



## EXPORT PROCESSING ZONES PROGRAM ANNUAL PERFORMANCE REPORT, 2021

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## **1.0 Executive Summary**

The performance indicators with respect to the EPZ program in the year 2021 were on an upward trend.

Capital investment in form of equipment, machinery and other funds invested by the 145 operational enterprises increased by 7.7% to Kshs. 89,541 million in 2021 from Kshs.83,147 million recorded in the previous year. While the cumulative value of investment for enterprises and zones (developers/operators) stood at Kshs 124,490 million in 2021 from Kshs 116,974 million registered in year 2020.

Expenditure on local goods & services rose by 20.6% in the year 2021 to stand at Kshs 40,118 million compared to Kshs 33,252 million in 2020.

Total sales stood at Kshs 98,867 million in 2021 from Kshs 81,207 million in 2020, while value of exports were Kshs 90,249 million from 74,390 million during the same period. The sales were driven by apparels, agro processed products like tea and pharmaceutical & medical supplies

Direct employment expanded by 17.3% to stand at 66,053 persons from 60,390 persons recorded 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 44.8% in 2021 from 36.6% in 2017.

## **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. It provided stimulus packages designed to ensure the economy endured shocks caused by the pandemic. Towards the end of year 2021, the Government implemented third stimulus programme aimed at accelerating the pace of economic growth and sustain the gains made in view of significant progress registered in containing the pandemic as it was time to shift from survival to co-existing with the disease. The new stimulus programme targeted key productive and service sectors covering agriculture, health, education, drought response, policy, infrastructure, financial inclusion, energy and environmental conservation.

During the year 2021, revision and rebasing of national accounts was done. It refers to the process by which the base year used to calculate Gross Domestic Product (GDP) is updated to a more recent year to reflect economic changes in the country. The base year changed from year 2009 to 2016, with 2016 chosen as the year with normal activity, devoid of any major economic shocks. It is important to note that economies are dynamic in nature: they grow, they shrink, they add new sectors, new products and new technologies, and consumer behaviour and tastes change over time.

EPZ program is expected to play a critical role in the manufacturing sector contribution to 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 2022*, EPZ performance analysis under various indicators, impact of African Growth Opportunity Act (AGOA), constraints/challenges, set & actual targets for the year 2019 to 2021 including projection/outlook for 2022, and finally the conclusion.

## **1.2 National and International Scene**

According to *Economic Survey 2022*, real Gross Domestic Product (GDP) is estimated to have expanded by 7.5% in 2021 compared to a contraction of 0.3% 2020 (Chart 1). Most activities recorded positive growths except in Agriculture, Forestry and Fishing activities which contracted by 0.2% in the review period. Activities that were affected more severely by the pandemic in 2020 such as Education; Accommodation and Food Service grew faster than those that were less severely affected. Economic growth in 2021 was supported by improved performance in key sectors of the economy including; Manufacturing (6.9%); Wholesale and Retail Trade (7.9%); Real Estate (6.7%); Transportation & Storage (7.2%) and Financial & Insurance activities (12.5%).

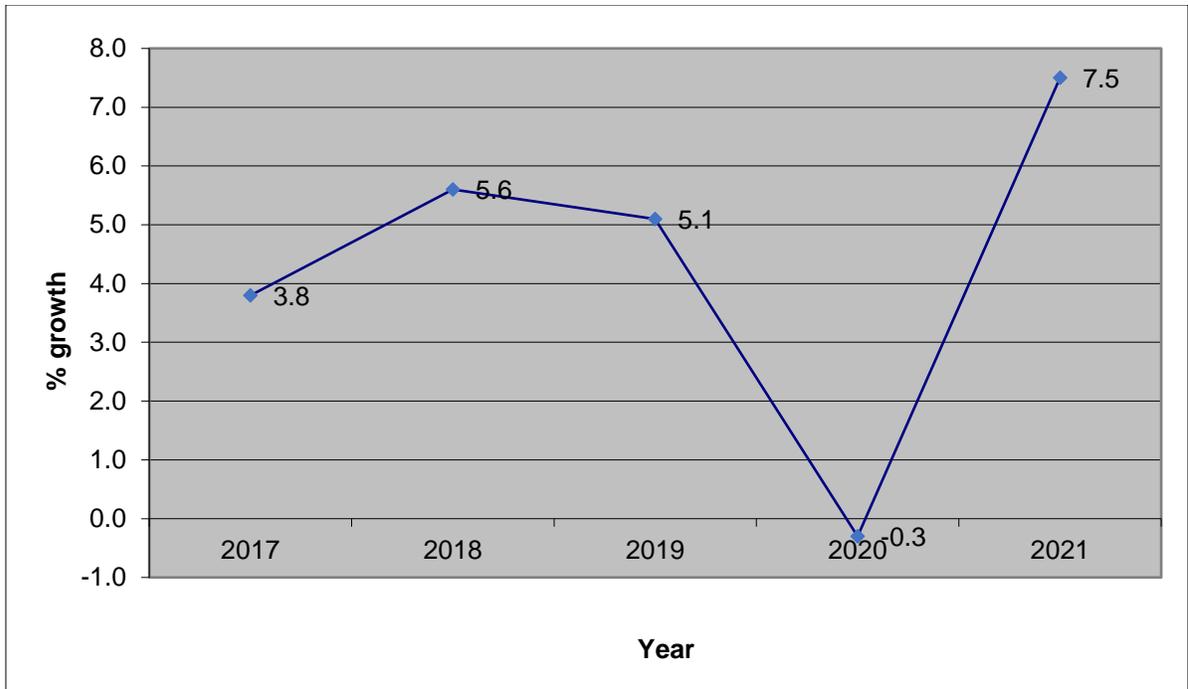
In the review period, monetary policy was premised on the need to accelerate economic recovery after a slowdown witnessed in most of the economic activities in 2020. Central Bank Rate (CBR) was maintained at 7.00% throughout 2021. Overall liquidity and broad money grew by 9.48% and 6.10% respectively in 2021. Agriculture remained the dominant sector, accounting for about 22.4% of the overall GDP in 2021. Industry related activities and service activities accounted for about 17.0% and 60.6% respectively in 2021. Nominal GDP increased from Kshs

10,716.0 billion in 2020 to Kshs 12,098.2 billion in 2021 while Gross National Disposable Income increased from Kshs 11,058.4 billion in 2020 to Kshs 12,588.2 billion in 2021. Gross domestic per capita increased by 11.4% from Kshs 220,132.2 in 2020 to Kshs 245,145 in 2021.

World real GDP is estimated to have grown by 5.9% in 2021 compared to a contraction of 3.1% in 2020. The growth was mainly attributed to easing of Covid-19 restriction measures which led to increased global trade and increased activities in both industrial and service sectors. The growth was manifested in advanced economies; emerging markets and developed economies which expanded by 5.0% and 6.5%, respectively in the review period. Sub Saharan Africa (SSA) economy grew by 3.7% in 2021, mainly due to favourable weather conditions in most of the countries in the region. East Africa Community (EAC) grew by 4.9% in the period under review compared to 1.0% growth in 2020.

World trade volume increased by 9.3% in 2021 compared to a contraction of 8.2% in 2020, reflecting increased demand and activities in the economy. Global inflation rose from 3.2% in 2020 to 4.3% in 2021 due to increase in prices of energy and agricultural commodities, and supply chain disruptions. Unemployment rate eased from 6.6% in 2020 to 6.2% in 2021 as businesses reopened and the number of working hours increased, after relaxation of Covid-19 restrictions.

**Chart 1: Real GDP growth rate (%), 2017 to 2021**



Source: Economic survey, 2022

### 1.3 Performance by key sectors of the economy

#### 1.3.1 Agriculture

*Economic Survey 2022* reported that the agriculture sector experienced slowdown in performance in 2021 compared to 2020. This was mainly attributed to unfavourable weather conditions which led to reduction in crop production in the review period. There was a decline in production of most of the key food crops in the review period.

Tea production decreased by 5.6% to 537.8 thousand tonnes in 2021 from 569.5 thousand tonnes in the 2020, due to unfavourable weather conditions in 2021. However, the area under tea increased to 249.8 thousand hectares in 2021 from 236.4 thousand hectares during the year 2020. The small holder sub-sector registered a decrease of 11.7% in production to 284.8 thousand tonnes while the output from the estate sub-sector recorded an increase of 2.5% to 253.0 thousand tonnes. Consequently, the average yield for the estate sub-sector increased from 2,695.4 Kg/Ha to 2,735.1 Kg/Ha while for the small holder sub-sector decreased from 2,286.3 Kg/Ha to 2,008.5 Kg/Ha.

Coffee production declined by 6.5% from 36.9 thousand metric tonnes in 2019/20 to 34.5 thousand metric tonnes in 2020/21 crop year. The estimated area under coffee also declined from 119.7 thousand hectares in 2019/20 to 108.2 thousand hectares in 2020/21, despite new planting reported in such areas like Trans

Nzoia, Bungoma, Busia, Homabay and Siaya. New planting in traditional coffee growing regions were mainly replacements. In general, production has been on the downward trend over the years, mainly due to uprooting of coffee trees to make way for investment in real estate.

Total sugar cane production increased by 14.3% from 6.8 million tonnes in 2020 to 7.8 million tonnes in 2021. This was mainly attributed to improved availability of mature cane for harvesting brought about by favourable weather conditions in cane growing areas over the year. Consequently, the average yield increased by 16.4% from 61.6 tonnes per hectare in 2020 to 72.0 tonnes per hectare in 2021. Similarly, area under cane production increased by 11.2% to 223.0 thousand hectares in 2021 from 200.5 thousand hectares in 2020. The area harvested increased by 2.9% from 89.8 thousand hectares in 2020 to 92.4 thousand hectares in 2021.

During the year under review, earnings from exports of horticulture produce increased by 5.0% to Kshs 157.7 billion in 2021. The volume of horticulture exports increased by 29.3% to 405.5 thousand tonnes in 2021. Earnings from cut flowers increased by 3.1% to Kshs 110.8 billion in 2021, and accounted for 70.3% of total fresh horticulture export earnings. The increase in export earnings from cut flowers was attributed to better prices offered in the export market in the review period. In 2021, earnings from export of fruits were Kshs 18.4 billion accounting for 11.7% of fresh horticultural export earnings. During the period under review, the value of vegetable exports increased by 17.8% to Kshs 28.5 billion, accounting for 18.1% of total horticultural export earnings.

During the period under review, deliveries of dry pyrethrum flowers to processors was 501.0 metric tonnes, an increase of 76.4% from 284.9 metric tonnes recorded in 2020. The increase was attributed to acreage expansion by new licensed processors and Government support in the purchase and distribution of seedlings. Similarly, the average price paid per kilogramme to farmers for the produce increased by 6.5% from Kshs 200.0 in 2020 to Kshs 213.0 in 2021. Consequently, the value of dry pyrethrum almost doubled from Kshs 57.0 million in 2020 to Kshs 106.7 million during the review period. Production of pyrethrum extract doubled to 11.5 tonnes in 2021 while the average price paid increased to Kshs 25.0 thousand per kilogramme of the extract in 2021. Subsequently, earnings from the sale of pyrethrum extract more than doubled to Kshs 287.5 million during the review period.

Maize production decreased from 42.1 million bags in 2020 to 36.7 million bags in 2021.

Wheat production decreased by 39.4% from 405.0 thousand tonnes in 2020 to 245.3 thousand tonnes in 2021. As a result, the amount of wheat imported increased by 6.4 thousand tonnes to 1.89 million tonnes in 2021. The quantity of recorded milk production increased by 17.2% from 684.4 million litres in 2020 to 801.9 million litres in 2021.

During the period under review, the number of cattle and calves slaughtered increased from 1,953.9 thousand heads in 2020 to 2,004.9 thousand heads in 2021. However, the number of sheep and goats slaughtered decreased by 21.3% from 12,040.2 thousand heads in 2020 to 9,478.0 thousand heads in 2021. The observed lower goat and sheep slaughtered was partly attributed to low levels of festivities and gatherings due to restrictions imposed to contain Covid-19 pandemic. Similarly, the number of pigs slaughtered declined by 10.4% from 367.7 thousand heads recorded in 2020 to 355.5 thousand heads in 2021.

### **1.3.2 Manufacturing.**

Manufacturing sector recovered in 2021 from the slowdown that was experienced in 2020. This was aided by relaxing of containment measures implemented to curb the spread of the Covid-19 and the reopening of the economy increased the uptake of manufactured goods. The sector's real value added grew by 6.9% compared to a growth of negative 0.4% in 2020. The share of manufacturing sector to GDP was 7.2% in 2021, while sector's volume of output expanded by 6.0% in 2021 from a revised growth of 0.2% in 2020. Sub sectors that registered major growths in volume of output in 2021 are: Other Non-metallic Mineral Product which includes cement; Leather and Related Products; Dairy Products; Motor Vehicle; Trailers and Semi Trailers; Sugar and; Meat and Meat Products. However, Prepared and Preserved Fruits and Vegetables; Animal and Vegetable Fats and Oils; Furniture and Pharmaceutical Products sub sectors recorded declines in the review period.

The number of persons in the formal manufacturing employment increased by 6.7% from 316.9 thousand in 2020 to 338.0 thousand in 2021.

Leather and related products sub-sector grew by 15.6 % in 2021 mainly due to an increase of 30.5% finished leather.

The beverages and tobacco sub-sector grew by 9.2% in the year under review. Production of beverages went up by 8.4% on account of increased production of spirits and beer by 21.3%, bottled water not sweetened or flavoured by 3.5% while other non alcoholic caloric beverages (soda) grew by 6.1%. In the same period production of tobacco products grew by 12.9%.

The wood and products of wood sub-sector recorded a growth in production of 10.2% in 2021 because of increase in production of block boards. The paper and paper products sub sector recored growth of 10.4% in the same period because of an increase in volumes of cartons, boxes and cases by 4.8% and exercise books by 24.6%.

Basic metals sub-sector recorded a growth of 2.7% in 2021. This was mainly due to an increase in production of angles, shapes and sections of iron/steel; tubes and pipes; and bars and rods by 9.6%, 3.5% and 1.7%, respectively. In the same period, production of galvanized sheets increased by 1.1% from 247.7 thousand metric tonnes in 2020 to 250.4 thousand metric tonnes in 2021.

Production of electrical equipment increased by 2.3% in 2021, on account of an increase in the production of insulated wires and cables. Manufacture of machinery and equipment n.e.c went up by 3.8% in the period under review.

Plastic products subsector recorded 2.0% growth in the year under review. This was attributable to increased production of tableware, kitchenware, other household articles, plastic bags/sacks; tubes, pipes and hoses; and self-adhesive plates, sheets, film, foil which increased by 9.1%, 7.9%, 6.7% and 6.3%, respectively in 2021. Production of builders' ware of plastics and conveyance/packing of goods dropped by 7.2% and 5.0% respectively in the review period.

The Motor Vehicles, Trailers and Semi Trailers subsector registered a significant growth of 18.9% in 2021. This was on account of an increase in the number of assembled motor vehicles by 29.3% from 7,725 assembled vehicles in 2020 to 9,989 assembled vehicles in 2021. Similarly, production of bodies of motor vehicles; and trailers and semi trailers increased by 1.3% and 2.1%, respectively during the review period.

Manufacture of Furniture dropped by 3.6% in 2021 mainly due to a 3.6% decrease in production of mattresses. Other manufacturing sub sector recorded a growth of 1.5%. Repair and installation of machinery and equipment registered a 6.5% growth in the period under review.

Cement production grew by 23.7% from 7,473.6 thousand tonnes in 2020 to 9,247.7 thousand tonnes in 2021 while consumption and stocks of cement of cement rose by 23.4% to 9,098.4 thousand tonnes in 2021.

In the year under review, total credit approved by both commercial banks and industrial financial institutions rose to Kshs 464.0 billion from Kshs 410.3 billion in 2020. The total amount of credit advanced by industrial financial institutions increased from Kshs 1,096.3 million in 2020 to Kshs 1,394.5 million in 2021.

Similarly, the total number of projects funded by these institutions increased from 320 in 2020 to 328 in 2021.

### **1.3.3 Other sectors**

Total installed electricity capacity increased from 2,863.7 MW in 2020 to 2,989.6 MW in 2021. Total electricity generation rose to 12,347.0 GWh in the review period. Thermal and wind power generation significantly by 67.3% and 49.1% to 1,262.0 MW and 1984.8 MW, respectively in 2021. Reduced rainfall experienced in 2021 resulted in to a 13.2% decrease in hydro generation to 3,675.0 GWh. Total electricity demand increased from 11,603.6 GWh in 2020 to 12,414.7 GWh in 2021. Domestic demand for electricity increased by 8.7% to 9,565.4 GWh in 2021. Sales to large and medium commercial category rose by 10.5% to 4,728.4 GWh in the review period. Sales of electricity for street lighting category increased by 33.7% to 99.6 GWh in 2021. Transmission and distributive losses amounted to 2,831.0 GWh, accounting for 23.3% of total domestic generation in 2021.

The quantity of petroleum products imported increased by 12.0% to 6.4 million tonnes in 2021. In the same period, the total volume of petroleum exports decreased from 832.1 thousand tonnes in 2020 to 610.8 thousand tonnes in 2021. The volume of re-exports to total exports dropped marginally from 96.6% in 2020 to 96.3% in 2021.

Total import bill of petroleum products rose to Kshs 348.3 billion in 2021 from Kshs 209.1 billion in 2020. The value of total exports of petroleum products declined by 30.6% to Kshs 29.5 billion in 2021. Total domestic demand for petroleum products increased by 11.0% to 5.2 million tonnes in 2021. This was attributed to the increase in demand for jet fuel and fuel oil by 28.4% and 24.3%, respectively in the review period as a result of the opening up of the economy and resumption of air travel across the world. In contrast, demand for heavy diesel oil and aviation spirit recorded significant decline of 55.5% and 27.3% to 0.8 thousand tonnes and 1.4 thousand tonnes, respectively, in 2021. Demand for liquified petroleum gas (LPG) remained high, further increasing by 13.9% to 371.4 thousand tonnes while that of illuminating kerosene continued to decline to 111.3 thousand tonnes in 2021. This implies sustained use of LPG following Government policy to promote use of clean energy.

The average annual price of murban crude oil increased sharply from USD 41.45 per barrel in 2020 to USD 69.72 per barrel in 2021. This was occasioned by increased demand for crude oil globally on account of robustly recovering economies. The highest price of murban crude oil of USD 82.11 per barrel was recorded in October 2021 while the lowest price of USD 54.38 per barrel was recorded in January 2021.

Total volume of white petroleum transported through pipeline increased by 10.1% from 6,761.4 thousand cubic metres in 2020 to 7,447.1 thousand cubic metres in 2021. There was a 21.2% increase in the volume of white petroleum products on transit through pipeline from 2,443.9 thousand cubic metres in 2020 to 2,960.8 thousand cubic metres in 2021. Total pipeline throughput for domestic consumption rose marginally by 3.9% from 4,317.5 thousand cubic metres in 2020 to 4,486.3 thousand cubic metres in 2021.

The value of output from transport and storage sector rose by 16.7% to Kshs 2,293.3 billion in 2021. The road transport subsector contributed 77.9% of the total value of output within the sector, having risen from Kshs 1,537.4 billion in 2020 to Kshs 1,785.4 billion in 2021.

The volume of cargo transported through the Metre Gauge Railway (MGR) declined marginally from 652 thousand tonnes in 2020 to 644 thousand tonnes in 2021. This was mainly due to a decline in import volumes of steel, one of the main commodities transported using MGR. Despite the drop in cargo haulage, there was a slight increase in revenue from MGR cargo stream from Kshs 1,114 million in 2020 to Kshs 1,118 million in 2021 partly due to ferrying of high value cargo.

The volume of freight transported through Standard Gauge Railway (SGR) grew by 22.6% from 4,411 thousand tonnes in 2020 to 5,407 thousand tonnes in 2021. As a result, revenue realized from cargo haulage rose by 24.0% from Kshs 10.5 billion in 2020 to Kshs 13.0 billion in 2021.

Total cargo throughput at the Port of Mombasa increased from 34.1 million metric tonnes (MT) in 2020 to 34.5 million MT in 2021, representing a growth of 1.2%. Container traffic increased by 5.6% from 1,359.6 thousand Twenty-foot Equivalent Units (TEUs) in 2020 to 1,435.3 thousand TEUs in 2021. The number of ships docking in at the Port of Mombasa rose from 1,621 in 2020 to 1,635 in 2021. The volume of imports handled at the Port decreased slightly from 27,771 thousand MT in 2020 to 27,332 thousand MT in 2021 while the volume of exports increased by 9.7% to 4,612 thousand MT in 2021. The increase in exports is partly attributed to increased exportation of iron ores and titanium.

The number of Container Freight Stations (CFS) at the Port of Mombasa remained unchanged at 16 in 2021. The CFS operates through the volume of containers handled. The number of TEUs handled by the CFS dropped from 136,695 TEUs in 2020 to 131,979 TEUs in 2021.

International visitor arrivals expanded by 50.3% to 871.3 thousand during the review period. This was supported by reopening of Kenya's source markets, relaxation of travel restrictions and the rising cases of Covid-19 vaccination. Hotel bed nights occupancy rose by 45.1% to 5.5 million in 2021. Domestic tourism expanded notably with hotel bed nights occupancy of Kenyan residents growing

by 49.2% to 3.8 million, accounting for 69.4% of total bed nights occupancy in 2021.

The number of international conferences held increased from 28 in 2020 to 292 in 2021 while local conferences increased from 1,176 in 2020 to 8,117 in 2021. The number of visitors to national parks and game reserves increased by 50.0% from 1.0 million in 2020 to 1.5 million in 2021.

The construction sector registered a growth of 6.8% in 2021 compared to a growth of 10.1% in 2020. Cement consumption rose from 7.4% million tonnes in 2020 to 9.1 million tonnes in 2021. Loans and advances from commercial banks to the construction and real estate sectors grew by 0.9% from Kshs 526.5 billion in 2020 to Kshs 531.3 billion in 2021.

The value of Information & Communication Technology (ICT) output increased by 6.9% from Kshs 529.8 billion in 2020 to Kshs 566.3 billion in 2021. The penetration rate for mobile subscriptions grew to 131.88 per 100 inhabitants in 2021. Mobile money subscriptions increased to 71.34 per 100 inhabitants over the same period. Internet subscriptions increased from 91.70 per 100 inhabitants in 2020 to 93.33 per 100 inhabitants in 2021.

The volume of trade amounted to Kshs 2,894.9 billion in 2021 rising from Kshs 2,287.3 billion in 2020. This was occasioned by a 30.9% growth in imports together with a 15.5% increase in total exports. Growth of imports were largely on account of increased expenditure on petroleum products, iron & steel, animal fats & oils; and vehicles. Similarly, earnings from total exports grew for the second consecutive year to Kshs 743.7 billion in 2021. Horticultural products, articles of apparel & clothing accessories; titanium ores and concentrates were some of the commodities that drove the increase in export earnings. The faster growth of imports compared to exports, resulted to a widening of the balance of trade deficit from Kshs 999.9 billion in 2020 to Kshs 1,407.6 billion in 2021. Earnings from total exports could only cater for 34.6% of the country's imports, during the review period.

The widening balance of trade deficit in general merchandise trade resulted in a deterioration of the current account balance from a deficit of Kshs 510.1 billion in 2020 to a deficit of Kshs 663.0 billion in 2021. This was despite a Kshs 92.8 billion surplus in services account and a Kshs 671.6 billion surplus in the secondary income account, in 2021. Remittances continued to register robust growth, with inflows of Kshs 413.3 billion in 2021.

Net inflows of the financial account more than doubled during the period under review from Kshs 289.5 billion in 2020 to Kshs 684.6 billion in 2021, following increased disbursements of other investments. There was a build up of Reserve Assets from a drawdown of Kshs 87.5 billion in 2020 to a buildup of Ksh 127.3 billion in 2021 following increased disbursements, including Special Drawing Rights (SDR) allocations by the International Monetary Fund (IMF). In the year

under review, the country received the Debt Service Suspension Initiative (DSSI) relief, amounting to Kshs 55.3 billion. The DSSI relief was in response to the Covid-19 pandemic and was meant to free up resources to support Covid-19 related expenditures.

In 2021, the Kenya shilling weakened against currencies of key trading countries as reflected in the Trade Weighted Index (TWI), which increased by 5.4% from 115.37 in 2020 to 121.66 in 2021. The shilling depreciated against the Pound Sterling (10.3%); the Euro (6.7%); the US Dollar (3.0%); Chine Yuan (10.0%) and South African Rand (13.9%) in the period under review. Similarly, the Tanzanian and Ugandan Shllings gained against the Kenyan Shilling by 3.0% and 6.4%, respectively, in 2021.

## **1.4 Outlook**

According to *Economic Survey 2022*, the outlook for the country's macroeconomic environment is expected to remain stable despite the likelihood of rise in inflation, weakening of the Kenyan shilling against it major trading currencies and significant rise in energy prices. The electioneering period might slowdown economic activities with investors likely to incline to building savings rather than expanding businesses. However, the electioneering period is expected to be peaceful and therefore conducive for economic activities to thrive. During the first quarter of 2022, inflation rate eased but it is likely to rise in the second and third quarters of the year on account of rising energy prices as well as increase in prices of other commodity including that of food.

The agricultural sector, which contributes close to a quarter of the country GDP, is projected to underperform on account of poor weather patterns. So far, there was failure of short rains in most parts of the country during the fourth quarter of 2021 which resulted in suppressed production of key crops in the first quarter of 2022. Moreover, was a delay in the onset of the long rains which is likely to hamper production in the second quarter of 2022. Subsequently, the performance of the sector is expected to be below par in 2022. On the brigher side, activities in the other sectors of the economy are likely to continue on a growth trajectory after the successful containment of the Covid-19 pandemic and the expected peaceful general election given Kenya is a mature democracy.

The global economy is projected to remain robust in 2022 as the world copes better with the Covid-19 pandemic. Against this backdrop. The world trade is expected to remain strong and therefore supportive of external demand for Kenya's goods and services. Consequently, Kenya's export of horticultural product, minerals and other key output is expected to grow and therefore supportive of the respective productive sectors.

## **2.0 EPZ Performance for the year 2021**

### **2.1 Overview of the program**

In 2021, all performance indicators save for number of approved projects were on an upward trend compared to year 2020.

Number of gazetted zones increased to 82 during the year 2021 from 76 in 2020.

Direct employment expanded by 17.3% to stand at 66,053 persons from 60,390 persons recorded in 2020.

Total sales stood at Kshs 98,867 million in 2021 from Kshs 81,207 million in 2020, while value of exports were Kshs 90,249 million from 74,390 million during the same period. The sales were driven by apparels, agro processed products like tea and pharmaceutical & medical supplies.

Imports increased by 28.8% to stand at Kshs 48,317 million from Kshs 37,504 million recorded in year 2020. The drivers of imports were among others fabric for apparel firms; ingredients used in food processing and machinery for existing and expanding firms.

Domestic sales increased from Kshs 4,124 million in 2020 to Kshs 4,746 million in 2021. These products were mainly security documents; pharmaceutical & medical products; apparels (masks) and relief supplies/food among others.

Cumulative value of investments for enterprises and zones rose by 6.4% in year 2021 to stand at Kshs 124,490 million from Kshs 116,974 million in 2020. The value of local purchases increased by 18.9% to stand at Kshs 14,678 million as firms continued to getting available materials locally, a trend which was enhanced during Covid -19 period when global supply chains were disrupted.

Expenditure on local goods and services increased by 20.6% in 2021 to stand at Kshs. 40,118 million from Kshs. 33,252 million recorded in the year 2020. 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 66,053 persons employed by EPZ firms was Kshs 14,149 million in year 2021 compared to Kshs 11,143 million in 2020. Overall, of the total domestic expenditure, an average of Kshs 3,343 million was being injected into the economy by EPZ firms monthly in the year 2021 compared to Kshs. 2,771 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: 2017 - 2021**

Indicator	2017	2018	2019	2020	2021	Growth (2020 v/s 2021)	% v/s
Gazetted zones (no.)	71	72	74	76	82	7.9	
Projects approved (no)	42	45	60	51	38	-25.5	
Enterprises Operating (no.)	131	136	137	138	145	5.2	
Employment – (Kenyans) <sup>a</sup>	54,764	57,099	60,390	56,293	66,053	17.3	
Employment - (Expatriates) <sup>b</sup>	722	644	665	647	801	23.8	
<b>Total Employment (No)=a+b</b>	<b>55,486</b>	<b>57,743</b>	<b>61,055</b>	<b>56,940</b>	<b>66,854</b>	<b>17.3</b>	
Total sales (Kshs. million)**	67,270	77,270	77,189	81,207	98,867	23.8	
Exports (Kshs. million)	60,729	72,390	68,572	74,360	90,249	21.4	
Domestic Sales (Kshs. million)	4,357	2,217	4,417	4,124	4,746	15.1	
Imports (Kshs. million)	30,305	34,229	39,840	37,504	48,317	28.8	
Investment Kshs. Million***	95,278	105,066	107,877	116,974	124,490 <sup>1</sup>	6.4	
Expenditure on local Purchases (Kshs million) <sup>1</sup>	11,089	10,385	9,761	12,346	14,678	18.9	
Expenditure on local Salaries (Kshs million) <sup>2</sup>	10,069	11,728	12,891	11,143	14,149	27.0	
Expenditure on power (Kshs million) <sup>3</sup>	772	947	991	926	1,113	20.2	
Expenditure on Telecommunication (Kshs million) <sup>4</sup>	85	90	78	86	244	183.7	
Expenditure on water (Kshs million) <sup>5</sup>	139	163	224	147	172	17.0	
Other domestic expenditure (Kshs million) <sup>6</sup>	5,651	7,532	7,913	8,604	9,762	13.5	
<b>Total Domestic Expenditure (Kshs million) = 1+2+3+4+5+6*</b>	<b>27,805</b>	<b>30,845</b>	<b>31,858</b>	<b>33,252</b>	<b>40,118</b>	<b>20.6</b>	

\* 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

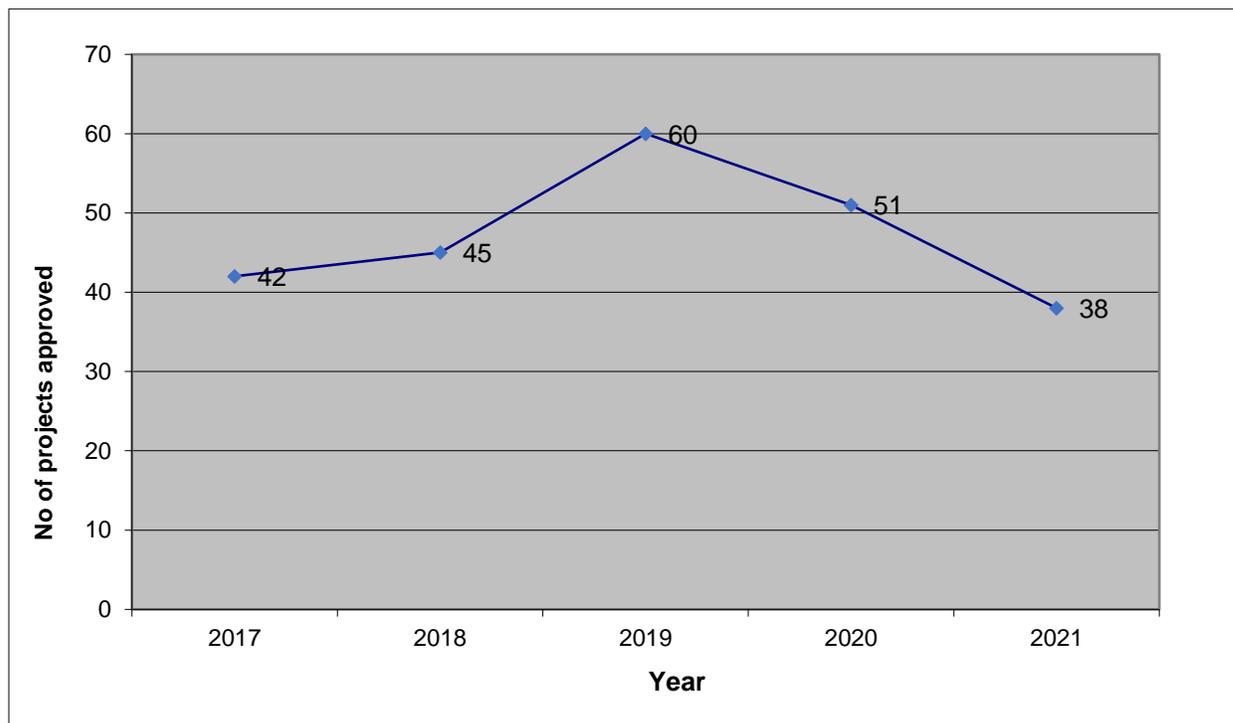
There were 38 approvals with a potential investment of Kshs.8.6 billion, 6,040 jobs and year one sales valued at Kshs 9.6 billion in the year 2021 compared with 51 approvals with a potential investment of Kshs 8.6 billion 9,118 jobs and year one sales valued at Kshs 7.0 billion in the previous year (Table 2 and chart 2).

<sup>1</sup> Value of enterprises' investment = **Kshs 89,541 million** while zones' (developers/operators) investment = **Kshs 34,949**. During year 2020, enterprises' investment = **Kshs 83,147** while zone investment = **Kshs 33,827**.

**Table 2: Projects Approved, Expected jobs, Investment & Sales from 2017 - 2021**

Year	Number of projects approved	Jobs (number)	Investment (Kshs. million)	Year One Sales (Kshs. million)
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
2021	38	6,040	8,654	9,614

**Chart 2: Trend of number of projects approved from 2017 - 2021**



### 2.3 Status on gazetted zones

The number of gazetted zones at end of year 2021 stood at 82. Out of which 76 are privately owned and operated while 6 are public zones (Athi River and Kinanie in Machakos; Kipevu in Mombasa, Kitui County EPZ Ltd in Kitui County, Samburu, and Homabay zones in Kwale and Homabay Counties respectively).

26 zones are located in Mombasa, 12 in Kilifi, 6 each in Nairobi, Machakos and Kwale, 4 in Bomet and Kiambu, 3 in Nakuru and Meru, 2 in Embu and Nandi, one each in Muranga, Kajiado, Taita Taveta, Elgeyo Marakwet, Uasin Gishu, Laikipia, Narok, Homa Bay, and Kitui respectively.

Table 3 details the geographical distribution of gazetted zones.

**Table 3: Geographical Distribution of Zones per County, year 2021**

County	Former Province	Number of zones
Nairobi	Nairobi	6
Machakos	Eastern	6
Kajiado	Rift Valley	1
Mombasa	Coast	26
Kilifi	Coast	12
Taita Taveta	Coast	1
Kiambu	Central	4
Kitui	Eastern	1
Muranga	Central	1
Elgeyo Marakwet	Rift Valley	1
Uasin Gishu	Rift Valley	1
Laikipia	Rift Valley	1
Nandi	Rift Valley	2
Meru	Eastern	2
Bomet	Rift Valley	4
Nakuru	Rift Valley	3
Kwale	Coast	6
Embu	Eastern	2
Narok	Rift Valley	1
Homabay	Nyanza	1
<b>Total: 20</b>	<b>6</b>	<b>82</b>

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. 3,282 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. 6,700 million bringing cumulative zone investment to Kshs 10,234 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.

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 95.9% was occupied.

Other developers of industrial buildings include Nexus Holdings Holdings EPZ Ltd with 63,400 square feet; 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 81 operating enterprises in the year 2021 compared to 76 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, Reflex EPZ Ltd and Fairchain Kenya EPZ Ltd. However, some of the enterprises within the zone remained dormant due to various constraints. These included; Njuwa Tannery EPZ Ltd, Equatorial Processing Co. EPZ Ltd, Eureka Nuts EPZ Ltd, Kenkor Joinery EPZ Ltd, Ceytun 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 all is fully occupied by a garment manufacturing firm.

#### **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).

#### **2.4.8 summary of gazetted zones**

Summary of the performance of operational zones with respect to occupancy, investment, exports and local resource use are tabulated in table 4. There was an estimated built-up area of 7,502,762 square feet within the zone

## **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.**

six zones were gazetted in the year 2021; namely Kenya Tropical Sealife EPZ Ltd (Kilifi County); Kwa Jomvu EPZ Ltd (Mombasa County); Zuri Green Organics EPZ Ltd (Kiambu County); Flamboyant Development EPZ Co. Ltd (Kilifi County); Master Macadamia EPZ Ltd (Meru County) and Avocado & More Organic EPZ Ltd (Kiambu 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 Twaweza Kenya Apparel EPZ Ltd). Similarly, Talab EPZ Ltd Mtwapa (Mombasa Apparel EPZ Ltd, Unit 3), Milstar Investments EPZ Ltd (Mega Apparel Industries Kenya EPZ Ltd) and Mtwapa EPZ Ltd (hosts branch of Mega Coulture EPZ Ltd) respectively.

## **2.5 Sector performance**

In the year 2021 fifteen industrial sub sectors were operational, namely, agro processing, Business Service Permit (BSP), chemicals, commercial & commercial craft and leather, dartboard, edible oil, food processing, garments, garment support services, pharmaceuticals & medical supplies, plastics, printing, relief supplies, services and other (joinery works, leather, beverages/spirits and silicone products).

During 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).

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 local resource utilization.

The garment sector still remains the most dominant sector within the program as shown by selected performance indicators. It constituted 20.00% of enterprises, 76.34% of total local jobs, 57.19% of exports, 55.44% of total sales, 38.39% of expenditure on local goods & services and 25.93% of private investment compared to 20.29%, 80.98%, 60.03%, 57.58%, 39.16% and 23.01% respectively in the year 2020.

However, agro processing sector which is the second dominant sector within the program was the highest performer in number of enterprises at 34.48% compared to garment sector in which it recorded 20.00% respectively in year 2021. During the year 2020, agro processing contributed 32.61% in number of firms while garments sector recorded 20.29%.

On average, garment sector contributed 45.55%, agro processing at 25.01%, services at 7.99%, food processing at 4.37%, BSP at 4.29%; Pharmaceuticals at 2.96% and printing at 1.83% on all of the above indicators compared to 46.84%, 25.31%, 6.90%, 5.33%, 4.34% and 3.08% respectively in the previous year.

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

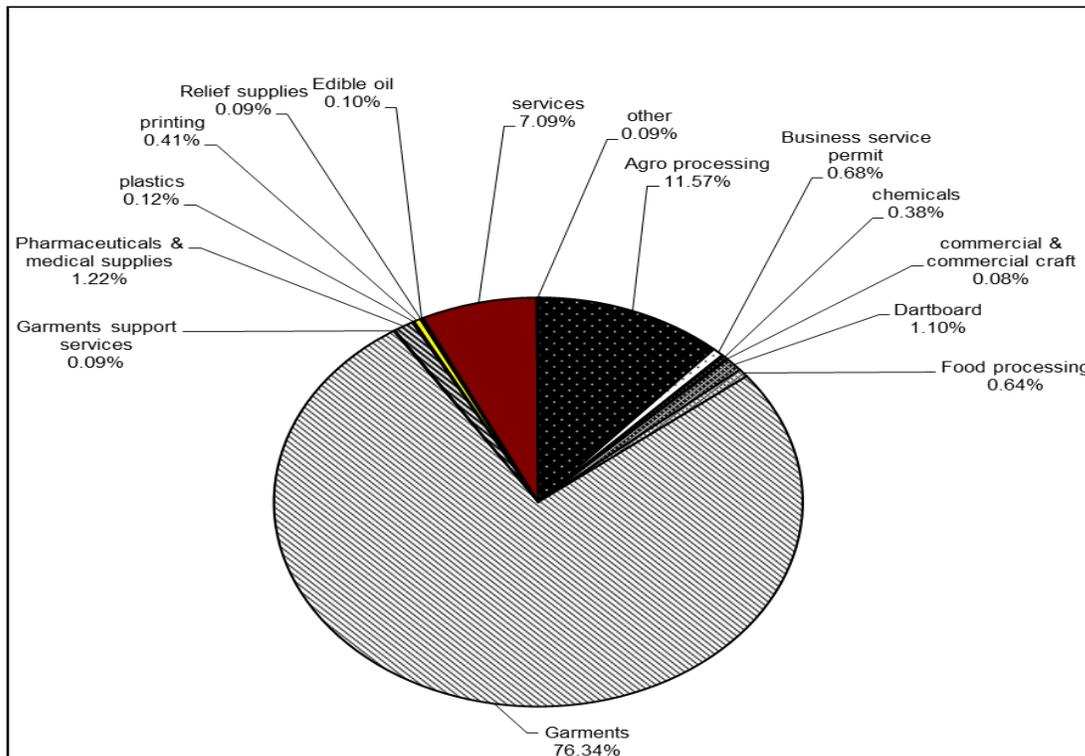
**Table 4: Sectoral Performance year 2021 (Kshs)**

sector	no of firms	local jobs	exports	total sales	local resource	investment
Agro processing	50	7,642	19,994,758,800	20,235,614,118	14,716,951,980	22,126,000,820
BSP	9	449	0	0	208,038,759	16,398,995,891
chemicals	2	248	263,047,168	269,828,744	313,254,260	5,088,115,784
commercial & commercial	2	54	93,620,589	93,620,589	54,370,921	98,368,038
Dartboard	1	728	2,325,125,119	2,328,769,447	920,171,063	1,105,324,578
Edible oil	1	63	3,611,958,699	3,611,958,699	785,822,987	901,019,269
Food processing	6	426	5,223,767,323	5,540,103,982	1,454,828,755	5,763,238,533
Garments	29	50,422	51,617,939,536	54,811,305,045	15,400,267,183	23,215,865,437
Garments support services	3	60	5,220,210	221,823,037	69,195,273	183,475,620
Pharmaceuticals & medical supplies	5	804	893,611,926	1,652,152,566	1,229,776,813	6,573,092,855
Plastics	3	80	126,951,561	126,951,561	212,840,047	315,000,000
printing	1	274	1,420,547,039	4,632,128,299	1,054,338,325	861,226,701
Relief supplies	2	62	1,297,543,775	1,530,157,029	522,402,413	125,390,519
services	27	4,683	3,307,882,193	3,745,484,640	3,110,096,766	6,301,823,460
other	4	58	67,494,195	67,494,195	66,123,026	483,708,906
<b>Total</b>	<b>145</b>	<b>66,053</b>	<b>90,249,468,133</b>	<b>98,867,391,951</b>	<b>40,118,478,571</b>	<b>89,540,646,411</b>

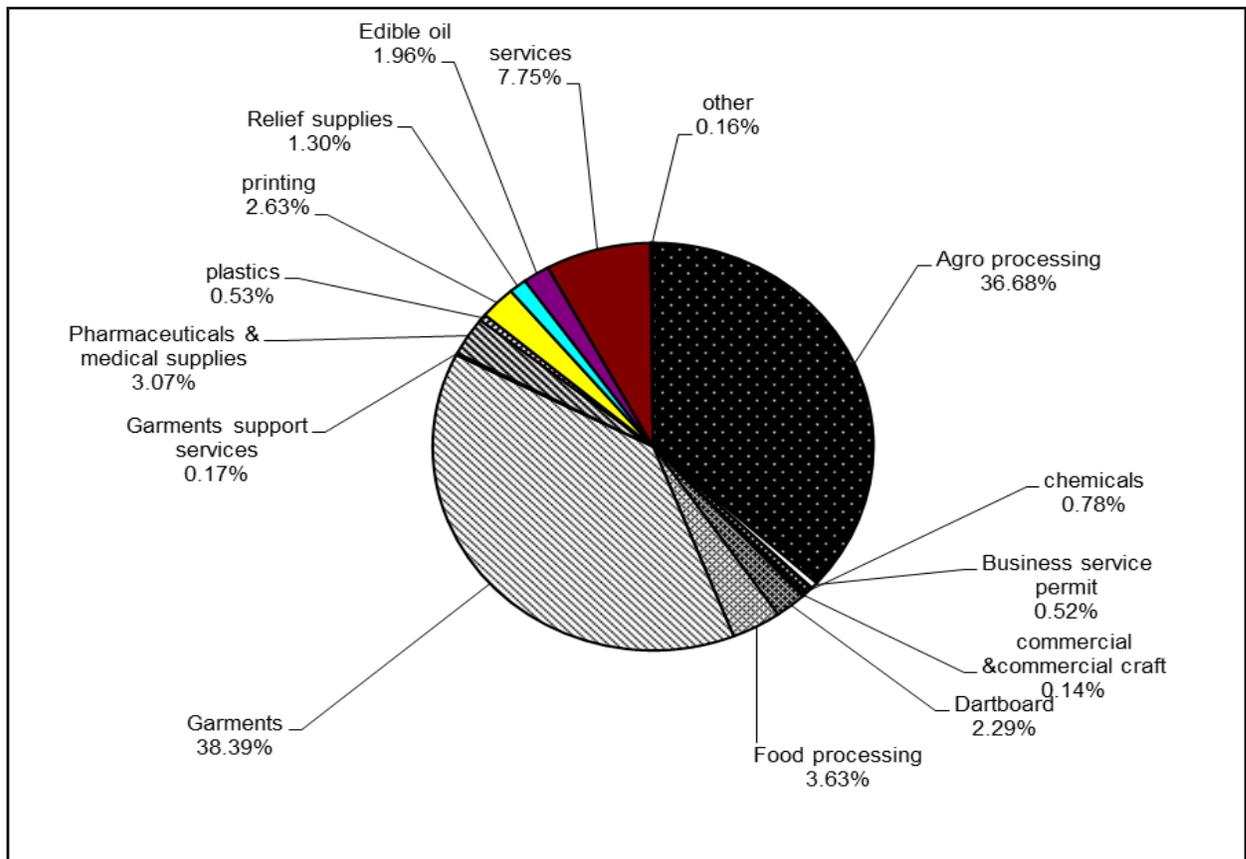
**Table 5: Proportion of sector contribution year 2021 (%)**

Sector	no of firms	local jobs	exports	total sales	local resource	investment	average
Agro processing	34.48%	11.57%	22.15%	20.47%	36.68%	24.71%	25.01%
BSP	6.21%	0.68%	0.00%	0.00%	0.52%	18.31%	4.29%
chemicals	1.38%	0.38%	0.29%	0.27%	0.78%	5.68%	1.46%
commercial craft	1.38%	0.08%	0.10%	0.09%	0.14%	0.11%	0.32%
Dartboard	0.69%	1.10%	2.58%	2.36%	2.29%	1.23%	1.71%
Edible oil	0.69%	0.10%	4.00%	3.65%	1.96%	1.01%	1.90%
Food processing	4.14%	0.64%	5.79%	5.60%	3.63%	6.44%	4.37%
Garments	20.00%	76.34%	57.19%	55.44%	38.39%	25.93%	45.55%
Garments support services	2.07%	0.09%	0.01%	0.22%	0.17%	0.20%	0.46%
Pharmaceuticals & medical supplies	3.45%	1.22%	0.99%	1.67%	3.07%	7.34%	2.96%
plastics	2.07%	0.12%	0.14%	0.13%	0.53%	0.35%	0.56%
printing	0.69%	0.41%	1.57%	4.69%	2.63%	0.96%	1.83%
Relief supplies	1.38%	0.09%	1.44%	1.55%	1.30%	0.14%	0.98%
services	18.62%	7.09%	3.67%	3.79%	7.75%	7.04%	7.99%
other	2.76%	0.09%	0.07%	0.07%	0.16%	0.54%	0.62%
<b>Total</b>	<b>100.00%</b>						

**Chart 3: Sector contribution to local employment 2021**



**Chart 4: Sector contribution to local resource utilization, 2021**



## 2.8 Ownership of EPZ enterprises

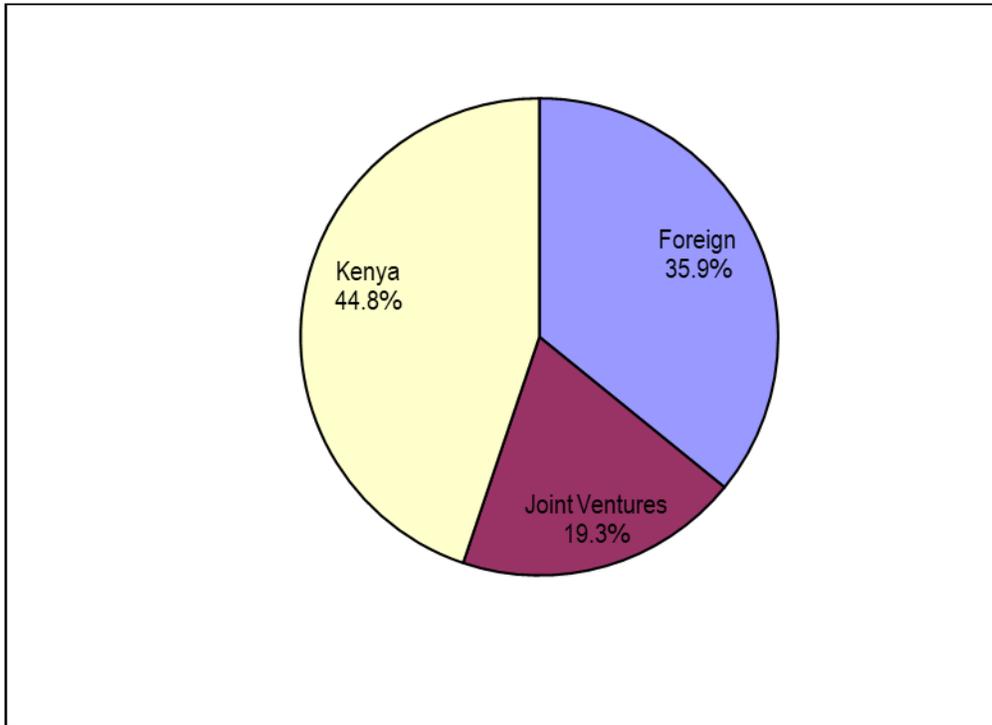
During the year 2021, 44.8% of the number of enterprises were wholly Kenyan; 35.9% foreign owned, while joint ventures stood at 19.3%. In 2020, 39.9% were wholly Kenyan owned, 20.3% were joint ventures and 39.9% were foreign owned.

One of the reason contributing to 44.8% 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 2021.

**Chart 5: Ownership of EPZ enterprises, 2021**



## **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. 89,541 million in 2020 from Kshs. 83,147 million in the year 2020.

When infrastructure investment of Kshs. 34,949 million undertaken by EPZ developers included, the figure becomes Kshs. 124,490 million compared with Kshs. 116,974 million in the year 2020. 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, 57.0% (Kshs. 50,040 million) were foreign owned while Kenyan accounted for 43.0% (Kshs. 38,501 million) in 2021 compared with 58.4% (Kshs. 48,528 million) foreign owned and 41.6% (Kshs. 34,619 million) Kenyan respectively in the year 2020 (table 6).

**Table 6: Value of EPZ enterprises' investments: 2017 – 2021**

<b>Indicator</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
Value of Kenya/Local investments (Kshs million)	27,052	30,500	32,128	34,619	38,501
Value of Foreign investment (Kshs million)	47,534	45,856	45,563	48,528	51,040
<b>Total Investment (Kshs million)</b>	<b>74,586</b>	<b>76,356</b>	<b>77,691</b>	<b>83,147</b>	<b>89,541</b>
Ratio of value of Kenya/Local investment to Total (%)	36.3	39.9	41.4	41.6	43.0
Ratio of value of Foreign investment to Total (%)	63.7	60.1	58.6	58.4	57.0

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 75% of total work force within the zones and account for over 60% of exports.

Exports of articles of apparels to USA increased in value by 15.5% to stand at Kshs. 48,830 million in 2021 from Kshs 42,278 million recorded in the year 2020. Quantity of apparels exported to US also increased from 91.8 million pieces in 2020 to 100.9 million pieces in 2021.

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 2021, these alternative markets were a destination of Kshs.2.8 billion (9.2 million pieces) worth of apparel compared with Kshs. 2.4 billion (9.4 million pieces) of apparel consigned to these markets during the year 2020 (table 9b).

Direct employment expanded by 10.6% to stand at 50,422 persons from 45,588 recorded in the previous year. During the year 2021, garment sector contributed 76.4% of total local employment compared with 81.0% in 2020.

Investment on the other hand registered an increase of 21.3% to stand at Kshs. 23,216 million from Kshs. 19,133 million in year 2020 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: 2017 - 2021**

Indicator	2017	2018	2019	2020	2021	% growth (2020 v/s 2021)
Number of Enterprises	21	22	24	28	29	3.6
Employment (No.)	43,987	46,248	49,489	45,588	50,422	10.6
Investment (Kshs million)	15,880	16,146	18,065	19,133	23,216	21.3
Exports (Kshs million)	37,166	47,252	47,196	44,640	51,618	15.6
Quantity of exports (million pieces)	76.2	94.0	105.4	102.2	110.19	7.8
Imports (Kshs million)	22,656	25,323	28,387	24,144	30,473	26.2
Local purchases (Kshs million)	404	534	643	1,007	1,311	30.2

**Table 7 b: Value & quantity of apparel export to USA and to rest of the world: 2017 – 2021**

Indicator	2017	2018	2019	2020	2021	% growth
Value of apparel exports to USA (Kshs million)	33,051	41,578	46,066	42,278	48,830	15.5
Value of apparel export rest of world (Kshs million)	4,115	5,674	1,130	2,362	2,788	18.0
<b>Total value (Kshs million)</b>	<b>37,166</b>	<b>47,252</b>	<b>47,196</b>	<b>44,640</b>	<b>51,618</b>	<b>15.6</b>
Quantity apparel of exports to USA (million pieces)	76.2	94.0	105.4	91.8	100.9	9.9
Quantity of apparel export to rest of the world (million pieces)	8.5	9.8	5.7	9.4	9.2	-2.1
<b>Total quantity (million pieces)</b>	<b>84.7</b>	<b>103.8</b>	<b>111.1</b>	<b>101.2</b>	<b>110.1</b>	<b>8.8</b>

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

The overview of the performance of selected SSA countries indicated mixed growth in the year 2021. However, compared with year 2020, most countries experience an upward performance in the year under review signalling recovery from adverse impact caused by Covid 19 pandemic.

Total apparel exports from Kenya to US increased by 16.6% in year 2021 to stand at US\$ 448.9 million from US\$ 385.0 million recorded in 2020.

Madagascar apparel exports rose by 41.4% to stand at US\$282.8 million in 2021 from US\$ 199.9 million recorded in 2020.

Similarly, apparel exports from Lesotho saw an increase of 14.0% to stand at US\$293.8 million while those from Ethiopia rose by 16.9% to US\$ 260.7 million. However, exports from Mauritius declined by 18.2% to stand at US\$ 72.2 million while those from Tanzania dropped by 18.6% to stand at US\$32.2 million respectively.

Overall, Kenya maintained her SSA top apparel exporter to US for the last eight consecutive years in 2021. There is a threat emanating from her competitors especially Ethiopia whose exports have been growing over the years. However, this situation has been slowed down as Ethiopia, Mali and Guinea were terminated from AGOA benefits effective year 2022 due to non compliance of its provisions.

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 2017 – 2021 (US \$ '000)**

Country	2017	2018	2019	2020	2021	% change 2020 - 2021
Kenya	339,745	392,217	453,730	385,058	448,883	16.6
Lesotho	290,435	320,613	303,418	257,638	293,768	14.0
Madagascar	158,994	196,181	243,331	199,935	282,769	41.4
Mauritius	146,574	146,988	140,884	88,260	72,196	-18.2
Ghana	7,899	13,840	17,326	9,631	20,078	108.5
Ethiopia	52,901	112,047	211,280	223,064	260,734	16.9
Tanzania	40,643	41,868	52,237	39,519	32,179	-18.6
South Africa	6,164	7,872	9,554	8,285	10,417	25.7

Source: <https://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/Kinanie, 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 had employment numbering 23,835 persons while Mombasa on the other hand had 20,450 persons in the year 2021. During the year 2020, Athi River region employed 21,429 while Mombasa had 19,675 persons.

Average performance for the regions with respect to the selected indicators were 42.1%, 30.7%, 16.3%, 4.6%, 2.6%, 2.4% and 1.3% for Athi River/Mlolongo/Kinanie, Mombasa, Nairobi, Thika/Kiambu/Muranga/Embu/Kitui, Laikipia/Naivasha/Nakuru, Bomet/Narok and Eldoret/Nandi for 2020 compared with 45.4%, 30.2%, 16.0%, 3.1%, 1.7%, 2.3% and 1.3% respectively in 2020.

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

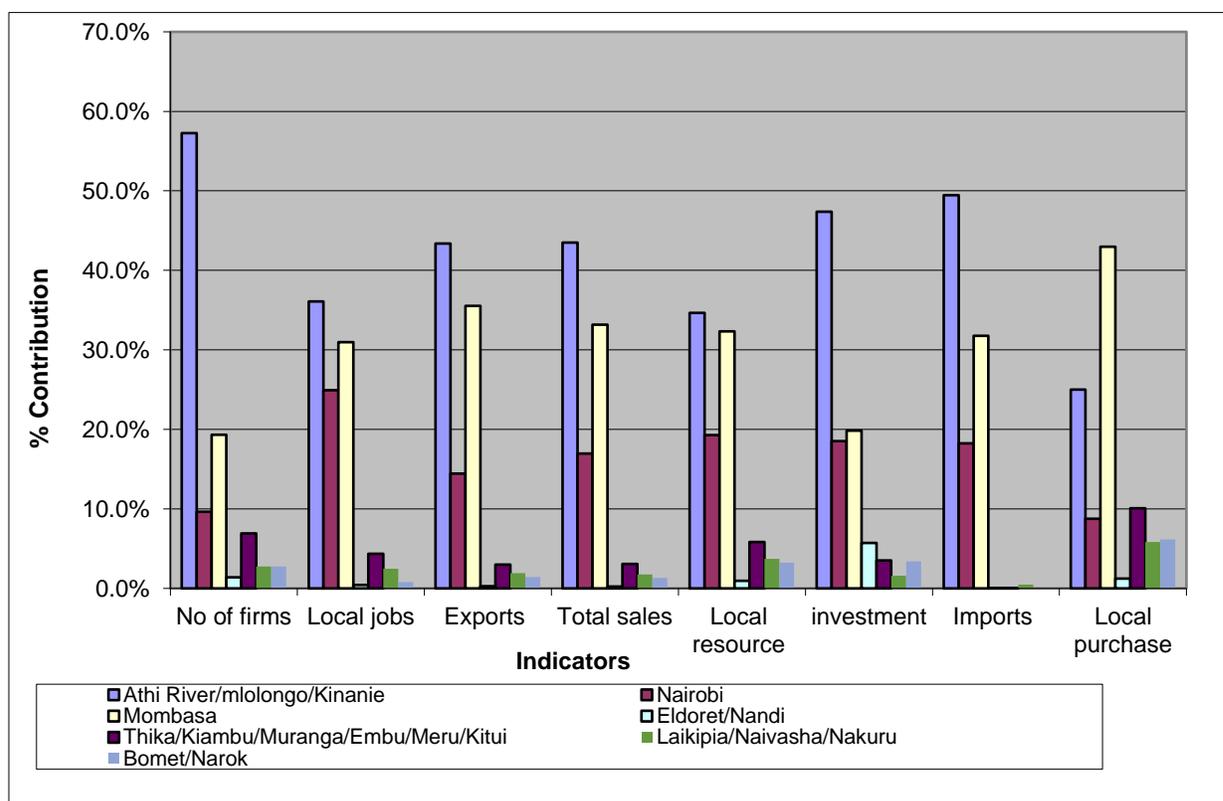
**Table 9: Regional performances year 2021**

Zone/region	Firms (no)	Local jobs (no)	Exports (Kshs m)	Total sales (Kshs m)	Local resource (Kshs m)	investment (Kshs m)	Imports (Kshs m)	Loc pur
Athi River/mlolongo	83.0	23,835.0	39,139.0	43,017.0	13,896.0	42,419.0	23,898.0	3
Nairobi	14.0	16,456.0	13,049.0	16,770.0	7,728.0	16,592.0	8,812.0	1
Mombasa	28.0	20,450.0	32,077.0	32,794.0	12,968.0	17,780.0	15,352.0	6
Eldoret/Nandi	2.0	273.0	236.0	236.0	383.0	5,133.0	5.7	
Thika/Kiambu/Muranga/Embu/Meru/Kitui	10.0	2,878.0	2,720.0	3,021.0	2,348.0	3,164.0	17.7	1
Laikipia/Naivasha/Nakuru	4.0	1,638.0	1,729.0	1,729.0	1,495.0	1,430.0	232.0	
Bomet/Narok	4.0	523.0	1,299.0	1,300.0	1,300.0	3,023.0	0.0	
<b>total</b>	<b>145</b>	<b>66,053</b>	<b>90,249</b>	<b>98,867</b>	<b>40,118</b>	<b>89,541</b>	<b>48,317</b>	<b>1</b>

**Table 10: Contribution by region, 2021 (%)**

Zone/region	No of firms	Local jobs	Exports	Total sales	Local resource investment	Imports	Local purchase	Average
Athi River/mlolongo	57.2 %	36.1 %	43.4 %	43.5 %	34.6%	47.4%	25.0%	<b>42.1%</b>
Nairobi	9.7%	24.9 %	14.5 %	17.0 %	19.3%	18.5%	8.8%	<b>16.3%</b>
Mombasa	19.3 %	31.0 %	35.5 %	33.2 %	32.3%	19.9%	43.0%	<b>30.7%</b>
Eldoret/Nandi	1.4%	0.4%	0.3%	0.2%	1.0%	5.7%	0.0%	<b>1.3%</b>
Thika/Kiambu/Muranga/Embu /Meru/Kitui	6.9%	4.4%	3.0%	3.1%	5.9%	3.5%	0.0%	<b>4.6%</b>
Laikipia/Naivasha/Nakuru	2.8%	2.5%	1.9%	1.7%	3.7%	1.6%	0.5%	<b>2.6%</b>
Bomet/Narok	2.8%	0.8%	1.4%	1.3%	3.2%	3.4%	0.0%	<b>2.4%</b>
<b>total</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>100.0 %</b>				

**Chart 6: Contribution by region (%) year 2021**

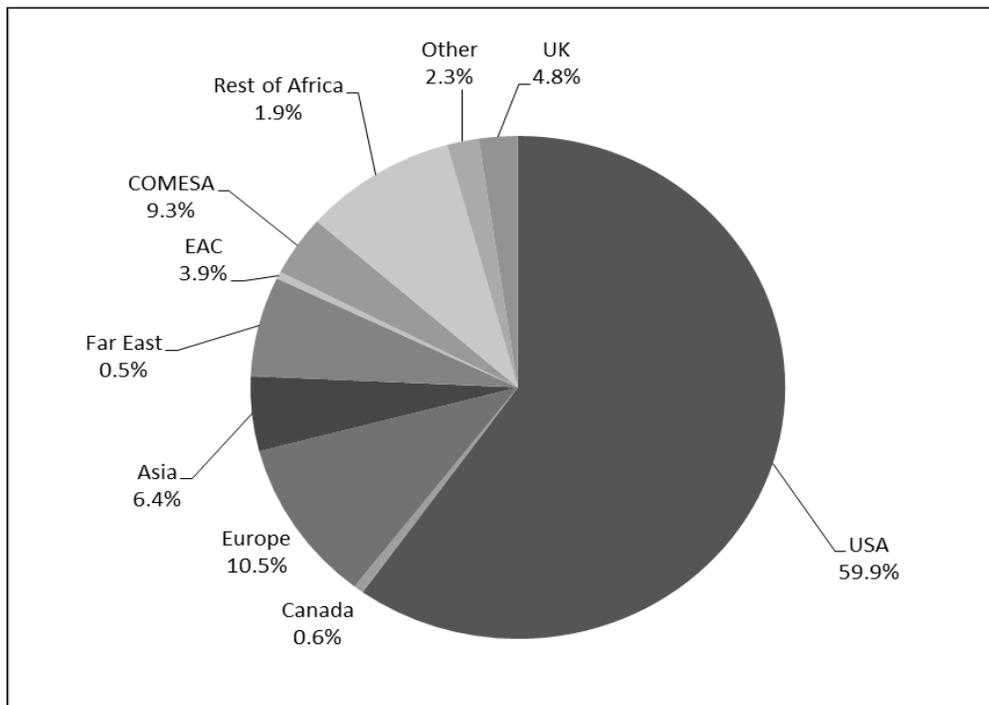


## 5.0 Destination of Exports

During the year 2021, 59.9% (Kshs. 54,018 million) of all exports were consigned to USA market out of which 90.4% (Kshs. 48,830 million) constituted exports of garment products. In the year 2020, 61.1% (Kshs. 45,460 million) were exported to US out of which 98.2% (Kshs. 44,640 million) were accounted for by garment exports.

Europe accounted for 10.5% (Kshs.9,438 million) of the export market, UK 4.8% (Kshs 4,331 million), EAC 3.9% (Kshs.3,504 million), Asia 6.4% (Kshs. 5,788 million), COMESA 9.3% (Kshs. 8,361 million), Rest of Africa 1.9% (Kshs. 1,728 million), Far East 0.5 % (Kshs.420 million) and 2.3% (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), 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) to the rest of the world (chart 7).

**Chart 7: Market destination for all exports, 2021**



## 6.0 Employment and wages

The average monthly wages increased from Kshs 16,496 in the year 2020 to Kshs 17,851 in 2021, representing 8.2% rise. This was attributed to ongoing recovery from the adverse effects of Covid 19 where some workers had proceeded on unpaid leave in year 2020.

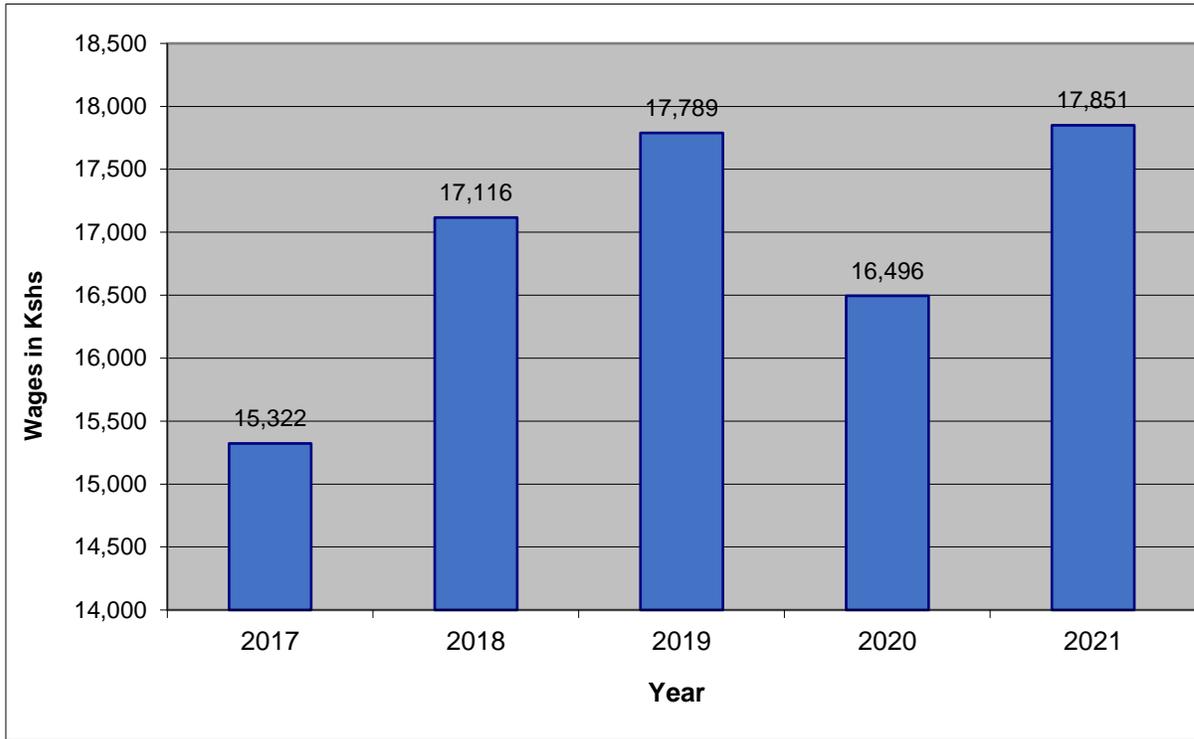
Details on table 11 and chart 8.

**Table 11: Employment and Wages: 2017 – 2021**

Indicator	2017	2018	2019	2020	2021
Local employees (Number)	54,764	57,099	60,390	56,293	66,053
Expatriates (Number)	722	644	665	647	801
Total employment (Number)	55,486	57,743	61,055	56,940	66,854
Local wages (Kshs)	10,069,320,267	11,727,644,428	12,891,138,230	11,143,242,546	14,149,109,370
Expatriate wages (Kshs)	893,338,136	994,682,828	1,051,048,787	976,746,558	1,050,014,263
Total wages (Kshs)	10,962,658,403	12,722,327,256	13,942,187,017	12,123,209,679	15,199,123,633
Average Annual wages locals (Kshs)	183,867	205,391	213,465	197,951	214,208
Average Annual wages expatriates (Kshs)	1,237,310	1,549,350	1,580,525	1,509,655	1,310,879
Average monthly wage locals (Kshs)	15,322	17,116	17,789	16,496	17,851
Average monthly wage expatriates (Kshs)	103,109	129,112	131,710	125,805	109,240
Average monthly wage locals (US\$)	148	169	174	155	163
Average monthly wage expatriates (US\$)	997	1,276	1,291	1,180	999
Average annual exchange rate(Kshs/US\$)	103.4	101.2	102.0	106.6	109.4

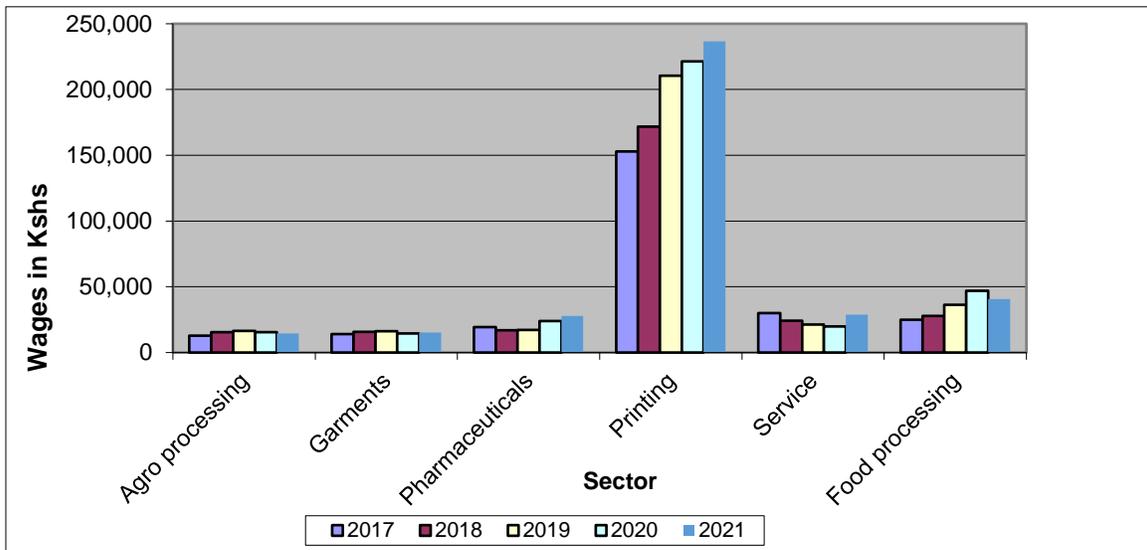
Source: EPZA records

**Chart 8: Average monthly wages for local employees, 2017 to 2021 (Kshs)**



With respect to selected sectoral wages, the printing sector continued to offer high remuneration to its employees in 2021 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, 2017 – 2021**



## **6.1 Training of local workers and transfer of technology**

In the year 2021, 74 enterprises (51.0%) trained local employees in various industrial disciplines compared to 65 (47.1%) 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 African Growth and Opportunity Act (AGOA).

In 2021, the EPZ contribution to the total manufacturing sector employment accounted for 19.54% from 17.76% posted in the year 2020.

In the year under review, EPZ contribution to manufacturing sector output stood at 3.68% in year 2021 from 3.42% registered in the previous year.

EPZ exports to total Kenya exports stood at 12.14% in 2021 from 11.55% in the year 2020.

EPZ employment accounted for 0.360% of total national employment in year 2021 from 0.323% registered in 2020.

Contribution to Gross Domestic Product (GDP) at market price of the economy was 0.817% in 2021 from 0.758% in the year 2020.

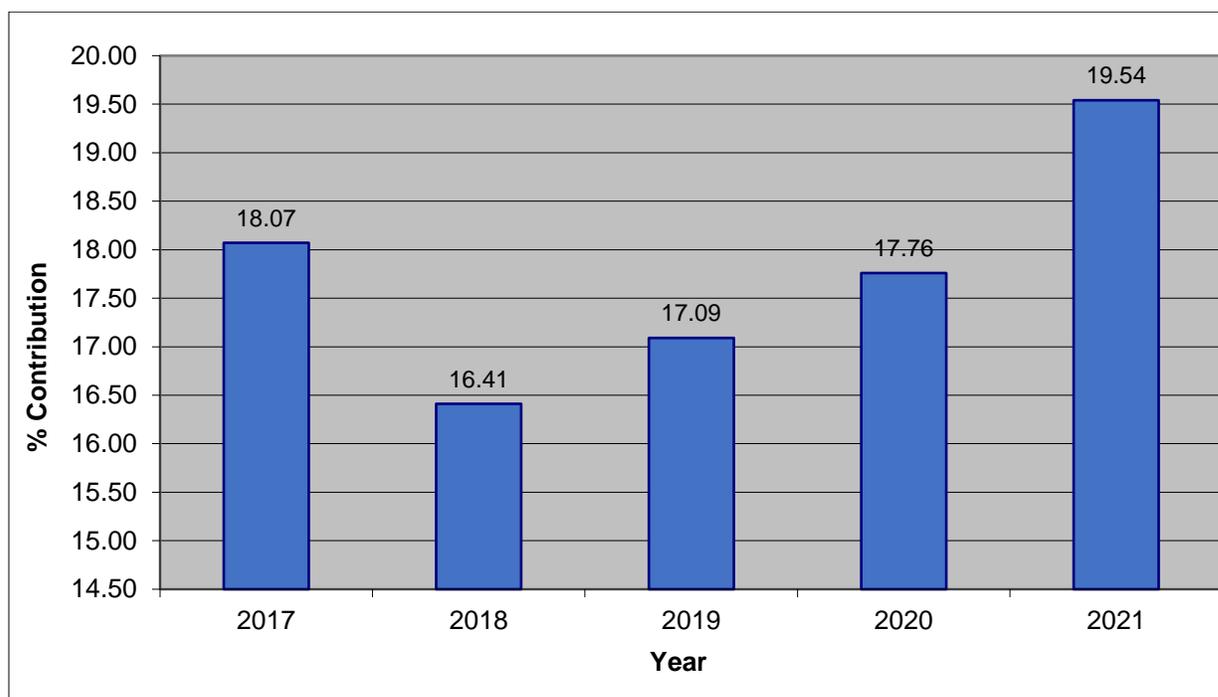
A summary on table 12 and Chart 10 shows EPZs contribution to the national economy.

**Table 12: EPZ contribution to the national economy: 2017 – 2021**

Indicator	Units	2017	2018	2019	2020	2021
Total Kenya Exports	Kshs Million	597,904	614,316	596,677	643,706	743,671
Manufacturing sector Value of Output	Kshs Million	2,109,602	2,216,547	2,311,586	2,373,278	2,685,545
GDP at market prices	Kshs Million	8,483,397	9,340,307	10,237,727	10,716,034	12,098,200
Total national employment	number	16,471,400	17,295,800	18,142,700	17,406,700	18,332,800
Manufacturing sector employment	Number	303,000	347,900	353,300	316,900	338,000
Total output EPZ	Kshs Million	67,270	77,271	77,189	81,207	98,867
Exports EPZ	Kshs Million	60,729	72,390	68,572	74,360	90,249
Employment EPZ (local)	Number	54,764	57,099	60,390	56,293	66,053
EPZ contribution to total Kenya Exports	Percent	10.16	11.78	11.49	11.55	12.14
EPZ contribution to manufacturing sector value of output	Percent	3.19	3.49	3.34	3.42	3.68
EPZ contribution to total national employment	Percent	0.332	0.330	0.333	0.323	0.360
EPZ contribution to manufacturing sector employment	Percent	18.07	16.41	17.09	17.76	19.54
EPZ contribution to GDP (market prices)	Percent	0.793	0.827	0.754	0.758	0.817

Source: Economic Survey 2022 and EPZA reports

**Chart 10: EPZ Contribution to manufacturing sector employment; 2017 – 2021**



## **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, inadequate finance/working capital; shortage of raw material (eg avocado, macadamia and green leaf) which affected agro based enterprises as a result of unfavourable weather conditions together with increased competition in the industry; inadequate quality of raw material was also an issue reported by the firms; various delays experienced in the course of business from port clearance upto getting timely materials required in the production process.

Other constraints included, instability in target markets, ,unpredictable market factors, global economic uncertainty especially in the faceCovid -19 pandemic; lack of orders as a result of intense competition, rise in global cost of raw materials( eg coffee used by blending firms and palm oil); poor infrastructure in some areas where firms are located; high freight & transportation cost;high interest/inflation rate regime,impending general elections; slow learning by production trainees and lack of appropriate support among others

Summary of constraints reported by enterprises during the year 2021 are tabulated on table 13.

**Table 13: Constraints/ impediments reported by EPZ enterprises, 2021.**

Constraint/impediment	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)	Number of firms which reported/ affected (2021)	% of enterprises affected to total no. of operating firms in (2021)
Labour productivity/turn over/efficiency, labour unrest	6	4.4	5	3.6	11	7.6
Unfavourable economic condition/inflation	8	5.8	4	2.9	5	3.4
High cost of production	14	10.2	14	10.1	28	19.3
Customs regulation/KRA	7	5.1	11	7.8	7	4.8
High cost of power/electricity	11	8.0	10	7.2	9	6.2
Competition from other countries	11	8.0	8	5.8	6	4.1
High cost of water/unreliable water supply	5	3.6	5	3.6	4	2.6
Local currency fluctuation	6	4.4	6	4.3	6	4.1
Poor infrastructure	6	4.4	5	3.6	7	4.8
Shortage of raw materials	20	14.6	31	22.5	24	16.6
Market access/market barriers	4	2.9	12	8.7	12	8.3
Diminishing demand	8	5.8	4	2.9	8	5.2
Inadequate finances	13	9.5	16	11.6	18	12.4
Reduced production capacity	-	-	-	-	5	3.4
Political climate/elections	-	-	-	-	6	4.1
Adverse weather conditions	12	8.6	11	8	9	6.2
Adverse effects of Covid-19	-	-	53	38.4	43	29.7
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	35	25.5	42	30.4	34	23.4

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

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 industrial buildings for investors to lease and operate especially within Athi River zone. Investors prefer ready built industrial sheds as it reduces cost of operations and turn around time.
- 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:

- a) Inadequate funds to implement its projects and programs. This has seen low pace of implementation of activities;
- b) 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) Government to increase funding to the Authority to facilitate development of industrial buildings for investors within Athi River Zone.
- iii) Facilitate **availability of affordable financing** especially to SMEs enterprises operating within the EPZ program.
- iv) **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.
- v) The ongoing **trade negotiations between Kenya and USA** will also enhance market stability in the US.
- vi) **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.
- vii) Improve the **supply of raw material** to agro processing industries like macadamia, cashewnuts, coconuts and other horticultural products.
- viii) **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 2021 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 2021, while local employment is estimated to expand by 18% based on coming into operation of the new firms and expansion of the existing ones.

Exports are expected to grow by about 11% 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 7%, while domestic expenditure is expected to average 40% of total sales.

A summary of set and actual targets for years 2019 to 2021 and projections for year 2022 are outlined on table 14.

**Table 14: Set and Actual Targets for 2019 to 2021 and Projections for 2022**

Indicator	Target			Actual			% attained			Target
	2019	2020	2021	2019	2020	2021	2019	2020	2021	2022
Operating enterprises (Number)	160	160	150	137	138	145	85.6	86.3	90.6	160
Employment (Kenyans) Number.	63,000	66,429	66,293	60,390	56,293	66,053	95.9	84.7	99.6	77,943
Investment for firms (Kshs million)	80,234	81,575	88,800	77,691	83,147	89,541	96.8	100	100	95,809
Total sales (Kshs million)	83,451	84,136	89,207	77,189	81,207	98,867	92.5	96.5	100	107,765
Exports (Kshs million)	78,443	74,057	82,070	68,572	74,360	90,249	87.4	100	100	100,176
Ratio of domestic sales to total sales (%)	5	5	5.0	5.7	5.1	4.8	87.7	100	100	5.0
Domestic expenditure (Kshs million)	33,380	33,654	36,575	31,858	33,252	40,118	95.4	98.8	100	43,106

Average attainment of set targets for the year 2020 was 98.6% compared to 95.2% in the previous year.

Some of the targets set for the year 2021 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 and outlined in points 8 and 9.

## 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 2022 will depend on the addressing some challenges and constraints outlined in this report.

**Research Planning & Innovation Department**  
**October 2022**

