenya to make any meaningful strides towards greening agriculture, it must formulate policies targeting specific activities and enterprises - for example those on crops, livestock and fisheries. While some measure of achievement has been made in greening the agricultural sector, there is need to explore further options that could be truly transformative for agriculture, the economy and society. This study makes a few recommendations to support greening of the sector, some of these include the following:

1. Invest in land, soil and water management to ensure sustainable agricultural productivity to mitigate the impact of climate change. Maintenance of soil to ensure fertility for sustainable crop, livestock and fisheries production is a prerequisite to greening agriculture. Agricultural land use planning for efficient technological advances, water management including harvesting and storage as well as catchment protection needs immediate attention.
2. Enhance value addition in agricultural produce; tea and coffee as a priority. Value addition for agriculture, livestock and fisheries produce is bound to increase returns for land users.
3. Small-scale farmers who constitute about 80 per cent of the planters, sell their produce in raw form; value addition is bound to increase returns. Coffee and tea have been identified to set the pace for setting up small- and medium-scale industries to benefit small-scale producers.
4. Promotion of consumption and production of traditional foods and products. Traditional high value crops such as sorghum, millet, arrow roots, sweet potatoes and vegetables are very nutritious. However, they have been neglected in favour of cash crops such as tea and coffee, and food crops like maize, potatoes and rice. Intensification of production of traditional crops and consumption will go far in ensuring a healthy society and increased incomes.
5. Broaden marketing to embrace innovative

approaches. Access to markets is important in enhancing incomes for small-scale producers:

- Take into consideration market information in terms of commodities, volumes, quality location and timing.
 - Ensure standards on food safety at local and international levels.
 - Embrace contract farming, e-marketing and a warehouse receipt system.
6. Create favourable credit facilities for greening agriculture. Small-scale producers are keen to invest in agriculture. However, the cost of credit is prohibitive. There is need to step up establishment of a small and medium microfinance institution to offer credit facilities to farmers at least cost. Big financial institutions are mainly biased toward high value enterprises.
 7. Review tax regimes and rebate greening initiatives. Taxes levied on agricultural produce tend to make the sector unprofitable. A review of various taxes and provision of tax rebates is bound to attract more people to agriculture, including other professionals, as a way of improving incomes and standards of living among farmers.
 8. Develop a greening agriculture subsidized inputs basket. Inputs in agriculture are diverse and include seeds, fertilizer, breeding or brood stocks, fingerings, chemicals, machinery, plants and equipment. A strategy to subsidize inputs to enhance greening agriculture produce is essential.
 9. Develop policies, regulatory and investment provisions, in post-harvest storage and infrastructure. Post-harvest losses and damage for crops, livestock and fisheries produce are high and values of up to 30 per cent have been recorded on grains. Minimizing post-harvest losses and damage alone is effective in enhancing food security and incomes from agriculture. Thus the need for policy, regulatory and investment provisions to stop post-harvest losses and damage.

5. Manufacturing Sectoral Analysis

5.1 Review of Policies, Regulations, Standards and Instruments

5.1.1 National Industrialization Policy of 1996

The National Industrialization Policy envisions, among other things, to spur industrial growth towards a fifteen per cent annual target of industrial contributions to national GDP. The policy creates incentives for the manufacturing sector and advances value addition, subsector linkages and investment vital for tackling key challenges within the sector. The policy underscores the need to promote sustainable industrial development that upholds environmental quality and prudent natural resource utilization. The policy also encourages investment in clean production, innovation and energy saving technologies within the manufacturing sector. Mainly, this framework that aims to:

- Strengthen local capacity to increase domestic production and raise regional markets
- Raise the quality of products to gain global competitive advantage
- Develop special economic zones and small- and medium-sized industrial parks
- Raise by 20 per cent the share of the small, micro enterprises in total manufacturing output

The policy also identifies innovation and technology use as critical aspects of attending to rapidly changing consumer tastes and preferences (Republic of Kenya, 2010). The policy was later amended through sessional paper No.9 of 2012.

5.1.2 National Industrialization Policy Framework for Kenya 2012–2030

The policy framework intends to promote and sustain a vibrant, diversified and globally competitive manufacturing sector. This is envisaged to generate wealth and employment through creation of an enabling environment. The framework provides strategic direction to tackle issues previously identified as critical in supporting industrial development. This includes raising productivity and diversification, market development, reducing the cost of industrial land, stemming the influx of counterfeit goods, providing access to affordable finance, creating value addition to raw materials, uptake of technology and innovation, and entrenching ethical business practices and environmental sustainability. This would generate and sustain a 15-per cent annual sector growth rate, thereby enhancing the country's overall competitiveness as a favorite location for industrial investment.

5.1.3 Kenya Vision 2030

Under Vision 2030, Kenya's latest development blueprint the Government is implementing policies and initiatives such as increased investment in renewable energy, promotion of resource efficient and sustainable production and waste management towards a newly industrializing, middle income country. This status would provide a high quality of life to Kenyans in a secure and healthy environment.

Manufacturing is one of the key sectors within the economic pillar of Vision 2030, expected to generate 10 per cent economic growth per annum. This would drive Kenya into a globally competitive and prosperous nation by 2030 and beyond. Manufacturing is envisioned to make the country a newly industrialized middle-income economy by 2030. The blueprint takes cognizance of the contribution to be made by manufacturing through increasing and sustaining its contribution to the GDP over time. The plan aims to develop and promote micro, small and medium industries earmarked as critical in propelling industrialization and identify the establishment of industrial parks and special economic zones as flagship programmes to support industrial growth. This would enhance productivity, attract foreign and local investments, create jobs, generate wealth, tackle extreme poverty and integrate environmental sustainability to support socioeconomic development. The Vision 2030 has not elaborated on how to green the industry such as the establishment of eco-industrial parks

5.1.4 Energy Act of 2006 and Draft Energy Policy and Bill, 2015

The Government is committed to promoting energy efficiency, generation of energy from renewable sources according to the Energy Act 2006 now under review as the Draft Energy Policy and Bill, 2015. The Energy Act advocates for development and promotion of renewable energy including: providing an enabling framework for the efficient and sustainable production, distribution and marketing of biomass, solar, wind, small hydros, municipal waste, geothermal and charcoal; promoting the use of fast maturing trees for energy production including biofuels; promoting the use of municipal waste for energy production; promoting the development of appropriate local capacity for the manufacture, installation, maintenance and operation of basic renewable technologies such as bio-digesters, solar systems and turbines; promoting international co-operation on programmes focusing on renewable energy sources; carbon trading; and reducing greenhouse gas emissions by lessening reliance on non-renewable energy resources. The Government further intends to set up a Green Energy Fund under the National Task Force on Accelerated Development of Green Energy, whose purpose is to lend money to viable

renewable energy programmes. The Draft Policy and Bill require development of regulations to govern the feed-in tariffs are also contained in.

The Draft Policy and Act also provide for midstream and downstream petroleum and recommends that: exploitation of the resource must make sure that the impact on social, cultural or recreational life of the community is prevented; the need to protect the environment and to conserve the natural resources in accordance with the environmental laws, maritime laws and international maritime treaties ratified by Kenya and other guidelines developed by the Authority; the exploitation must comply with the Environmental, Health and Safety Laws.

Downstream coal development for electricity generation is also provided for in the Draft Policy and Bill. The development of coal is expected to be following the environmental, health, safety, planning, maritime and any other relevant legislation or guidelines. The use of clean coal technology is however, not mentioned.

5.1.5 The Master Plan for Kenyan Industrial Development

The Master Plan for Kenyan Industrial Development was developed in 2008 with the support of Japan International Cooperation Agency (JICA). This was targeting agro-processing, agro-machinery and electric, electronic or the information and communications technology sub-sectors. A build-up to complement the Private Sector Development Strategy (PSDS) of 2006 -2010 set to provide a mechanism for Government to lay out Programmes for growth and competitiveness by the private sector through PSDS Implementation Plan (PIP) 2007-2012. The strategy aims at tackling major constraints and creating a conducive environment for the private sector, particularly micro, small and enterprises. For its part, the master plan provides the pathway to industrial development by, among other things, removing barriers on industrial investment and lowering the cost of doing business.

Moreover, the master plan aims to hasten implementation of strategic actions towards achieving Vision 2030 targets: these are enhancing productivity, creating employment opportunities, alleviating poverty and competitiveness. The master plan outlines issues, objectives and strategies to realize these targets and nurture an enabling environment for rapid and sustainable growth of the manufacturing sector. The plan takes cognizance of environmental and social aspects, technological development, investment promotion, financing, human resource development, industrial networking, management and market development, export promotion, innovative and coherent regulatory framework as key components to spur industrial development. The challenge remains incorporating environmental best practices in industrial growth and development.

5.1.6 Kenya Industrial Sector Strategic Plan 2013

The Industrial Sector Strategic Plan provides a framework for consolidating and accelerating industrial and enterprise development in the medium term. This aims to attain and sustain industrial growth at 10 per cent and make the country more competitive and a preferred industrial location. The plan recognizes lack of effective programmes for increased value addition and support to local small, medium enterprises. However, the concepts of green growth were not captured in the plan to mainstream the concept's ideals in the establishment of special economic zones and industrial parks to support a circular economy.

The Ministry of Industrialization and Enterprise Development embarked on Development of Constituency Industrial Development Centres based on the availability of land inconsistent with physical planning regulations such as the Physical Planning Act 1996, which supports the concept of environmental sustainability through land use and spatial planning. In order to upgrade the industrial centres into industrial parks as envisaged in the strategic plan, there is need to conduct environmental sustainability assessment of them to ascertain compliance or characterization and identification of gaps that may hinder their transformation towards eco-industrial parks. The Industrial Strategic Plan also recognizes the importance of mainstreaming the Kenya National Cleaner Production Centre in the Ministry of Industrialization and Enterprise Development as a semi-autonomous Government agency; development of a resource efficient and cleaner production policy and developing productivity indicators. This would strengthen the efforts to transit towards broad-based sustainable consumption and production processes and practices. However, the method to attain these critical transition mechanisms remains poor.

5.1.7 Kenya Industrial Transformation Programme, 2015

This is a strategic document to guide development in Kenya towards transforming the country into an industrial hub in the region and beyond. The strategy acknowledges creation of green industry as a priority to drive a low-carbon green economy. This will provide the much-needed niche while marketing domestic products overseas where consumers are increasingly demanding environmentally safe manufactured products. However, the strategy lacks adequate considerations of sustainable consumption and production practices and integration into its five pillars. This lack of consideration means that the industrial programme requires a strategic environmental assessment to identify and strengthen strategic greener implementation paths. Though the programme prioritizes sub-sectors such as special economic zones and industrial parks, the concept of a circular economy through eco-industrial parks, industrial symbiosis; resource efficiency and cleaner production; eco-innovation, and eco-labels in line with the sustainable consumption and production paradigm were not considered.

5.1.8 The 10-Year Framework on Sustainable Consumption and Production, adopted at RIO+20

The 10-Year Framework of Programme on Sustainable Consumption and Production was adopted at RIO+20. It recommends that industrial transformation should be underpinned on sustainable consumption and production practices such as resource efficiency and cleaner production, eco-industrial parks, industrial symbiosis, extended producer responsibility, Energy Management System, Environmental Management Systems and eco-labels.

5.1.9 National Renewable Energy Development Strategy

Kenya is among six pilot countries that benefit from funding for the Scaling-Up Renewable Energy Programme. The programme supports initiatives towards achieving a transformational change in the energy sector to reduce greenhouse gas emission in production processes, and harness abundant renewable energy resources. This is in line with the national renewable energy development strategy as set in the Least Cost Power Development Plan, the Rural Electrification Master Plan, the Sessional Paper No. 4 of 2004 (the energy policy document), the Energy Act of 2006, the Feed-in Tariff Policy, the Kenya National Climate Change Response Strategy, and Kenya Vision 2030.

5.1.10 Initiatives to Promote Energy Efficiency and Conservation

The Ministry of Energy, in conjunction with the Kenya Association of Manufacturers, established the Centre for Energy Efficiency and Conservation in 2006. The centre runs energy efficiency and conservation programmes designed to support companies identify wastage, determine saving potential, and make recommendations on measures to be implemented. Energy efficiency aims at achieving greater economic output per unit of energy input. In Kenya, at least 30 per cent of primary energy is wasted. Greater effort towards energy efficiency would reduce by half wastage and growth in local energy demand (Kirai, 2007). This would respond to tackling the environmental concerns such as pollution. A programme promoting energy efficiency in Kenyan industries showed promise, making over USD36 million in profit and 580,000 carbon emission reduction annually (Kirai, 2007). This is evidence of valuable potential for Kenya's manufacturing sector to mitigate pollution. Energy efficiency could be enhanced by updating electricity infrastructure and transiting towards a low-carbon economy, increase the use of renewable energy sources, modernize the transport sector and promote smart energy grids.

The Resource Efficient and Cleaner Production Centre supports initiatives to raise productivity of natural resources, minimize generation of waste and emissions towards safe and responsible production. Promoting resource efficiency

is an important pillar for a green economy strategy and seeks to identify ways in which current resource usage could be optimized, minimizing costs and negative impacts. Increasing resource productivity requires that, over time, higher output is realized per unit of resource inputs including land, water, mineral ores, construction materials and fuels. This could be achieved through resource efficient and cleaner production processes (Republic of Kenya, 2015 c). Progress is being made towards greening the manufacturing sector. This is because a growing number of industries, institutions, businesses and individuals are embracing the need to reduce resource use, reduce waste generation and emissions by adopting the reduction, recycling and reuse framework. A number of corporate and business leaders have taken the lead in redesigning, restructuring, re-engineering, and retooling operations and processes within their firms to be more environmentally responsible and socially sustainable. It is beneficial to promote the concept of resource efficiency across sectors of the economy to support sustainable development from environmental and economic perspectives.

5.1.11 Feed-in Tariff and VAT exemption

Regulations and standards are direct ways for governments to enhance the transition to a green economy. This includes the application of feed-in tariff, exemption of value added tax on renewable energy technologies such as solar water heaters, taxes on non-carbon compliance vehicles and on other clean technologies in composting and biogas. However, enforcement and compliance of these and other regulations and standards is often inadequate. This may be attributed to, among other factors, institutional weaknesses, lack of political commitment, inadequate financing and low public environmental awareness. Efforts are under way to scale up manufacturing operations by reforming the industrial structure, establishment of special zones, small and medium enterprise parks and industrial clusters to enhance compliance, increase productivity and competitiveness across the sector (UNEP, 2014 b).

5.1.12 Initiative to Promote Resource Efficiency and Cleaner Production

Promoting resource efficiency is an important pillar for the green economy strategy. It seeks to identify ways in which current resource usage could be optimized while minimizing costs and negative impacts. Increasing resource productivity requires that, over time, higher output is realized per unit of resource inputs, including land, water, mineral ores, construction materials and fuels.

Progress is being made towards making the manufacturing sector more resource efficient and less polluting. Kenya is promoting the use of cleaner and resource-efficient processes and practices in industries mainly through the

Kenya National Cleaner Production Centre. The centre builds the capacity of industries to improve efficiency in production in order to reduce wastage of raw materials, reduce waste generation and pollution. Resource-efficient and cleaner production demonstration programmes implemented in sub-sectors such as tea, textile, sugar, dairy and the fish industry indicated significant improvements at enterprise level. Demonstration programmes experienced a number of challenges while transiting to cleaner and resource-efficient production on a large scale. This raises the need to tackle these challenges and scaled-up sustainable consumption and production initiatives to cover entire manufacturing and other sectors of the economy (UNEP, 2014a; 2014 c). The adoption of more resource- and energy-efficient production methods as part of green economy measures has an important role to play in securing the much-needed competitiveness in the international markets (UNEP, 2013c). This would focus on the low share of manufactured goods at the local and international markets, enhance productivity and profitability.

5.1.13 Draft Energy (Appliances' Energy Performance and Labelling) Regulations, 2014

These draft regulations provide for the evaluation of the energy performance of scheduled appliances according to Kenya's Minimum Energy Performance Standard. The performance rating should be clearly labelled on the appliance. The Regulations apply to appliances in its first schedule including: self-blasted lamps, double capped fluorescent lamps, ballasts for fluorescent lamps, refrigeration appliances, non-ducted air-conditioners, three phase cage induction motors.

The goal of the regulations is to reduce electricity related CO₂ emissions in the country by improving energy efficiency (EE) of selected appliances and equipment in residential, commercial and industrial sectors. Anticipated from these Regulations is a market transformation towards high-energy efficient appliances through the introduction of Minimum Energy Performance Standards (MEPS). However, the Regulations have remained in draft stage.

5.1.14 Special Economic Zones Act 2015

The Special Economic Zones Act, 2015, is meant to inspire foreign direct investment and position Kenya as a prominent business hub in the region. The Act provides for the establishment of special economic zones (SEZs). The types of SEZs established under the Act will include, among others: business service parks (e.g., regional headquarters), free port zones, free trade zones, industrial parks, information communication technology parks, science and technology parks, agricultural zones, livestock zones and tourist and recreation zones.

The Act avails an environment for the development of all aspects of special economic zones including development of integrated infrastructure facilities; creation of incentives

for economic and business activities in areas designated as special economic zones; removal of impediments to economic or business activities that generate profit for enterprises in areas designated as special economic zones; and the regulation and administration of activities within the special economic zones with due regard to the principles of openness, competitiveness and transparency. Entities licensed under this Act are entitled to various benefits among them exemption from value added tax, income tax, custom and excise duties, stamp duty and work permit quotas.

This Act does not provide for the advancement of the green industry agenda in the establishment and management of the Special Economic Zones. This means that masterplans for the development of these zones may be lacking the green agenda. The fiscal benefits provided do not particularly speak to greening industry.

5.1.15 EMCA (amendment), 2015, Water, Waste Management Regulations and Draft National Waste Management Bill, 2017

The Environmental Management and Coordination Act (EMCA), amendment 2015 is the primary law for managing and coordinating environmental matters in Kenya. For the primary indicators of green industry, resource (water, energy and material) and pollution prevention, EMCA (Amendment), 2015, focuses on end-of-pipe solutions. On Compliance, the focus is on enforcement as the primary governance tool. However, voluntary green initiatives to provide compliance prior to enforcement are missing.

The Water Quality Regulations (2006) and the Waste Management Regulations (2006) under EMCA are more prescriptive than reflexive. The Water Quality Regulations do not provide for measurement and reporting on water footprint (water consumption, wastewater and pollution loading generation). Also the quarterly industry reporting on effluent quality to NEMA does not take pollution load into consideration. The same applies to the Water Rules under the Water Act that require quarterly reporting by industry to Water Resources Authority (WRA) on effluent release to water bodies.

These Regulations do not provide room for the deployment of voluntary instruments to for compliance or over-compliance to the set discharge standards. Moreover, they also lack incentives for those industries that on their own volition, implement cleaner technologies and techniques that increase efficiency and prevent the generation of production at source.

The Draft National Waste Management Bill, 2017, is a proposed Act of Parliament that seeks to establish an appropriate legal and institutional framework for the efficient and sustainable management of waste in the framework of the green economy, the realization of Kenya Vision 2030 zero waste goal, and the provision of a clean and healthy environment for all Kenyans for connected purposes. Once this Act is enacted, the development of Regulations to implement it shall follow.

5.2 Review of Status, Challenges and Opportunities

According to the Economic Survey 2017 (KNBS, 2017), industrial sub-sector constitutes 70 per cent of the manufacturing sector's contribution to GDP; building, construction, mining and quarrying cumulatively contribute the remaining 30 per cent. The Survey Report indicates that manufacturing accounted for 14% Of the GDP in 2016. The share of locally manufactured products at the global market only account for about 0.02 per cent. This compares favorably with Uganda and Tanzania. However, it falls below par compared with South Africa contributing 0.3 per cent, Singapore 2.4 per cent, and Malaysia 1.3 per cent to global markets (KNBS, 2013). The performance of the manufacturing sector remains below Vision 2030 and Medium-term Plan targets. This could be attributed mainly to high cost of production, low value addition, limited diversification, counterfeit goods, condition of basic infrastructure, and low uptake of technology. Further, the share of manufactured goods in merchandise exports currently stands at about 35 per cent, compared with South Africa's 47 per cent, Malaysia's 67 per cent and Singapore's 73 per cent - presenting massive opportunities to raise export market share (Kenya Economic Report, 2017).

The manufacturing sector is dominated by agro-processing such as grain milling, sugar cane, tea and coffee processing with low value addition and product diversification. This is mainly located in rural areas using mostly old and inefficient technologies susceptible to waste and pollution (ibid).

Agro industries are also vulnerable to frost, cold weather, floods, pests and droughts. The high cost of production inhibits productivity, suppresses the demand for finished products and reduces profits, which lower competitiveness for an investment location. Other challenges in the manufacturing sector include the lack of proper understanding of the legal framework and over-lapping policies and regulations, over employment and underemployment, weak environmental monitoring, weak infrastructure, stringent environment regulations, bureaucracy and corruption, low environmental awareness and lack of waste handling facilities. This notwithstanding, Kenya's manufacturing sector remain among the largest and fastest growing sectors in sub-Saharan Africa. The country requires a robust, diversified and competitive manufacturing sector capable of generating broad-based meaningful jobs, tackle poverty and achieve the over 10 per cent GDP growth rate target. Small and medium enterprises (SMEs) constitute over 70 per cent of manufacturing firms (KNBS, 2014). This small size of many manufacturing firms hinders access to technology, finances and human capital.

The sector is also characterized by widespread informality, weak inter-firm linkages and a low level of innovation, leading to a low volume in export. The sector exhibits a high potential to stimulate broad-based meaningful green employment opportunities and growth in other sectors such as trade and

agriculture with massive opportunities for expansion (KNBS, 2017).

Manufacturing accounts for a significant part of the world's natural resource consumption and waste generation. Nevertheless, the sector has high potential to drive for the creation of a sustainable society by designing and implementing integrated sustainable practices to develop products and services that contribute towards better environmental performance. This requires a shift in the perception and understanding of industrial production and adoption of a new holistic way of conducting business.

Environmental impact from industrial production has been, historically, dealt with by reducing waste generation and emissions in part through stricter regulations such as control and treatment measures. This and other strategies have spurred progressive action by governments, industries and civil society towards environmental sustainability. Current efforts supporting sustainable growth focus on lifecycles, systems, integrated environmental strategies and environmental responsibilities. This forms a foundation for sustainable business models leading to economic and environmental benefits. The manufacturing sector has high and yet untapped potential to contribute to tackling critical developmental challenges such as extreme poverty, unemployment, productivity and market.

Kenya embraced industrialization as a means of achieving targeted economic and structural transformation by 2020. Progressive policy interventions and effective institutions were identified as important tools to drive the industrial development agenda. As such, in 1996 a policy framework was developed. This is meant to support a wide range of activities such as public-private partnerships, recycling, reuse and production of eco-friendly products and services. Mandatory environmental efficiency audits are also necessary to support the overall strategy of green manufacturing to foster development and use of new technologies and innovations; responsiveness to environmental policies and responsibility of environmental actions (UNEP, 2014c; Tomasz, 2013). Governments must, therefore, provide effective and coherent policy frameworks to support sustainable production and consumption towards green growth (and a green economy).

Conceptualizing Green Economy in Manufacturing

The concept of a green economy aims to rethink, improve and redirect unsustainable economic growth models so that environmental and social concerns could be integrated into production processes of products and services. Initiation of the Green Industry Platform at Rio+20 Summit in 2012 intended to build synergy and commitment for proactive action towards green industrial development (UNEP, 2011). This was in recognition that for a long time economic growth had been on an unsustainable pathway, with overall production and consumption processes posing varying degrees of environmental damage leading to pollution of air, water and

land-based resources.

Sustainable manufacturing is the production of goods and services using processes and systems that are non-polluting, conserving energy, water, natural resources, economically viable and safe to employees, communities, consumers and socially rewarding (Krajnc and Glavic, 2003). This is in tandem with the concept of sustainable development which balances social, economic and environmental aspects of development activities. Working towards attaining these indicators is a step forward and plays a critical role of bench-marking and measuring progress towards sustainable manufacturing. Green manufacturing means minimizing waste and pollution generation by optimally utilizing natural resources in production and consumption processes. The Green Economy Report defines "Green Economy" as one that results in improved human well-being and social equity, while significantly reducing environmental risks, ecological scarcities and calamities (UNEP, 2011). This presents two perspectives; manufacturing of "green" products particularly those used in renewable energy systems and clean technology equipment of all kinds, and the "greening" of the manufacturing process. This implies eliminating toxic substances, reducing pollution, minimizing natural resource use, and applying recycling and reusing.

Achieving these perspectives involves redesigning products, production systems and business models towards resource efficiency and cleaner production. This includes extending the life of manufactured goods through redesigning to enable repair, recondition, remanufacture and recycle. This is meant to reduce environmental externalities such as emissions, loss of biodiversity and impairment of ecosystem support services (UNIDO, 2011).

The primary focus of a green economy is to link environmental benefits to economic gains at the macroeconomic level towards establishing a circular economy characterized with low consumption of energy, low emissions of pollutants and high resource efficiency. This is done through development of green production and consumption strategies such as access to low carbon technologies, adjustment of fiscal policies, reforming ecological tax, promoting social inclusion and fostering technological innovations and trade opportunities arising from new markets (UNEP, 2014a). Some of the tools available for supporting cleaner consumption and production include: the Pre-Small Medium Enterprise tool kit, energy management systems and the International Organization for Standardization ISO 14001, integrated waste management, energy management tools, eco-innovation manual, eco-innovation programme, cleaner production and energy efficiency tool kit, ecosystem-based adaptation, enterprise level indicators, standards and certification, Eco-labelling and hotel energy solutions.

5.3 Capacity-building Needs

At the global and national level, a range of capacity constraints towards green growth have been acknowledged. These include information, management and market development, technological development, export promotion, investment promotion, financing, human resource development, industrial network, innovative and coherent regulatory framework, and environmental and social aspects in industrial development to support green growth. Therefore, measures designed to tackle these barriers could bolster efforts to transition to green growth.

At enterprise level however, barriers against resource efficiency and pollution prevention include a lack of public awareness and viable financing options, particularly for small and medium enterprises. It has been noted from the initiatives described in section 5.1.14 that improved industrial resource efficiency has many potential benefits yet optimal investment in efficient technologies is lacking due to a variety of obstacles such as financing, low adaptation of the energy efficiency concept, standards and minimal incentives to encourage energy efficiency and adopt energy management systems. Such systems, like the ISO 50001 standard, provide a framework for understanding energy use, offer applicable best practice, and provide competitive advantage through savings and marketing.

5.4 Comparative Advantage of Greening the Industry

Green initiatives are progressively being embraced across public and private sectors, particularly in energy and waste management, to reduce carbon foot prints (NEMA, 2010). Greening manufacturing processes and practices would stimulate innovation, create new greener jobs and access new markets. Thus, firms that transition to resource-efficient approaches and life cycle management are likely to have a competitive advantage over competitors that continue business-as-usual. (KNCP, 2011; Table 5.1).

Manufacturing has been progressively embracing eco-friendly technologies in production processes, though at a lower scale and not covering all the sectors. These programmes are mainly supported by external partners such as the Canadian International Development Agency, the Danish International Development Agency, the United Nations Environment Programme (UNEP), the United Nations Industrial Development Organization, and the World Bank. The programmes are mainly characterized by a short lifespan, minimal upscaling and financing, low integration mechanisms in the country's production and consumption systems, thereby lacking sustainability. For example, UN Environment, in partnership with the Kenya National Cleaner Production Centre, selected a number of enterprises in Nairobi to demonstrate how efficient production could be implemented jointly within the ISO 14001 framework.

The demonstration revealed that all participating companies made significant savings mainly from energy efficiency, water conservation, reduced raw materials use and reduced waste generation. Further, UN Environment launched another programme to promote industrial resource efficiency in small and medium enterprises. Participating companies reported savings of up to USD 10,270 per annum by recuperating (or recovering) heat for pre-heating fresh air for drying room; a further USD1.35million per year from fuel switch to agro briquettes; 5.85 tons (59 per cent) raw material use reduction and savings of USD66,974 per annum from water treatment and wastewater recycling (KNCPC, 2011).

If these practices are up-scaled, the transition to green manufacturing could generate an estimated USD45 billion in resource efficiency alone by 2030. Similar savings potential are exhibited in food systems, the service and transport sectors which would translate to greater food security, stronger and distributive economic growth, increased wealth, eco-enterprises and greener employment opportunities (UNEP, 2014a). Greening manufacturing enterprises is critical in supporting domestic products to comply with and access highly regulated markets, such as the European Union, with an increasing number of environmentally related production and supply chain standards. Environmentally conscious consumers would pay higher prices for green products and raise attractiveness of green products (Kenya Industrial Transformation Programme, 2015).

5.5 Green Investment Opportunities

Kenya's manufacturing sector has numerous investment opportunities from the demand and supply sides towards sustainable production and consumption. The supply side presents prospects to redesign products, processes, and services. This involves greener inputs, recycle, reuse, reduce and embrace cleaner technologies. The demand side presents opportunities to change consumption behavior to insist on greener products and services. Several concepts present opportunities for switching to a green growth pathway such as 3D manufacturing, remanufacturing, industrial symbiosis, eco-industrial parks, eco-labelling, environmental management systems and other voluntary eco-innovative tools.

3D Manufacturing

Three-dimensional manufacturing technology entails designing a product in one region, then sending it to another

for output while using fewer materials and reduced waste generation (UNEP, 2013b). The process of 3D manufacturing by converting raw materials directly into finished products avoids intermediate steps. This reduces pollution, intensive resource use and labour, thereby enhancing demand. The technology also presents flexibility to meet consumer demands thereby reducing the possibility of dead stock. The technology has already started being used in Kenya. However, the adoption levels are hampered by slow interest by the manufacturers due to the high cost of importing 3D printers as well as high cost of the materials used in printing. A desktop 3D printer costs between Sh190,000 and Sh400,000 while an industrial 3D machine goes for up to Sh5 million.

Remanufacturing

Remanufacturing is a process that entails the rebuilding of a product into its original form. The process is often considered an environmentally preferable end-of-life option when compared to recycling or manufacturing new products. This is because the process entails replacing worn parts or reprocessing from an intermediary stage. Remanufacturing saves producers on average 85 per cent of energy use; 86 per cent of water use; and 85 per cent of the materials used as compared to manufacturing a new good (Golinskaa and Kueblerb, 2014).

Waste Prevention and Industrial Symbiosis

Prevention of waste generation at source presents the best opportunities for the manufacturing industry to be most resource efficient and protect the environment. However, when waste is not preventable opportunities for waste exchange industrial symbiosis is the alternative that presents waste ending up in a landfill used by other industries as inputs. These wastes, be solid, energy (tired steam/ waste heat) and cooling water, and converting agricultural waste products into energy would enhance energy self-sufficiency, and potentially generate electricity that could be fed into the national grid, thereby generating additional revenue. This has not up-scaled to the national and county level apart from individual industry initiatives and programmes e.g. Switch Africa Green

Eco-labelling of Locally Manufactured Products

Eco-labelling presents a "seal of approval" for environmentally benign products and services that seek to alter consumption choices towards sustainability. In a market with environmentally

Table 5.1: Industries benefitting from green technology 2009/2010

Industry type	Products	Annual Savings (USD)
A paper industry	Paper products	623 768
Chemical Industry	Stationery, shavers, personal care and household hygiene products	548 000

Source: KNCPC, 2011

discerning consumers, eco-labelling increasingly provides producers with a competitive advantage (UNEP, 2013a). The African Ministerial Conference on Environment, the African Union Commission and the African Round Table on Sustainable Consumption and Production have been at the forefront of developing Eco-Mark Africa, an eco-label certification mechanism for Africa. UN Environment was responsible in piloting eco-label programmes in several countries including Kenya (KNCP, 2011). In Kenya, we currently don't have a products certification system on type I eco-label. This means that human and institutional capacity for development and certification is low.

Eco-industrial Parks

Kenya has planned to develop special economic zones, industrial parks and clusters in several counties. The country aims at converting 47 of the 188 Constituency Industrial Development Centres into industrial parks. This presents an opportunity to mainstream and convert these initiatives into eco-industrial parks that espouses the concept of a circular economy. The circular economy holds greater promise for transitioning to a low-carbon and climate resilience development path. It is underpinned by principles of resource efficiency and cleaner production, industrial symbiosis, source reduction of waste, certifications and development of beneficial networks among the actors in the park.

However, a policy and legislative framework for converting existing industrial parks and special economic zones into eco-industrial parks is not there. The Special Economic Zones Act lacks provision for conversion of existing or establishing new eco-industrial parks

5.6 Conclusion

Transitioning to green manufacturing is initially costly but could be beneficial in the medium and long term. Broad-based green manufacturing would yield to a circular economy to lower raw material costs and utilization, generate higher production efficiency, reduce environmental and occupational safety expenses, and generate little or no waste or pollution, thereby leading to profitability. However, this transition may be checked because of the rigidity of current legal and regulatory frameworks in supporting sustainable consumption and production practices. Moreover, the inadequate capacity for innovations through research and development may hinder this transition.

On the regulatory side, the focus of NEMA is on enforcement as the primary governance tool. The regulatory body should focus on developing its own internal capacity to oversight compliance extension services offered by corresponding institutions such as KNCP, prior to enforcement. Voluntary initiatives such as Resource Efficiency and Cleaner Production (RECP) have demonstrated to foster the transition to green industry paradigm.

Recommendations

Review and, Harmonize Existing Regulatory Framework under NEMA

Water Quality Regulations, Waste Management Regulations should be reviewed and harmonized together with EMCA (amendment), 2015 to recognize the application of eco-innovative tools in industry. This would enhance flexibility in compliance to environmental stipulates rather than relying solely on enforcement. This voluntary policy should be underpinned by concepts such as resource efficiency and cleaner production, industrial symbiosis, standards and labels and environmental management systems. In addition, there is need to harmonize conflicting laws such as on water and environment to reduce duplication and inconsistencies and support the green growth agenda.

Develop National Guidelines on Voluntary Tools of Environmental Compliance

There is need for the Ministry of Environment to develop national guidelines for voluntary environmental initiatives to avoid "green washing". The Switch Africa Green Programme should target assisting in the development of new Waste Management Regulations focused on greening that would operationalize the current Draft National Waste Management Bill, 2017 that is before Parliament.

Development of Regulations to Green the Special Economic Zones Act

Regulations for greening the Special Economic Zones Act have not been developed. This programme can therefore get into discussion with the Ministry of Industry, Trade and Cooperatives with a view to assisting on developing them.

Further still, the EPZA Act also needs to be reviewed to provide for greening of the Export Processing Zones Authority under their jurisdiction.

Developing a Policy on Resource Efficient and Cleaner Production

There is a need for the Ministry of Environment in consultation with the Ministry of Industry, Trade and Cooperatives to develop a Policy on Resource Efficient and Cleaner Production. This policy should be a priority and could focus on water, energy/material efficiency (footprints in water, energy and material consumption), and pollution reduction. This will provide a national framework for the implementation of RECP thereby enabling reporting tools to be developed at enterprise, sector and national level. This will support various eco-innovative initiatives being undertaken in Kenya that need to integrate mechanisms for sustainability and up-scaling to deliver meaningful transition to a green economy.

6. Tourism Sector Analysis

6.1 Review of Policies, Regulations, Standards, Instruments

6.1.1 Tourism Act 2011

The Government developed the Tourism Act 2011, which also provides for the management and marketing of sustainable tourism and its related activities and services. The Act also provides for a national tourism strategy; subsidiary legislation; guidelines, rules and regulations; guidelines and measures for sustainable tourism; criteria for standardization and classification; hospitality and tourism curriculum for training industry professionals; code of practice for the tourism sector; tourism research; fiscal incentives and disincentives; and prohibition and offences relating to pollution. Tourism depends on a wide range of stakeholders for its development and performance. The involvement of stakeholders in the planning and operation of the sector enhances the prospects for sustainable tourism. Further, the The Tourism Act mandates the Tourism Regulatory Authority with the function of formulating guidelines and prescribing measures for sustainable tourism throughout the country. It is important to note that the Tourism Act of 2011 replaced the previous related laws that were repealed.

6.1.2 The National Tourism Policy

The policy identifies a number of constraints hindering the development of the industry in Kenya. These are:

- i. Deterioration and near collapse of infrastructure in some parts of Kenya, which has made access to tourist attractions more difficult.
- ii. Lack of harmonization between national policies on land use, wildlife and tourism.
- iii. Lack of a system to ensure equitable sharing of tourism benefits and opportunities.
- iv. Unplanned tourism expansion at the coast leading to oversupply of accommodation thereby depressing prices.
- v. Lack of affordable finance for product improvement and tourism marketing.
- vi. Lack of product diversification and overreliance on traditional source markets.
- vii. Lack of adequate capacity and sensitization of the key tourism players on sustainability
- viii. High cost and erratic supply of utilities

The policy envisages future development of tourism products and programmes within designated tourism area plans in order to enhance and promote sustainable development of the industry.

6.2 Review of Status, Challenges, Opportunities

Kenya is positioned in the market as a destination of variety, offering packages that satisfy a wide range of customers in terms of budget, lifestyles and social grouping. The Kenyan tourism product comprises a complex value chain and network of services catering to domestic and foreign visitors. The industry is comprised of private and public players in the sub-sectors like accommodation, attraction, food and beverage, ground transport, inbound shopping, crafts, and tour services that link the various components of a trip, including national parks and city tours.

The airline and cruise shipping industries are integral to the operations of the tourism sector, and there are numerous linkages with other sectors in the domestic economy (DoT, 2015). The tourism industry is based on a diverse range of natural, social, human and physical resources which include sun, sea and sand for resort tourism and reefs for snorkeling and diving; wildlife for safari tourism; mountains, lakes, rivers, forests and valleys for nature, scenic and adventure lovers. Other aspects are cultural assets. These come in the form of the built environment (monuments, old cities), a living heritage expressed in distinctive local customs, song, dance, cuisine, history, art and handicrafts and museums, which reflect the local cultural or a wider global heritage (DoT, 2015). The attractiveness and, therefore, competitiveness, of the tourism product needs to be expanded to enhance opportunity. In general, tourism components in Kenya could be broken down into attractions, accommodations, ownership, infrastructure, legislative, policy and institutional framework.

6.2.1 Attractions

This sub-sector is one that is growing. Attractions include natural or man-made, cultural, historical, equestrian, aquatic, aerial, ecotourism, recreational and environmental facilities.

Tourism in Kenya is currently concentrated in seven parks, which receive 80 per cent of the total number of visitors to the country 's 26 wildlife sanctuaries. To increase Kenya 's competitiveness, there is a need to expand product choice and the quality of facilities and services, as sports tourism and ecotourism are becoming increasingly popular. The existing attractions are diverse in nature and include water parks; water-based activities; adventure and nature based activities; 22 terrestrial national parks, 4 marine national parks, 28 terrestrial national reserves, 6 marine national reserves and 5 national sanctuaries, museums; heritage sites; and mountain ranges. Enterprises within this sector are usually organized as registered companies, which are monitored by the Department of Tourism. There are also informal and community-based attractions, although information is inadequate as to their number and quality. Government has

tried to provide incentives for the establishment, refurbishment, conservation, reconstruction, and repositioning of attractions in the marketplace to stimulate growth of the sub-sector.

6.2.2 Accommodation

The accommodation sub-sector is made up of hotels, resort cottages, guesthouses, and apartments. These range from youth hostels to five-star luxury suites, from camping in the wilderness to relaxing in a private beachside villa. Kenya became the first African destination to implement the ESOK eco-rating voluntary certification scheme, aimed at checking and improving the performance of tourism accommodation facilities in a bid to further the goals of sustainable development.

- a. **Hotels:** Kenya has a great variety of 174 hotels to suit all budgets and tastes. Almost every town offers basic budget hotels and lodgings; many cities and large towns have a wider range. Nairobi, the nation's capital, has an excellent range of hotels. These include many well-appointed facilities of international standard with full facilities for tourists and business travelers. In many tourist areas, private campsites and small hotels propose budgets for backpackers. Small boutique hotels are also becoming increasingly popular, in Nairobi, on the coast, and in wilderness areas.
- b. **Lodges:** Safari lodges in Kenya offer hotel-style comforts and accommodation in the wilderness. Standards vary from the rustic to the modern, from the simply appointed to the last word in luxury. Efforts are usually made to design lodges that blend into their environment, with an emphasis on the use of natural local building materials and of traditional art and decor. Most lodges serve meals and have lounges and bars, often with striking scenery or overlooking waterholes or salt licks that attract game. Many have resident naturalists, as well as guides for organized walks or game drives.
- c. **Camping:** A camping safari in Kenya is one of the world's great travel adventures. Pitching your tent in the bush gives you the feeling of really living in the wild. The romance of an open campfire under a magnificent sky full of stars is undeniable, and a night in the wild is a magical moment, when the air rings with the whooping calls of hyenas and the dawn is heralded by the unforgettable sound of a lion's roar (Magical Kenya).
- d. **Tented Camps:** For those looking for the camping experience without possible discomfort, then a tented camp is an ideal option. These facilities provide the visitor with large walk-in tents, complete with beds and furniture. The tent often has its own private bathroom with supplied water, showers and flush toilets. In some cases these camps are established on a mobile basis

and fully stocked and equipped by a safari company. In other permanent camps, tents are on large raised wooden platforms with private balconies and excellent views.

- e. **Rental Homes, Apartments and Cottages:** Throughout Kenya, it is possible to find excellent rental properties for short- or long-term lets. These vary from rustic cottages in the bush to historic Swahili mansions on the coast, from serviced city apartments to homes fronted by beautiful deserted beaches. Renting a private property is a good way to gain a new perspective on Kenya and to get away from lodges, camps and hotels and relax on one's own. Most properties come fully equipped and are often staffed with cleaners and have a cook.
- f. **Homestays:** Homestays are an ideal way to experience Kenyan life. In some areas, homestays with Kenyan families is arranged that allow visitors to spend time in a local home and to discover the way of life in a typical household. This kind of 'cultural exchange' tourism is popular with visiting student groups, and those with an interest in Kenyan culture. The real advantage of a Kenyan home-stay is the opportunity to spend time with Kenyans and their families, and to share the benefit of their many years of local experience and intimate knowledge of the country, its people and wildlife.

6.2.3 Ownership

Multinational corporations have engaged in both horizontal integration in the form of foreign direct investment, leasing, management contracts, franchising and marketing agreements for hotels, and vertical agreements between hotels, airlines, tour operators and travel agencies. For example, approximately 78 per cent of major hotels along the Kenyan coast and around 66 per cent of those in Nairobi and in national parks and reserves have had some foreign investment, although fewer than 20 per cent have been subject to total foreign ownership. Equity holdings have been acquired, for instance, by local and foreign tour operators. Foreign hotel chains have managed a number of hotels, and franchising contracts with management groups have occurred.

6.2.4 Infrastructure

- a. **Air Transport:** Kenya's air transport sub-sector is a critical resource to the country's tourism and travel industry and is fairly well developed. Kenya Airways, the national airline, has been an important provider of airlift capacity for the tourism industry over many years. Additionally, visitors use air chartered companies for direct flights to destinations along the coast. The sector has been significantly improved by the ongoing expansion and redevelopment of the Jomo Kenyatta

and Kisumu international airport. Wilson Airport, which serves many airlines, is also an important hub for regional and domestic flights.

- b. **Ground Transport:** Ground transport remains a crucial component for the delivery of quality service in the tourism industry, as sustainability of the tourism sector is linked to a modern, accessible, reliable, efficient, and customer sensitive ground transport sector. The tourism transportation sub-sector includes: (1) car rental operators; (2) contract carriage operators - for example tour companies, transport associations like Kenya Association of Tour Operators and independent operators 3) public transport (SGR, TukTuks, Matatus) and rail.

6.2.5 Others

Handicraft Industry: In Kenya the production of handicrafts makes significant contribution to the national economy. Many types of Kenyan handicrafts are known around the world but of all these crafts, basketry, wood and stone carvings may be the most famous. Ceramics and pottery is considered to be one of the oldest trade commodities of Africa. The structure of the handicraft sub-sector in Kenya is largely informal. Others include leatherworks, ceramics, masks, musical instruments. These products are available in airport duty free shops, small and medium enterprise co-operatives operating in curio shops, and cultural markets.

Food and Beverage: Food and beverage facilities, whether incorporated within tourism accommodations or as stand-alone outlets, are vital components to the tourist economy. The restaurant sub-sector has grown in recent years, driven by increased tourist expenditure, and the overall allure of local cuisine, as well as the strong business of the restaurants outside of the tourism circuit.

6.3 Contribution of Tourism to Kenya's Development

According to Kenya's Department of Tourism (2013), the following are the benefits of tourism in Kenya:

- i. **Forward and Backward Linkages:** Tourism has extensive multiplier effects. Key sectors of the trade are restaurant and accommodation services, amusement parks, resorts, programme services, festivals and other cultural services, and camp sites. Lines of business directly connected to tourism include transport services (transport of goods and passengers), property and equipment maintenance, the security business, the grocery trade, specialty trade, construction and building development services, information and communications technology services, foodstuff production and processing, and waste management.
- ii. **Employment Effect:** Tourism is labour intensive service

industry, with low barriers to entry and dominated by small and medium enterprises.

- iii. **Prosperity and Well-being to Regions:** In Kenya, tourism is a regionally significant source of livelihood. In absolute terms, the income and employment impacts as well as the facilities of tourism are centred in the same regions as population and production thus benefiting local communities.
- iv. **Growth Potential:** Tourism is the only export business in which consumption takes place in the home country while being subject to domestic value-added tax.
- v. **Source of Revenue:** Tourism taxes provide significant Government revenue. Earnings from landing fees, departure taxes, value added tax, park entrance fees, and use of public utilities makes significant contribution to Government income.
- vi. **Country branding:** When foreign travelers come to Kenya, interact with Kenyans, and gain an understanding of the country's positive attributes, they share these experiences with members of their own society, thereby helping to improve Kenya's image abroad.
- vii. **Tourism-based Facilities and Local Development:** The infrastructure required by tourism also benefits resident communities. Improving roads, water supply, electricity, and communications should greatly improve the quality of individual life and wealth of the local communities.
- viii. **Sustainable Development:** When carefully managed, tourism is non-extractive and could support conservation measures, raise incomes, and provide employment without denuding the country of its resource base.

Tourism could be a catalyst for positive development and growth bringing benefits to communities in its locale, but it could also be an engine of destruction and degradation of environment and cultural values if not well managed.

However, the issues and challenges are:

- i. Lack of finances to invest in accommodation infrastructure.
- ii. Loss of traditional markets due to migration patterns.
- iii. Destination decline due to neglect and poor maintenance of the quality of tourism products and services.
- iv. Travel advisories due to safety and security concerns emerging from terrorism.
- v. Decline of revenue per tourist.
- vi. High cost of the tourism products due to value added tax.

Opportunities for growth :

- i. Financial institutions could engage local investors to provide the necessary funding.
- ii. Diversification of tourist markets for Kenya.
- iii. Expanding middle class with disposable income is promoting domestic tourism.
- iv. New product opportunities especially from the counties.
- v. Development of tourist satellite accounts would allow the Government to capture tourism revenue from all stakeholders, thus increasing the total contribution to the GDP.

6.4 Sector Performance

Globally, tourism is regarded as one of the largest and fastest growing economic sectors. The United Nations World Tourism Organization (UNWTO)³ estimates that tourism contributes 30 per cent of world export services, 6 per cent of all exports, and 5 per cent to the global GDP. The agency's Vision 2020 forecasts that international arrivals are expected to grow by about 4.1 per cent annually to hit 1.56 billion between 1995 and 2020. Of these, 1.18 billion would be intraregional and 377 million would be long-haul travelers. The sector is also projected to grow at 5.4 per cent yearly compared with intraregional travel growing yearly at 3.8 per cent. This puts the tourism sector in fourth position behind fuel, chemicals, and automobile products.

Tourism has seen significant growth in revenue, employment and development of new markets. Between 1950 and 2007, international tourist arrivals grew from 25 million up to 903 million contributing about USD6.3 trillion representing 9.1 per cent to the global GDP. The World Economic Situation Report 2012 indicates that developing countries remain net service importers, but their role as service exporters is continuously growing, particularly in transport and tourism.

In Kenya, tourism contributes significantly to the gross domestic product. It is has, however, in the recent years been overtaken by tea, coffee and floriculture. According to the Kenya National Bureau of Statistics (2015), the tourism sector's performance decreased in 2014 because of a number of factors. These include insecurity, negative travel advisories and fear of continued spread of Ebola in West African countries. As a result, the number of international visitor arrivals contracted by 11.1 per cent from 5 million in 2013 to 1.4 million in 2014 (see figure 6.1). This led to tourism earnings declining by 7.3 per cent from KSh94.0 billion to KSh87.1 billion (USD 924 million to USD 857 million) over the same period.

The overall number of visitor days stayed by all categories of departing visitors excluding "other" visitors contracted by 9.4 per cent from 17.8 million in 2013 to 16.1 million in 2014.

3. Available from www.unwto.org : <http://www.unwto.org/>

This was mainly on account of the decrease in visitor days by holidaymakers from 14.8 million in 2013 to 13.3 million in 2014. However, the average length of stay reduced from 13.2 days in 2013 to 12.3 days in 2014.

Green Economy Concept in Tourism Industry

Tourism in the green economy takes full account of current and future economic, social and environmental impacts, focusing on the needs of visitors, the industry, the environment and host communities. It is not a special form of tourism; rather, it covers all forms of tourism that strive to be more sustainable (UNEP, et al 2005). This includes travel to destinations where climate impacts are minimized with the aim of respecting and preserving local cultures and natural resources and adapting programme to fit the context of fragile resources. Further, it ensures the well-being of host communities.

Indicators of Sustainable Tourism Development

Since 1992, the United Nations World Tourism Organization (UNWTO) has been active in developing and implementing indicators that help in the sustainable development of tourism at different destinations. Begun as a means to attend to sustainability issues at all scales, the programme has been most successful in its efforts to aid managers of tourism destinations to anticipate and prevent damage to their product, and thereby to foster sustainable tourism at a destination-specific scale (WTO, 2004). According to WTO (2004), there are different types of indicators, each with different utility to decision makers. While the most directly useful may be those that help to predict problems, several other genres exist. These are:

- i. Early warning indicators (e.g., decline in numbers of tourists who intend to return).
- ii. Indicators of stresses on the system (for example water shortages or crime indices).
- iii. Measures of the current state of industry (e.g., occupancy rate, tourist satisfaction);
- iv. Measures of the impact of tourism development on the biophysical and socioeconomic environments (for example indices of the level of deforestation, changes of consumption patterns and income levels in local communities).
- v. Measures of management effort (for example cost for cleaning up coastal contamination).
- vi. Measures of management effect, results or performance (for example changed pollution levels, greater number of returning tourists).

While all categories of indicators could be valuable in supporting sustainable tourism, the early warning indicators are frequently most useful to tourism managers and may provide the ability to anticipate serious negative effects on the destination, or on the overall tourist experience. Ideally,

indicators could enable actions to be taken well before serious threats to sustainability occur. It should also be noted that the same indicator could frequently serve different purposes and its use could change over time. For example, an indicator of stresses on the system would serve later on to measure the effects and results of management efforts taken in response to the problems identified, becoming in effect, a performance measure for the response.

6.5 Capacity-building Needs

The tourism sector has a multiplicity of stakeholders. For them to work on the same direction, regular capacity building sessions are needed. Several areas of capacity development have been identified as follows:

- i. Sensitization on tourism standards for operations and service delivery.
- ii. Training on appropriate and effective branding of tourism products using regional and international best practices.
- iii. Raising Awareness: Proper targeted marketing of the existing products and a thorough periodic evaluation before launching new ones.
- iv. Training stakeholders on adherence of rules, regulations and code of ethics within the tourism sector.

6.6 Comparative Advantage

According to the Travel & Tourism Competitiveness Report (2017), Seychelles was the only African country south of the

Sahara listed in the top 40 tourism destinations worldwide, where it was 38, entering the rankings for the first time at the top of the region. The importance of travel and tourism for the country’s economy is reflected in its top ranking for the prioritization of the industry, with the second highest travel and tourism expenditure-to-GDP ratio in the world. This is backed by effective marketing and branding. These efforts are reinforced by a strong national affinity for travel and tourism (fifth); good tourism infrastructure, especially in terms of available hotel rooms (sixth); and good ground and air transport infrastructures, particularly by regional standards (thirty-first and twenty-seventh, respectively). These positive attributes somewhat make up for its relative lack of price competitiveness (120th).

Kenya is ranked fourteenth worldwide for its natural resources, with its three World Heritage natural sites and its rich diversity of fauna. Tourism is a recognized priority within the country (ranked twenty-third on this pillar), with high Government spending on the sector. In addition, Kenya ranks twenty-first in the category “focus on environmental sustainability” of tourism. This is particularly important for Kenya given its tourism sector’s dependence on the natural environment. This focus seems to be bearing fruit and contributes to the overall improvement of Kenya in the rankings. On the downside, Kenya is ranked ninety-fifth in the category “policy environment” and this is not conducive to development of the sector in the country.

Although openness in terms of visa requirements and bilateral air service agreements has improved significantly, property rights are insufficiently protected, and much time and high costs are still required to start a business. In addition,

Figure 6.1
Tourism Arrivals and Earnings, Kenya (2014 -2016)



Source: KNBS Economic Surveys, 2017

infrastructure remains underdeveloped, and health and hygiene levels require improvement, as does the human resources base (ranked 106th). Finally, the security situation in the country remains a significant hindrance to further development of the sector (ranked 135th).

The report shows that the position of East Africa as the continent's most attractive tourist destination has come under threat from other blocs taking advantage of on the region's lengthy business procedures, insecurity and poor infrastructure to boost their competitiveness. The 2013 World Economic Forum survey on global tourism and travel competitiveness shows that Kenya, Uganda, Rwanda, Tanzania and Burundi are trailing emerging global tourism giants in Africa south of the Sahara such as Seychelles, Mauritius and South Africa. Kenya, the East African Community's top tourism investment destination, came eighth.

The World Economic Forum cited insufficient property rights protection, insecurity, lengthy and costly business procedures as well as dilapidated infrastructure as drawbacks to African tourism. In the rankings of countries south of the Sahara, Rwanda, Tanzania and Uganda took positions 9, 12 and 13 respectively. Burundi was ranked at 30. At the global level, only Kenya made it to the top 100 countries of the 140 countries surveyed, coming in at position 96 (Kenya National Tourism Strategy 2013-2018).

6.7 Green Investment Opportunities

6.7.1 Ecotourism Concept

Ecotourism as a concept incorporates a strong commitment to nature and a sense of social responsibility. In this respect, the present and future generations are urged to conserve the environment while the government is committed to strengthening and enforcing wildlife conservation policies which will ensure the development of responsible tourism in the country.

The use of local resources and expertise translates into import savings, environmentally sensitive patterns and local participation in the travel industry. Its emphasis on local resources and employment makes it attractive to developing countries, which though rich in natural resources are disadvantaged by rural poverty, unemployment and lack of export earnings.

Six key strategies are therefore recommended when marketing ecotourism products:

- i. Broad distribution – products must be accessible to target market through as many key locations as possible.
- ii. Partnership development – Contact anyone who may be linked to the tourism/environmental industry and show them your plan, many will have contacts to share

or facilities already set up that can be adopted in exchange for marketing or media attention.

- iii. Show the bottom line – Marketing initiatives have to focus on exposure for all avenues of this niche market and how the product or campaign will ultimately bring more visitors through their doors.
- iv. Ownership – Recycling, promoting local culture or heritage, buying locally made products, and so forth, will go a long way in making a local stamp on the tourism product. Encourage your customers and business associates to buy-in and get ownership of the "green idea" so that they in turn will market themselves and ultimately you in a positive light.
- v. User friendly products – "eco-marketing" can be a case of converting the converted (those who already undertake green activities or support your mission). To convert the other customers, make sure you provide products that give them easy options and alternatives that require little effort on their part to adapt or undertake.
- vi. Practice what you preach – the organization should be seen to be environmentally and culturally sensitive, not just promote this to others. All promotional materials should be made to the highest environmental standards possible; for example 100 per cent post-consumer recycling content, recycled or vegetable ink, and so forth. In addition, staff should be knowledgeable in environmental as well as tourism matters.

Ecotourism Kenya is a tourism membership association that has developed the following projects. The ministry responsible for tourism can adopt in its strategy on sustainable tourism.

a. Eco-rating Certification

This is Ecotourism Kenya's flagship Programme, which has been used to inform other international tourism eco-rating schemes. Currently there are 60 eco-rated facilities: 6 gold, 35 silver and 19 bronze. This certification involves a systematic approach to evaluating a tourism accommodation facility on its environmental, economic and sociocultural performance against set criteria. The evaluation is meant to recognize best practices in environmental conservation, responsible resource use and socioeconomic investment, and award qualifying applicants with different ratings comprising bronze, silver or gold.

b. The Enterprise Development Programme

Another initiative from Ecotourism Kenya integrates communities and community-based tourism into mainstream tourism, builds capacity for local people to engage more effectively with tourism issues and explores ideas for tourism involvements in their areas. The aim is an equitable distribution

of the benefits accruing from community-based tourism enterprises. The Programme is achieved through mobilization, participatory trainings, seminars, workshops and sharing of information; advisory services on product development, packaging, fundraising; and promotion of community-based, owned or managed tourism enterprises.

6.7.2 Leveraging Small, Medium Ventures for Green Tourism Development

Ecotourism, if properly designed and managed, could provide a sustainable return, much of which could be retained within the local community and thus contribute to development. However, local communities do not have the capacity to leverage make use of their competitiveness against multinational corporations. Sustainable Tourism development is, therefore, seen as a potential measure, which could leverage the interest of these small and medium enterprises in the broader tourism sector. These enterprises could easily fit into the tourism product and service value chain because the entry barriers are generally low. However, the national and county governments would still have to support the participation of these enterprises in tourism by ensuring ethical business practices which would guarantee affordable and quality products and services, deepening the integration of their economies and making it easier for people to travel across Africa.

The specific areas in which small and medium enterprises have established their operation include in the following areas:

a. Transport

These enterprises operate tourist transport vehicles, which complement the services of the multinational hotels and tour agencies as well as serving their own clientele. This means that the enterprises have the avenue to organize themselves to offer affordable transport and tour guide services. The advantage these enterprises have over multinationals is the indigenous knowledge. Multinational firms would have to employ locals to acquire the same know-how. Moreover, at their point of activity in the tourism supply chain small and medium enterprises reap maximum benefits for their services; they would not do so if employment by multinationals.

b. Specialized Tourist Services

The adage that knowledge is power holds true for small and medium enterprises. They have the power to mobilize local indigenous knowledge and experience for their own benefits. They could organize themselves into groups and provide tour guides for special services, for example covering history and culture, and adventure travel like mountaineering, horseback and donkey riding, camel and walking safaris. In Kenya, such advantages are already being used by local tour guides at sites like Fort Jesus in Mombasa, Maasai Mara, Mount Kenya

and many other places. However, their services not formal legal business entities. With guidance, proper training and organization Capacity-building could undertake these tasks to greater benefit.

c. Accommodation

Small and medium enterprises have ventured in the establishment of tented camps in major national parks and tourist destinations. These are in competition with the established tourist lodges and resorts. However, such camps have poor infrastructure, which do not conform to basic international standards of accommodation. However, if these facilities could be upgraded to this level, they could be modelled around specific market-oriented themes, then use them to sell their services. The concept of small-scale tourism accommodation has not been properly explored in Kenya. However, with the emergence of digital marketing, the concept of homestays is beginning to take root. This is a concept borrowed from Europe but one that lacks proper legal infrastructure in Kenya to enable its effective implementation.

d. Creation of Cultural Niches

Different ethnic communities have their own unique practices that could be packaged and marketed for consumption by local and international travellers. These practices add value to the visitor's experiences and should be encouraged. However, there is a lack of branding and marketing of these experiences to meet international standards.

e. Development of the Curios, beadwork and Souvenir Industry

Curios manufactured locally are of very high quality and quantity. Then producers only sell their products to tourists in the small curio shops at the airports, in destinations and in cultural markets. This limits their sales. There exist few businessmen who deal in curio exports; who can buy at very low domestic prices for export. The ministries responsible for tourism and for industries should regulate these markets to ensure the producers benefit. There is also need to provide small and medium enterprises the know-how to package and market their products, thereby increasing their sales.

f. E-marketing for Small, Medium Firm Development in Green Tourism

There is need to use the power of the digital economy to transform the potential of small and medium firms to compete in Kenya's green tourism. The enterprises lack the capacity to develop and use the e-platforms for this purpose. They must be given the knowledge and to target specific clients so they could attract tourists through the World Wide Web, a global communications portal.

6.8 Conclusion and Recommendations

Given the importance of the Tourism sector to the Kenyan economy, a transformative green approach that ensures sustainability of the sector is required. This report thus makes the following recommendations to support the greening of the sector:

6.8.1 Awareness Creation

The private sector, especially small firms, should be mobilized to support sustainable tourism. The tourism sector involves a diverse range of actors. The awareness of sustainable tourism exists mainly in a select number of larger-scale firms. Smaller firms are mostly outside this sphere and diverse supplier groups may not be connected at all. Specific mechanisms and tools to educate small and medium-sized tourism-related enterprises are critical and are most effective when they are accompanied by actionable items. The promotion and widespread use of recognized standards for sustainable tourism, such as the Global Sustainable Tourism Criteria could help businesses improve sustainability performance, resource efficiency, and assist in attracting additional investment and customers.

6.8.2 Access to Financing for Sustainable Tourism

The majority of tourism businesses are small and medium enterprises with the potential to earn more from green strategies. Their single greatest limiting factor for greening, however, is the lack of access to capital. Governments and international organizations could change this by providing support to these important actors with an emphasis on contributions to the local economy and poverty reduction. Public-private partnerships could spread the costs and risks of large green tourism investments. Besides reducing administrative fees and offering favourable interest rates for green tourism programmes, in-kind support such as technical, marketing or business administration assistance could also help.

6.8.3 Integrated Planning for Greening Tourism

In developing tourism strategies, the ministries responsible for tourism and for environment together with local governments, communities and businesses need to establish mechanisms for coordinating, energy, labour, agriculture, transport, health, finance, security and other relevant areas. Clear requirements are needed in such areas as zoning, protected areas, environmental rules and regulations, labour rules, agricultural standards and health requirements particularly related to energy and water conservation, emissions reduction, waste management and sanitation.

6.8.4 Government Investments and Fiscal Policies to Stimulate Private Sector Actions on Green Tourism

Government spending on public goods such as protected areas, cultural assets, water conservation, waste management, sanitation, public transport and renewable energy infrastructure could reduce private sector investment costs in green tourism. Governments could also use tax concessions and subsidies to encourage private investment in green tourism. Time-bound subsidies could be given, for example, on the purchase of equipment or technology that reduces waste, encourages energy and water efficiency; the conservation of biodiversity; and the strengthening of linkages with local businesses and community organizations. At the same time, resource and energy use as well as waste generation need to be priced to reflect their true cost to society.

6.8.5 Collaboration of International Development Partners with county governments and Local Agencies

International development institutions, such as multilateral and bilateral cooperation agencies, and development finance institutions should engage directly to inform, educate and work collaboratively with the tourism industry. The alliance would function to integrate sustainability into policies and management practices and secure their active participation in developing sustainable tourism. At the national level, Government and civil society engagement should be a critical part of these efforts to coordinate action.

6.8.6 Development and adoption of Sustainable Tourism Standards and indicators

The promotion and widespread use of internationally recognized standards for sustainable tourism could provide support to monitor tourism operations and management. The private sector tends to perform best when clear criteria, objectives and targets are identified and incorporated into their investment plans and business operations.

The Global Sustainable Tourism Criteria, issued in October 2008, provides the most promising current platform to begin the process of grounding and unifying an understanding of the practical aspects of sustainable tourism, and prioritizing private sector investment. The Ecotourism Kenya rating criteria would be a good framework to localize these global criteria, since it is a member. The Tourism Regulatory Authorities need to enforce compliance of rules, regulations, codes of ethics for all tourism activities and services.

6.8.7 Promotion of Eco-labelling and Eco-rating Scheme

The purpose of certification is to achieve quality and performance standards. This fosters environmental protection, improves productivity and enhances overall competitiveness.

Certification has many benefits to governments, investments, communities and the environment. Standards helps to raise revenue, protect the environment, communities and markets. Certification helps industries to tame high operation costs, enhance financial stability and improve the quality of services towards customer satisfaction, retention and overall competitive advantage.

Certification also enhances local communities' access to social and economic benefits towards improved welfare and reduction of poverty. Kenya's eco-labelling criteria should be simple, domesticated and implementable. There is also a need to adopt the principles of Eco-rating scheme by taking the following actions:

- a. Undertaking measures to increase the level of the local communities working in tourism enterprises.
- b. Maximizing the proportion of tourism spending that is retained in local communities and involving them in

the supply process.

- c. Promoting the direct sales of goods and services to visitors by the local communities.
- d. Establishing and managing more formal tourism enterprises by the poor, either individually or at a community level.
- e. Using taxes or levies on tourism income or profits with proceeds benefiting the poor.
- f. Supporting the poor in money or in kind, by visitors or tourism enterprises.
- g. Investing in infrastructure that offers local communities the chance to gain new access to available resources.



Traditional Dancers at Otenyo Cultural Group that runs a sustainable tourism facility in Kisii.

Photo | SWITCH Africa Green

7. Synthesis of Opportunities, Gaps and Recommendations

7.1 Green Investment Opportunities

The primary focus of a green economy is to link environmental benefits to economic gains at the macroeconomic level towards establishing a circular economy. Such an economy is characterized by low consumption of energy, low emissions of pollutants and high resource efficiency. Achieving this kind of economy is done through development of green production and consumption strategies such as access to low-carbon technologies, adjustment of fiscal policies, reforming ecological tax, promoting social inclusion and fostering technological innovations and trade opportunities arising from new markets (UNEP, 2014a).

Investment opportunities in the agriculture sector include value addition for produce; promotion of consumption and production of traditional foods; eco-labelling; innovative marketing approaches; exploitation of marine resources potential; forestry; livestock disease free zones; promotion of a warehouse receipt system; water and land use investment to mitigate the impact of climate change; promotion of sustainable farming and conservation agriculture.

Regarding the manufacturing sector, green investment opportunities include 3D manufacturing, remanufacturing, waste prevention and industrial symbiosis, eco-labelling of locally manufactured products and eco-industrial parks

Investment opportunities in tourism include embracing the eco-tourism and eco-rating concept; and optimizing the strengths of small and medium enterprises for green tourism development. This includes getting these enterprises involved in green tourism; transport; specialized tourist services; the concept of small-scale accommodation such as eco-lodges, tented camps and homestays; new product opportunities especially from the counties; creation of cultural niches; development of the curios and souvenir industry; and e-marketing for the development of these enterprises in green tourism.

7.2 Cross-cutting Gaps

Generally with micro, small and medium enterprises, there exists gaps regarding their understanding of pertinent environmental standards, sustainable consumption and production, rating and effective branding. The current practice does not consider full-life costs, value for money and environmental burden. One of the main challenges of switching to sustainable consumption and production ways is the low level of awareness among consumers and manufacturers of the benefits of switching green. Hence, there is need to create awareness and build Capacity-building among these enterprises to make this switch.

Policies focusing on specific areas or activities for greening the three sectors are missing. For instance in agriculture, policies are needed on adoption of organic standards and support for expanding local, regional and international markets for organic products.

Barriers against energy efficiency include a lack of public awareness and viable financing options particularly the small and medium businesses. Improved industrial energy efficiency has many potential benefits yet optimal investment in efficient technologies is not taking place. This is due to a variety of obstacles such as lack of financing, low adaptation of the energy efficiency concept, a dearth in standards and minimal incentives to encourage energy efficiency and adopt energy management systems.

Widespread informality hinders economies of large-scale production, access to technology, finances and human capital. For instance, small and micro enterprises constitute over 70 per cent of manufacturing firms. The manufacturing sector is also characterized by weak interfirm linkages and a low level of innovation, leading to low export. The high cost of production inhibits productivity, suppresses the demand for finished products and reduces profits, which lower competitiveness for an investment location.

In tourism there is need for enhanced awareness creation, proper targeted marketing of existing products and a thorough periodic evaluation before launching new ones. Enforcement of sector rules and regulations and a code of ethics is also weak. The awareness of sustainable tourism exists mainly in a selection of larger-scale firms. Smaller firms are mostly outside this sphere and diverse supplier groups may not be connected.

7.3 Overall Recommendations

There is need to refine and harmonize the existing regulatory frameworks to mainstream green economy practices. Regulatory innovation to provide for sustainable consumption and production is important in providing direction to bolster eco-innovative efforts in industry. In manufacturing for instance, sector policies should be underpinned by concepts such as resource efficiency and cleaner production, industrial symbiosis, standards and labels, and environmental management systems.

An enabling business environment is critical in supporting transition efforts towards greening the economy. This could be achieved by the establishment of land banks, reducing taxable income for companies operating sustainably, providing green investment subsidies, enforcement leniency for companies complying, strong deterrent mechanisms on

unethical business practices, promotion of recognition awards for sustainable consumption and production, reduction in the number business licenses, and expanding the coverage of Huduma centres.

Sustainable production practices if not matched with sustainable consumption patterns would render the transition to a green economy more challenging. Therefore, it is critical to change consumption behavior towards purchasing of greener products and services. Government being the largest consumer of goods and services could also influence this agenda by procuring goods and services that are greener as opposed to the current practice of buying the cheapest.

Regarding information and capacity-building on sustainable consumption and production practices, public awareness on the benefits of a green economy would support faster transition to sustainable development models. There is need to enhance the innovative capacity of local firms, particularly the small- and medium-sized ones dealing in energy, water and resource efficiency, diversification and value addition concomitantly. Improving the capabilities of institutions and other service providers within the various sectors is critical in providing the much needed support services (institutional innovations).

Collaborations and networking frameworks involving actors with diverse competencies are instrumental in delivering the benefits of sustainable consumption and production. It is, therefore, important that partnerships between the national and county governments, civil society and development partners are established, or existing ones strengthened. This would encourage information and knowledge sharing, resource mobilization and development of a shared vision in the green growth agenda.

A robust national standards system benchmarked against various international standards is requisite in redressing international trade imbalances and in supporting local producers to meet quality standards to enhance market share. The Government and other stakeholders need to support local small and medium enterprises to standardize products along the 4K concept on technology, quality, financing and patenting. This would enable mass production to capture large markets

In all the three sectors, the issue of funding comes out strongly. There is need for increased access to affordable financing for investing in sustainable enterprises. Most of the SMEs have the potential to generate greater income and employment from green strategies. Their single greatest limiting factor for greening, however, is lack of access to capital. Governments and international organizations could facilitate the financial flow to these important actors with an emphasis on contributions to the local economy and poverty reduction. Public-private partnerships could spread the costs and risks of large green investments. Besides reducing administrative fees and offering favourable interest rates for green programmes,

in-kind support such as technical, marketing or business administration assistance, could also help.

Government investments and fiscal policies could influence private sector actions on greening the economy. In other words, government spending on public goods such as protected areas, cultural assets, water conservation, waste management, sanitation, public transport and renewable energy infrastructure could reduce the cost of the private sector's investments in green programmes. Governments could also use tax concessions and subsidies to encourage such investments. Time-bound subsidies could be given, for example, on the purchase of equipment, inputs or technology that reduces waste, encourages energy and water efficiency, the conservation of biodiversity and the strengthening of linkages with local businesses and community organizations. At the same time, resource and energy use as well as waste generation need to be priced to reflect their true cost to society.

In Kenya, there is a need to promote of eco-labelling by the adoption and implementation of the eco-rating scheme by the relevant Government ministries across the three sectors. The purpose of certification is to meet set quality or performance standards. This fosters environmental protection, improves productivity and enhances overall competitiveness. Certification has many benefits to governments, investments, communities and the environment. To a government, standards helps to raise revenue and protect the environment, communities and markets. Certification helps industries to tame high operating costs, enhance financial stability and improve the quality of services towards customer satisfaction, retention and overall competitive advantage. Certification also enhances local communities' access to social and economic benefits towards improved welfare and reduction of poverty. The eco-labelling criteria should be simple, domesticated and implementable.

There is also need to adopt the principles of an eco-rating scheme through: increasing the level of the local communities working in green enterprises; maximizing the proportion of revenue from green activities that is retained in local communities; linking communities directly with prime markets for their value-added products; using taxes or levies generated from the micro, small and medium enterprises to benefit the poor; and investing in infrastructure that offers local communities the chance to gain new access to available resources.

Finally, there is need for collaboration between local agencies and international development institutions, such as multilateral and bilateral cooperation agencies, and development finance institutions. They would cooperate to inform, educate and work with the relevant ministries to integrate sustainability into policies and management practices. At the national level, a government and civil society engagement should be a critical part of these efforts to coordinate action.



This report has highlighted key performance indicators in greening the selected Kenyan micro, small and medium enterprises in the agriculture, tourism and manufacturing sectors. These performance indicators should be tracked over the two years, until 2017. Whereas there is a monitoring and evaluation framework, in the light of changing dynamics in the policy discourse, it is recommended that, to enrich the outcomes and outputs of all the components of the programme, a policy tracking study and an indicator baseline study should be conducted. This should include developed and implemented policies on sustainable consumption and production as well as on the green economy that have been enlightened directly and indirectly by SWITCH Africa Green programme.

Baseline and impact study - it is envisaged that a countrywide

longitudinal study of the current status, with regard to the green indicators for small and medium enterprises provided by UN Environment should be conducted prior to adoption of green development strategies by the cohort of selected Kenyan enterprises. Thereafter, an impact assessment study on the enterprises should be conducted towards the end of the programme to understand the evolution of their greening and to document success stories and lessons learnt.

Policy tracking study - this would track evolution of sector-specific policies in tourism, agriculture and manufacturing and their effect on implementation of green economy strategies amongst the grantees and micro, small and medium enterprises during the 2015-2017 period.

8. Implementation of SWITCH Africa Green

8.1 Introduction

The objective of SAG is to support countries to make the transition to an inclusive green economy, based on sustainable consumption and production patterns, while generating growth, creating decent jobs and reducing poverty. This objective could be achieved primarily through support to private sector-led inclusive green growth.

8.2 Programme Components, Outputs and Organization Chart

The specific objective is to support the development of green businesses and eco-entrepreneurship and their

application of sustainable consumption and production practices. This could be achieved by having in place (1) micro, small and medium enterprises and business service providers that are better equipped to seize opportunities for green business development; (2) better informed public and private consumers; and (3) clear policies, sound regulatory frameworks, incentive structures, tax, other fiscal and market-based instruments influencing key sectors in the six African countries.⁴

The programme has three main components, summarized in table 8.1:

⁴ Source: SWITCH Africa Green Programme Document, 2013

Table 8.1 Summary of SWITCH Africa Green Components, Outputs and Key Indicators

SAG Component	Programme Output	Key Indicators
Policy Support	Policy actors in the pilot countries are better informed and equipped with policy-relevant scientific information strengthened institutions and appropriate tools and instruments such as policies, regulatory framework, incentive structures, tax and market-based instruments allowing private sector-led inclusive green growth through green business entrepreneurship, eco-innovation and sustainable production and consumption actions in the target sectors, complementing existing national planning and strategic frameworks for creating inclusive green economies.	<p>Inventories and reviews of existing policies and instruments conducted and gaps, capacity building needs, opportunities and constraints identified.</p> <p>Business conditions of the sector assessed, and capacity-building needs identified.</p> <p>Baselines on economic performance, resource efficiency, environmental impact and social returns established.</p> <p>National road maps/ action plans drafted/ updated and being implemented to support the development of eco-entrepreneurship eco-innovation and the shift to SCP practises/ Green Economy.</p>
Green Business Development	Provide support to economic actors in pilot countries to better equipped to identify and/ or put in practice opportunities for Green Business Development and markets for sustainably produced goods and services.	<p>Toolkits on eco-entrepreneurial skills, RECP, eco-innovation-related issues (e.g. resource-efficient sustainable products improvement, material efficiency, cleaner technologies) and others such as life cycle, thinking and related labelling, sustainability reporting and marketing along the value chain including trade linkages developed and provided.</p> <p>SCP and Green Economy programmes implemented</p> <p>Better access to cleaner technologies and re-direction of investment for greener economies promoted.</p>

Networking Facility	Facilitate distilling and dissemination of knowledge, lessons learnt and good practices from the programme nationally and through regional and Africa wide networks and programme to create broader awareness and increase understanding buy-in and uptake of GE and SCP ideas among key stakeholders in private sector, governments and consumers of pilot countries and other African countries.	<p>Information provided on the programmes and its programmes, and successful programme practises are disseminated.</p> <p>Knowledge of programme practises distilled, lessons learnt, good practises capitalized and effective replication being promoted among the six countries and the region.</p> <p>Networking for sharing of experience and lessons learnt amongst countries, programmes and stakeholders involved strengthened.</p> <p>SCP tools, guidelines/ manuals, technologies and practises are developed and being disseminated to stakeholders and policy-makers.</p>
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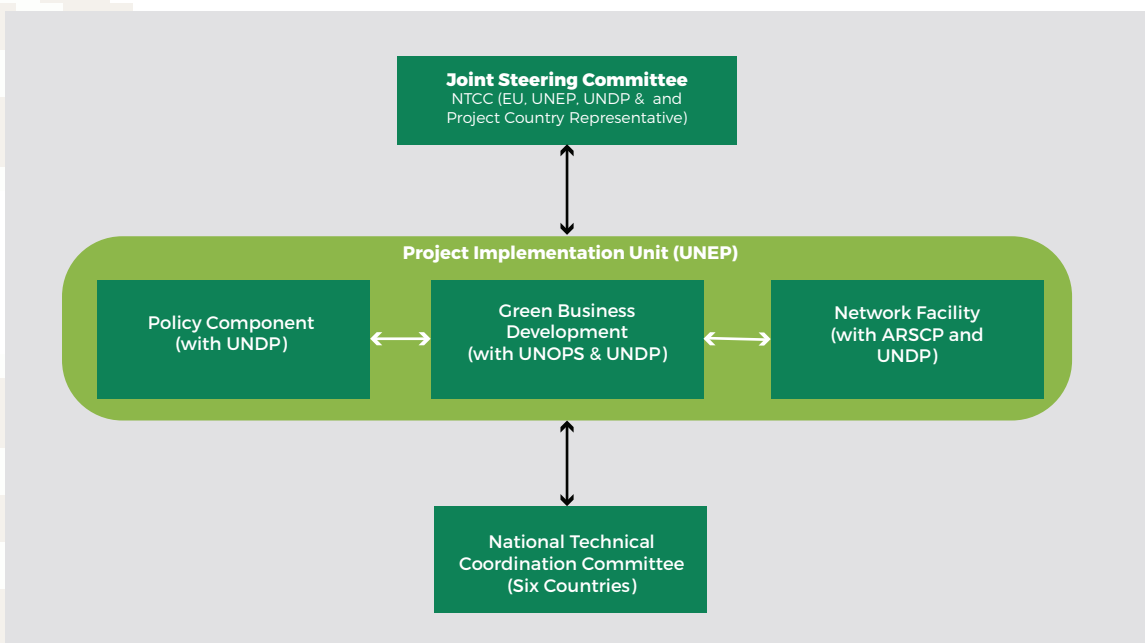
The three programme components are interlinked under the overall coordination of UN Environment, which has a leading role in the implementation and development of the national level support packages. Coordination at the national level is ensured through an United Nations-based coordinator. The European Union delegations are associated and engaged in the National Technical Coordination Committees to help guide the programme implementation. Activities are linked to the global level in the related fields of the green economy and sustainable consumption and production through regional consultations and collaborative platforms (figure 8.1).

The inception phase of the SWITCH Africa Green Kenya programme was launched by an initial national roundtable with relevant ministries, private enterprises and investors,

relevant business intermediaries, experts and civil society. The meeting's aim was to better define the necessary outputs of the programme in the national context. At the country level, the national coordinator facilitates the mobilization of partners and stakeholders for implementation of the programmes.

This programme combines work at the macro and micro levels. At the macro level, this works consists of support for the establishment of incentive structures, policy measures and instruments for green business development. Work at the micro-level provides targeted support to green private sector development initiatives, design and implementation of policies and regulations to create enabling conditions for business.

Figure 8.1 Programme Coordination Organization Chart



Source: SWITCH Africa Green Programme Document, 2013

8.3 Role and Structure of National Technical Coordination Committee

The Kenya National Technical Coordination Committee has been actively involved in the programme's implementation. This committee has membership drawn from the National Steering Committee for Green Economy that oversaw development of the Green Economy Strategy and Implementation Plan process. The Technical Committee is also being boosted by some of the expertise drawn from the development of the earlier Green Economy Assessment Report (UNEP, 2014b).

The NTCC membership is multi-skilled, drawn from various public and private sector agencies including:

- i. Ministry of Environment and Forestry
- ii. The National Treasury
- iii. Ministry of Planning
- iv. Ministry of Trade, Industry and Cooperatives
- v. Ministry of Water and Sanitation
- vi. Ministry of Agriculture and Irrigation
- vii. Ministry of Tourism
- viii. Ministry of Energy and Petroleum
- ix. National Environment Management Authority
- x. Kenya National Cleaner Production Centre
- xi. Kenyatta University
- xii. GIZ (Deutsche Gesellschaft für Internationale Zusammenarbeit)
- xiii. World Wildlife Fund for Nature (WWF)
- xiv. Kenya Private Sector Alliance (KEPSA)
- xv. A member of the EU delegation
- xvi. United Nations Development Programme (UNDP)

Technical support of the Kenya Institute of Public Policy and Research Analysis (KIPPRA) has played a vital role in preparation of the Country Implementation Plan.

8.4 Implementation Plan of the Switch Africa Green

Green Business Development Support in Kenya would contribute to the implementation of the Green Economy Strategy and Implementation Plan under the Medium-term Plan 2018-2022 to implement Vision 2030. This is envisaged to stimulate sustainable consumption and production within micro, small and medium size enterprises, seize opportunities in green business development, promote resource efficiency, environmental quality, create green jobs, and tackle poverty and other critical development challenges towards overall economic transformation.

On SAG policy front, clear policies, sound regulatory framework incentives structures, tax and other fiscal measures that support sustainability in agriculture, manufacturing and tourism sectors. Best practices, lessons learnt from the three pilot sectors would be documented and disseminated for

adaptation, replication and scaling. The overall objective of SAG is to achieve steady growth and sustainable development by engaging in the transition to an inclusive green economy based on sustainable consumption and production patterns.

Priority sectors in Kenya targeted by the SAG programmes are agriculture, manufacturing and tourism.

Agriculture: The proposed focal areas are implementation of sustainable production practices for food security, establishment of national and international markets for sustainable products (such as organic food) by adopting green procurement policies and capitalizing on sustainable trade opportunities to export environmentally preferable or sustainability certified products.

Manufacturing: The proposed focal areas are development and implementation of incentives for cleaner technologies and innovation, adoption of water conservation measures (water efficiency), promotion of energy efficiency and access to affordable sustainable energy sources, and improvement of the scientific and technological base relating to environmental management. Kenya should be enabled to participate more fully in greener international supply chains for these and other environmental goods and services.

Tourism: The proposed focal areas are development and implementation of incentives for cleaner technologies and innovation in transport, adoption of efficiency in natural resource management and conservation, and accommodation and leveraging micro, small and medium enterprises for greener tourism development.

The following matrixes (Table 8.2) details the three-sectoral implementation plans for the SWITCH Africa Green Kenya programme. The matrix was further fine-tuned and revised during the Kenya NTCC meeting in February 2018.

Table 8.2 Sector Implementation Plans for SWITCH Kenya

AGRICULTURE

SAG Component	Objectives	Actions	Output	Key Performance Indicators	Outcomes	Time Frame (Years)	Actors
Policy Support	Promotion of consumption and production of traditional foods and products	Awareness creation & campaigns	Consumption and production Programmes designed and promoted in four counties	No & types of publicity materials No. Of meetings & No. participants	Healthy population and increased incomes	2	SDA, SDL,SDF, SDE, KFS, SDL, Counties, Private sector, Civil society
		Capacity-building counties & farmers	4 counties and 300 farmers engaging in traditional food production	No. of meetings & No. Of participants		2	
		Development & promotion of recipes & menus	Four recipes on traditional food stuff certified	No. of recipes & No. of Participants & sessions		2	
	Develop Policy, regulatory and investment provisions, in post-harvest storage and infrastructure	Develop greening agriculture strategy	Adoption of green agriculture strategy aligned to the agriculture policy	Draft greening agriculture policy developed	Increased subsidized green inputs	3	SDA, SDL,SDF, SDE, KFS, SDL, Counties, Private sector, Civil society
	Review fiscal policy regimes in support of green initiatives in agricultural related industries	Attractive tax/tax regimes and rebates for green enterprises	Assess current tax/ tax regimes and rebate	Assessment reports	Increased investment in green initiatives in agriculture	3	SDA, SDL,SDF, SDE, KFS, SDL, Counties, Private sector, Civil society, KRA
			Propose favourable tax/ tax regimes and rebates for greening agriculture	Proposal reports		3	

Green Business Development	Enhance value addition in agricultural produce	Assessment of status of green economy in agriculture	Report of opportunities and constraints for green economy in agriculture	Assessment report	Improved welfare of farmers	2	SDA, SDL,SDF, SDE, KFS, SDL, Counties, Private sector, Civil society	
		Identify enterprises for value addition in greening agriculture	No of enterprises undertaking green initiatives	Report on enterprises		3		
	Invest in land, soil and water management	Soil and water conservation				Increased sustainable agricultural productivity	2	SDA, SDE, KFS, SDL, Counties
		Scale up Water harvesting	5% change in area underwater harvesting	Volume (m3) of water No. And type of structures			3	
		Promote agroforestry	5% change in area under agroforestry	No seedlings produced, planted and survival rates. Hectarage			3	
		Conservation agriculture	400 additional farmers adopt conservation agriculture	No of technologies, no of farmers and hectarage			2	
	Build capacity of MSMEs in agricultural sector to adopt SCPs	Undertake Capacity-building on SCP processes and practices Undertake SCP public advocacy Undertake SCP public advocacy	Improved capacity towards SCP Enhanced opportunities for diversification and value addition Improvement in resource use efficiency	No. of MSME's implementing SCP practices No. of MSMEs diversifying production and practicing value addition Changes in Revenue	Behaviour change towards SCP Reduced pollution Improved productivity, market and profitability Creation of green jobs Rapid growth in MSMEs	2-5	KNCP, CEEC, MoALF, MoIED, KIRDI, NEMA and private sector	

Networking Facility	Establish an exchange /networking forum for grantees, partners and MSMEs in agriculture	Set up modalities on forum for grantees, partners and MSMEs in agriculture	Forum for information exchange for grantees, partners and MSMEs in agriculture	No. of participants in the forum	Ease flow of information and knowledge among participants of green agriculture	3-5	Ministry of Agriculture, Livestock and Fisheries, UNEP, Private sector and development partners.
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MANUFACTURING

SAG Component	Objectives	Actions	Output	Key Performance Indicators	Outcomes	Time Frame (Years)	Actors
Policy Support	Harmonize sectoral policies to support the green growth agenda in manufacturing sector	Engage policymakers, implementers, private sector and CSOs on identified policies hindering progress towards SCP practices and green growth	<p>Harmonized policies to support SCP and green growth</p> <p>Increased uptake of SCP practices</p> <p>Increased compliance</p> <p>Increased production and profitability</p> <p>Better resource and environmental performance</p>	<p>No. of policies reviewed and harmonized to support SCP and green growth</p> <p>No. of frameworks developed and implemented</p> <p>No. of MSMEs embracing SCP practices</p> <p>Resource efficiency and reduced environmental risks</p>	<p>Progressive policy environment to elicit MSME's integration of SCP practices</p> <p>High environmental compliance</p> <p>Greater support towards SCP and green growth</p>	2-3	Ministries of Environment, Industrialization, Energy, Water, private sector, civil society and development partners

Green Business Development	Promote production and consumption of green domestic products among industries and businesses	Facilitate MSME's access to efficient modern technologies and equipment	Increased competitiveness of domestic products and services Improved resource efficiency (3Rs) Improved work environment	No. of MSMEs supported to access modern technologies and equipment Market share domestic green products and services Environmental outlook	Improved market of domestic green products and services Reduced waste, emission and pollution Increased green employment opportunities. Rapid growth in manufacturing sector	2-5	Ministry of Finance, Industrialization, Trade, County Governments and private sector
		Provide green investment subsidies	Promote MSMEs green investment	No. of subsidized green products and services Percentage growth in green jobs generated	Rapid growth in green investment Improved market share and profitability Growth in green jobs generated	3-5	Ministry of Finance, Industrialization, Trade, County Governments
		Undertake Capacity-building on SCP processes and practices	Improved capacity towards SCP practices Enhanced opportunities for diversification and value addition Improvement in resource use efficiency	No. of MSME's implementing SCP practices No. of MSMEs diversifying production and practicing value addition Changes in Revenue	Behaviour change towards SCP Reduced pollution Improved productivity, market and profitability Creation of green jobs Rapid growth in MSMEs	2-5	KNCP, CEEC, MoIED, KIRDI, NEMA and private sector

		Undertake SCP public advocacy	Enhanced participation in resource conservation Increased demand of green products and services	Level of awareness of SCP No. of people and MSMEs switching to SCPs Market share and turnover of green domestic products	Improved production and demand of green products and services Improved economic outlook. Raised platform for transiting to a circular economy	2-5	UNEP, Ministries of Information, Environment, Industrialization, NEMA, KIPPRA
		Enhance green public procurement	Increased market share for domestic green products and services Raised consumer confidence in domestic green products and services	Percentage of green products and services procured by national and county governments	Rapid growth in green investment Improved market share and profitability Hasten transition towards green growth.	3-5	Ministry of Finance, Industrialization, Trade, County Governments and KIPPRA
		Mainstream research in MSME's development	Development of eco-innovations, Resource efficient tools, practices and markets Share knowledge and best practice	No. of eco-innovation and resource efficient tools and practices developed, recognized and adopted No. of new markets for domestic green products	Increased development and uptake of eco-innovations and resource efficient tools and practices Development demand driven products Reduced costs and environmental burden	2-5	UNEP, KIRDI, KNPCPC, NEMA, Ministry of Industrialization, Trade, private sector and KIPPRA

		Support SCP recognition and awards scheme	Enhance uptake of SCP practices Stir developments in domestic eco- innovations	No. of MSMEs practicing SCP Rise in adoption of market-oriented eco-innovative tools	Increased incorporation of SCP practices Reduced costs and environmental burden		UNEP, KIRDI, KNCP, NEMA, Ministry of Industrialization, Trade, Environment, KIPPRA and private sector
	Support Eco-innovation initiatives	Promote tax reduction on revenue generated from eco- innovation initiatives Integrate RECP and industrial symbiosis in MSME development Invest in R&D	Rise in development and adoption of market-oriented eco-innovative and resource efficient tools Enhanced opportunities for diversification and value addition Increased profitability	Volume of eco-innovation and resource-efficient equipment developed and or imported No. of MSMEs integrating eco-innovation and resource-efficient practices	Enhanced eco-entrepreneurship Improved MSMEs competitiveness Better environmental and resource performance.	2-4	Ministries of Environment, Industrialization, Energy, Water, NEMA, KNCP, KIRDI and development partners
Networking Facility	Establish an exchange /networking forum for grantees, partners and MSMEs in manufacturing sector	Establish an SCP networking platform	Better coordination, penetration and adoption of SCP practices Better opportunities for a Green Business Network	Creation of an MSME's SCP & GBN platform No. of MSMEs embracing SCP practices Volume of trade via the Green Business Network	Growth of SCP practices among MSMEs Enhanced advocacy platform. Enhanced market Reduced costs	2	Ministries of Industrialization, trade, Finance, UNEP, Private sector and development partners.

		Facilitate enhance SCP exchange Programmes	Increased integration of SCP practices Leveraging SCP skill and experiences	No. of SCP exchange activities held No. of MSMEs embracing SCP practices	Rapid expansion of SCP amongst MSMEs	1-5	
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TOURISM

SAG Component	Objectives	Actions	Output	Key Performance Indicators	Outcomes	Time Frame (Years)	Actors
Policy Support	Developing of policy instruments and standards on sustainable tourism	Implementation of the Tourism Regulation Authority 2014 regulations Formulation of tourism code of ethics, Training of private firms to engaged on tourism on green tourism practices Formulation and implementation of relevant fiscal policies	Standards and regulations on sustainable tourism developed Green businesses promotion guidelines. Training workshops for private enterprises in sustainable tourism Increased activity of private sector actors Sustainability in tourism	Percentage increase in number of tourist arrivals No. of establishments conforming to code of ethics Percentage of firms trained in sustainable tourism Percentage increase in quality of service to be provided by the private enterprises No. of fiscal policies implemented (VAT and other tax incentives)	High quality products and services provided by the private enterprises Increased green tourism enterprises in the Kenyan tourism sector Increased earnings from green tourism businesses Ease of registration for green tourism business	2-5	Ministry responsible for tourism, TRA, KTF, KATO, KAHC, ministry responsible for environment, National Assembly, KEPISA
	Baseline / Policy Tracking Studies on sustainable community based tourism	Baseline and End-term survey	Baseline and end-term survey report	Survey report; Stakeholder workshop	Grantees, Partners & MSMEs updated on sectoral policy changes	1	KIPPRA and MEF

Green Business Development	Awareness creation on sustainable tourism	<p>Training of trainers</p> <p>Stakeholder workshops</p> <p>Benchmarking with sustainable destinations</p>	<p>trainings workshops</p> <p>Benchmarking studies/ reports</p>	<p>Resource efficiency; increased capacity</p> <p>Volume of additional investments in green Infrastructure</p> <p>Increased number of visitors</p>	Improved sustainability performance, including attracting additional investment and customers.	2-5	<p>Ministry responsible for tourism,</p> <p>Ministry responsible for Environment; Eco-tourism Kenya, KTF, KATO, KAHC, ounty governments</p>
	Increasing access to financing for investing in sustainable tourism.	<p>Increased budget allocation to the Kenya Tourism Development Authority (KTDA) for sustainable tourism programmes</p> <p>Designing of sustainable tourism enterprises/ programmes for support from Development partners</p> <p>Capacity-building on application of loans and grants from financial institutions</p> <p>Development of a tourism satellite account</p>	<p>Availability of funds for enhancement of tourism in Kenya</p> <p>Increased investment in tourism</p> <p>Increased capacity in all institutions in the sustainable tourism sector</p> <p>Increase in sustainable tourism programmes</p> <p>Increased engagement with development partners</p> <p>A tourist development account</p>	<p>Increased number of sustainable tourism enterprises</p> <p>Improved infrastructure (roads, renewable energy, sewerage)</p> <p>Percentage of returns from the investments</p> <p>Increased revenue from tourism, captured by the tourism satellite account</p>	Increased number of sustainable tourism enterprises	2-5	<p>Ministry responsible for finance,</p> <p>Ministry responsible for tourism,</p> <p>Ministry responsible for transport and infrastructure, Ministry responsible for Environment, NEMA, International Development partners, KTF, KATO, KAHC, ounty governments, KTDA</p>

	Enhancing destination planning and development strategies for Greening of tourism.	Establish stakeholder coordination mechanisms Development of zoning requirements and conservation management plans	Land use planning and zoning of tourist attraction sites in different destinations	Number of mapped out conservation areas Number of subject plans of tourist sites Number of conservation plans of tourist attractions	Conservation management plans	2-5	Ministry responsible for tourism, Ministry responsible for Environment, KWS, NEMA, County governments, KTF, KATO, KAHC
	Promotion of eco-labelling by the adoption and implementation of the eco-rating Scheme	Adoption of eco-rating criteria by the ministry responsible for tourism	Increase in eco-rated facilities	Increased number of eco-rated facilities and operators Improved quality of tourism products and services.	High quality and sustainable tourism facilities	3-5	Ministry responsible for tourism, Environment, Eco-tourism Kenya, KTF, KATO, KAHC, TRA
	Capacity-building of MSMEs in tourism sector to adopt SCPS	Undertake Capacity-building on SCP processes and practices. Undertake SCP public advocacy Undertake SCP public advocacy	Improved capacity towards SCP Enhanced opportunities for diversification and value addition Improvement in resource use efficiency	No. of MSME's implementing SCP practices No. of MSMEs diversifying production and practicing value addition Changes in Revenue	Behaviour change towards SCP Reduced pollution Improved productivity, market and profitability Creation of green jobs Rapid growth in MSMEs	2-5	KNCP; NEMA; Ministry responsible for tourism, Environment, Eco-tourism Kenya, KTF, KATO, KAHC, TRA
Networking Facility	Enhancing collaboration of international development partners with local agencies on best practises in sustainable tourism	Identification of tourism sustainable programmes	Increased collaboration and cooperation between local tourist enterprises with international development partners	Number of sustainable tourism programmes supported by development partners, Expansion of tourist destinations	Increased revenue from sustainable tourism programmes. Increased number of international tourist arrivals	2-3	International, development, partners, Ministry of tourism, KTF, KATO, KAHC, Eco-tourism Kenya

	Enhancing existing corporate organizations with SMEs on CBTs	Strengthening of linkages between existing corporate players for increased symbiotic relationships in the tourism sector	Increased linkages between SMEs and existing corporate organizations	Increased incomes for SMEs Increased engagements between the corporate organizations with the grassroots Improved tourist support infrastructure	Increased revenue from sustainable tourism programmes. Improved quality of service for tourists Expanded infrastructure for tourism development	3-5	International, development, partners, Ministry of tourism, KTF, KATO, KAHC, Eco-tourism Kenya
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