



EXPORT PROCESSING ZONES PROGRAM ANNUAL PERFORMANCE REPORT, 2020

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1.0 Executive Summary

The performance of the EPZ program in the year 2020 was characterized by mixed performance, mainly attributed to the adverse effects of Covid 19 pandemic.

Capital investment in form of equipment, machinery and other funds invested by the 138 operational enterprises increased by 7.0% to Kshs. 83,147 million in 2020 from Kshs.77,691 million recorded in the previous year. While the cumulative value of investment for enterprises and zones (developers/operators) stood at Kshs 116,974 million in 2020 from Kshs 107,877 million registered in year 2019.

Expenditure on local goods & services rose by 4.4% in the year 2020 to stand at Kshs 33,252 million compared to Kshs 31,858 million in 2019.

Total sales increased by 5.2% to stand at Kshs 81,207 million in 2020 from Kshs 77,189 million in 2019, while exports rose by 8.4% to stand at Kshs 74,360 million from Kshs 68,572 million in 2019. The sales were boosted by agro processed products like tea and meat which were demanded by the people during lockdown.

Direct local employment contracted by 6.8 % from 60,390 persons recorded in 2019 to 56,293 persons in 2020.

EPZ apparel exports under African Growth & Opportunity Act (AGOA), has averaged over 90% of national apparel exports over the years.

The impact of implementation of SME program that encouraged local businesses to venture into the export market which is the focus of the EPZ program among other measures has facilitated increase in the number of firms with local ownership which stood at 39.9% in 2020 from 35.1% in 2016.

1.1 Introduction

Following the outbreak of the Covid 19 Pandemic in March 2020, the Government instituted containment measures to curb its spread and save lives. To cushion Kenyans and businesses, the Government rolled out fiscal and monetary measures as follows:

- Reduction of Pay As You Earn (PAYE) and Corporation tax from 30% to 25%;
- VAT reduction from 16% to 14%;
- Turnover tax from 3% to 1%
- 100% tax relief to Kenyans earning below Kshs 24,000;
- Central Bank Rate from 8.25% to 7.0%;
- Cash Reserve Ration from 5.25% to 4.25%;

To spur economic activities, Government implemented Economic Stimulus Program targeting activities in infrastructure, education, health, business liquidity, agriculture & food security, tourism, manufacturing, environment, water and sanitation.

Kenyan economy experienced two other shocks in year 2020; one; invasion of desert locusts that damaged crops; and two; floods that caused loss of lives and livelihoods, displacement of people and destruction of infrastructure.

EPZ program is expected to play a critical role in the manufacturing sector contribution to Gross Domestic Product (GDP) of 15% by 2022 from 9% in 2017. At the end of the plan period, it is expected that 1,000,000 job opportunities will have been created as well as a fivefold increase in foreign direct investment. Hence therefore, EPZ program will be expected to be instrumental in achievement of the manufacturing sector objectives and targets, considering that key sectors driving the program are similar to those of the government.

At the institutional level, continued implementation of strategic plan 2019 – 2023 to guide in delivering its mandate.

This report provides insight to the national and international economic environment borrowing highlights from *Economic Survey 2021*, EPZ performance analysis under various indicators, impact of African Growth Opportunity Act (AGOA), constraints/challenges, set & actual targets for the year 2018 to 2020 including projection/outlook for 2021, and finally the conclusion.

1.2 National and International Scene

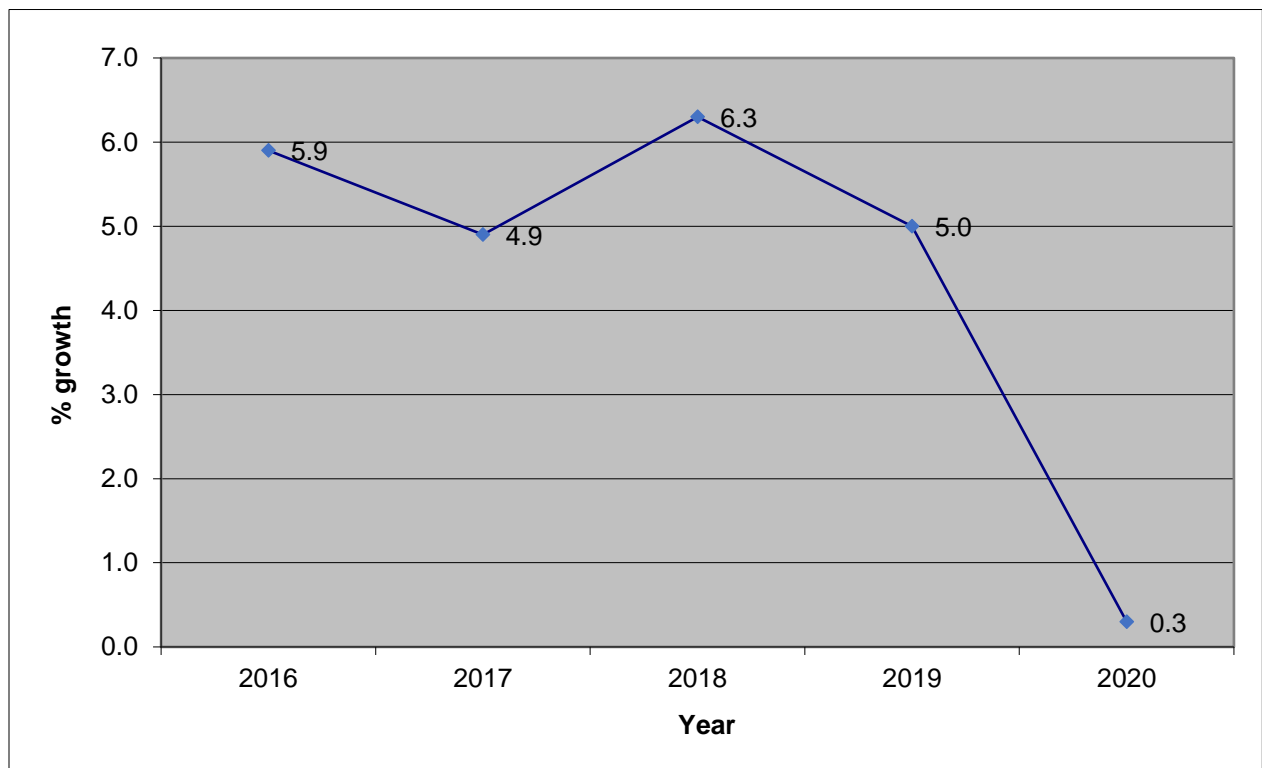
According to *Economic Survey 2021*, real Gross Domestic Product (GDP) is estimated to have contracted by 0.3% in 2020 compared to a growth of 5.0% 2019. The contraction was spread across all sectors of the economy but was more dismal in accommodation and food serving activities, education, professional and administrative service activities. Agriculture, Forestry and Fishing activities were however more vibrant in 2020 despite a contraction in global demand in 2020. The sector grew by 4.6% in 2020 compared to 2.3% growth in 2019. Manufacturing sector growth slowed down from 2.8% in 2019 to 0.2% in 2020. Despite most sectors recording contraction in growths, the economy was somewhat supported by accelerated growths in agricultural production (4.8%), construction activities (11.8%), financial and insurance activities (5.6%) and health services activities (6.7%).

In the review period, monetary policy was premised on the need to cushion the economy from the adverse effects of the Covid-19 pandemic containment measures, supporting liquidity and credit access. Central Bank Rate (CBR) was reviewed downwards from 8.50% in November 2019 to 8.25% in January 2020 and maintained 7.00% until the end of 2020.

World real GDP contracted by 4.2% in 2020 compared to a growth of 2.7% in 2019. The contraction was mainly attributed to slowdown in economic activities due to emergence of the Coronavirus Disease 2019 (Covid19). Real GDP in Advanced Economies is estimated to have contracted by 5.8% in the period under review compared to 1.7% growth in 2019. This was due to accelerated collapse in economic activity driven by sharp declines in demand and supply of services. Sub Saharan Africa economies contracted by 1.9% in 2020 compared to a real GDP growth of 3.2% in 2019. East African Community (EAC) real GDP contracted by 0.2% in 2020 compared to a growth of 6.2% recorded in 2019.

Global inflation eased from 3.5% in 2019 to 3.2% in 2020 largely due to significant decline in oil prices. World trade volume contracted by 10.3 per cent in 2020 compared to 1.0% growth in 2019, a reflection of pronounced weakness in aggregate demand. The decline in trade volume was as a result of lockdowns and restriction of movements coupled with border closures that notably constrained consumption of a wide variety of goods. World current account surplus as a percentage of GDP narrowed from 0.5% in 2019 to 0.2% in 2020. This was mainly attributed to weak external demand and decline in oil prices. Global employment levels deteriorated substantially during the review period. Unemployment rate stood at 6.5% in 2020 from 5.5% in 2019.

Chart 1: Real GDP growth rate (%), 2016 to 2020



Source: Economic survey, 2021

1.3 Performance by key sectors of the economy

1.3.1 Agriculture

Economic Survey 2021 reported that the agriculture sector recorded mixed performance in the year 2020. Agriculture growth increased from 3.0 per cent recorded in 2019 to 5.4 per cent in 2020. This was despite the poor short rains, Covid-19 pandemic and desert locust incidence in various parts of the country.

Tea production increased by 24.1% from 458.8 thousand tonnes in the 2018/19 crop year to 569.5 thousand tonnes in the 2019/20 crop year on account of adequate rainfall in tea growing areas. During the year under review, the area planted with tea remained the same at 269.4 thousand hectares as the previous year 2019. The smallholder sub-sector registered an increase of 25.0 per cent from 258.1 thousand tons to 322.6 thousand tons while the estate sub-sector recorded an increase of 23.0% from 200.7 thousand tons to 246.9 thousand tonnes. Consequently, the average yield increased from 2,502.5 Kg/Ha in 2019 to 2,695.4 Kg/Ha in 2020 for the estate sub-sector and from 1,866.2 Kg/Ha in 2019 to 2,286.3 Kg/Ha in 2020 for the smallholder sub-sector. Higher production was attributed to enhanced rainfall experienced during the first quarter of the year.

The volume of sugar cane deliveries increased 4.4 million tonnes in 2019 to 6.0 million tonnes in 2020. This was largely attributed to availability of mature sugar cane. The area under cane production increased by 1.6 per cent to 200.5 thousand hectares in 2020 from 197.4 thousand hectares in 2019. Good payment from private owned mills motivated the farmers to expand the area under cane. The area harvested therefore increased by 24.9 per cent from 71.9 thousand hectares in 2019 to 89.8 thousand hectares in 2020.

Coffee production declined from 45.0 thousand tonnes in 2018/19 to 36.9 thousand tonnes in 2019/20. The overall area under coffee marginally increased from 10,019.6 thousand hectares in 2019 to 10,019.7 thousand hectares in 2020. Multiple factors affected coffee production such as poor weather conditions in the coffee growing areas, inadequate application of farm inputs by smallholder farmers and the shift in land use from coffee farming to real estate among others.

During the year under review, earnings from exports of horticulture produce increased by 3.9% from KSh 144.6 billion in 2019 to KSh 150.2 billion in 2020. However, volume decreased by 4.5 per cent from 328.3 thousand tonnes in 2019 to 313.6 thousand tonnes in 2020. Export earnings from cut flowers increased by 3.2 per cent to KSh 107.5 billion in 2020 and accounted for 71.6 per cent of total fresh horticulture exports earnings. The high export earnings from cut flowers are attributed to better prices offered in the export market. Fruits in 2020 earned KSh 18.4 billion accounting for 12.3 % of fresh horticultural exports earnings. During

the period under review, the value of vegetable exports decreased by 11.1% from KSh 27.2 billion in 2019 to KSh 24.2 billion in 2020.

In 2020, pyrethrum production declined by 9.4 per cent from 314.6 tonnes in 2019 to 284.9 tonnes in 2020. The average price paid to farmers for the produce similarly declined by 8.2 per cent from KSh 217.77 per kilogramme in 2019 to KSh 200.0 per kilogramme. Earnings from sale of dry pyrethrum flowers during the review period consequently declined to KSh 57.0 million in 2020. Similarly, the production of pyrethrum extract declined from 7.4 tonnes in 2019 to 5.7 tonnes in 2020. The average price paid for pyrethrum extract declined to KSh 23,151 per kilogramme of the extract.

However, maize production decreased slightly from 44.0 million bags in 2019 to 42.1 million bags in 2020.

Total amount of wheat produced locally and imported decreased by 3.3% from 2.4 million tonnes in 2019 to 2.3 million tonnes in 2020. During the year under review, wheat production increased by 10.6% from 366.2 thousand tonnes in 2019 to 405.0 thousand tonnes in 2020. The increased production is as a result of favourable weather conditions experienced during the year 2020 in wheat growing areas. On the hand, wheat imports decreased from 2.0 million tonnes in 2019 to 1.9 million tonnes in 2020.

During the period under review, the quantities of milk production decreased marginally from 685.9 million litres in 2019 to 684.4 million litres in 2020.

The number of cattle and calves slaughtered declined by 36.6% from 3,080.8 thousand head in 2019 to 1,953.7 thousand head in 2020. Similarly, the number of pigs slaughtered declined by 4.1 per cent from 413.5 thousand in 2019 to 396.7 thousand head in 2020. However, the number of sheep and goats slaughtered increased by 6.5% from 11,302.7 thousand head in 2019 to 12,040.2 thousand head in 2020.

1.3.2 Manufacturing.

In 2020, performance of the manufacturing sector was adversely affected by a general slowdown in economic activities, largely due to measures instituted by the government to curb the spread of Covid-19. These measures resulted in reduced demand for manufactured products locally and internationally. The sector's real value added contracted by 0.1% compared to a growth of 2.5% in 2019. The share of manufacturing sector GDP, was 7.6% in 2020, while sector's volume of output expanded by 1.0% in 2020 from a revised growth of 1.8% in 2019. In 2020, subsectors that registered major growths volume of output include

manufacture of: sugar; other non-metallic mineral products which includes cement; food products not elsewhere classified (nec) that includes tea, chemical and chemical products; and pharmaceutical products. However, subsectors such as manufacture of; leather and related products, beverages, motor vehicle, trailers and semi-trailers, rubber and dairy products recorded significant declines in the review period.

The number of persons in the formal manufacturing employment decreased by 10.3% from 353.3 thousand in 2019 to 316.9 thousand in 2020.

Leather and related products sub-sector contracted by 19.9% in 2020 mainly due to a 39.3 per cent drop in production of finished leather.

During the review period, the beverages and tobacco sub-sector contracted by 13.4% compared to a growth of 6.1% registered in 2019. The decline was as a result of reduced production of malt liquors and malt, spirits and soft drinks by 29.5, 22.0 and 6.3%, respectively. Production of soft drinks (sodas) decreased to 550.6 million litres in 2020 from 592.5 million litres in 2019. However, production of tobacco products increased by 4.9 per cent in 2020.

Wood and products of wood sub-sector recorded a decline in production of 2.3% in 2020. This decrease was attributed to a decline in production of block boards by 6.3%. Paper and paper products sub-sector contracted marginally by 0.7% in the same period as a result of decrease in volumes of cartons, labels of paper and exercise books.

Pharmaceutical products sub-sector expanded by 5.6 % in 2020 compared to a growth of 1.6% in 2019. The growth was attributed to increased production of tablets, capsules and syrups by 8.2, 1.2 and 1.1 per cent, respectively in 2020.

Basic metals sub-sector recorded a growth of 1.1% in 2020 supported by increased production of iron bars and rods by 7.9%. Production of corrugated iron sheets decreased by 9.8 per cent from 274.4 thousand tonnes in 2019 to 247.7 thousand tonnes in 2020. Production in fabricated metal products sub-sector recorded a marginal increase of 1.7% in 2020.

Production of rubber and plastic products grew marginally by 1.9% in 2020. The growth was due to increased production of articles of conveyance or packing of goods; self-adhesive plates, sheets, film, foil; tableware and kitchenware by 11.5, 0.8 and 2.2% respectively. In the same period, output volumes of retreaded pneumatic tyres of rubber plastic pipes, plastic bags/sacks and builders ware of plastics decreased by 8.0%, 4.1%, 8.7% and 2.2% respectively.

Manufacture of electrical equipment dropped by 3.8% in 2020 due to decreased production of electrical cables and electrical conductors. During the review period manufacture of machinery and equipment not elsewhere classified increased by 2.8%. In addition, assembly of motor vehicles, trailers and semi-trailers declined by 8.8% in 2020. The number of assembled motor vehicles reduced from 7,802 units in 2019 to 7,725 units in 2020.

Cement production and utilization from 2016 to 2020 is presented in Table 10.5. Cement production increased significantly by 21.3% to 7,473.6 thousand tonnes in 2020. This was mainly due to expansions by cement producers. Similarly, cement consumption and stocks rose by 20.3% to 7,375.6 thousand tonnes in 2020.

In the year under review, total credit approved for the manufacturing sector rose to KSh 410.3 billion from KSh 366.9 billion in 2019. However, the total amount of credit advanced by industrial financial institutions decreased from KSh 1.7 billion in 2019 to KSh 1.1 billion in 2020. Similarly, the total number of projects funded by these institutions went down from 395 in 2019 to 320 in 2020.

1.3.3 Other sectors

Total installed electricity capacity increased from 2,818.9 MW in 2019 to 2,836.7 MW in 2020. Total electricity demand declined by 0.2 per cent to 11,603.6 GWh in 2020. Similarly, domestic demand for electricity declined from 8,854.0 GWh in 2019 to 8,796.4 GWh in 2020. Thermal electricity generation declined by 42.5 per cent to 754.5 GWh while wind electricity generation dropped by 14.8 per cent to 1,331.4 GWh in the review period. Electricity imports also declined by 35.5 per cent to 136.7 GWh. However, hydro electricity generation increased by 32.1 per cent to 4,232.7 GWh mainly due to favourable rainfall experienced in 2020. The number of customers connected under the rural electrification programme grew by 6.6 per cent to 1,502,943 in 2019/20 from 1,409,256 in 2018/19. Murban crude oil prices dropped from a mean of USD 64.92 in 2019 to a mean of USD 41.45 in 2020

Total domestic demand for petroleum products decreased by 9.6 per cent to 4.7 million tonnes in 2020 as a result of reduction in mobility during the period of travel restrictions. Demand for Jet fuel and Aviation spirit recorded significant declines of 43.6% and 81.4% to 394.8 thousand tonnes and 1.9 thousand tonnes, respectively, mainly due to suspension of domestic and international flights in the second and third quarter of 2020. Liquefied Petroleum Gas (LPG) recorded a 4.5% increase to 326.2 thousand tonnes while demand for Illuminating kerosene dropped to 127.0 thousand tonnes in 2020. This development points to possible substitution of kerosene for LPG following government policy to promote use of clean energy. Net imports of petroleum fuel decreased by 14.0% from 5.7 million tonnes in 2019 to 4.9 million tonnes in 2020.

The total volume of white petroleum products transported through the pipeline declined by 3.1% to 6,806.8 thousand cubic metres in 2020.

The value of output from transport and storage sector reduced by 5.2% to KSh 1,973.3 billion in 2020, a reversal from the 10.7% growth recorded in 2019.

The volume of cargo transported through the MGR dropped by 5.8% to 628 thousand tonnes while revenue earned from MGR cargo stream rose by 15.7% to KSh 1,114 million in 2020.

The volume of freight transported through Standard Gauge Railway (SGR) grew by 4.8 per cent to 4.4 million tonnes, however, revenue earned declined by 19.2 per cent to KSh 10.5 billion in the review period.

Total cargo throughput at the Port of Mombasa contracted by 0.9% to 34,116 thousand metric tonnes in 2020. Similarly, container traffic decreased by 4.0 % to 1,359.6 thousand Twenty-foot Equivalent Units (TEUs) in the same period.

The number of international visitor arrivals decreased by 71.5% to stand at 579.6 thousand in 2020. This was attributed to the Government suspension of international passenger flights between March and July in addition to introduction of a number of restrictions such as curfews, movement, social gatherings among others, to contain the spread of Covid 19.

During the period under review, hotel bed-nights occupancy rate contracted by 58.0 per cent to 3,803.0 thousand. The number of international and local conferences held declined by 87.0 per cent and 75.2 per cent to 28 and 1,176 respectively, in 2020.

Construction sector registered a growth of 11.8% in 2020 compared to growth of 5.6% in 2019. Cement consumption rose significantly from 6.1 million tonnes in 2019 to 7.4 million tonnes in 2020 representing an increase of 21.3%. Loans and advances from commercial banks to the construction sector grew by 3.4% from KSh 115.8 billion in 2019 to KSh 119.7 billion in 2020.

Total exports increased by 7.9% to stand at KSh 643.7 billion coupled with a 9.0% decline in the value of imports to KSh 1,643.6 billion in 2020. The increase was largely driven by an increase in domestic exports from KSh 520.8 billion in 2019 to KSh 567.4 billion in 2020. Export earnings of horticultural products, tea; and titanium ores and concentrates contributed to the increase in domestic exports by 10.6%, 14.8% and 20.5%, respectively.

Expenditure on principal imports of petroleum products, industrial machinery and road motor vehicles declined from a combined value of KSh 657.2 billion in 2019 to KSh 514.2 billion in 2020. Consequently, expenditure on imports declined from KSh 1,806.3 billion in 2019 to KSh 1,643.6 billion in 2020.

The balance of trade deficit narrowed from KSh 1,209.7 billion in 2019 to KSh 999.9 billion in 2020. The Current Account improved from a deficit of KSh 539.2 billion in 2019 to a deficit of KSh 491.7 billion in 2020. The increase in the value of exports relative to the decline in imports, valued on f.o.b basis, led to the narrowing of the Current account deficit during the year in review. Despite this, there was marked reduction in net receipts from services from KSh 178.0 billion in 2019 to KSh 37.5 billion in 2020. The financial account recorded reduced net inflows from a surplus of KSh 610.8 billion in 2019 to a surplus of KSh 321.9 billion in 2020. Overall, the Balance of Payments deteriorated from a surplus of KSh 111.4 billion in 2019 to a deficit of KSh 152.5 billion in 2020.

During the review period, the Kenyan Shilling depreciated against major currencies exchanging at KSh 106.5, KSh 121.7 and KSh 136.7 against the US dollar, the Euro and Pound Sterling, respectively.

1.4 Outlook

According to *Economic Survey 2021*, the outlook Globally indicate that, most of the developing economies are projected to experience a more challenging recovery from the COVID-19 pandemic compared to their developed economies counterpart. This is largely so because of the uneven access to COVID-19 vaccine which is therefore likely to impact negatively on the full resumption of economic activities in the developing economies. The global economic growth is expected to rebound to 5.6 per cent in 2021. Consequently, the volume of world merchandise trade is projected to expand by 8.0% in 2021 after a contraction of 5.3% in 2020. The growth in the world trade is expected to boost external demand for Kenya's products and thereby likely to augment the country's economic growth.

Domestically, oil prices have been rising significantly in response to the global price rise. On average, the international oil prices are likely to be higher by over 50% in 2021 compared to 2020. Effectively then, oil prices in Kenya will probably remain high and therefore counterproductive to economic growth. On average, inflation was lower in the first quarter of 2021 compared to a similar quarter of 2020. However, there was a significant rise in the inflation rate during the second quarter and it is likely that this trend will continue in the second half of 2021 partly due to higher energy and transportation prices.

The country has so far experienced below normal rainfall in the first half of 2021. However, the weather forecast points to the possibility of the short rains being better in most parts of the country later in the year. Output of the agriculture sector, which is largely rain fed, is therefore likely to be lower than the 2020 level. Full resumption of activities in the education sector and the hotel industry, that were almost halted for the better part of 2020, is likely to significantly boost the growth. To a lesser extent, other key sectors like manufacturing and transportation are likely to rebound and support the country's economic growth.

Given that most of the key macroeconomic indicators will most probably remain stable and supportive of growth in 2021, the economy is therefore expected to record a significant rebound in 2021.

2.0 EPZ Performance for the year 2020

2.1 Overview of the program

In 2020, the program recorded mixed growth due to the adverse impact of the Covid 19 pandemic. The indicators which experienced positive growth were exports especially agro processed products like tea and meat which were demanded as people were locked indoors. Local purchases also were in demand as global supply chain was disrupted. Value of investment rose as a result of firms which managed to invest in technology to stay continue surviving the pandemic.

Number of gazetted zones stood at 76 during the year 2020 compared to 74 in the year 2019.

Direct employment contracted by 6.8% to stand at 56,293 persons compared to 60,390 persons recorded in 2019.

Cumulative value of investments for enterprises and zones rose by 8.4% in year 2020 to stand at Kshs 116,974 million from Kshs 107,877 million in 2019. The value of local purchases increased by 26.5% to stand at Kshs 12,346 million mainly as a result of disruption of global supply chain hence firms resorted to local sourcing of materials.

Total sales stood at Kshs 81,207 million in 2020 from Kshs 77,189 million in 2019, while value of exports were Kshs 74,360 million from 68,572 million in 2019. The sales were boosted by agro processed products like tea and meat which were demanded by the people during lockdown.

Imports decreased by 5.9% to stand at Kshs 37,504 million from Kshs 39,840 million recorded in year 2019.

Domestic sales decreased marginally from Kshs 4,417 million in 2019 to Kshs 4,124 million in 2020.

Expenditure on local goods and services increased by 4.4% in 2020 to stand at Kshs. 33,252 million from Kshs. 31,858 million recorded in the year 2019. These resources go to the payment of local workers' salaries, local supply of inputs/consumables; electricity, telecommunication, water, rent and transportation among others, which at the end of the day stimulate demand and growth of the domestic economy. For instance, salaries/wages paid to local workers numbering

56,293 persons employed by EPZ firms was Kshs 11,143 million in year 2020 compared to Kshs 12,891 million in 2019. Overall, of the total domestic expenditure, an average of Kshs 2,771 million was being injected into the economy by EPZ firms monthly in the year 2020 compared to Kshs. 2,655 million in the previous year. These expenditures explain growth in areas surrounding EPZ zones in their respective geographic locations, especially those around Athi River zone, of Athi River and Kitengela. This is similar in the case of Changamwe in Mombasa and Mtwapa areas among others where there is concentration of EPZ zones.

Summary of the performance indicators is outlined on table 1.

Table 1: Performance of EPZ Key Indicators: 2016 - 2020

Indicator	2016	2017	2018	2019	2020	Growth % (2019 v/s 2020)
Gazetted zones (no.)	65	71	72	74	76	2.7
Projects approved (no)	30	42	45	60	51	-15.0
Enterprises Operating (no.)	111	131	136	137	138	0.7
Employment – (Kenyans) ^a	52,947	54,764	57,099	60,390	56,293	-6.8
Employment - (Expatriates) ^b	618	722	644	665	647	-2.7
Total Employment (No)=a+b	53,565	55,486	57,743	61,055	56,940	-6.7
Total sales (Kshs. million)**	68,569	67,270	77,270	77,189	81,207	5.2
Exports (Kshs. million)	64,151	60,729	72,390	68,572	74,360	8.4
Domestic Sales (Kshs. million)	2,541	4,357	2,217	4,417	4,124	-6.6
Imports (Kshs. million)	30,160	30,305	34,229	39,840	37,504	-5.9
Investment Kshs. Million***	88,977	95,278	105,066	107,877	116,974 ¹	8.4
Expenditure on local Purchases (Kshs million) ¹	10,742	11,089	10,385	9,761	12,346	26.5
Expenditure on local Salaries (Kshs million) ²	9,212	10,069	11,728	12,891	11,143	-13.6
Expenditure on power (Kshs million) ³	741	772	947	991	926	-6.6
Expenditure on Telecommunication (Kshs million) ⁴	77	85	90	78	86	10.3
Expenditure on water (Kshs million) ⁵	184	139	163	224	147	-34.4
Other domestic expenditure (Kshs million) ⁶	4,779	5,651	7,532	7,913	8,604	8.5
Total Domestic Expenditure (Kshs million) = 1+2+3+4+5+6*	25,735	27,805	30,845	31,858	33,252	4.4

* Foreign exchange equivalent injected into the economy

** Inclusive of exports, domestic sales and sales to EPZ/MUB & Duty Free Agencies

*** Value of investment by EPZ enterprises in the form of equipment, plant, machinery & other funds

2.2 Project Approvals

There were 51 approvals with a potential investment of Kshs.8.6 billion, 9,118 jobs and year one sales valued at Kshs 7.0 billion in the year 2020 compared with 60

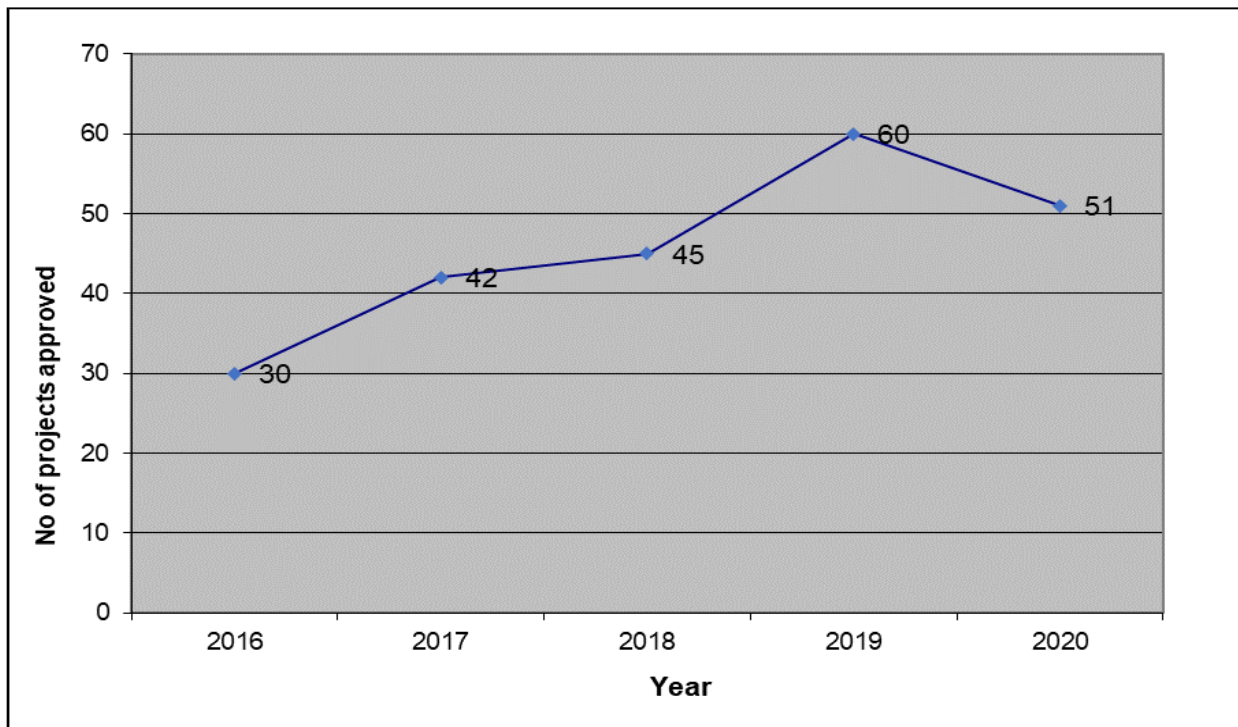
¹ Value of enterprises' investment = **Kshs 83,147 million** while zones' (developers/operators) investment = **Kshs 33,827**. During year 2019, enterprises' investment = **Kshs 77,692** while zone investment = **Kshs 30,185**.

approvals with a potential investment of Kshs 27.1 billion 10,105 jobs and year one sales valued at Kshs 18.2 billion in the previous year (Table 2 and chart 2).

Table 2: Projects Approved, Expected jobs, Investment & Sales from 2016 - 2020

Year	Number of projects approved	Jobs (number)	Investment (Kshs. million)	Year One Sales (Kshs. million)
2016	30	1,570	3,822	7,092
2017	42	6,112	21,933	11,784
2018	45	12,087	20,894	32,084
2019	60	10,105	27,162	18,239
2020	51	9,118	8,563	7,024

Chart 2: Trend of number of projects approved from 2016 - 2020



2.3 Status on gazetted zones

The number of gazetted zones as at end of December 2020 stood at 76 compared to 74 in December 2019, out of which 70 are privately owned and operated while 6 are public zones (Athi River & Kinanie in Machakos; Kipevu in Mombasa, Kitui County EPZ Ltd in Kitui, Samburu in Kwale and Homabay EPZ Ltd in Homabay county).

Six zones are located in the County of Nairobi, 25 in Mombasa, 10 in Kilifi, 6 in Machakos, 5 in Kwale, 4 in Bomet, 3 each in Nakuru & Kiambu, 2 in Embu and Nandi, one each in Muranga, Kajiado, Taita Taveta, Elgeyo Marakwet, Uasin Gishu, Laikipia, Meru, Narok, Homa bay and Kitui.

Table 3 details distribution of gazetted zones.

Table 3: Geographical Distribution of Zones per County, year 2020

County	Former Province	Number of zones
Nairobi	Nairobi	6
Mackakos	Eastern	6
Kajiado	Rift Valley	1
Mombasa	Coast	25
Kilifi	Coast	10
Taita Taveta	Coast	1
Kiambu	Central	3
Muranga	Central	1
Elgeyo Marakwet	Rift Valley	1
Uasin Gishu	Rift Valley	1
Laikipia	Rift Valley	1
Nandi	Rift Valley	2
Meru	Eastern	1
Bomet	Rift Valley	4
Nakuru	Rift Valley	3
Kwale	Coast	5
Embu	Eastern	2
Narok	Rift Valley	1
Homabay	Nyanza	1
Kitui	Eastern	1
Total: 20	6	76

Efforts are being made through various promotional activities to ensure presence of EPZ zones in all counties in the country

2.4 Performance of some selected gazetted zones

2.4.1 Athi River Zone

This zone was developed by use of public funds at the cost of US \$ 30 million (Kshs. 3,198 million) to put up the infrastructure and initial industrial buildings and associated infrastructure.

Investment used to develop phases I & II of Export Business Accelerator (Incubator) is Kshs.252 million while additional infrastructural projects are estimated at Kshs. 6,562 million bringing cumulative zone investment to Kshs 10,012 million. The zone is managed by the Authority on behalf of the Government/public.

The zone has two categories of industrial buildings, one put up by the public and the other by licensed private zone developers. The public put up initial industrial buildings of an area of 160,000 square feet. Thereafter, SME/Export Business Accelerator (EBA) phases I & II were put up with a total built up space of 79,000 square feet. SME unit III with a space of 64,500 square feet has been completed together with an additional industrial space of 372,600 square feet. This brings to a cumulative industrial space constructed using public resources to 676,100 square feet.

The private zone developers which include (Trans fleet EPZ Ltd, Capital Industrial Park EPZ Ltd, Cranfield EPZ Ltd, Property Vision EPZ Ltd, Growth Point Warehousing EPZ Ltd, Nexus Holdings EPZ Ltd, China International Investment EPZ Ltd, Ceytun EPZ Ltd, Tracejack Industries EPZ Ltd and Newland EPZ Co. Ltd among others) have constructed industrial buildings to gather for increased demand from EPZ firms, considering that the investors prefer ready buildings.

Transfleet EPZ Ltd has constructed industrial units with total built up area of about 308,160 square feet. All the godowns have been leased to four garments enterprises; New Wide Garments K. EPZ Ltd, Global Apparels K. EPZ Ltd and Royal Garments Industries EPZ Ltd, hence registering 100% occupancy. Transfleet EPZ Ltd is constructing phase II of industrial go downs of 308,160 square feet to meet investors' demand.

Capital Industrial Park EPZ Ltd put up a total area of 220,000 square feet; that hosts three firms namely; Fair oils EPZ Ltd, Ethical Fashions Artisan EPZ Ltd and Dala Textiles Kenya EPZ Ltd occupied cumulative built up space of 195,000 square feet; representing occupancy of 88.6%.

Property Vision EPZ Ltd has constructed seven units totaling 43,000 square feet; Growth Point Warehousing EPZ Ltd has developed industrial units with cumulative area of 105,000 square feet while Cranfield EPZ Ltd (took over from Rupa Cotton Mills EPZ Ltd) has an estimated 150,300 square feet to cater for investors' needs in which about 86.0% was occupied.

Other developers of industrial buildings include Nexus Holdings EPZ Ltd with 63,400 square feet (in which 97.8% was occupied); China International Investment EPZ Ltd 107,000 square feet and Ceytun EPZ Ltd with 16,560 square feet among others to cater for increased industrial demand for space within the zone.

Industrial space constructed by the private developers is estimated at 928,120 square feet, bringing cumulative industrial space within Athi River zone to 1,604,220 square feet.

The zone had 76 operating enterprises in the year 2020 compared to 73 in the previous year. The number of firms within the zone include those operating under Business Service Permit (BSP).

Some of the new enterprises included Mas Intimates EPZ Ltd, Tui Apparels EPZ Ltd, Westport Nguo Yetu City EPZ Ltd, Ruffix EPZ Ltd and Fairchain Kenya EPZ Ltd. However, some of the enterprises within the zone remained dormant due to various constraints. These included; Redington Kenya EPZ Ltd, Life Sciences Consultants EPZ Ltd, Njuwa Tannery EPZ Ltd, Equatorial Processing Co. EPZ Ltd, Eureka Nuts EPZ Ltd, Kenkor Joinery EPZ Ltd, and Originlike Green Biotech EPZ Ltd among others.

The firms located in the zone are involved in production of a range of activities from garments, pharmaceuticals, darts board, service, agro processing, food processing and electrical goods among other activities.

Athi River zone is experiencing increased activity in the form of development of industrial sheds and associated infrastructure. There are also offsite auxiliary services and infrastructure within the larger Athi River zone.

2.4.2 Balaji EPZ Ltd

The zone was gazetted in June 2001 and hosts two apparel manufacturing firms. It has a built up industrial and office space of 735,000 square feet which was fully occupied.

2.4.3 Sameer Industrial Park EPZ Ltd

This is the first private EPZ to be gazetted in November 1990. The zone has a cumulative built up area of 120,423 square feet of which it registered 100% occupancy. It housed eight enterprises that dealt with activities which included agro processing, relief supplies, gemstones and macadamia among others.

2.4.4 Vipingo Business Park EPZ Ltd

This is a private zone located in Mtwapa, Kilifi County, gazetted in February 2015. It is being occupied by Mega Couture Clothing EPZ Ltd (garments). The zone has a total built up area of 83,696 square feet of which 87.5% of the zone was being occupied.

2.4.5 Taurus EPZ Ltd

This zone was gazetted in September 2007 with industrial & office built up space of 64,200 square feet, fully occupied. It is located in Mlolongo area of Machakos County. It hosts Dinlas Pharma EPZ Ltd, a pharmaceutical enterprise which commenced operation in July 2017.

2.4.6 Mara Tea Factory EPZ Ltd

This zone was gazetted in October 2017 with industrial & office built up space of 279,655 square feet; fully occupied. The zone is located in Transmara area in Narok County. It hosts Mara Tea Factory EPZ Ltd, a tea processing firm.

2.4.7 Talab EPZ Ltd (Mtwapa)

The zone was gazetted in March 2003. It is one of the largest private zones with a built-up area of 417,500 square feet, which was fully occupied by two garment firms namely; Brilliant Garments EPZ Ltd and Mombasa Apparel EPZ Ltd (unit 3).

2.5 Other zones

The other zones are categorized as, newly gazetted and those zones hosting a branch of an enterprise.

2.5.1 Zones gazetted in the course of the year.

Two zones were gazetted in the year 2020; namely Kitui County EPZ Ltd (Kitui County) and Pondwood EPZ Ltd EPZ Ltd (Kwale County).

2.5.2 Zones hosting a branch of an enterprise.

These include Laburnum Investment EPZ Ltd, Miritini, (formerly Birch Investment EPZ Ltd) Ltd, host branch of Simba Apparel EPZ Ltd while Kingorani EPZ Ltd has branch of Hantex Garments EPZ Ltd). Similarly, Talab EPZ Ltd Mtwapa (Mombasa Apparel EPZ Ltd, Unit 3), Milstar Investments EPZ Ltd (Mega Garments Industries Kenya EPZ Ltd) and Mtwapa EPZ Ltd (hosts branch of Mega Apparel Industries Kenya EPZ Ltd) respectively.

2.6 Sector performance

In the year 2020 fourteen industrial sub sectors were operational, namely, agro processing, Business Service Permit (BSP), chemicals, commercial & commercial craft and leather, dartboard, food processing, garments, garment support services, pharmaceuticals & medical supplies, plastics, printing, relief supplies, services and other (joinery works, leather, gemstones, beverages/spirits, electricals and silicone products).

During the year 2019 fifteen industrial sub sectors were operational, namely, agro processing, Business Service Permit (BSP), chemicals, commercial & commercial craft and leather, dartboard, electrical/electronics, food processing, garments, garment support services, pharmaceuticals & medical supplies, plastics, printing, relief supplies, services and other (joinery works, leather, minerals/gemstones, beverages/spirits and silicone products).

The sector performance is outlined in table 6 and their proportion contribution in table 7. The table shows the number of enterprises in each sector, exports, total sales, direct local employment, investment and local resource utilization. Charts 3 & 4 show sector contribution to employment and investment.

The garment sector still remains the most dominant sector within the program as shown by selected performance indicators. It constituted 20.29% of enterprises, 80.98% of total local jobs, 60.03% of exports, 57.58% of total sales, 39.16% of expenditure on local goods & services and 23.01% of private investment compared to 17.52%, 81.95%, 68.83%, 63.16%, 46.64% and 23.25% respectively in the year 2019.

However, agro processing sector which is the second dominant sector within the program was the highest performer in number of enterprises at 32.61% compared to garment sector in which it recorded 20.29% respectively in year 2020. During the year 2019, agro processing contributed 34.31% in number of firms while garments sector recorded 17.52%.

On average, garment sector contributed 46.84%, agro processing at 25.31%, services at 6.90%, food processing at 5.33%, BSP at 4.34%; Pharmaceuticals at 3.08% and printing at 2.09% on all of the above indicators compared to 50.22%, 23.36%, 7.12%, 3.29%, 4.42% and 2.77% respectively in the previous year.

More details are shown by tables 4 & 5, and Charts 3 & 4.

Table 4: Sectoral Performance year 2020 (Kshs)

sector	no of firms	local jobs	exports	total sales	local resource	investment
Agro processing	45	6,539	16,651,791,696	16,783,728,474	13,116,053,710	20,910,533,192
BSP	7	386	0	0	202,913,241	16,358,564,120
chemicals	2	222	139,223,146	146,007,990	226,640,470	3,578,162,960
commercial & commercial	2	66	46,364,599	49,022,629	50,795,968	155,610,356
Dartboard	1	591	1,760,335,087	1,767,191,225	668,879,641	939,194,663
Food processing	5	336	5,878,269,962	6,325,838,702	2,081,416,111	4,814,784,484
Garments	28	45,588	44,639,852,638	46,755,880,414	13,021,558,375	19,133,923,705
Garments support services	3	65	9,968,650	185,704,206	52,015,005	180,424,991
Pharmaceuticals & medical supplies	5	718	391,261,245	1,116,672,588	786,699,392	7,722,016,420
Plastics	3	74	48,708,983	48,708,983	241,022,160	732,329,840
printing	1	274	1,551,649,800	4,320,936,428	962,544,517	861,226,701
Relief supplies	2	62	1,091,731,049	1,226,578,397	367,943,409	125,390,519
services	28	1,295	2,115,592,205	2,446,220,644	1,431,365,692	7,210,845,843
other	6	77	35,071,448	35,071,448	42,474,539	424,444,734
Total	138	56,293	74,359,820,508	81,207,562,128	33,252,322,230	83,147,452,528

Table 5: Proportion of sector contribution year 2020 (%)

Sector	no of firms	local jobs	exports	total sales	local resource	investment	average
Agro processing	32.61%	11.62%	22.39%	20.67%	39.44%	25.15%	25.31%
BSP	5.07%	0.69%	0.00%	0.00%	0.61%	19.67%	4.34%
chemicals	1.45%	0.39%	0.19%	0.18%	0.68%	4.30%	1.20%
commercial craft	1.45%	0.12%	0.06%	0.06%	0.15%	0.19%	0.34%
Dartboard	0.72%	1.05%	2.37%	2.18%	2.01%	1.13%	1.58%
Food processing	3.62%	0.60%	7.91%	7.79%	6.26%	5.79%	5.33%
Garments	20.29%	80.98%	60.03%	57.58%	39.16%	23.01%	46.84%
Garments support services	2.17%	0.12%	0.01%	0.23%	0.16%	0.22%	0.48%
Pharmaceuticals & medical supplies	3.62%	1.28%	0.53%	1.38%	2.37%	9.29%	3.08%
plastics	2.17%	0.13%	0.07%	0.06%	0.72%	0.88%	0.67%
printing	0.72%	0.49%	2.09%	5.32%	2.89%	1.04%	2.09%
Relief supplies	1.45%	0.11%	1.47%	1.51%	1.11%	0.15%	0.97%
services	20.29%	2.30%	2.85%	3.01%	4.30%	8.67%	6.90%
other	4.35%	0.14%	0.05%	0.04%	0.13%	0.51%	0.87%
Total	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Chart 3: Sector contribution to local employment 2020

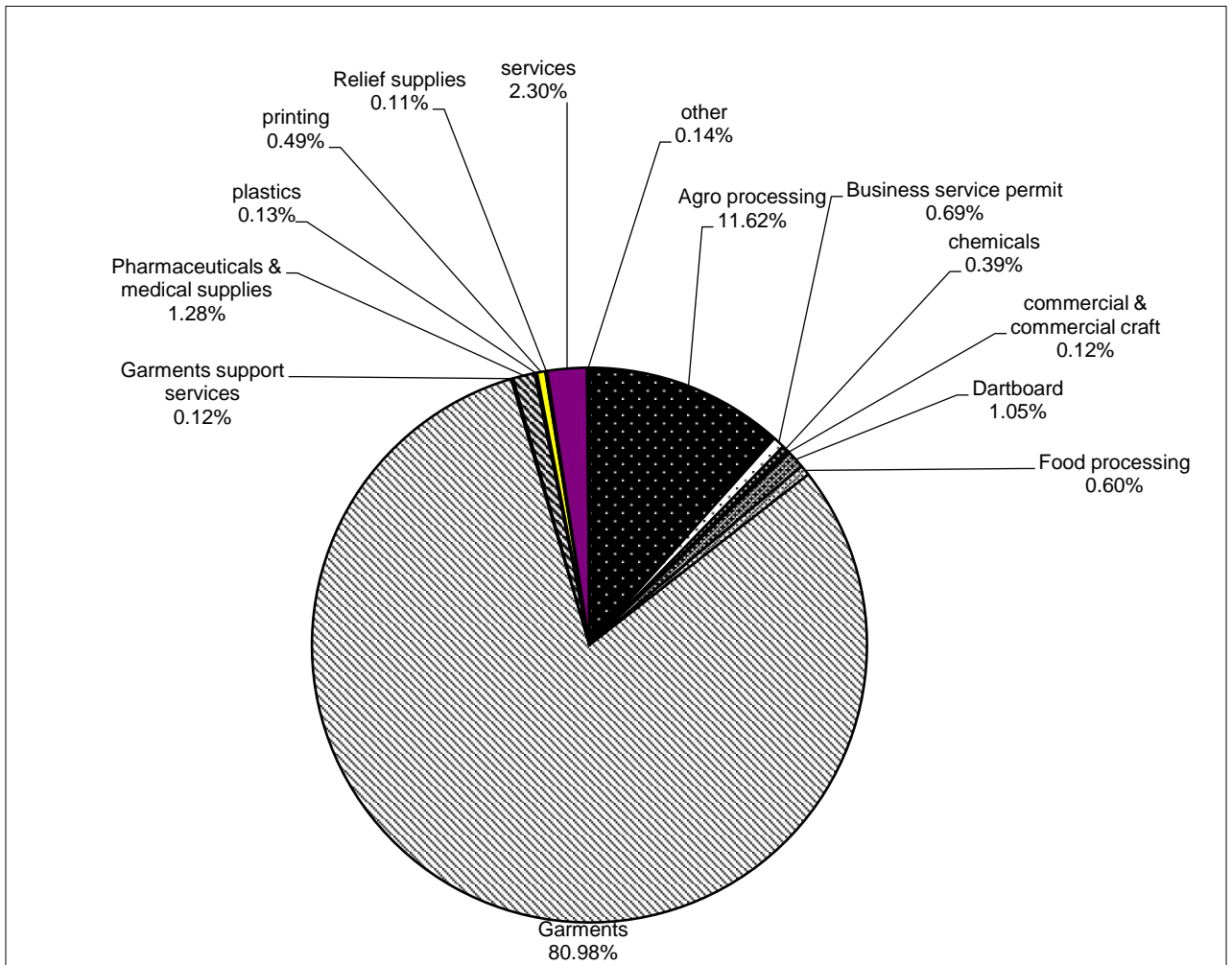
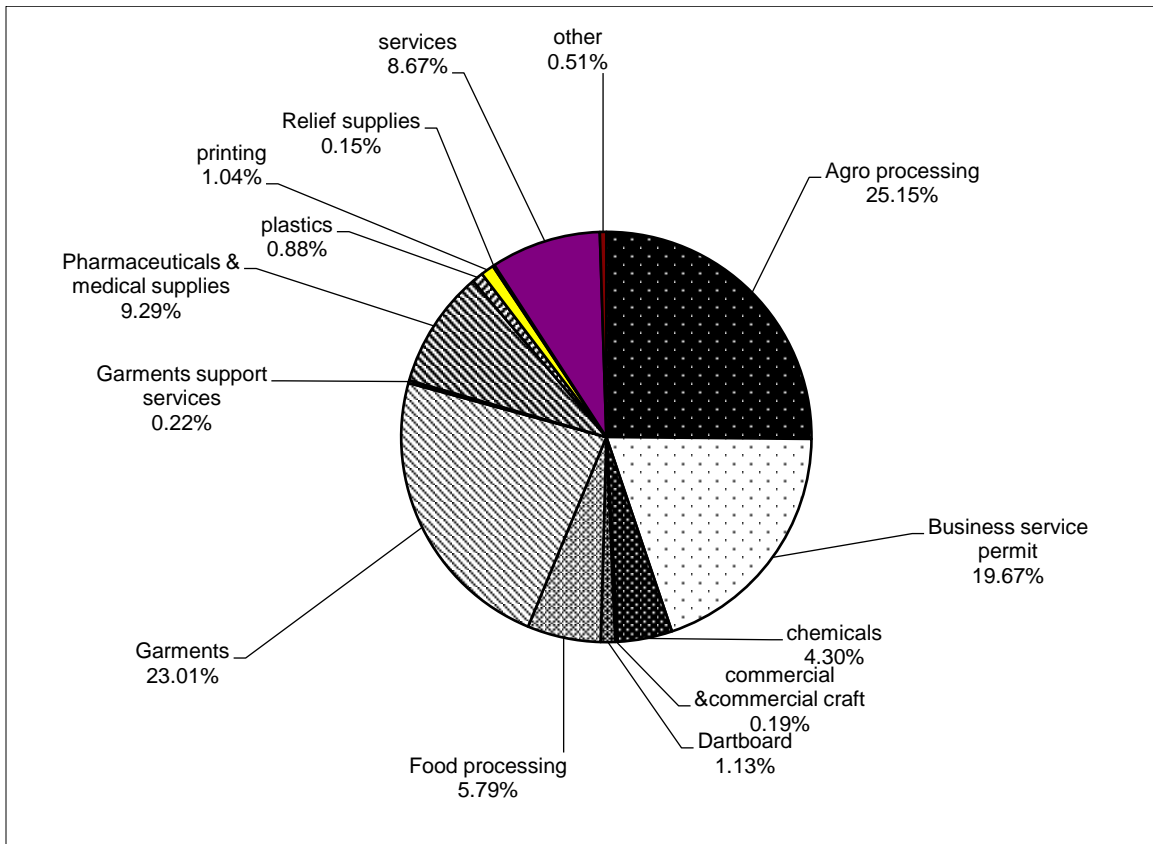


Chart 4: Sector contribution to investments, 2020



2.7 Ownership of EPZ enterprises

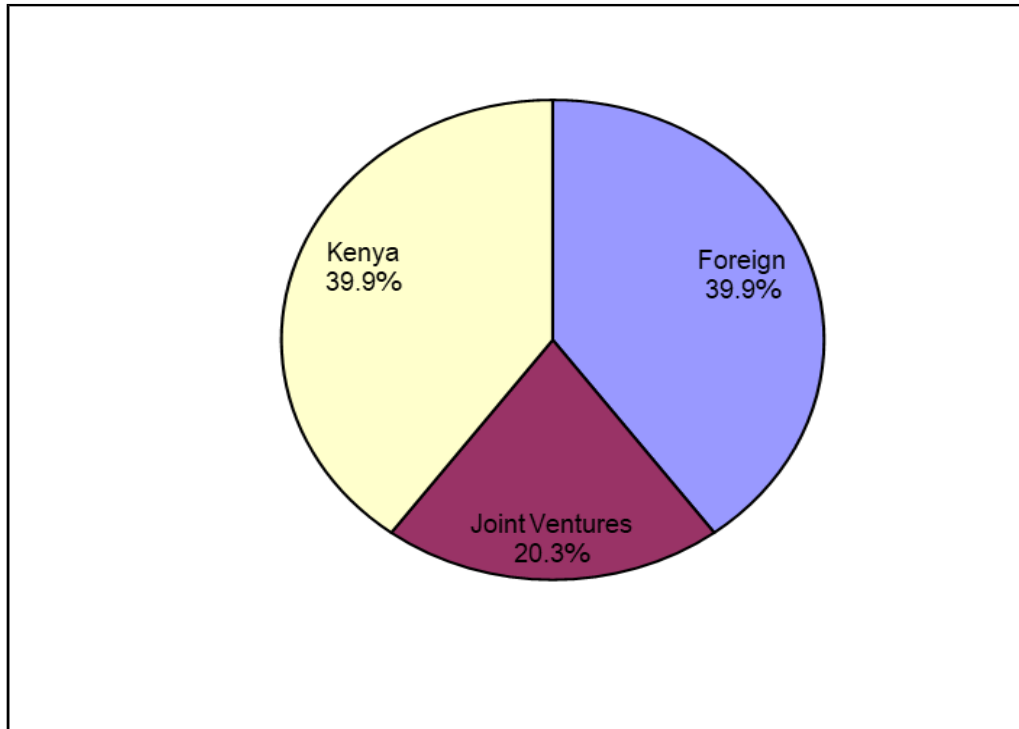
During the year 2020, wholly Kenya and foreign owned enterprises were both at 39.9%, while joint ventures stood at 20.3%. In 2019, 37.2% were wholly Kenyan owned, 22.3% were joint ventures and 40.2% were foreign owned.

One of the reason contributing to 39.9% of wholly owned Kenya EPZ enterprises is the implementation of small and medium enterprise programme which stemmed from export business accelerator/incubator.

The program has attracted investors from Sri Lanka, India, Taiwan, Dubai, China, Qatar, Bangladesh, Phillipines, USA, UK, Belgium, Netherlands, Denmark, Slovakia, Australia, Germany, Mauritius, and Tanzania among others.

Chart 5 shows the ownership structure of EPZ enterprises in the year 2020.

Chart 5: Ownership of EPZ enterprises, 2020



2.9 Capital Investment by EPZ operating enterprises.

Cumulative private investment in the form of equipment, machinery and funds invested with regard to the operating enterprises stood at Kshs. 83,147 million in 2020 from Kshs. 77,691 million in the year 2019.

When infrastructure investment of Kshs. 33,827 million undertaken by EPZ developers included, the figure becomes Kshs. 116,974 million compared with Kshs. 107,877 million in the year 2019. The rise in the value of investment within the zone is attributed to capturing of data on upcoming developers/zone as well as Business Service Permit (BSP) companies.

In terms of value of enterprises' investments, 58.4% (Kshs. 48,528 million) were foreign owned while Kenyan accounted for 41.6% (Kshs. 34,619 million) in 2020 compared with 58.6% (Kshs. 45,563 million) foreign owned and 41.4% (Kshs. 32,128 million) Kenyan respectively in the year 2019 (table 6).

Table 6: Value of EPZ enterprises' investments: 2016 – 2020

Indicator	2016	2017	2018	2019	2020
Value of Kenya/Local investments (Kshs million)	22,783	27,052	30,500	32,128	34,619
Value of Foreign investment (Kshs million)	48,459	47,534	45,856	45,563	48,528
Total Investment (Kshs million)	71,242	74,586	76,356	77,691	83,147
Ratio of value of Kenya/Local investment to Total (%)	32.0	36.3	39.9	41.4	41.6
Ratio of value of Foreign investment to Total (%)	68.0	63.7	60.1	58.6	58.4

Source: EPZA records.

3.0 Impact of African Growth Opportunity Act (AGOA)

The EPZ program benefits from AGOA especially in the garment/apparel sector. This is a critical sector which is characterized by its labour intensiveness and hence suitable industry for a country like Kenya with high unemployment rate. It is a subsector which employs over 80% of total work force within the zones and account for over 60% of exports.

Exports of articles of apparels to USA decreased marginally in value by 3.1% to stand at Kshs. 44,640 million in 2020 from Kshs 46,066 million recorded in the year 2019. Quantity of apparels exported to US also declined from 105.4 million pieces in 2019 to 91.8 million pieces in 2020.

During the year under review, there were some market diversification on apparel other than to the USA; which included Europe, Canada, Mexico, Brazil and Peru among others. During the year 2020, these alternative markets were a destination of Kshs.2.4 billion (9.4 million pieces) worth of apparel compared with Kshs. 1.1 billion (5.7 million pieces) of apparel consigned to these markets during the year 2019 (table 9b).

Direct employment contracted by 7.9% to stand at 45,588 from 49,489 recorded in the previous year. During the year 2020, garment sector contributed 81.0% of total local employment compared with 82.0% in 2019.

Investment on the other hand registered an increase of 5.9% to stand at Kshs. 19,133 million from Kshs. 18,065 million in year 2019 as result of continued investment by firms on machinery and setting up of new ones.

The trend is as shown in table 7a and 7b.

Table 7a: Impact of AGOA on EPZ Garment Sector: 2016 - 2020

Indicator	2016	2017	2018	2019	2020	% growth (2019 v/s 2020)
Number of Enterprises	21	21	22	24	28	16.7
Employment (No.)	42,496	43,987	46,248	49,489	45,588	-7.9
Investment (Kshs million)	15,300	15,880	16,146	18,065	19,133	5.9
Exports (Kshs million)	34,410	33,051	41,578	46,066	44,640	-3.1
Quantity of exports (million pieces)	74.0	76.2	94.0	105.4	91.8	-12.9
Imports (Kshs million)	17,468	22,656	25,323	28,387	24,144	-14.4

Table 7 b: Value & quantity of apparel export to USA and to rest of the world: 2016 – 2020

Indicator	2016	2017	2018	2019	2020
Value of apparel exports to USA (Kshs million)	34,410	33,051	41,578	46,066	42,278
Value of apparel export rest of world (Kshs million)	2,472	4,115	5,674	1,130	2,362
Total value (Kshs million)	36,882	37,166	47,252	47,196	44,640
Quantity apparel of exports to USA (million pieces)	74.0	76.2	94.0	105.4	91.8
Quantity of apparel export to rest of the world (million pieces)	4.3	8.5	9.8	5.7	9.4
Total quantity (million pieces)	78.3	84.7	103.8	111.1	101.2

3.1 Performance of selected Sub Sahara African (SSA) AGOA accredited countries.

The overview of the performance of selected SSA countries indicated that the growth was on a declining trend in the year 2020 as a result of disruption caused by Covid 19 pandemic.

Total apparel exports from Kenya to US decreased by 15.5% in year 2020 to stand at US\$ 383.5 million from US\$ 453.7 million recorded in 2019.

Madagascar apparel exports declined by 18.4% to stand at US\$198.5 million in 2020 from US\$ 243.3 million recorded in 2019.

Similarly, apparel exports from Lesotho saw a decrease of 15.4% to stand at US\$256.7 million while those from Mauritius declined by 37.4% to US\$ 88.2 million.

Overall, Kenya maintained her SSA top apparel exporter to US for the last seven consecutive years in 2020. However, there is a threat emanating from Ethiopia in which it saw its exports to USA growing by 88.6% in year 2019 to stand at US\$211.3 million from US\$ 112.0 million in 2018. However, in the year 2020, Ethiopia exports saw a decline of 9.3% to stand at US\$191.6 million.

Table 10 indicates the performance of selected SSA countries which are non-oil producers and heavily rely on apparel/garment exports to US under AGOA program.

Table 8: Exports to US under AGOA provisions for selected Africa AGOA eligible countries 2016 – 2020 (US \$ '000)

Country	2016	2017	2018	2019	2020	% change 2019 - 2020
Kenya	339,630	339,745	392,217	453,730	383,533	-15.5
Lesotho	294,531	290,435	320,613	303,418	256,661	-15.4
Madagascar	102,527	158,994	196,181	243,331	198,540	-18.4
Mauritius	197,037	146,574	146,988	140,884	88,189	-37.4
Ghana	6,255	7,899	13,840	17,326	9,494	-45.2
Ethiopia	32,668	52,901	112,047	211,280	191,561	-9.3
Tanzania	36,955	40,643	41,868	52,237	38,489	-26.3
South Africa	7,584	6,164	7,872	9,554	8,285	-13.3

Source: <http://otexa.trade.gov/agoa-cbtpa/catv1.htm>

4.0 Regional Performance

Regional performance constitutes analysis of EPZ enterprises performance as per their geographical locations which are Athi River/Mlolongo, Nairobi, Mombasa, Eldoret/Nandi, Thika/Kiambu/Muranga/Embu/Kitui, Laikipia/Naivasha/Nakuru and Bomet/Narok. Although most of these firms are concentrated around Athi River, Nairobi and Mombasa other areas are coming up such as Bomet, Kiambu and Embu.

A summary of performance in respect to the number of operating enterprises, exports, local employment creation, local resource utilization, investment and

imports indicated that on average those enterprises located in Athi River, Mombasa and Nairobi had strong performance.

It is also an indication that enterprises in the hinterland could also perform equally high as those firms located near the seaport where operational logistics are minimal as long as required facilitation is offered.

Athi River region overtook Mombasa region in the number of employment in which it had 21,429 persons. Mombasa on the other hand had 19,695 persons in the year 2020. During the year 2019, Athi River region employed 21,458 while Mombasa had 23,322 persons.

Average performance for the regions with respect to the selected indicators were 45.4%, 30.2%, 16.0%, 3.1%, 1.7%, 2.3% and 1.3% for Athi River/Mlolongo, Mombasa, Nairobi, Thika/Kiambu/Muranga/Embu/Kitui, Laikipia/Naivasha/Nakuru, Bomet/Narok and Eldoret/Nandi for 2020 compared with 42.1%, 31.0%, 18.2%, 2.6%, 2.3%, 2.7% and 1.4% respectively in 2019.

Refer to tables 9 & 10 and chart 6 for more details.

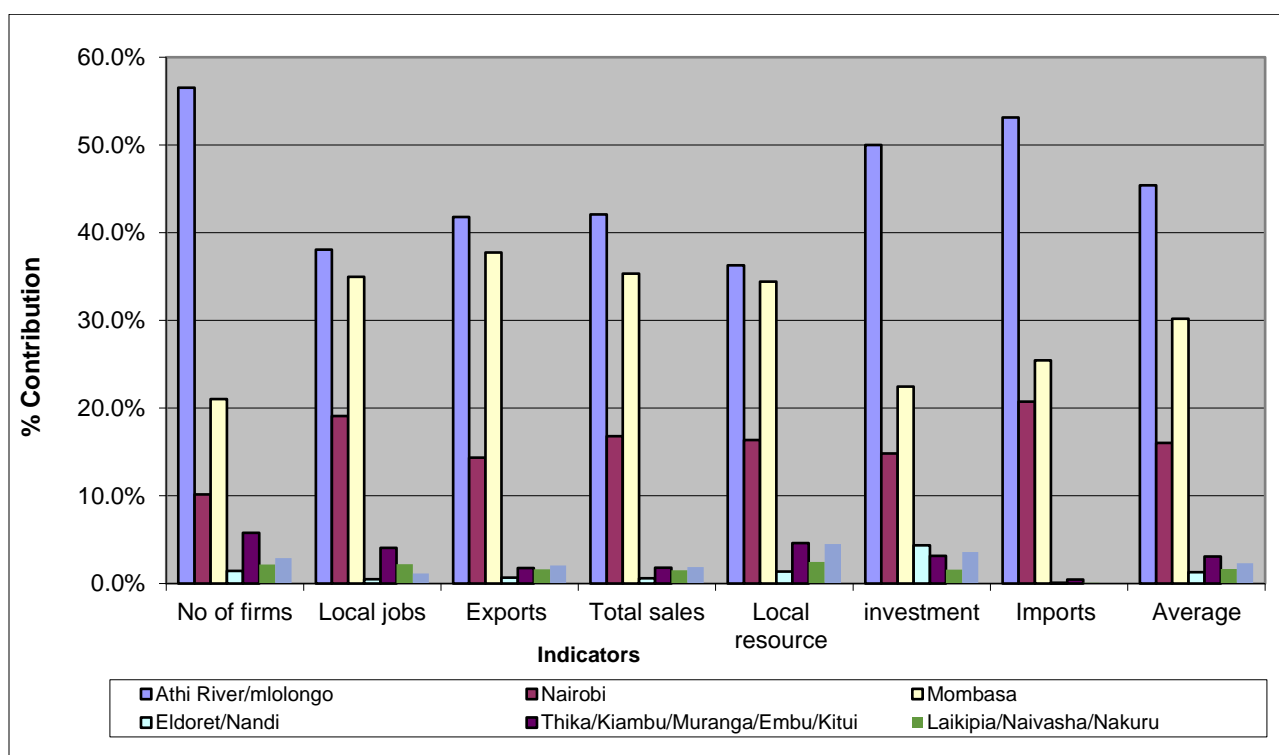
Table 9: Regional performances year 2020

Zone/Region	Firms (no)	Local jobs (no)	Exports (Kshs m)	Total sales (Kshs m)	Local resource (Kshs m)	Firms investment (Kshs m)	Imports (Kshs m)
Athi River/mlolongo	78.0	21,429.0	31,070.0	34,163.0	12,066.0	41,563.0	19,930.0
Nairobi	14.0	10,740.0	10,686.0	13,654.0	5,438.0	12,334.0	7,780.0
Mombasa	29.0	19,675.0	28,067.0	28,684.0	11,439.0	18,667.0	9,537.0
Eldoret/Nandi	2.0	277.0	488.0	491.0	456.0	3,623.0	39.0
Thika/Kiambu/Muranga/Embu/Kitui	8.0	2,292.0	1,302.0	1,465.0	1,536.0	2,637.0	174.0
Laikipia/Naivasha/Nakuru	3.0	1,236.0	1,217.0	1,221.0	820.0	1,329.0	37.0
Bomet/Narok	4.0	644.0	1,529.0	1,529.0	1,497.0	2,994.0	7.0
Total	138	56,293	74,359	81,207	33,252	83,147	37,504

Table 10: Contribution by region, 2020 (%)

Zone	No of firms	Local jobs	Exports	Total sales	Local resource investment	Imports	Average
Athi River/mlolongo	56.5%	38.1%	41.8%	42.1%	36.3%	50.0%	45.4%
Nairobi	10.1%	19.1%	14.4%	16.8%	16.4%	14.8%	16.0%
Mombasa	21.0%	35.0%	37.7%	35.3%	34.4%	22.5%	30.2%
Eldoret/Nandi	1.4%	0.5%	0.7%	0.6%	1.4%	4.4%	1.3%
Thika/Kiambu/Muranga/Embu/Kitui	5.8%	4.1%	1.8%	1.8%	4.6%	3.2%	3.1%
Laikipia/Naivasha/Nakuru	2.2%	2.2%	1.6%	1.5%	2.5%	1.6%	1.7%
Bomet/Narok	2.9%	1.1%	2.1%	1.9%	4.5%	3.6%	2.3%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Chart 6: Contribution by region (%) year 2020



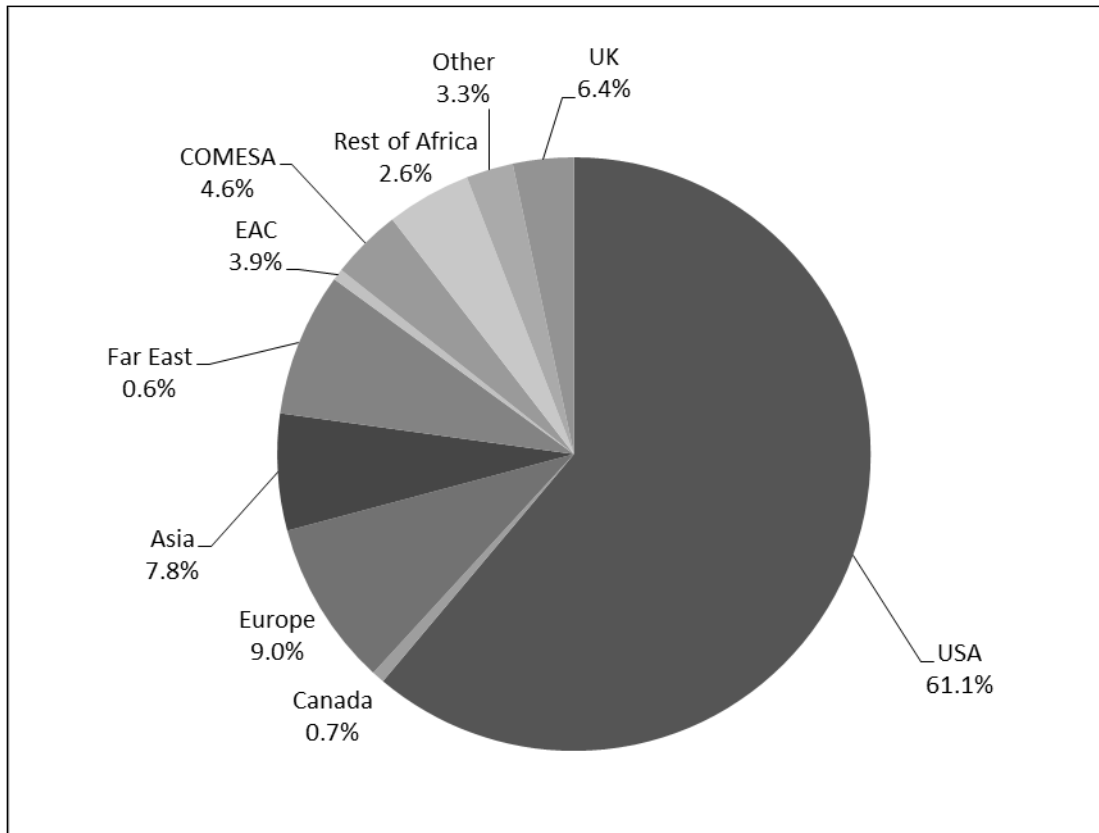
5.0 Destination of Exports

During the year 2020, 61.1% (Kshs. 45,460 million) of all exports were consigned to USA market out of which 98.2% (Kshs. 44,640 million) constituted exports of

garment products. In the year 2019, 71.3% (Kshs. 48,903 million) were exported to US out of which 94.2% (Kshs. 46,067 million) were accounted for by garment exports.

Europe accounted for 8.7% (Kshs. 5,955 million) of the export market, UK 6.4% (Kshs 4,725 million), EAC 3.9% (Kshs. 2,877 million), Asia 7.8% (Kshs. 5,823 million), COMESA 4.6%(Kshs. 3,422 million), Rest of Africa 2.6%(Kshs. 1,910 million), Far East 0.6 % (Kshs.460 million) and 3.3% (Kshs.2,462 million) was destined to the rest of the world. During the previous year, Europe accounted for 8.7% (Kshs. 5,955 million), EAC 4.5% (Kshs. 3,064 million), Asia 4.7% (Kshs. 3,198 million), COMESA 3.0% (Kshs 2,065 million), Rest of Africa 3.8% (Kshs. 2,603 million), Far East 0.5% (Kshs.361 million) and 2.8% (Kshs. 1,941 million) to the rest of the world (chart 7).

Chart 7: Market destination for all exports, 2020



6.0 Employment and wages

The average monthly wages decreased from Kshs 17,789 in the year 2019 to Kshs 16,496 in 2020, representing 7.3% decrease. This was attributed to pay cut together with having workers proceed on unpaid leave as a measure to facilitate firms to survive the pandemic period.

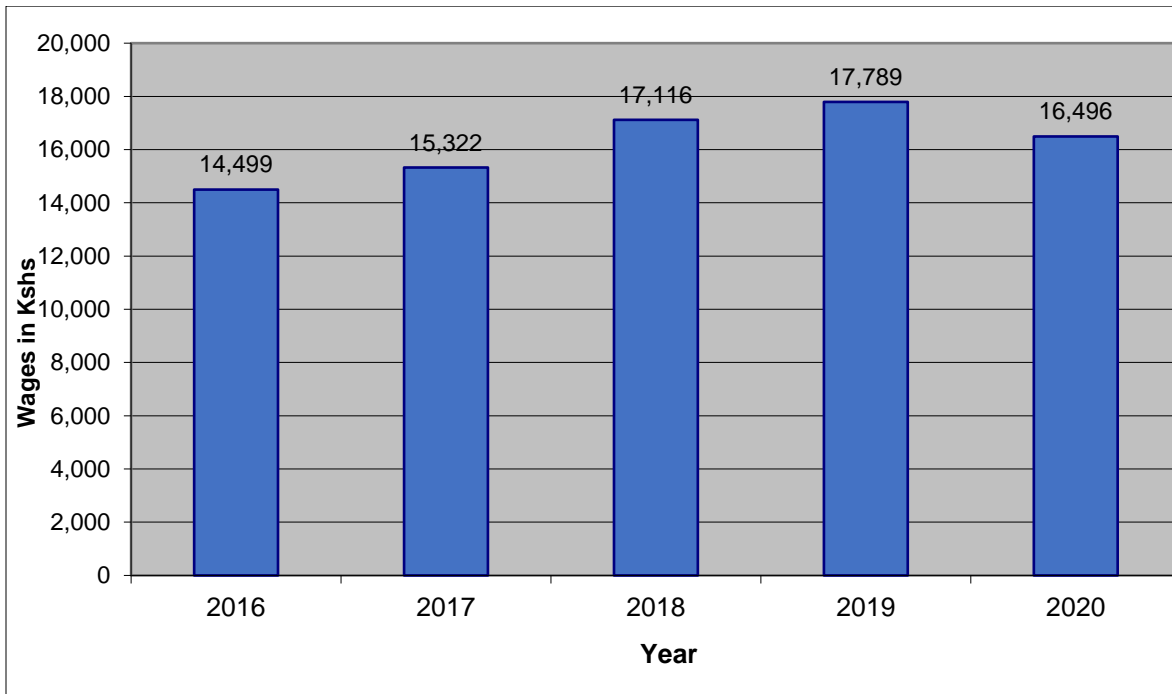
Details on table 11 and chart 8.

Table 11: Employment and Wages: 2016 – 2020

Indicator	2016	2017	2018	2019	2020
Local employees (Number)	52,947	54,764	57,099	60,390	56,293
Expatriates (Number)	618	722	644	665	647
Total employment (Number)	53,565	55,486	57,743	61,055	56,940
Local wages (Kshs)	9,212,279,985	10,069,320,267	11,727,644,428	12,891,138,230	11,143,242,546
Expatriate wages (Kshs)	768,274,397	893,338,136	994,682,828	1,051,048,787	976,746,558
Total wages (Kshs)	9,980,554,382	10,962,658,403	12,722,327,256	13,942,187,017	12,123,209,679
Average Annual wages locals (Kshs)	173,991	183,867	205,391	213,465	197,951
Average Annual wages expatriates (Kshs)	1,243,162	1,237,310	1,549,350	1,580,525	1,509,655
Average monthly wage locals (Kshs)	14,499	15,322	17,116	17,789	16,496
Average monthly wage expatriates (Kshs)	103,597	103,109	129,112	131,710	125,805
Average monthly wage locals (US\$)	143	148	169	174	155
Average monthly wage expatriates (US\$)	1,021	997	1,276	1,291	1,180
Average annual exchange rate(Kshs/US\$)	101.5	103.4	101.2	102.0	106.6

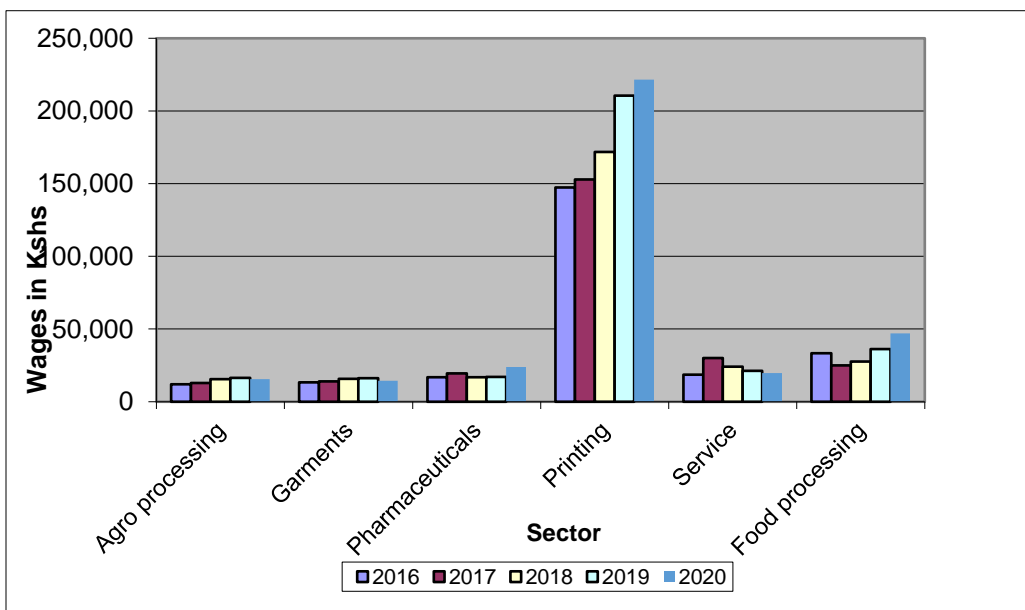
Source: EPZA records

Chart 8: Average monthly wages for local employees, 2016 to 2020 (Kshs)



With respect to selected sectoral wages, the printing sector continued to offer high remuneration to its employees in 2020 compared to other sectors; a similar position was exhibited in the previous year. More details are outlined on chart 9.

Chart 9: Average sectoral monthly wages, 2016 – 2020



6.1 Training of local workers and transfer of technology

In the year 2020, 65 enterprises (47.1%) trained local employees in various industrial disciplines compared to 62 (45.3%) in the previous year.

The training provided include: machine operation & quality assurance, setting corporate & personal targets, technical cashewnut processing methods, apprenticeship (e.g Department for International Development, UK), good manufacturing practice (GMP), Global Gap Certification, Hazard Analyses Critical Control Point (HACCP), principles of food hygiene, British Retail Consortium (BRC) on food safety, chemical safety, human resource management, ISO, implementation of ISO 2200: 2005 (Food Safety Management System), upgrading of supervisory skills, mass production, labour laws, QMS internal auditor training, health & safety, environmental care, performance management, customer care skills, team building, accounting e.g sage, energy saving, basic boiler operation, value addition, post-harvest management, pest control, shipping & logistics, Kikoy braiding, first aid, firefighting, fire marshall, fire drill, team building, setting of personal & corporate targets, training of trainers, in-house/induction courses, risk assessment, HIV/AIDS, drug abuse and security awareness among other trainings.

The skills learned are expected to eventually diffuse into the local market and have positive impact in new techniques geared towards increase in production and efficiency.

7.0 Significance of EPZ Program to National Economy

Export Processing Zones contribution to the national economy has been rising steadily over the years. This contribution became more significant with the coming into effect of AGOA, in the year 2000.

In 2020, the export processing zones contribution to the total manufacturing sector employment accounted for 17.76% from 17.09% posted in the year 2019.

In the year under review, EPZ contribution to manufacturing sector output stood at 3.42% in year 2020 from 3.34% registered in the previous year.

EPZ exports to total Kenya exports stood at 11.55% in 2020 from 11.49% in the year 2019.

EPZ employment accounted for 0.33% of total national employment in year 2020 from 0.32% registered in 2019.

Contribution to Gross Domestic Product (GDP) at market price of the economy was 0.755% from 0.753% recorded in year 2019.

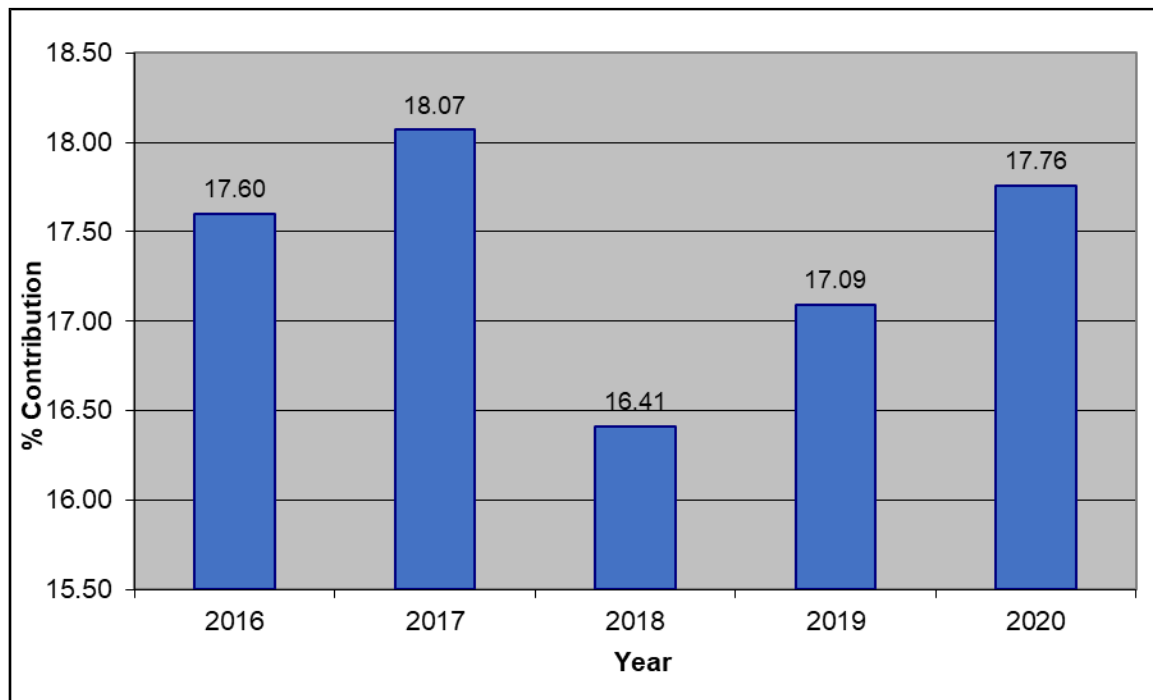
A summary on table 12 and Chart 10 shows EPZs contribution to the national economy.

Table 12: EPZ contribution to the national economy: 2016 – 2020

Indicator	Units	2016	2017	2018	2019	2020
Total Kenya Exports	Kshs Million	581,561	597,904	614,316	596,677	643,706
Manufacturing sector Value of Output	Kshs Million	2,131,907	2,255,687	2,409,981	2,309,175	2,374,334
GDP at market prices	Kshs Million	7,022,963	8,165,842	8,892,111	10,255,654	10,752,991
Total national employment	number	15,565,600	16,471,400	17,295,800	18,142,700	17,405,200
Manufacturing sector employment	Number	300,900	303,000	347,900	353,300	316,900
Total output EPZ	Kshs Million	68,569	67,270	77,271	77,189	81,207
Exports EPZ	Kshs Million	64,151	60,729	72,390	68,572	74,360
Employment EPZ (local)	Number	52,947	54,764	57,099	60,390	56,293
EPZ contribution to total Kenya Exports	Percent	11.03	10.16	11.78	11.49	11.55
EPZ contribution to manufacturing sector value of output	Percent	3.22	2.98	3.21	3.34	3.42
EPZ contribution to total national employment	Percent	0.34	0.33	0.33	0.33	0.32
EPZ contribution to manufacturing sector employment	Percent	17.60	18.07	16.41	17.09	17.76
EPZ contribution to GDP market prices)	Percent	0.98	0.82	0.87	0.753	0.755

Source: Economic Survey 2021 and EPZA reports

Chart 10: EPZ Contribution to manufacturing sector employment; 2016 – 2020



8.0 Constraints reported by EPZ enterprises

Constraints/impediments encountered by EPZ enterprises in the course of manufacturing/service activities during the year have reduced their competitiveness in the market, hence resulting in reduced/loss of export/ sales earnings. Some of these constraints were as are result of high cost of power/operation, delays/ port congestion in releasing imports used in the production process.

Other constraints included shortage of raw material supply which affected mainly the agro based enterprises as a result of prolonged drought, unfavourable weather conditions, unfavourable customs regulations especially on movement of agro produced products like tea, instability in target markets, adverse impact as a result of restriction of exports to EAC/domestic market , unpredictable market factors, global economic uncertainty especially in the face of Brexit and US inward looking policies, lack of orders as a result of intense competition, increased overhead costs, slow learning by production trainees, high freight & transportation cost, high interest/inflation rate regime, lack of appropriate support

from authorities for local manufacturers and general reduction in business volumes among others. Summary of constraints reported by enterprises during the year 2019 are tabulated on table 15.

The constraints that face the EPZ enterprises watered down the very incentives which accrued to them because they still remain uncompetitive.

9.0 Challenges facing the program

Table 13: Constraints/ impediments reported by EPZ enterprises, 2020.

Constraints/impediment	Number of firms which reported/ affected (2018)	% of enterprises affected to total no. of operating firms in (2018)	Number of firms which reported/ affected (2019)	% of enterprises affected to total no. of operating firms in (2019)	Number of firms which reported/ affected (2020)	% of enterprises affected to total no. of operating firms in (2020)
Labour productivity/turn over/efficiency, labour unrest	8	5.9	6	4.4	5	3.6
Unfavourable economic condition/inflation	5	3.7	8	5.8	4	2.9
High cost of production	12	8.8	14	10.2	14	10.1
Customs regulation/KRA	1	0.7	7	5.1	11	7.8
High cost of power/electricity	10	7.4	11	8.0	10	7.2
Competition from other countries	10	7.4	11	8.0	8	5.8
High cost of water/unreliable water supply	5	3.7	5	3.6	5	3.6
Local currency fluctuation	2	1.5	6	4.4	6	4.3
Poor infrastructure	5	3.7	6	4.4	5	3.6
Shortage of raw materials	13	9.6	20	14.6	31	22.5
Market access/market barriers	7	5.1	4	2.9	12	8.7
Diminishing demand	10	7.4	8	5.8	4	2.9
Inadequate finances			13	9.5	16	11.6
Adverse weather conditions	5	3.7	12	8.6	11	8
Adverse effects of Covid-19	-	-	-	-	53	38.4
Others(lack of locally sourced inputs, lead time, insecurity, price factor, delays, unfamiliarity with EPZ operations, bureaucracy, corruption, insensitiveness to investor, dependency on the other EPZs, lack of appropriate machines/technology by subcontract EPZ garment firms, marketing, political instability, security concern, congestion among others	52	38.2	35	25.5	42	30.4

The performance of the program would have been enhanced if certain challenges had not impacted as follows.

- i) Lack of affordable finance for EPZ enterprises to access.

- The cost of borrowing of funds by EPZ enterprises is prohibitive, hence deny several existing and potential investors opportunity much needed working capital to implement and sustain their operations.

ii) High cost of production

- Cost of electricity is still high to support manufacturing activities within the EPZ program so as to make products to be competitive in the global market.

iii) Inadequate water supply especially within Athi River zone

- There have been low volumes of water supplied to Athi River zone which cannot cater for the requirements for the firms. This has been compounded by the emergence of Covid 19 where water is a critical in its containment. Some of the firm use water as a raw material.

iv) Inadequate supply of raw materials

- Agro processing EPZ companies experienced inadequate supply of raw materials. This is attributed to various factors ranging from farmers inability to produce adequate supply; seasonality of crops like macadamia and avocado and the adverse weather conditions which cannot be predicted.

v) Reduced export market.

- Emergence of Covid -19 has disrupted global trade where some export markets have been affected.

At the **institutional** level, the challenges are as follows:

- i. Inadequate funds to implement its projects and programs. This has seen low pace of implementation of activities;
- ii. Improving corporate image.

The following are some of the proposals for improved performance within the EPZ Program and therefore retain the investors within the program:

- i) Increased water volumes supply by Nairobi Water and Sewerage Company to Athi River Zone** to enable EPZ companies have adequate quantity for their operations.
- ii) Facilitate availability of affordable financing** especially to SMEs enterprises operating within the EPZ program.
- iii) Improving market access to the East African Community (EAC):** EPZ firms are constrained by limited EAC market to only 20% of their total production. This is an important market especially with South Sudan

having joined it. Thus, to encourage expansion of existing firms and new companies, the cap should be increased.

- iv) The ongoing **trade negotiations between Kenya and USA** will also enhance market stability in the US.
- v) **Diversification of products eligible under AGOA:** extension of AGOA effective October 2015 to September 2025 provided an opportunity to promote other products for export to the US market other than the apparels.
- vi) Improve the **supply of raw material** to agro processing industries like macadamia, cashewnuts, coconuts and other horticultural products.
- vii) **increase funding** by the Government to the institution to facilitate timely implementation of its projects and programme.

11.0 Set targets and Actual performance.

The projections for the year 2020 took into account the challenges and opportunities facing the EPZ program.

Forecast on performance of selected EPZ indicators is based on conservative estimates while taking into account objectives and targets outlined in the Strategic Plan for 2019 to 2023.

Operating firms are expected to rise to 160 based on facilitation of new enterprises to commence operation by end of year 2020, while local employment is estimated to expand by 10% based on coming into operation of the new firms and expansion of the existing ones.

Exports are expected to grow by about 8.5% while total sales to expand by 9%. Capital investment which constitutes value of plant, machinery, equipment and other funds invested by EPZ firms is likely to grow by an average of 5%, while domestic expenditure is expected to average 40% of total sales.

A summary of set and actual targets for years 2018 to 2020 and projections for year 2021 are outlined on table 14.

Table 14: Set and Actual Targets for 2018 to 2020 and Projections for 2021

Indicator	Target			Actual			% attained			Target
	2018	2019	2020	2018	2019	2020	2018	2019	2020	2021
Operating enterprises (Number)	160	160	160	136	137	138	85.0	85.6	86.3	150
Employment (Kenyans) Number.	60,000	63,000	66,429	57,099	60,390	56,293	95.2	95.9	84.7	66,293
Investment for firms (Kshs million)	76,486	80,234	81,575	76,356	77,691	83,147	99.8	96.8	100	88,800
Total sales (Kshs million)	73,147	83,451	84,136	77,270	77,189	81,207	100	92.5	96.5	89,207
Exports (Kshs million)	66,729	78,443	74,057	72,390	68,572	74,360	100	87.4	100	82,070
Ratio of domestic sales to total sales (%)	10	5	5	2.9	5.7	5.1	100	87.7	100	5.0
Domestic expenditure (Kshs million)	30,000	33,380	33,654	30,845	31,858	33,252	100	95.4	98.8	36,575

Average attainment of set targets for the year 2020 was 95.2% compared to 91.6% in the previous year.

Some of the targets set for the year 2020 which were not attained like the number of operating enterprises & employment among others was as a result of the constraints reported by the enterprises in the course of the year in addition to Covid 19 pandemic. Challenges facing the program outlined in points 8 and 9 respectively.

12.0 Conclusion

The EPZ program has made her share of contribution to Kenya's economy especially employment creation, attraction of new investments and value addition among others.

EPZ program performance in 2021 will depend on the addressing some challenges and constraints outlined in this report. In addition, the mitigation measures on the impact of Covid -19 on EPZ program is crucial in sustaining growth momentum.

Research Planning & Innovation Department
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