ECONEWS AFRICA

REGIONAL ECONOMIC INTERGRATION FOR THE CENTRAL KENYA ECONOMIC BLOC

A POLICY BRIEF ON TRADING OPPORTUNITIES

POLICY BRIEF

1. INTRODUCTION

The Kenya Vision 2030 seeks to transform the Kenyan economy into "a newly- industrialising, middle income country providing a high quality of life to all its citizens in a clean and secure environment globally." Kenya Vision 2030 seeks to achieve these goals through three key pillars: Economic; Social; and Political Governance. The economic pillar aims to achieve an annual economic growth rate of 10%, this is expected to be sustained until 2030. The social pillar seeks to create just cohesive and equitable social development in a clean and secure environment, while the political pillar aims to realise an issue-based, people-centred, result-oriented and accountable democratic system[1]. The establishment of the various regional economic blocs within Kenya serves to ensure that counties play a key role in ensuring the social, economic or political and governance goals of the Kenya Vision 2030 are achieved.

Regional economic blocs are implicitly encouraged in the constitution of Kenya (COK 2012) under article 189(2), where intergovernmental relations is established for effective service delivery. One advantage of regional cooperation is the economies of scale associated with collective investments and implementation of joint projects with large capital outlays that can be easily overcome by combined efforts. Several economic blocs have been established: North Rift Economic Bloc (NOREB), Mt. Kenya and Aberdare, Lake Region Economic Bloc (LREB), Jumuiya ya Kaunti za Pwani (JKP), Southeastern Kenya Economic Bloc (SEKEB) and Frontier Counties Development Council (FCDC). Mt. Kenya and Aberdare has since changed its name to Central Region Economic Bloc (CEREB). A challenge experienced by most counties is that they lack sufficient funds to implement viable projects on their own in a manner that can attract long term investments. Regional economic integration is important for leveraging counties with close geographic proximity for collective investments in order to accelerate economic growth potential.

This brief presents the findings of a study that sought to establish the legal and operational framework for CEREB, their agricultural sector priorities and policy direction and implications for engaging in multilateral/regional trading systems particularly the Agreement of the African Continental Free Trade Area.

[1]GOK. (2007). Kenya Vision 2030 - A Globally Competitive and Prosperous Kenya (Issue October).

2. LEGAL AND OPERATIONAL FRAMEWORK FOR REGIONAL ECONOMIC BLOCS

There are several laws that govern establishment of regional blocs as presented below:

Table 1: Summary of Laws Promoting Regional Cooperation

Law	Details
The Constitution of Kenya 2010	The Constitution of Kenya (COK) 2010 under the fourth schedule outlines the responsibilities of both national and county governments, furthermore, Article 189 (2) stipulates that "Government at each level, and different governments at the county level, to co-operate in the performance of functions and exercise of powers and, for that purpose, may set up joint committees and joint authorities" (The Constitution of Kenya, 2010).
The County Government Act 2012	This Act further outlines the functions of the county governments which include agriculture, health, control of various forms of pollution, cultural activities, County transport, animal control, trade development and regulations, county planning, education (pre-primary, village polytechnics, home crafts and childcare facilities) among other activities detailed in the fourth schedule (The Constitution of Kenya, 2010).

The Intergovernmental Relations Act 2012	The Act establishes the framework for consultation and cooperation between the national and county governments and amongst county governments (The County Governments Act, 2012). Section 20(1) provide for consultations among county governments the Council of Governors (COG), where they can share experiences for learning purposes, considering matters of common interests, dispute resolution, monitoring the implementation of intercounty agreements on inter-county projects among other functions.
Public Finance Management Act 2012	The public finance management act (PFM Act (2012)) provides for the effective management of public finances for County Governments and the role of oversight bodies and various government entities in ensuring efficiency.
The County Resource Development bill 2020[2]	The County Resource Development Bill by Senate is an important expression of the national legal framework to provide for county cooperation under the regional economic blocs, natural resource development by counties and other related issues.

[2]The Bill went through first reading in the Senate on April 14, 2020 and was committed to relevant committee.

2.1 CENTRAL REGION ECONOMIC BLOC (CEREB) OPERATIONAL FRAMEWORK

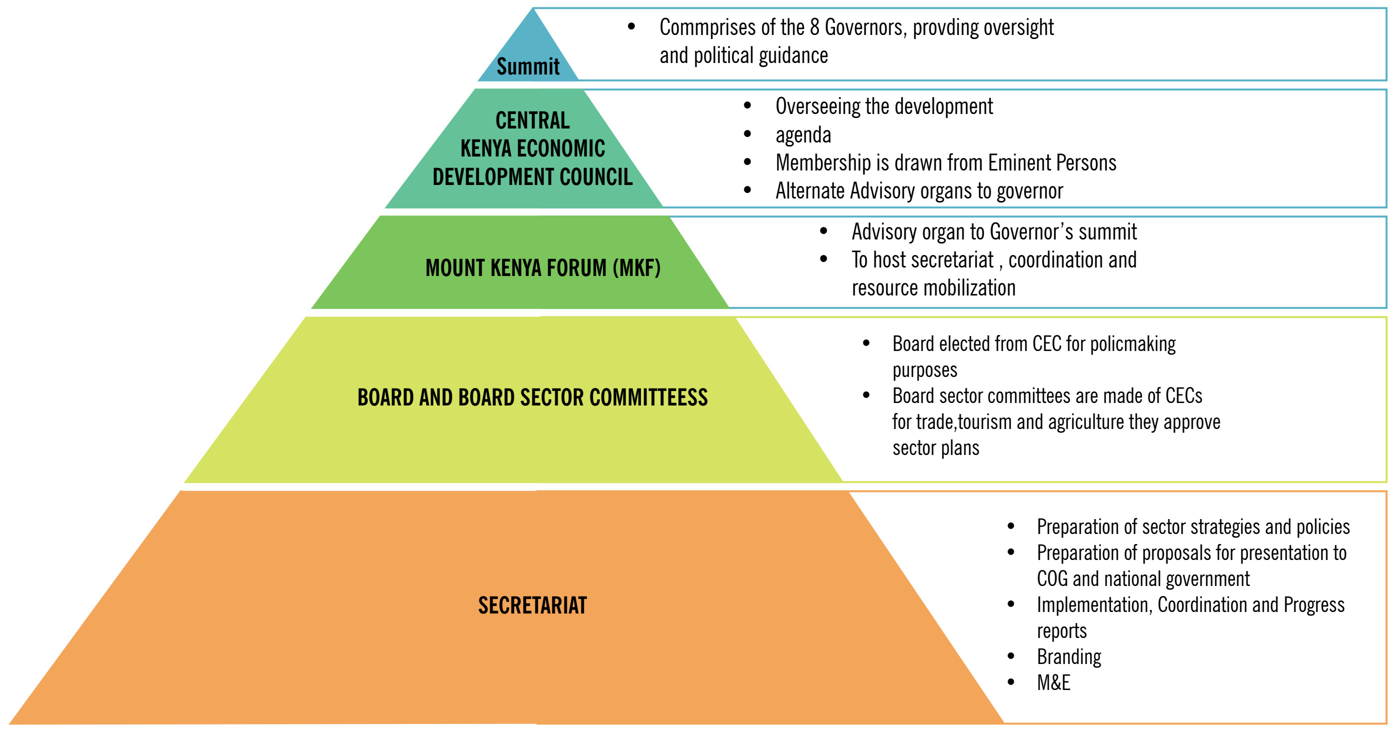
CEREB was previously known as the Mt Kenya and Aberdare Economic Bloc. It came into existence after a memorandum of understanding (MOU) was signed on February 29th, 2016. The objective of the MOU was to harmonise laws and regulations to facilitate trade and investments; leverage competitive and comparative advantages and exploit economies of scale, leading to the creation of employment and incomes, and tapping into technological development to expand economic frontiers. The CEREB is still at its formative stages given that the secretariat was created in 2020. The objectives according to the CEREB economic blueprint and strategies to be adopted are presented in table 2.

Table 2: Strategic Objectives for CEREB

Strategic Objective	Strategies
To enhance production and productivity in the agricultural sector	i) Improve the delivery of research, training, extension and advisory services ii) Enhance productivity through improved access to quality inputs and financial services iii) Improve value addition iv) Enhance irrigation infrastructure and schemes v) Promote and enhance market access and information vi) Promote strategic grain Reserves
To promote regional industrial and manufacturing investments	i) Strengthen capacity and local content of domestically manufactured goods especially in SMEs ii) Enhance research and development and its application iii) Establish Industrial parks to foster industrial development
To develop the infrastructure network to facilitate socio- economic development	i) Establish dual carriageways within the bloc ii) Rehabilitate and extend the existing railway line within the bloc iii) Improve and maintain the existing roads iv) Provision of electricity v) Development of Health infrastructure vi) Offer affordable housing
To promote sustainable use of natural resources	i) Promote renewable energy ii) Enhance conservation of water catchment areas iii) Promote agro forestry, conservation agriculture and sustainable use of timber iv) Promote mining v) Promote tourism
To promote development of Human Capital and mainstream cross- cutting issues	i) Enhance basic and technical education ii) Promote cohesion iii) Promote adaptability to climate change iv) Promote gender parity

Source: CEREB Economic Blueprint 2019

Figure 1: CEREB Operational Framework



Source: (Council of Governors, 2020)

2.2 KEY STAKEHOLDERS RELEVEANT TO REGIONAL ECONOMIC BLOCS

This section identifies state actors and non-state actors and their role in working with the country regional blocs.

Table 3: State Actors

STATE ACTORS	
The trade and industry investment committee under the Council of Governors	• The Trade and Industry and Investment Committee under the Council of Governors was constituted to consider all matters relating to trade development and regulations; and investment and divestiture policies[3]. • This committee is important for the county regional blocs as it provides them with a platform where they can articulate their issues on trade matters affecting them to be presented to the national government for policy action.

[3]https://cog.go.ke/41-technical-committees/322-trade-industry-investment-committee

National Trade Negotiations Council (NTNC)	• The Council of Governors (COG) is a member of the National Trade Negotiations Council (NTNC), which is a multi-agency council to coordinate bilateral, regional, inter-regional and multilateral trade for Kenya[4]. • One of the functions of this committee is to analyse all concluded trade agreements and advise the government on their implications to the Kenyan economy and how to take advantage of them to increase the country's external trade.
Agriculture and Food Authority (AFA)	• AFA resulted from merging of the various regulatory institutions namely: Coffee Board of Kenya, Kenya Sugar Board, Tea Board of Kenya, Coconut Development Authority, Cotton Development Authority, Sisal Board of Kenya, Pyrethrum Board of Kenya, Horticultural Crops Development Authority. The AFA seeks to increase agricultural growth and productivity, value chains and market integration, through effective regulatory and institutional framework.
The African Continental Free Trade Area (AfCFTA) National Implementation Committee.	• This committee seeks to implement the national AfCFTA strategy and to also coordinate the implementation of the AfCFTA agreement and all its protocols.
NON-STATE ACTORS	
Kenya National Farmers Federation (KENAFF)	• Member organization of all farmer associations in Kenya, it represents the farmers voice and interests at all levels of governance and articulates issues affecting farmers.
Development Partners	• They support county cooperation and integration activities: UKAID, GIZ, Route to Food Alliance and the National Sustainable Agriculture Coalition (NSAC)
Sector Associations	• Kenya Private Sector Alliance (KEPSA) - advocacy, capacity building and research activities for its members. • Kenya Association of Manufacturers (KAM) advocates and lobbies for manufacturers to ensure enabling operation environment.
Non- Governmental Organizations (NGOs)	• They have different mandates and deal with various aspects of agricultural production capacities and trade: Econews Africa, Action Aid, Oxfam International and Fair Trade.

[4](The Kenya Gazette Notice, 2017)

2.3 OPPORTUNITIES AND GAPS

Opportunities

a) Collaboration for Common Interests

The county regional economic blocs bring together Counties sharing close geographical proximity and common natural resources, and this is important and necessary leverage for achieving economic growth. The adoption of joint investments and projects which enhance regional comparative advantage and economies of scale will result in accelerated economic growth by these blocs. The creation of a harmonious integrated policy and enabling environment for trade and investments as well as social sector development will not only accelerate development but also increase the level of inclusion and cohesion. The mutual agreement in sharing of cross boundary economic resources and infrastructure will enhance economies of scale resulting in more efficient production systems.

b) Strengthened and Accelerated Bargaining Power

The idea of county governments forming cooperation among themselves is a pathway to strong political and economic integration, which is an important precursor to significant economic growth and development in the regions. Individual counties have marginal influence over the economic decisions (bilateral or multilateral) made at the national level. Coming together into blocs therefore creates a strong economic and political force that they must use and leverage on to beneficially influence the national level bilateral and multilateral arrangements that affect economic sectors and functions such as agriculture that are fully devolved.

c) Presence of Stakeholders ready to build the capacity of the blocs as they establish

There are several stakeholders at various levels including trade policy, governance and even agricultural production and trade who have the interest and can be engaged to provide technical support, capacity building and awareness creation for CEREB. It is important that the bloc takes advantage and collaborate with these stakeholders for many reasons including capacity building to strengthen their ability to establish linkage with national level trade initiatives and appropriately take advantage benefits and opportunities available for blocs. Collaboration with these stakeholders will also enable the blocs to understand the impact of trade policy and negotiations carried out at the national level and create possible entry points for the blocs.

GAPS

a) Operational Frameworks not fully Developed

CEREB has a cooperation agreement and being strong on agriculture, it is important to note that the development of agricultural value chains and industrial base can only be sustained through a sound legal and policy and institutional framework. This is one of the main avenues for sustainable partnerships and to take up opportunities arising from regional integration happening at the national level. The lack of adequate framework is likely to hamper investment projects and opportunities that require intercounty implementation.

b) Lack of Public Consultations and Participation in the ongoings of the Blocs

Successful establishment of institutions in any economic bloc requires and extensive consultations through public participation in order to have community buy-in so that cross-boundary resources are shared. This is a concern, as it is not clear in the structures of CEREB how public participation is engrained therein. For example, without effective public engagement, the establishment of industries in one county to serve the whole bloc may be misconstrued by the public who might see that as an individual county's benefit and not the economic bloc.

c) Mechanism for financing the blocs

the weaknesses in the legal framework used to establish the economic blocs is also likely to be a big hindrance when it comes to financing of these entities. Most economic blocs seek to register their respective institutions as private companies limited by guarantee. However, financing such entities using public funds is against the public finance laws. In fact, for financing and accountability purposes, incurring expenditures outside the supportive financial legal framework is likely to raise audit queries.

3. AGRICULTURAL SECTORS PRIORITIES AND DEVELOPMENT INTERVENTIONS

Each the economic blocs have key priority sub-sectors in agriculture, this section will review each of them and further establish their importance, challenges faced in developing these sectors and the opportunities they have and linkages to the on-going regional integration initiatives. Table 4 presents a summary of priority crops by broad categories that are produced in the CEREB region. The main challenge experienced in establishing these trends was data availability where the most common production trends were for the year 2014.

Table 4: Priority Crops for CEREB

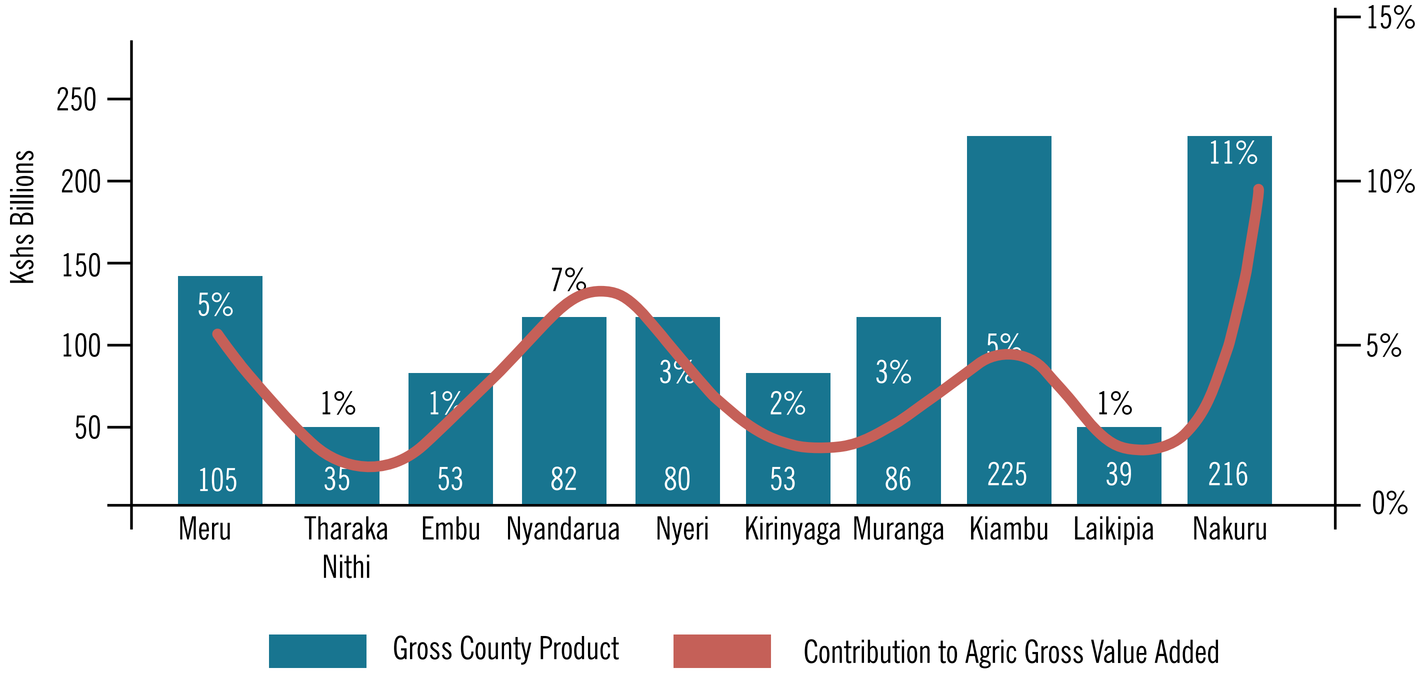
Central Region Economic Bloc (CEREB)	
Food Crops	Maize, beans, Irish potatoes
Commercial	Wheat, Coffee
Horticulture	Tomatoes, vegetables, potatoes

Source: County Statistical Abstracts 2015

3.1 SITUATIONAL ANALYSIS OF THE NOREB AGRICULTURAL SECTOR PRODUCTION TRENDS

The overall performance of counties in the CEREB region is presented in Figure 2, where the total gross county product for the region totaled KES 974.6 billion. Kiambu, Nakuru and Meru counties are the top three GCP producers. In terms of agricultural value added, Nakuru county leads at 11% followed by Nyandarua at 7%.

Figure 2: Gross County Product and Contribution to National Agricultural Value Added 2017 (CEREB)



Source: (KNBS, 2019)

This varied difference shows that Kiambu County produces other commodities other than agriculture that enables it to have a much higher GCP output. Both Tharaka Nithi and Laikipia countries have much lower GCP and contribute just 1% to the national agricultural value added.

3.1.1 Crop Farming

Maize

The top maize producer in CEREB region is Laikipia county (Table 5) that produced a total of 169,296 tonnes of maize in 2014, with the highest yield of 4.09 tonnes per hectare. In contrast, Meru County has the highest acreage for maize which stands at 100, 489nhectares by has a very low yield of 0.70 tonnes per hectare. Nakuru county equally has a high maize acreage of 86,504 hectares but with a low yield rate of 1.86 tonnes per hectare. This finding shows that there is potential for counties to increase their yield in maize production in this bloc both for local production and exports.

Table 5: Maize Production in CEREB 2014

County	Hectares	Tonnes	Yield (T/Ha)
Meru	110,489	77,680	0.70
Tharaka Nithi	38,500	100,600	2.61
Embu	40,630	27,777	0.68
Nyandarua	17,081	14,017	0.82
Nyeri	61,543	72,592	1.18
Kirinyaga	33,792	44,819	1.33
Murang'a	61,543	72,592	1.18
Kiambu	24,450	7,384	0.30
Laikipia	41,410	169,296	4.09
Nakuru	86,504	160,682	1.86
TOTAL	**515,942**	**747,439**	

Source: County Statistical Abstracts (2015)

Beans

Tharaka Nithi County is the top producer of beans since the production was 104,860 tonnes in 2014, with a high yield of 5.41 tonnes per hectare. Meru that ranks second in production has the highest yield of 5.75 tonnes per hectare, yet counties such as Nakuru, Murang'a and Nyeri with over 40,000 hectares under beans production have much lower yield. This brings to question the climatic conditions that favour beans production and the inputs used in beans production that result in higher yields. With the varied land under cultivation, production and yields, the policies under CEREB should encourage economies of scale production and development of federation of farmers associations that can be used to harness the production of beans to ensure sustained supply of this product in the country and outside the borders particularly, with Kenya's participation in the AfCFTA.

Table 6: Beans Production in CEREB 2014

County	Hectares	Tonnes	Yield (T/Ha)
Meru	14,009	80,531	5.75
Tharaka Nithi	19,390	104,860	5.41
Embu	23,275	13,802	0.59
Nyandarua	2,003	794	0.40
Nyeri	43,244	28,250	0.65
Kirinyaga	22,249	64,813	2.91
Murang'a	43,244	28,250	0.65
Kiambu	13,834	6,273	0.45
Laikipia	24,365	70,624	2.90
Nakuru	43,946	20,942	0.48
TOTAL	**249,559**	**419,140**	**20.19**

Source: County Statistical Abstracts (2015)

Irish Potatoes

Nyandarua and Nakuru counties are the highest producers of Irish potatoes, even though Embu County has much higher yields compared to the leading producers. With the increased production, the County Government of Nyandarua invested in the construction of a potato cold storage facility that would enable the farmers add value to their potatoes as well job creation opportunities that would help in dealing with the unemployment challenges[5]. To curb the exploitation of by middlemen on pricing of Irish potatoes, the enactment of the Irish Potatoes regulations of 2019 that limits the use of extended bags, it also provides for quality assurance and control as well as marketing and licensing of actors in the Irish potatoes value chain (The Crop (Irish Potato) Regulations, 2019). The regulations can now be used to harness marketing of the Irish potatoes in and outside Kenya in order to take advantage of the AfCFTA opportunities.

[5]https://kilimonews.co.ke/agriculture-investment/potato-cold-storage-processing-factory-construction-starts-in-nyandarua/

Table 7: Irish Potatoes Production in CEREB

County	Hectares	Tonnes	Yield (T/Ha)
Meru	14,916	8,882	0.60
Tharaka Nithi	170	530	3.12
Embu	341	5,201	15.25
Nyandarua	36,961	551,050	14.91
Nyeri	7,294	27,765	3.81
Kirinyaga	300	2,100	7.00
Murang'a	7,294	27,765	3.81
Kiambu	-	-	-
Laikipia	-	-	-
Nakuru	29,940	301,686	10.08
TOTAL	**97,216**	**924,980**	**9.51**

Source: County Statistical Abstracts (2015)

Commercial Production

In the CEREB region, wheat and coffee are produced as presented in Table 8 and Table 9 respectively. Nakuru and Laikipia counties produce most of the wheat in the region, with Laikipia producing six times more yields than Nakuru. Due to lack of data, it is not possible to exhaustively review coffee production at the county level, however, Embu County seems to produce more coffee (25,041 tonnes) in 2014. Coffee production is however on the decline due to decreased productivity at the farm level, and in most cases, particularly in Kiambu County, most farmers have converted their coffee farms to real estates. Another reason why coffee production is low is because Kenyans do not have a coffee drinking culture, therefore the available coffee is exported to European destinations. The coffee farmers equally face a lot of complex governance challenges within their cooperatives which hamper production and marketing.

Table 8: Wheat Production in CEREB

County	Hectares	Tonnes	Yield (T/Ha)
Meru	11,600	11,170	0.96
Laikipia	3,638	61,322	16.86
Nakuru	32,057	90,542	2.82
TOTAL	**53,681**	**169,728**	

Source: County Statistical Abstracts (2015)

Table 9: Coffee Production in CEREB

County	Hectares	Tonnes	Yield (T/Ha)
Meru	-	8,882.00	-
Embu	3,530	25,041	7.09

Source: County Statistical Abstracts (2015)

Horticulture

A summary of the fruits and vegetables produced in CEREB are presented in Table 9. The most common produced vegetables grown in the region are cabbages, kales and carrots, while the common fruits are tomatoes, bananas and mangoes, avocado and watermelons. These fruits are however not produced in large quantities. Similarly cabbages and kales are the most common vegetables produced, the rest are produced but in small quantities.

Table 10: Horticulture Production in CEREB

County	Fruits	Vegetables
Meru	Bananas	Cabbages, green grams
Tharaka Nithi	Mangoes, Bananas, Pawpaw, Melons	Cowpeas, Dolichos Green grams, coco yams, soyabeans and pigeon peas
Embu	Mangoes, Bananas, Passion Fruits	Tomatoes, Onions, Cabbages, Kales, Spinach, Brinjals, French Beans, Butter Nuts, Chilies, Okra, Baby Corn, Capsicum, Sweet potatoes
Nyandarua	Pears, Plums, Apples, Tree Tomatoes, Avocado	Cabbages, Carrots, Tomatoes, Garden peas, Snow peas, Bulb onions, Shallots, Kales, Spinach
Nyeri	Bananas, Pawpaw, Melons	
Kirinyaga	Bananas, Paw Paws, Melons	Tomatoes, Onions, Cabbages, Kales Spinach, Carrots, Brinjals, Sweet Pepper, French Beans, Butter Nuts, Okra, Baby Corn, Stevia, Spring onion/green shallots, Bulb onion, Coriander, Leeks, Long cayenne chilies, Celery, Garlic
Murang'a	Tomato, Bananas Cocoyam, Mangoes, Green Grams	Cowpeas, Cabbage, Kales Carrots
Kiambu	Pineapples, Passion Fruits, Watermelon Banana	Kales, Cabbage, Spinach, Tomato, Carrots. French beans, Snow peas, Eggplant, Capsicum, Cucumber, Courgettes, Cauliflower, Lettuce, Radish, Turnip, Beetroot, Broccoli, Amaranth, Spider plant, Coriander, Spices, Onions, Hot chilies
Laikipia	Pineapples, Avocado, Mangoes, Pawpaw Watermelons, Straw berries, Banana, Macadamia nuts, Oranges, Oranges, Lemons, Passion fruit	Dolichos, Grain amaranths, Pigeon peas, Cabbages, Tomatoes, Kales, Spinach, Onions(bulb), Courgettes, Snow peas, French peas, Asparagus, Garden peas, Shallots, Butter nuts, Capsicum, French beans, Carrots, Chilies
Nakuru	Avocado, Banana, Tree Tomato, Mango, Passion Fruits, Oranges, Plums, Pears, Watermelon, Pawpaw	Potato, Tomato, Kales, Cabbage, Spinach, Garden Peas, Carrots, Baby corn, French Beans, Nightshade, Butter Nut, Pumpkin Fruit, Stevia, Onion/Green, Bulb Onion, Coriander, Leeks, Chilies, Celery, Garlic

3.1.2 Livestock

The CEREB region equally produces livestock as presented in table 10.

Table 11: Number Livestock Slaughtered in CEREB in 2014

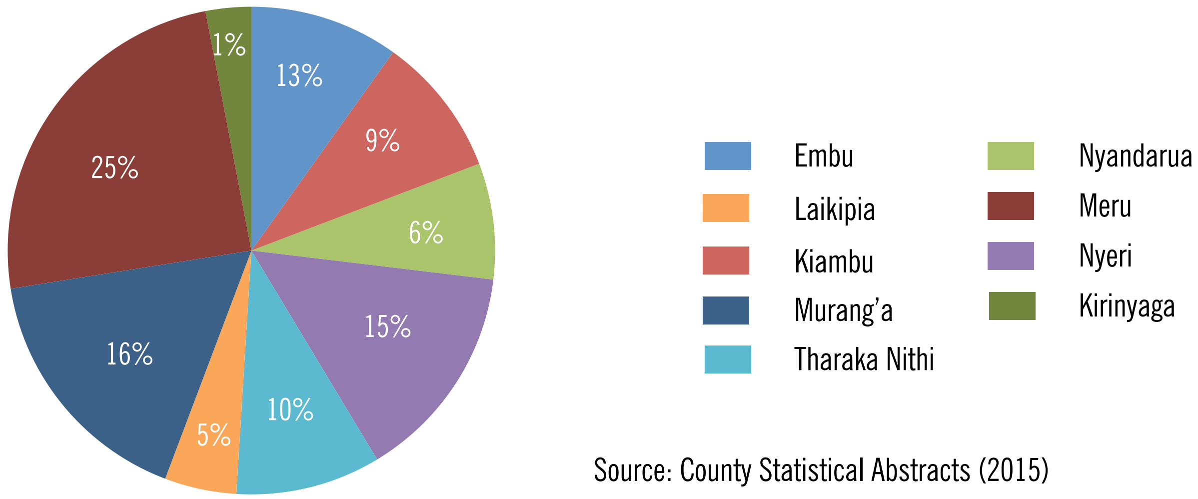
County	Cattle	Goats	Sheep	Pigs	Poultry	Camel
Meru	32,980	55,229	14,205	2,145	n.a	301
Tharaka Nithi	4,242	14,741	6,040	916	n.a	-
Embu	9,126	17,427	5,597	326	n.a	-
Nyandarua	3,458,390	131,020	379,303	16,303	187,409	-
Nyeri	16,028	11,046	40,694	5,094		-
Kirinyaga	14,253	7,405	2,789	4,058	53,661	-
Murang'a	32,587	4,774	2,585	24,241	4,401	-
Kiambu	n.a	n.a	n.a	n.a	n.a	n.a
Laikipia	7,287	10,313	16,123	1,455	1,000	365
Nakuru	27,651	30,829	56,835			
TOTAL	**3,602,544**	**282,784**	**524,171**	**54,538**	**246,471**	**666**

Source: County Statistical Abstracts (2015)

3.1.3 Fishing

The information on fishing is based on most recent data from the country statistics in 2014. The number of fishponds available are 16,027, with Meru, Embu and Nyeri counties have the more fishponds than the other countries (Figure 3).

Figure 3: Proportion of Fish Ponds in CEREB Counties (N= 16,027)



Source: County Statistical Abstracts (2015)

The counties of Murang'a, Nyandarua, Laikipia and Kirinyaga were able to value the fish landed in the same year. Nyandarua county had the highest value of fish which was KES 27.9 million followed by Murang'a county whose fish was valued at KES 15.1 million. Fish for Kirinyaga and Laikipia counties were valued at KES 6.6 million and 3.3 million respectively.

3.2 OPPORTUNITIES AND GAPS

Opportunities

a) CEREB bloc is Kenya's agriculture and food production basket

A review of the CEREB production trends shows that the priority sectors are those summarized below, and they demonstrate that key agricultural commodities and food produced in the region. Therefore, any policy towards agricultural development in the sectors should be towards the development of these crops and livestock and their respective value chain, in a manner that increases the yields of these commodities. Secondly, considering the importance of agriculture and food production, CEREB plays a role in ensuring right to food. As such the bloc's actions or inaction as individual counties or collectively as an economic bloc on agriculture becomes an important issue that require considerable attention given the significant influence and impact it has on food security, food safety and sustainable agricultural practices. CEREB has a strategic space for influencing food and agricultural policies including the protection and regulation of local agricultural production and trade for sustainable food security objectives.

Table 12

Central Kenya Economic Bloc (CEREB)	
Food Crops	Maize, beans, Irish potatoes
Livestock	Cattle, Sheep, Goats, Camels, Poultry
Commercial	Wheat, Coffee
Horticulture	Tomatoes, cabbages, kales, Melons, Bananas, Mangoes

b) Agriculture being a County Government function

According to fourth schedule of the Constitution, agriculture is a County Government function, while the national government has the functions of agricultural policy development, quality control and capacity building. Intergovernmental coordination and cooperation is imperative, as this will ensure that agricultural policies formulated by National Government are progressive, support or align with local contexts in a manner that promotes agricultural sector development.

Gaps

a) County Governments are not fully involved in the liberalization initiatives in the agricultural Sector.

Agricultural trade liberalization without effective participation of County Governments is a serious gap considering that such policy decision will have direct impact on county economies. It is important that Counties take part in any agriculture trade liberalization to among others ensure that county regulatory space is respected, the local farmers/producers are not undermined by trade policies or agreements concluded at national level, ensure that county are aware of agricultural intellectual property and biotechnology issues as well as demand land access that sometime occur because of liberalizing agriculture. The county blocs present effective mechanism for engagement.

b) Agricultural Value Chain Development Policies not fully developed

Given that CEREB is at its formative stage in terms of policy formulation including regional agricultural sector development, the development of comprehensive agricultural sector policies that promote value chain approach from production, storage, transportation, marketing and distribution, is still lacking, yet this is an opportunity to develop regional value chains within the bloc.

4. IMPLICATIONS OF AfCFTA ON AGRICULTURAL SECTOR DEVELOPMENT

The Abuja treaty signed in 1991 by 51 African states sought to establish the African Economic Community (AEC). The first step towards the establishment of an AEC would be to create a continental free trade area, followed by a customs union and ultimately an economic community. On 17 March 2019, during the Extraordinary Summit on the African Continental Free Trade Area held in Kigali, the Agreement establishing the AfCFTA was presented for signature, along with the Kigali Declaration. The AfCFTA is made up 8 regional economic blocks in Africa[6] . The operational phase of the AfCFTA was launched during the 12th Extraordinary Session of the Assembly of the Union on the AfCFTA in Niamey, Niger on 7 July, and on 1 July 2021, 54 countries had signed the agreement, while 37 had ratified it. The AfCFTA aims to increase intra Africa trade in goods to 50% by 2030, from the current estimate of 16-18%.

The Constitution of Kenya under article 2(5), recognizes the general principles of international law as part of the laws of Kenya. Article 2(6) further provides that treaties ratified by Kenya shall form part of the laws of Kenya. Kenya ratified the agreement establishing the AfCFTA and deposited its instruments on 10th May 2018. The general objectives of the AfCFTA are presented in Table 13 as articulated in Article 3 of the AfCFTA.

Table 13: General and Specific Objectives of the AFCFTA

Article 3 General Objectives
a. Create a single market for goods, services, facilitated by movement of persons in order to deepen the economic integration of the African continent and in accordance with the Pan African Vision of "An integrated, prosperous and peaceful Africa" enshrined in Agenda 2063
b. Create a liberalised market for goods and services through successive rounds of negotiations
c. Contribute to the movement of capital and natural persons and facilitate investments building on the initiatives and developments in the State Parties and RECs
d. Lay the foundation for the establishment of a Continental Customs Union at a later stage.
e. Promote and attain sustainable and inclusive socio-economic development, gender equality and structural transformation of the State Parties
f. Enhance the competitiveness of the economies of State Parties within the continent and the global market
g. Promote industrial development through diversification and regional value e chain development, agricultural development and food security
h. Resolve the challenges of multiple and overlapping memberships and expedite the regional and continental integration processes.

More specifically, Article 4 of the AfCFTA has specific objectives that seek to eliminate both tariff and non-tariff barriers among the State parties, this will ensure that traded goods can move freely within the African continent without any barriers to trade. The agreement equally seeks to progressively liberalize the services sector, the priority sectors being financial services, transport, telecommunications/ information technology, professional services. There will be cooperation among State Parties in the areas of investment, intellectual property rights and competition policy and all all trade-related areas. In order to ensure smooth trading, in cases where there are disputes, the agreement equally seeks to establish a disputes settlement mechanism on rights and obligations. The AfCFTA has set up a secretariat based in Ghana that supports the institutional framework for the implementation and administration of the AfCFTA in collaboration with the State Parties.

4.1 POTENTIAL BENEFITS OF THE AfCFTA

The (World Bank, 2020) has estimated effects of the AfCFTA and how African economies stand to benefit from these agreements. Using the Global Trade Analysis Project (GTAP) database of 2014 (baseline) to establish the economic and distributional effects of the AfCFTA, they make projections of the benefits by 2035. A summary of the key findings is highlighted in Table 14. There is need to further investigate the benefits for each of the State Parties trading under the AfCFTA since the level of development vary.

Table 14: Estimated Effects of Trading under the AfCFTA

EFFECTS	ESTIMATES
Macro-Economic	- Real income could increase by 7% which translates to approximately USD 450 billion.
Effects	- The volume of total exports would increase by almost 29 %, while intra-continental exports would increase by over 81 % while exports to non African countries would rise by 9%. - Regional output and productivity would increase leading to reallocation of resources across sectors and countries. Output would increase the most in natural resources and services (1.7 %) and manufacturing by 1.2 %. - In the medium to long run, tariff revenues would grow by 3% as imports rise and as tariff liberalization is accompanied by a reduction in NTBs and implementation of trade facilitation measures.

[6]Southern African Development Corporation (SADC), Common Market for Eastern Southern Africa (COMESA), the East African Community (EAC), Economic Community of West African States (ECOWAS), Intergovernmental Authority on Development (IGAD), Community of Sahel-Sahara States (CEN-SAD), Economic Community of Central African States (ECCAS) and the Arab Maghreb Union.

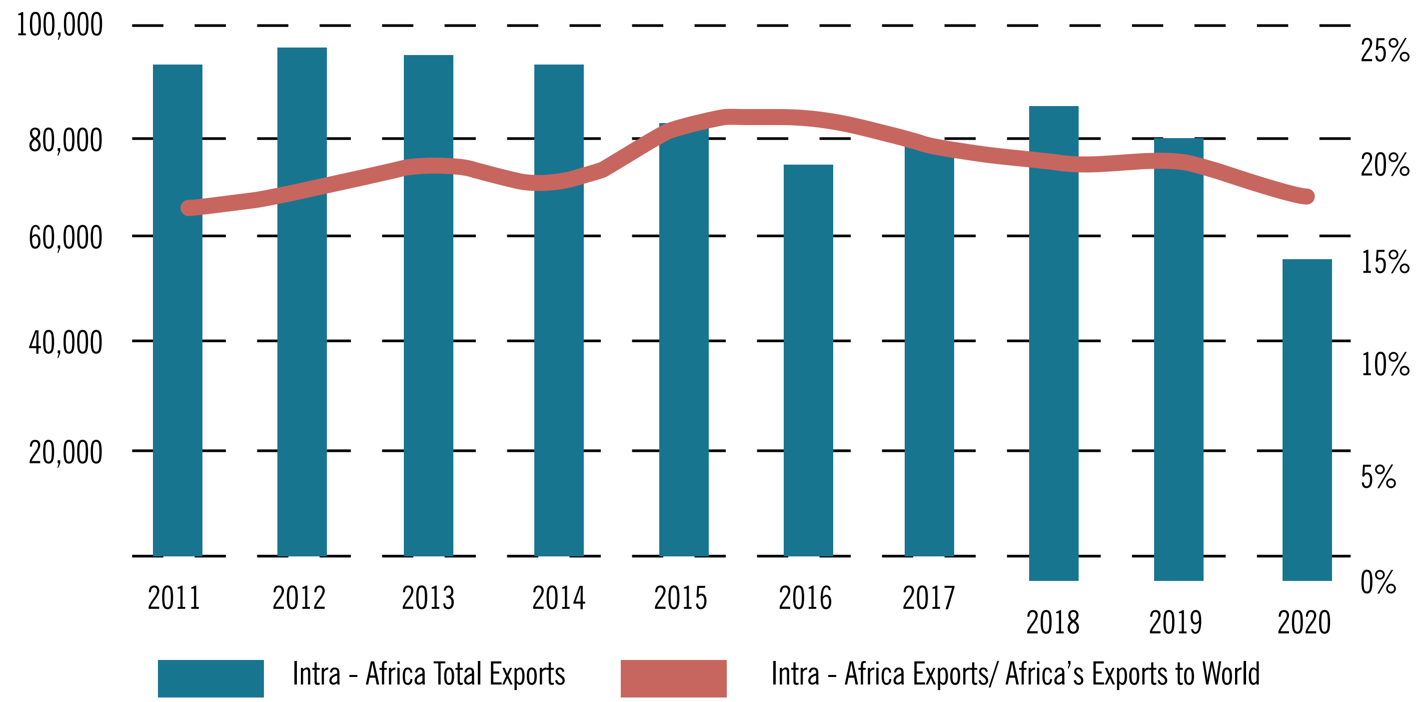
Employment Impacts	- There would be a net increase in the proportion of workers in energy-intensive manufacturing. - Agricultural employment would increase in 60 % of the African countries - Wages for unskilled labor would grow faster where there is an expansion in agricultural employment. - Wages for unskilled labor would be 10.3 percent higher than the baseline in 2014. - By 2035, wages for women would increase 10.5%, compared with 9.9 % for men.
Distributional Impacts	- A total of 30 million people is expected to be lifted from from extreme poverty (1.5% of the continent's population) and 68 million people from moderate poverty. - The headcount ratio of extreme poverty is projected to decline to 10.9 %

Source: World Bank 2020[7]

4.2 TRENDS IN INTRA AFRICAN AGRICULTURAL TRADE

Figure 4 presents the trends in intra-Africa agricultural exports and intra-Africa agricultural exports as a proportion of Africa's export to the world. Intra Africa trade in agricultural commodities was highest in 2012, but declined in 2020, this can be attributed to the Covid-19 pandemic that disrupted economic activities all over the world.

Figure 4: Trends in Intra Africa Agricultural Exports (Million USD)



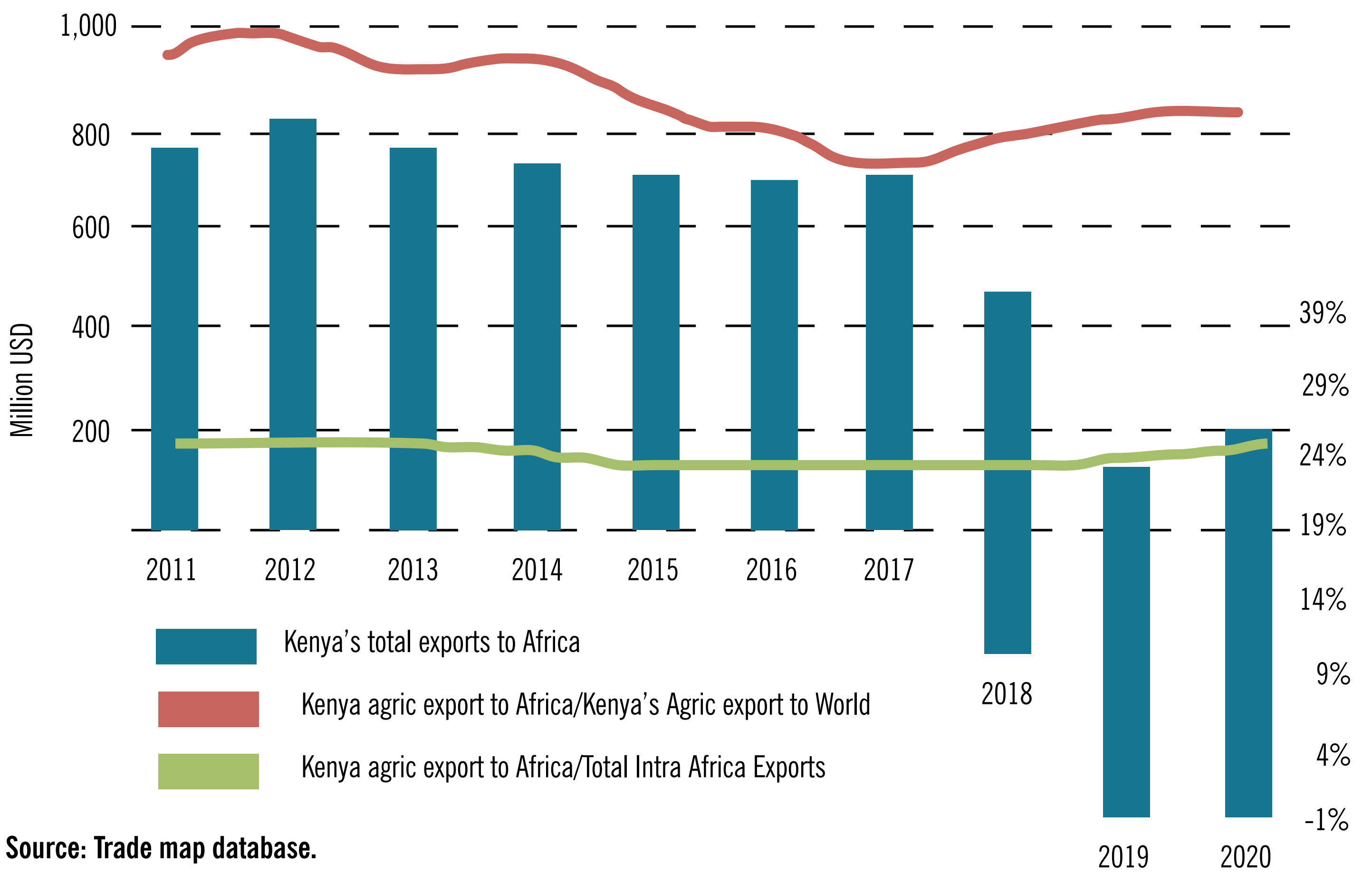
Source: Trade map database.

[7]World Bank. (2020). The African Continental Free Trade Area Economic and Distributional Effects. https://doi.org/10.1007/978-3-030-75366-5_6

The top three exported commodities in 2019 as presented in the trade map data base are: Essential oils and resinoids; perfumery, cosmetic or toilet preparations, Sugars and sugar confectionery and Animal or vegetable fats and oils and their cleavage products; prepared edible fats.

The commodities of Kenya's interest include cereals (ranked fourth), fish (ranked fifth), vegetables (seventh) and coffee and tea (eighth). These agricultural export products as a percentage total Africa's agricultural export in the world range from 16-21%. A review of the trade map database in 2020 shows that there are agricultural products which are actually exported within Africa, these include: Essential oils and resinoids; perfumery, cosmetic or toilet preparations; Sugars and sugar confectionery; Cereals; Miscellaneous edible preparations; Beverages, spirits and vinegar; Coffee, tea, maté and spices; Preparations of cereals, flour, starch or milk; pastrycooks' products Products of the milling industry; malt; starches; inulin; wheat gluten; Dairy produce; birds' eggs; natural honey; edible products of animal origin. At least 50% of these products are export within Africa.

Figure 5: Trends in Kenya Agricultural Exports (Million USD)



Source: Trade map database.

Kenya's agricultural exports trends are presented in Figure 5, Kenya exported more agricultural commodities to Africa in 2020 even with the Covid-19 pandemic. The top agricultural goods exported to Africa are Coffee, tea, maté and spices; Animal or vegetable fats and oils; Miscellaneous edible preparations; Sugars and sugar confectionery Edible vegetables and certain roots and tubers; preparations of cereals, flour, starch or milk; pastrycooks' products and Cereals (see Annex Table 3). Kenya's agricultural exports to other African countries as a proportion of her agricultural exports to the world range between 24-32%. This is however much higher compared to Kenya's agricultural exports to Africa as a proportion of intra - Africa's export ranges from 4-6%.

Going by product line from the Trade map database in 2020, there are products that Kenya largely exports to African countries, these include: Animal or vegetable fats and oils and their cleavage products; Miscellaneous edible preparations; Preparations of cereals, flour, starch or milk; pastrycooks' products; Cereals; Beverages, spirits and vinegar; Essential oils and resinoids; perfumery, cosmetic or toilet preparations; Live animals; Preparations of meat, of fish or of crustaceans, molluscs or other aquatic invertebrates; Dairy produce; birds' eggs; natural honey; edible products of animal origin. This shows that while Kenya's overall exports to Africa are low, going by product line shows that there is increasing exports of certain products that can be exported to Africa under the AfCFTA.

4.3 OPPORTUNITIES AND GAPS FOR ECONOMIC BLOCS

Opportunities

a) Access to information

Access to information is a critical factor for successful trading especially for the opportunities arising from the AfCFTA. In order to export, information is required on various issues such as markets, prices, import procedures and formality, taxes and duty, tariffs, rules of origin, trade barriers and trade flow statistics. Several agencies play an important role in provision of information, these include export promotion agencies that play a vital role in export promotion with the expected outcome of increase export diversification and penetration. The ministry of trade and industry provide trade support that facilitate trade in the region, which included the AfCFTA.

b) National Strategy for AfCFTA implementation

Following the ratification of the AfCFTA, most countries are also in the process of developing national strategies for the AfCFTA. Kenya is currently developing one through the support of the UNECA (United Nations Economic Commission for Africa). This strategy seeks to ensure that Kenya's comparative advantage is adopted to take advantage of the opportunities arising from the AfCFTA market with a population of 1.3 billion people across Africa and a combined gross domestic product (GDP) of USD 3.4 trillion[8].

Gaps

a) Challenges of access to information by the blocs

The economic blocs are likely to face the challenge of lack of information on the opportunities arising from the AfCFTA given that they are still at the formative stages and the institutional framework for management of regional blocs is under development. Trading commenced on 1 January 2021, and this requires that exporting has commenced. However, the farmer federations are yet to be formed to take advantage of these opportunities, this can result in opportunities being lost.

b) Standards, Quality of Agricultural Inputs and Produce

In order to export under the AfCFTA, the exporters must meet the standard required for goods moving to the region, hence it is important that organization such as the Kenya Bureau of Standards (KEBS) and the Kenya Plant Health Inspectorate Services (KEPHIS) should be decentralized to the various economic blocs and they should provide services to the potential exporters so that they can export easily without facing the hurdles of poor standard of goods that end up being rejected resulting in losses. Currently, KEBS is setting up laboratories sanitary and phytosanitary (SPS) services in laboratories in the major import/export transit towns of Mombasa, Eldoret and Kisumu to facilitate faster testing of traders' goods.

c) Policy Framework not fully developed

There is need to fully develop the policy legal and institutional framework for the economic blocs so that there can be corporation amongst them for development and investment projects. This can facilitate sustainable partnerships that can enable economic blocs take up opportunities arising regional agreements such as the AfCFTA.

[8]https://www.un.org/africarenewal/magazine/january-2021/afcfta-africa-now-open-business

5 KEY FINDINGS AND RECOMMENDATIONS

This study set out to establish legal policy, institutional and operational framework of NOREB, their agricultural sector priorities and policy direction and implications for engaging in multilateral/regional trading systems particularly the Agreement of the African Continental Free Trade Area. The following are some of the key findings from the study:

5.1 Key Findings

a) The CEREB bloc is already established but not to full capacity to implement development projects

CEREB has an MoU as their constitutive documents and have established operational structures that integrate the committees within the county executive and legislative structures. It has operational structures that integrate the committees within the county executive and legislative structures.

b) Legal Framework for the County Regional Economic Integration (Blocs) is Weak and Inadequate

This study established that whereas the Kenya's Constitution and other national legislations such as the County Government Act 2012 and Intergovernmental Relations Act 2012 provide some legal justification for the establishment of county blocs, they are inadequate. The lack of comprehensive national framework establishing the county economic blocks is a key concern. As a result, the Senate initiated County Resource Development Bill 2020, a National legal framework for county cooperation under regional economic blocs that is still being developed and has currently undergone first reading in the Senate.

Besides the National framework, it is important that even the individual blocs develop strong, effective and progressive policy frameworks that can support both the idea and their respective agenda. The sound legal and policy framework will be required for strengthening their agricultural value chains and industrial base which is also one of the key pillars for sustainable partnerships and blocs ability to take up opportunities arising from trade and regional integration at the counties as well as national level.

c) Capacity Building and Technical Support Really a Need

This study showed the need for capacity building and institutional development support for the blocs. This is required to deal with capacity gaps that the blocs are currently facing. Immediate capacity building include a) training in relation to regional and international trade and investment matters especially how the county blocs can position themselves to benefit for such regional and international trade arrangements; b) training and support to help the blocs cascade into the national level trade policy taking into account their competitive and comparative advantages; c) support in the setting up of the secretariats and formulation of the bloc policies, laws and strategies and ensure the same are aligned with the national and international trade policy as well as national development strategies. Other capacity issues include research for learning and best practice for the blocs.

d) Lack of clear mechanism for public consultations and stakeholders' engagement on the ongoings of the blocs

Based on this study, it is not clear that there are mechanisms for public participation within the structures of the focused blocs. It must be noted that successful establishment of institutions in any economic bloc requires extensive consultations through public participation to have community buy-in so that cross-boundary resources are shared. As is, the structures of CEREB does not provide a clear framework for public participation. Without effective public engagement, the establishment of industries in one county to serve the whole bloc may be misconstrued by the public who as individual county's benefit and not the whole bloc.

e) Only a few Stakeholders focusing on County Regional Economic Integration (Blocs)

Whereas there are several non-state actors engaging the county governments at various levels of policy and implementation, only a few are keen on engaging with the regional economic blocs. More importantly, the blocs are in great need for stakeholders that can boost their capacity to constructively engage, adopt and align their policy and legal frameworks with the regional and international trade and investment policies and agreements since most of such commitments are implemented and reported at the county level.

On the other hand, this study established that there are a number of strategic stakeholders both state and non-state actors that present the blocs with important opportunity for collaboration. Some of these stakeholders include the Trade and Industry and Investment Committee, National Trade Negotiations Council (NTNC), Agriculture and Food Authority (AFA), The African Continental Free Trade Area (AfCFTA) National Implementation Committee and Kenya National Farmers Federation (KENAFF). Some of these stakeholders are involved in the agricultural production and trade arena and can be engaged to provide technical support, capacity building and awareness creation for CEREB.

f) Success of the county blocs requires effective Coordination between County and National governments

Trade and investment are a function of concurrent jurisdiction considering that regional and international commitments can only be concluded by National Government under National frameworks. However, these regional and international trade and investment agreements or commitments are implemented and reported on a county level. This requires effective cooperation and coordination between the blocs and national government. Whereas the county blocs will have to adopt and align their policy and legal frameworks with the trade and investment commitments at the national government level, the blocs must also be involved in the national government processes leading to the signing of regional and international agreements so that such commitments promote instead of undermining or usurping their policy space. Furthermore, cooperation between the blocs and national government is important as the trade and investment agreements concluded at national level can place heavy burden on counties that are beyond their delivery capacities.

g) Problem of Financing the Blocs

This is related to the question of weak legal framework. The weaknesses in the legal framework used to establish the economic blocs is also the hindrance when it comes to financing of these entities. This challenge has exhibited clearly on CEREB which seeks to register as a company limited by guarantee. However, financing such an entity using public funds is against the public finance laws. In fact, for financing and accountability purposes, incurring expenditures outside the supportive financial legal framework is likely to raise concerns.

h) NOREB is a stronghold for agriculture and food production

This study established that the competitive and comparative advantage for CEREB is agriculture and food production. Therefore, any policy towards agricultural development should be towards the development of these crops and livestock and their respective value chain, in a manner that increases the yields of these commodities. As a result, CEREB is important for the right to food given the significant influence they can have on food security, food safety and sustainable agricultural practices. As a result, CEREB has opportunities to export their products to the AfCFTA region. These products are exported in the African region, and they include: Animal or vegetable fats and oils and their cleavage products; Miscellaneous edible preparations; Preparations of cereals, flour, starch or milk; pastrycooks' products; Cereals; Beverages, spirits and vinegar; Essential oils and resinoids; perfumery, cosmetic or toilet preparations; Live animals; Preparations of meat, of fish or of crustaceans, molluscs or other aquatic invertebrates; Dairy produce; birds' eggs; natural honey; edible products of animal origin

i) Agricultural Liberalization Matters to the County Blocs

Agricultural trade liberalization without the participation of County Governments is a serious issue considering that such policy decisions will have direct impact on county economies. It is important that Counties take part in any agriculture trade liberalization to among others ensure that county regulatory space is respected, the local farmers/producers are not undermined by trade policies or agreements concluded at national level, ensure that counties are aware of agricultural intellectual property and biotechnology issues as well as the demand for land access that sometime occur as a result of liberalizing agriculture. The county blocs present effective mechanism for engagement to protect the sector from reckless liberalization that can be costly in the long term.

j) AfCFTA is an Opportunity for the Blocs to trade with rest of Africa

NOREB produces products that can be traded or exported under the AfCFTA region. Some of these products are among others animal or vegetable fats and oils and their cleavage products; miscellaneous edible preparations; preparations of cereals, flour, starch or milk; pastrycooks' products; Cereals; Beverages, spirits and vinegar; live animals among others. The first prerequisite is access to information which is a critical success factor to exporting under AfCFTA given that information is required on various issues such as markets, prices, import procedures and formality, taxes and duty, tariffs, rules of origin, trade barriers and trade flow statistics. Several agencies play an important role in provision of information, these include export promotion agencies that play a vital role in export promotion with the expected outcome of increase export diversification and penetration.

Secondly, in order to export under the AfCFTA, the exporters must meet the standard required for goods moving to the region, hence it is important that organization such as the Kenya Bureau of Standards (KEBS) and the Kenya Plant Health Inspectorate Services (KEPHIS) are decentralized to the various economic blocs and they should provide services to the potential exporters so that they can export easily without facing the hurdles of poor standard of goods that end up being rejected resulting in losses.

k) There is a National Strategy for AfCFTA implementation

Following the ratification of the AfCFTA, most countries embarked on the process of developing national strategies for the AfCFTA. Kenya is currently developing one through the support of the UNECA (United Nations Economic Commission for Africa). This strategy seeks to ensure that Kenya's comparative advantage is adopted to take advantage of the opportunities arising from the AfCFTA market with a population of 1.3 billion people across Africa and a combined gross domestic product (GDP) of USD 3.4 trillion[9].

[9]https://www.un.org/africarenewal/magazine/january-2021/afcfta-africa-now-open-business

5.2 Recommendations

The following are the key recommendations by objectives set out:

i. Assess the status of establishment and operationalization of the Central Region Economic Bloc (CEREB).

a. Provide technical support and assistance to the CEREB secretariat to fully operationalize the institutional structures.
b. Develop annual institutional progress report to establish progress, opportunities and bottlenecks.
c. Develop a stakeholder mapping, with level of influence and areas of influence that CEREB can work with to build synergies in order to meet the financial resource gaps.

ii. Interrogate the policy, legal and institutional frameworks and instruments on which blocs are to be founded identifying policy gaps, weaknesses and incoherencies.

a. Provide technical support to CEREB to fully develop the policies and laws that are coherent with the Constitution of Kenya 2010 and the PFM Act (2012). This will facilitate cooperation in the development of investment projects with high returns and also facilitate sustainable partnerships that can enable economic blocs take up opportunities arising regional agreements such as the AfCFTA.

iii. Assess the key economic sectors prioritized by the each of the two county regional blocs and narrow down to agricultural sector policy direction, interventions and strategies under the blocs.

a. Develop crop production, productivity and value addition strategies for crops identified.
b. Align the products to the African Market demand needs. CEREB region produces agricultural commodities that include maize, beans, sorghum, millet, fruits and vegetables. These products are exported in the African region, and they include: Animal or vegetable fats and oils and their cleavage products; Miscellaneous edible preparations. Preparations of cereals, flour, starch or milk; pastrycooks' products; Cereals; Beverages, spirits and vinegar; Essential oils and resinoids; perfumery, cosmetic or toilet preparations; Live animals; Preparations of meat, of fish or of crustaceans, molluscs or other aquatic invertebrates; Dairy produce; birds' eggs; natural honey; edible products of animal origin.
c. CEREB has opportunities to export their products to the region and therefore require more technical and capacity building support for export market access.

iv. Assess the implications of the Agreement on the African Continental Free Trade Area on the county regional economic blocs.

a. Raise the level of awareness on the AfCFTA to the Various state and non-state actors on the Agreement establishing the AfCFTA, providing an overview of the AfCFTA agreement, its protocols and annexes and the status of negotiations
b. Targeted capacity building on the AfCFTA for women, youth and people with disabilities who tend to be marginalized and require more attention in awareness creation and capacity building. and the opportunities arising for NOREB.
c. Technical support to the AfCFTA national implementation committee, the trade committee of the Council of Governors and the National Trade Negotiations Council on the AfCFTA agreement and opportunities arising.
d. Develop training modules on standards and sanitary and phytosanitary (SPS) in collaboration with Kenya Bureau of Standards (KEBS), the Kenya Plant Health Inspectorate Services (KEPHIS) and other certification bodies for agricultural and value-added goods tailored for standard required for the African Markets under the AfCFTA.
e. Develop a data /information portal on export information such as markets, prices, import procedures and formality, taxes and duty, tariffs, rules of origin, trade barriers and trade flow statistics. This can be done in collaboration with AfCFTA national implementation committee and the Ministry of Trade and

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