EXPORT PROCESSING ZONES PROGRAM
ANNUAL PERFORMANCE REPORT, 2022

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1.0 Executive Summary

The performance indicators with respect to the EPZ program in the year 2022 were on an upward trend.

Capital investment in form of equipment, machinery and other funds invested by the 157 operational enterprises increased by 11.4% to Kshs. 99,715 million in 2022 from Kshs.89,541 million recorded in the previous year. While the cumulative value of investment for enterprises and zones (developers/operators) stood at Kshs 134,780 million in 2022 from Kshs 124,490 million registered in year 2021.

Expenditure on local goods & services rose by 20.4% in the year 2022 to stand at Kshs 48,306 million compared to Kshs 40,118 million in 2021.

Total sales stood at Kshs 116,340 million in 2022 from Kshs 98,867 million in 2021, while value of exports were Kshs 106,637 million from 90,249 million during the same period. The sales were driven by apparels, agro processed products like tea and pharmaceutical & medical supplies.

Direct employment expanded by 25.3% to stand at 82,771 persons from 66,053 persons recorded in 2021.

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 42.7% in 2022 from 37.5% in 2018.

1.1 Introduction

The year 2022 saw Kenyans went to polls in August 2022 in which a new administration, the Kenya Kwanza was elected into office with the Bottom-up Economic Transformation Agenda (BETA) Plan 2022 - 2027. It sets out the Administration’s priority programs, policies and reforms to be implemented the plan period 2022 – 2027.The 2023.The Government is finalising the preparation of the Fourth Medium Term Plan (2023-2027) of the Kenya Vision 2030 that will prioritize implementation of economic recovery strategies of the new Administration to reposition the economy on a steady, inclusive and sustainable growth trajectory.

The BETA is geared towards economic turnaround and inclusive growth, and aims to increase investments in at least five sectors envisaged to have the largest impact and linkages to the economy as well as on household welfare. These include: Agricultural Transformation; Micro, Small and Medium Enterprise (MSME); Housing and Settlement; Healthcare; Digital Superhighway and Creative Industry. Special focus will be placed on increased employment, more equitable distribution of income, social security while also expanding the tax revenue base, and increased foreign exchange earnings. To make these programmes feasible, the Government will implement strategic interventions under the following key enablers: Infrastructure; Manufacturing; Blue Economy; the Services Economy, Environment and Climate Change; Education and Training; Women Agenda; Youth Empowerment and Development Agenda; Social Protection; Sports, Culture and Arts; and Governance.

The country is operating in an environment in which global economy is experiencing slowdown occasioned by the ongoing Russia-Ukraine conflict, elevated global inflation, lingering effects of the Covid-19 pandemic, persistent supply chain disruptions and the food security and climate effects.

EPZ program is expected to play a critical role in achieving the New Administration priorities especially on employment creation, investment attraction and foreign exchange eranings.

At the institutional level, Strategic Plan 2019 – 2023 implementation is almost running its full course and laying of foundation of the next plan is likely to be initiated so as to align with the national priorities of the New Administration together with MTPIV (2023 – 2027) of Vison 2030.

This report provides insight to the national and international economic environment borrowing highlights from *Economic Survey 2023*, EPZ performance analysis under various indicators, impact of African Growth Opportunity Act (AGOA), constraints/challenges, set & actual targets for the year 2020 to 2022 including projection/outlook for 2023, and finally the conclusion.

1.2 National and International Scene

According to *Economic Survey 2023*, real Gross Domestic Product (GDP) is expanded by 4.8% in 2022 compared to a revised growth of 7.6% 2021 (Chart 1). The growth was spread across all sectors of the economy but was more pronounced in the service-oriented activities.
Agriculture, Forestry and Fishing sector contracted by 1.6% in 2022 compared to a contraction of 0.4% in 2021.some of the key sectors that supported the growth were Financial and Insurance (12.8%), Information and Communication (9.9%), and Transportation and Storage (5.6%).

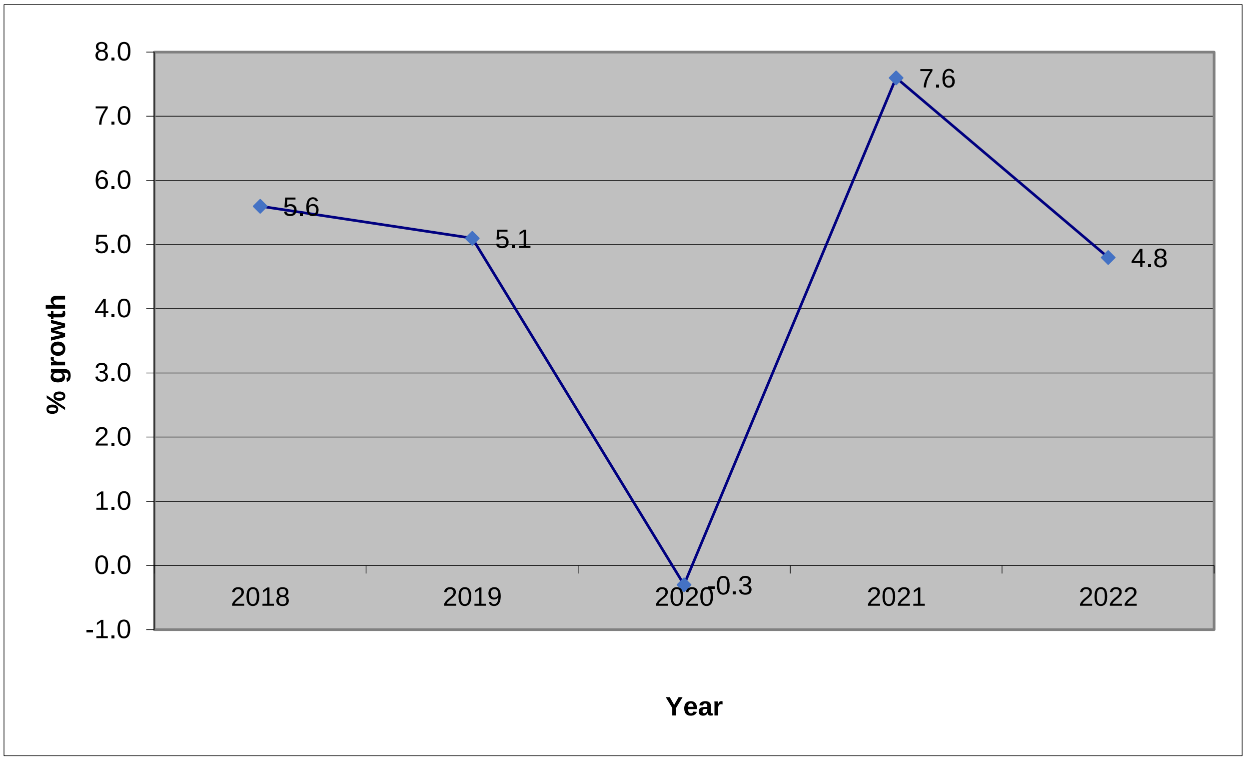
Agriculture remained the dominant sector, accounting for about 21.2% of the overall GDP in 2022. Industry related activities accounted for abount 17.7%, while service activities accounted for about 61.1% of the total GDP in 2022.

During the review period, inflation rose from 6.1% in 2021 to 7.4% in 2022, mainly by surge in food and energy prices. The Central Bank Rate (CBR) was reviewed upwards from 7.00 in December 2021 to 8.75% in December 2022. As a result, average loans and advances interest rate rose to 12.67% in December 2022 from 12.16% in December 2021. Broad money supply (M3) grew by 7.5% to 5,042.4 billion as at the end of December 2022. The volume of Nairobi Securities Exchange (NSE) 20 shares declined from 4,052 million in 2021 to 3,082 million in 2022. Current account deficit widened from Kshs 629.8 billion in 2021 to a deficit of Kshs 679.6 billion in 2022, mainly on account of the depreciation of the US dollar against the local currency.

World real GDP growth decelerated to 3.4% in 2022 from a growth of 6.0% in 2021. Most economies posted decelerated growths owing to the significantly high growth rates recorded in 2021 that signified recovery from the impact of Covid 19 pandemic.The subdued growth was as a result of post covid-19 tightening of monetary policies in most regions, resurgence of post covid -19 in China and Russia – Ukraine war that pushed up energy and food prices significantly.The slowed growth was experienced in most countries including those in Advanced Economies as well as Emerging Markets and Developing Economies (EMDEs). The Sub-Saharan Africa economy grew by 3.9% in 2022 compared to a growth of 4.8% in 202. The growth was hampered by a declined in private investment due to the rising global inflation and tightened monetary policies. The EAC real GDP expanded by 4.9% in the period under review compared to a growth of 6.7% in 2021. The slowdown was attributed to tighthened policies, which led to a decline in private demand in most of the countries.

World inflation rose from 4.7% in 2021 to 8.7% in 2022. This was attributed to among others high energy prices and supply chain disruptions.
Global trade volume expanded by 5.1% in 2022 compared to 10.6% growth in 2021. This slowed growth was against a background of weakened global demand. The global unemployment rate improved from 6.2% in 2021 to 5.8% in 2022 but remained above the pre- covid (2019) levels.

Chart 1: Real GDP growth rate (%), 2018 to 2022



Source: Economic survey, 2023

1.3 Performance by key sectors of the economy

1.3.1 Agriculture

Economic Survey 2023 reported that the agriculture sector recorded mixed performance in the year in 2022. Overall growth in the agricultural sector decelerated from negative 0.3% in 2021 to negative negative 1.9% in 2022. This was largely occasioned by drought in most parts of the country that severely affected agricultural production.

Tea production in 2022 declined by 0.5% to 535.0 thousand tonnes in 2022 from 537.8 thousand tonnes in the 2021. During the year under review, total area under tea increased to 250.8 thousand hectares from 249.8 thousand hectares in 2021.Production by smallholders decreased by 4.2% from 284.8 thousand tonnes in 2021 to 272.8 thousand tonnes in 2022. Production by estates increased by 3.6% from 253.0 thousand tonnes in 2021 to 262.2 thousand tonnes in 2022. Consequently, the average yield by smallholders decreased from

2,008.5 Kg/ha in 2021 to 1,926.6 Kg/ha in 2022 while for the tea estates, the yield increased from 2,735.1 Kg/ha in 2021 to 2,767.5 Kg/ha in 2022.The lower production in 2022 was attributed to depressed and poorly distributed rainfall during the year where rainfall amounts received was below the long term mean for the respective months.

Coffee production increased by 50.4% from 34.5 metric tonnes in 2020/21 to 51.9 metric tonnes in 2021/22 crop year. The estimated area under coffee also increased from108.2 thousand hectares in 2020/21 to 109.4 thousand hectares in 2021/22. Coffee production by cooperatives increased by 59.2% while that of estates likewise increased by 33.3% in 2022. The increased coffee production was attributed to increase in yields coupled with improved crop husbandry practices during the year under review.

Total sugar cane production increased by 11.5% from 7.8 million tonnes in 2021 to 8.7 million tonnes in 2022. The average yield decreased by 12.6% from 70.0 tonnes per hectatre in 2021 to 62.9 tonnes in 2022. The area under sugar production expanded by 8.7% to 242.5 thousand hectares in 2022 from 223.0 thousand hectares in 2021. Sugar imports declined by 32.9% from 426.3 million tonnes in 2021 to 320.7 million tonnes in 2022.

The volume of fresh horticultural exports declined by 3.3% from 404.5 thousand tonnes in 2021 to 392.0 thousand tonnes in 2022. Earnings from exports of fresh horticultural produce decreased by 7.4% from Kshs 157.7 billion in 2021 to Kshs 146.1 billion in 2022.The decline in earnings was attributed to lower international prices for horticultural products as well as a decline in quantities of cut flowers and vegetables exported.

Value of fresh vegetables exports decreased by 19.3% to Kshs 23.0 billion in 2022 mostly attributed to low prices and reduced sales volumes in the international market. Earnings from cut flowers exports reduced by 6.5% to Kshs 103.6 billion in 2022 from Kshs 110.8 billion in 2021. Inspite of the decline, cut flowers continued to dominate fresh horticultural exports accounting for 70.9% of the total fresh horticultural export earnings in 2022. On the contrary, earnings from exports of fresh fruits increased by 6.5% while the volumes increased by 11.3% over the same period.

During the period under review, deliveries of dry pyrethrum flowers to processors increased by 76.9% from 501.0 tonnes in 2021 to 886.3 tonnes in 2022 due to improved producers prices and increased advance payments. The average price per kilogram of dry pyrethrum flowers rose by 17.4% to Kshs 250.0 in 2022. Consequently, earnings from dry pyrethrum flowers rose from Kshs 106.7 million in 2021 to Kshs 221.5 million in the same period. Production of pyrethrum extract went up from 11.5 tonnes in 2021 to 22.2 tonnes in 2022, representing an increase of 93.0%. As a result, earnings from pyrethrum extract increased from Kshs 287.5 million in 2021 to Kshs 598.1 million in 2022.

Production of of maize decreased by 6.5% from 36.7 million bags in 2021 to 34.3 million bags in 2022, largely occasioned by unfavourable weather conditions in 2022. Similarly, production of beans decreased by 23.0% to 5.7million bags in 2022, while production of sorghum decreased by 20.0% from 1.5 million bags in 2021 to 1.2 million bags in 2022. However, production of millet remained constant at 0.7 million bags in 2022.
Wheat production decreased by 13.0% from 349.1 thousand tonnes in 2021 to 270.7 thousand tonnes in 2022. In the same period, the amount of wheat imported declined from 1.9 million tonnes in 2021 to 1.7 million tonnes in 2022.

The quantity of milk declined by 5.9% to 754.3 million litres in 2022. Similarly, the quantity of processed milk and cream reduced from 510.6 million litres in 2021 to 466.0 million litres in 2022.
The number of cattle and calves slaughtered increased by 11.6% from 2,004.9 thousand heads in 2021 to 2,237.4 thousand heads in 2022. Sheep and goats, and pigs slaughtered also increased by 14.9% and 9.5% to 10,893.0 thousand heads and 389.3 thousand heads in 2022, respectively. The increase in number of livestock slaughtered was largely attributed to increased offtake as a mitigation measure due to shortage of pasture as a result of prolonged drought.

1.3.2 Manufacturing.

In 2022, the manufacturing sector 's real value added grew by 2.7% compared to a growth of 7.3% in 2021. The sector's volume of output expanded by 3.8% in 2022 from a growth of 6.5% in 2021, while its share to GDP, was 7.8% in 2022. The sub sectors that registered major growths in volume of output in 2022 were: Motor Vehicle; Trailers and Semi Trailers; processing and preservation of fish; and basic metal products. However, processing of tobacco and key agro processing sub sectors namely; animal and vegetable oils; dairy products; grain milling; and prepared animal feeds recorded a decline in volume of outputs.

The number of persons employed in the formal manufacturing sector increased by 4.7% from 336.8 thousand in 2021 to 352.6 thousand in 2022. This accounted for 11.7% of the total number of persons engaged in the formal sector in the country in 2022.

In the year 2022, leather and related products sub sector grew by 2.4% compared to 15.67 growth in 2021.This was mainly due to increased production of footwear with uppers of leather which increased by 7.7% during the review period.
The wood and products of wood sub sector recorded a production growth of 8.0 in 2022 mainly as a result of increased production of block boards. The paper and paper products sub sector recorded an increase of 6.7% in the same period.

The production of chemical and chemical products sub sector expanded by 4.3% in 2022 mainly due to 10.5% increase in production of industrial gases (which includes hydrogen, nitrogen, oxygen, carbon dioxide and rare gases). Similarly, production of paints rose by 4.2% in the same period.
Production of pharmaceutical products grew by 4.7% in 2022 compared to decrease of 0.8% in 2021.
Plastic production increased by 1.4% in 2022 compared to 3.6% increase in 2021, while production of plastic tanks grew by 2.8%.

The beverages and tobacco sub sector increased by 0.7% in the year under review. This growth was partly due to the production of soft drinks (sodas) that registered a growth of 2.6% from 570.8 million litres in 2021 to 579.5 million litres in 2022. However, production quantities of tobacco products dropped by 9.5%.

In 2022, the production of Meat and Meat products registered a growth of 6.4%. The growth was partly due to an 8.1% increase in production of sausages. Animal and vegetable fats and oil registered a drop of 9.4% in production for the second consecutive year. The quantity of processed and preserved fish grew by 15.6% in 2022 from 6.3% in 2021, while that of Prepared and Preserved Fruits and Vegetables increased by 5.3% from a contraction of 13.5% in the previous year.
The Bakery products sub sector grew by 6.3% in 2022 compared to a 9.4% increase in 2021. The growth was attributed to an increase in quantities of bread and other bakers' wares from 152.0 thousand tonnes in 2021 to 164.4 thousand tonnes in 2022.

Production quantities of textiles recorded a contracted growth of 3.3% in 2022 mainly attributed to decrease of 4.2% and 6.0% in quantities of produced woven fabric and knitting yarn of wool respectively.

Manufacture of basic metals increased by 14.6% in 2022 compared to a growth of 4.1% in 2021.This was attributed to 25.6% and 14.5% increase in production of bars and rods; and angles, shapes and section of iron or steel respectively. Production of structural metal products; and fabricated metal products, except machinery and equipment sub sectors increased by 11.6% and 1.7%, respectively over the same period.
Manufacture of machinery and equipment not elsewhere classified increased by 11.5% in the period under review compared to a growth of 3.8% in 2021. Similarly, production of electrical equipment increased by 0.7% in 2022.

In 2022, the Motor Vehicles, Trailers and Semi – Trailers sub sector registered a production growth of 25.8%, mainly attributed to 3.8% and 21.9% increase in production of bodies for motor vehicles; and trailers and semi – trailers, respectively. Manufacture of furniture also went up by 0.8% in the review period.

Cement production grew up by 5.5% from 9,247.7 thousand tonnes in 2021 to 9,754.0 million tonnes in 2022. The increase in production was occasioned by expansion by producers to meet the increased demand in the constructor sector. The consumption of cement rose to 9,456.8 thousand tonnes in 2022 from 9,098.4 thousand tonnes in 2021. Export of cement to Uganda and Tanzania rose to 58.7 thousand tonnes in 2022 from 30.5 thousand tonnes in 2021. Import of cement rose marginally to 29.8 thousand tonnes during the review period.
In the year 2022, total credit approved for manufacturing sector by both commercial banks and industrial financial institutions rose to Kshs 532.0 billion from Kshs 465.4 billion in 2021. The total amount of credit advanced by industrial financial institutions increased from Kshs 1.4 billion in 2021 to Kshs 2.4 billion in 2022. Similarly, the total number of projects funded by these institutions increased from 328 in 2021 to 353 in 2022.

1.3.3 Other sectors

The total installed electricity generating capacity increased from 2,986.6 MW in 2021 to 3,321.3 MW in 2022. Total electricity generation rose by 4.5% to 12,669.4 GWh in the review period. There was notable decrease of 17.3% in hydro generation to 3,39.9 GWh in 2022, as a result of depressed rainfall. This resulted to the significant increase of thermal generation by 25.6% to 1,584.9 GWh in the review period. Wind power generation increased by 8.0% to 2,143.0 GWh in 2022, while Solar power generation more than doubled to 383.7 GWh in the review period.
Total electricity demand increased from 12,414.7 GWh in 2021 to 12,985.4 GWh in 2022. Domestic demand for electricity increased by 4.6% to 10,008.4 GWh in 2022. Sales to domestic and small commercial consumer rose by 5.0% to 4,291.5 GWh in the review period, while sales to the street lighting declined by 5.4% to 94.2 GWh in 2022. Transmission and distribution losses amounted to 2,955.7 GWh, accounting for 29.5% of total domestic electricity generation in 2022.

The quantity of petroleum imported decreased by 7.6% to 5.9 million tonnes in 2022. In the same period, total volume of petroleum exports decreased from 610.8 thousand tonnes in 2021 to 504.2 thousand tonnes in 2022. Total import bill of petroleum products rose to Kshs 628.4 billion in 2022 from Kshs 348.3 billion in 2021. This was mainly attributed to sharp rises in prices of petroleum products, globally. Total domestic demand for petroleum products declined by 1.1% to 5.1 million tonnes in 2022. Domestic demand for light diesel oil dropped by 3.7% in the review period. Similarly, domestic demand for aviation spirit and illuminating kerosene dropped by 35.7% and 20.0% respectively. However, during the same period, demand for jet fuel rose by 16.9% indicating an expansion in activities of the aviation sector. Demand for Liquified Petroleum Gas (LPG) declined by 10.1% to 338.8 thousand tonnes in 2022.

The average annual price of average crude oil spot prices in the OPEC reference basket increased sharply from a mean of US Dollar 69.7 per barrel in 2021 to a mean of US Dollar 99.9 per barrel in 2022. The highest price of the average OPEC reference basket at US Dollar 117.72 per barrel was recorded in June 2022, while the lowest price at US Dollar 79.91 per barrel was recorded in December 2022.
The total volume of white petroleum products transported through pipeline decreased from 7,619.4 thousand cubic metres in 2021 to 7,548.9 thousand cubic metres in 2022. White petroleum products throughput for domestic consumption rose to 4,674.4 thousand cubic metres in 2022 from 4,636.4 thousand cubic metres in 2021.The highest increase in volumes in domestic consumption was recorded in jet fuel, rising from 671.9 thousand cubic metres to 801.9 thousand cubic metres.

The volume of cargo transported through the Metre Gauge Railway (MGR) increased by 22.2% from 644 thousand tonnes in 2021 to 787 thousand tonnes in 2022. As a result, freight revenue from MGR increased by 8.0% from Kshs 1,118 million in 2021 to Kshs 1,207 million in 2022. The number of passengers transported via MGR decreased by 23.7% to 3,430 thousand in 2022 from 4,498 thousand in 2021, mainly attributed to a decline in the number of passengers using Nairobi Commuter Railway. Consequently, passenger revenue from MGR decreased by 20.9% from Kshs 234 million in 2021 to Kshs 185 million in 2022.

The volume of freight transported by the Standard Gauge Railway (SGR) increased by 12.6% from 5,407 thousand tonnes in 2021 to 6,090 thousand tonnes in 2022. Revenue generated from hauling cargo went up by 4.0% from Kshs 12,178 million in 2021 to Kshs 12,670 million in 2022. The number of passengers transported via the SGR increased by 20.0% from 1,993 thousand in 2021 to 2,392 thousand in 2022. Consequently, passenger revenue rose by 19.6% to Kshs 2,633 million in 2022 from Kshs 2,201 million in 2021.

Total Traffic through the Port of Mombasa rose by 7.3% from 9,541.0 thousand metric tonnes in 2021 to 10,234.1 thousand metric tonnes in 2022. Uganda had the highest share of transit market of 71.5% in 2022, with the volume of transit increasing from 7,263.3 thousand metric tonnes in 2021 to 7,319.4 thousand metric tonnes in 2022. The number of Twenty-foot Equivalent Units (TEUs) handled by the Container Freight Stations (CFSs), dropped by 21.4% from 131,979 TEUs in 2021 to 103,769 TEUs in 2022.

The number of passengers handled at Kenyan airports significantly rose from 6,703.3 thousand passengers in 2021 to 10,238.6 thousand passengers in 2022. The number of international passengers handled at Kenyan airports increased by 80.4% to 5,169.4 thousand in 2022. Similarly, domestic traffic rose by 32.1% from 3,837.8 thousand passengers in 2021 to 5,069.2 thousand passengers during the period under review. Hotel bed nights occupancy rose by 27.0% to

7,009.0 thousand in 2022 from 5,517.0 thousand in 2021 on account of increased number of visitor arrivals in the year under review. The number of internation conferences increased from 292 in 2021 to 896 in 2022. On the other hand, the number of local conferences increased from 8,117 in 2021 to 9,662 in 2022.
Construction sector registered a growth of 4.1% in 2022 compared to a growth of 6.7% in 2021. Cement consumption increased from 9.1 million metric tonnes in 2021 to 9.5 million metric tonnes in 2022. The value of building plans approved by the Nairobi City County increased by 58.0% to Kshs 162.5 billion in 2022 while the number of residential housing units completed by the State Department for Housing increased more than threefold to 1,390 units in the same period. The length of national roads under bitumen increased from 18.7 thousand kilometres in 2021 to 19.1 thousand kilometres in 2022.

The value of Information & Communication Technology (ICT) output recorded a growth of 7.7% from Kshs 564.8 billion in 2021 to Kshs 608.1 billion in 2022. Mobile subscription penetration rates increased to 143.1 per 100 inhabitants while mobile money subscription rose to 84.1 per 100 inhabitants in 2022 for total population. Mobile money transfers increased 15.1% in 2022to Kshs 7.9 trillion. Mobile commerce transactions grew by 32.7% from Kshs 15.3 trillion in 2021 to Kshs 20.3 trillion in 2022. Available internet bandwidth capacity increased by 9.9% to 12.0 million Mbps in 2022. Internet subscriptions also rose from 93.2 per 100 inhabitants in 2021 to 106.3 per 100 in 2022.

Expenditure on merchandise imports rose by 17.5% to Kshs 2,490.8 billion and earnings and earnings from exports of goods grew by 17.4% to 873.1 billion in 2022. The growth in total exports was not sufficient to offset the growth in imports, resulting to the widening of balance of trade deficit to Kshs 1,617.6 billion in 2022. Increase in import expenditure was largely on account of continued increase in imports of petroleum products which amounted to Kshs 597.7 billion, accounting for nearly a quarter of the total import bill in 2022.
The Current Account balance widened to a deficit of 679.6 billion in 2022, resulting from an increase in expenditure on imports of goods & services and increased payouts in the primary income account. Remittance inflows rose by 15.8% to Kshs 478.5 billion in the year under review. Net inflows in the Financial Account reduced to Kshs 494.9 billion in 2022. Consequently, the overall balance of payment position recorded a deficit of Kshs 251.5 billion in 2022 compared to a surplus of Kshs 90.1 billion in 2021.

1.4 Outlook

According to *Economic Survey 2023*, the outlook for the global economy is expected to decelerate in 2023 on account of tightening of monetary policies, high inflation, ongoing effects of Russia – Ukraine war and the lingering effects of Covid -19 pandemic. Despite the weak global growth outlook, Kenya's economy is expected to remain resilient in 2023, supported by a robust performance in the services sector and expected recovery in agriculture. Leading indicators in the first quarter of 2023 point to a strong activity in wholesale and retail trade, accommodation and food services, education, and ICT. The agriculture sector is likely to rebound in 2023 from two consecutive annual contractions supported by favourable weather conditions and subsidized fertilizer from the Government. Economic performance in 2023 is likely to be reinforced by the Government's development agenda aimed at achieving economic turnaround and inclusive growth. On the downside, the 2023 growth will be hampered by a decline in domestic demand as a result of elevated inflation and sustained high interest rates. The reduction in domestic demand is likely to suppress private investment. The weakening of the Kenya Shilling against the US Dollar is likely to make imports expensive and slow trade with the rest of the world. Additionally, the projected decline in global demand due to deceleration in the global economy is expected to reduce demand for Kenyan goods.

2.0 EPZ Performance for the year 2022

2.1 Overview of the program

In 2022, all performance indicators save for number of approved projects were on an upward trend compared to year 2021.

Number of gazetted zones increased to 89 during the year 2022 from 82 in 2021.

Direct employment expanded by 25.3% to stand at 82,771 persons from 66,053 persons recorded in 2021.

Total sales stood at Kshs 116,340 million in 2022 from Kshs 98,867 million in 2021, while value of exports were Kshs 106,637 million from 90,249 million during the same period. The sales were driven by apparels, agro processed products like tea , edible oil and pharmaceutical & medical supplies.

Imports increased by 31.8% to stand at Kshs 63,663 million from Kshs 48,317 million recorded in year 2021. 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 4,746 million in 2021 to Kshs 5,141 million in 2022. 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 8.3% in year 2022 to stand at Kshs 134,780 million from Kshs 124,490 million in 2021. The value of local purchases increased by 2.1% to stand at Kshs 14,982 million as firms continued to getting available materials locally.

Expenditure on local goods and services increased by 20.4% in 2022 to stand at Kshs. 48,306 million from Kshs. 40,118 million recorded in the year 2021. 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 82,771 persons employed by EPZ firms was Kshs 18,239 million in year 2022 compared to Kshs 14,149 million in 2021. Overall, of the total domestic expenditure, an average of Kshs 4,026 million was being injected into the economy by EPZ firms monthly in the year 2021 compared to Kshs. 3,343 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: 2018 - 2022

Indicator	2018	2019	2020	2021	2022	Growth % (2021 v/s 2022)
Gazetted zones (no.)	72	74	76	82	89	8.5
Projects approved (no)	45	60	51	38	33	-13.2
Enterprises Operating (no.)	136	137	138	145	157	8.3
Employment – (Kenyans) [a]	57,099	60,390	56,293	66,053	82,771	25.3
Employment - (Expatriates) [b]	644	665	647	801	981	22.5
Total Employment (No)=a+b	***57,743***	***61,055***	***56,940***	***66,854***	***83,752***	***25.3***
Total sales (Kshs. million)**	77,270	77,189	81,207	98,867	116,340	17.7
Exports (Kshs. million)	72,390	68,572	74,360	90,249	106,637	18.2
Domestic Sales (Kshs. million)	2,217	4,417	4,124	4,746	5,141	8.3
Imports (Kshs. million)	34,229	39,840	37,504	48,317	63,663	31.8
Investment Kshs. Million***	105,066	107,877	116,974	124,490	134,780[1]	8.3
Expenditure on local Purchases (Kshs million)[1]	10,385	9,761	12,346	14,678	14,982	2.1
Expenditure on local Salaries (Kshs million)[2]	11,728	12,891	11,143	14,149	18,239	28.9
Expenditure on power (Kshs million)3	947	991	926	1,113	1,390	24.9

[1] Value of enterprises' investment = **Kshs 99,715 million** while zones' (developers/operators) investment = **Kshs 35,065**. During year 2021, enterprises' investment = **Kshs 89,541** while zone investment = **Kshs 34,949**

Indicator	2018	2019	2020	2021	2022	Growth % (2021 v/s 2022)
Expenditure on Telecommunication (Kshs million)4	90	78	86	244	282	15.6
Expenditure on water (Kshs million)5	163	224	147	172	219	27.3
Other domestic expenditure (Kshs million)[6]	7,532	7,913	8,604	9,762	13,194	35.2
Total Domestic Expenditure (Kshs million) = 1+2+3+4+5+6*	***30,845***	***31,858***	***33,252***	***40,118***	***48,306***	***20.4***

** 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

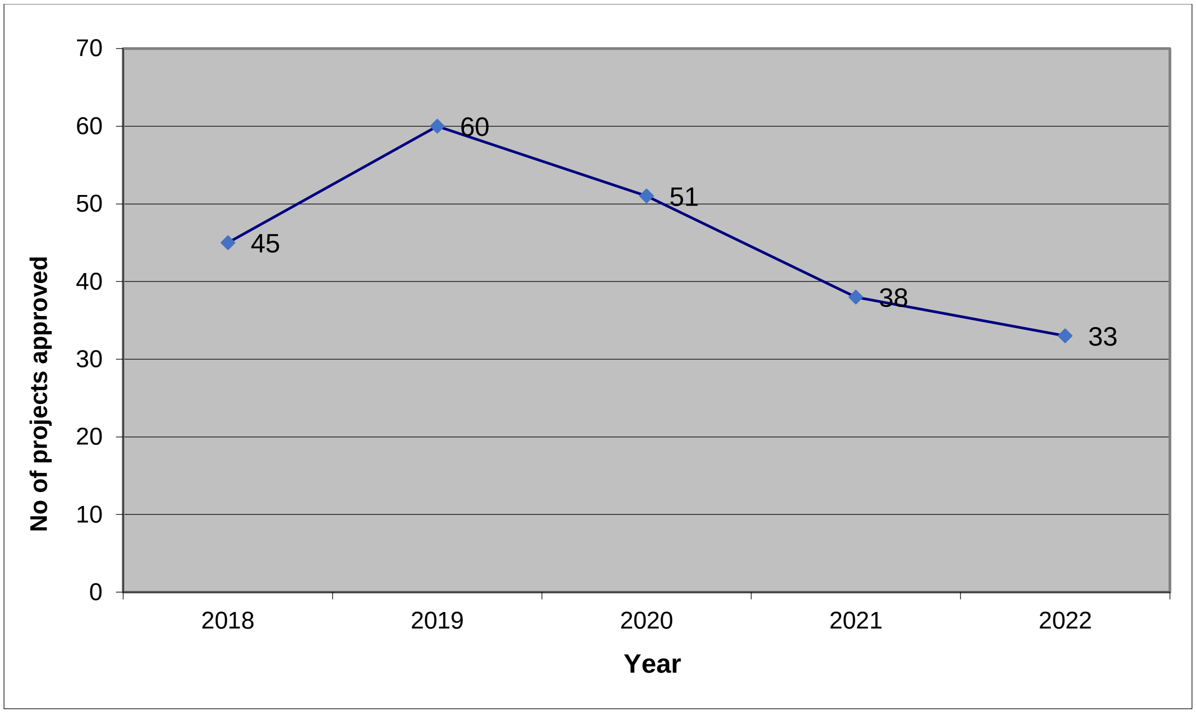
2.2 Project Approvals

There were 33 approvals with a potential investment of Kshs.13.3 billion, 10,668 jobs and year one sales valued at Kshs 4 billion in the year 2022 compared with 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 previous year (Table 2 and chart 2).

Table 2: Projects Approved, Expected jobs, Investment & Sales from 2018 - 2022

Year	Number of projects approved	Jobs (number)	Investment (Kshs. million)	Year One Sales (Kshs. million)
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
2022	33	10,668	13,293	4,000

Chart 2: Trend of number of projects approved from 2018 – 2022



2.3 Status on gazetted zones

The number of gazetted zones at end of year 2022 stood at 89. Out of which 83 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).

27 zones are located in Mombasa, 14 in Kilifi, 7 each in Nairobi and Kwale, 6 in Machakos, 5 Kiambu, 3 in Nakuru and Bomet, 2 in Embu, Meru and Nandi, one each in Muranga, Kajiado, Taita Taveta, Elgeyo Marakwet, Uasin Gishu, Laikipia, Narok, Homa Bay, Kitui, Kirinyaga and Kisumu respectively.

Table 3 details the geographical distribution of gazetted zones.

Table 3: Geographical Distribution of Zones per County, year 2022 v/s 2021

County	Former Province	Number of zones 2021	Number of zones 2022
Nairobi	Nairobi	6	7
Machakos	Eastern	6	6
Kajiado	Rift Valley	1	1
Mombasa	Coast	26	27
Kilifi	Coast	12	14
Taita Taveta	Coast	1	1
Kiambu	Central	4	5
Kitui	Eastern	1	1
Muranga	Central	1	1
Elgeyo Marakwet	Rift Valley	1	1
Uasin Gishu	Rift Valley	1	1
Laikipia	Rift Valley	1	1
Nandi	Rift Valley	2	2
Meru	Eastern	2	2
Bomet	Rift Valley	4	3
Nakuru	Rift Valley	3	3
Kwale	Coast	6	7
Embu	Eastern	2	2
Narok	Rift Valley	1	1
Homabay	Nyanza	1	1
Kirinyaga	Central	0	1
Kisumu	Nyanza	0	1
Total: 22	**6**	**82**	**89**

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. 3,537million) 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. 6,445 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, Ceytun EPZ Ltd,Tracejack Industries EPZ Ltd, Alltex 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 650,000 square feet. All the godowns have been leased to among others; New Wide Apparel K. EPZ Ltd, Global Apparels K. EPZ Ltd, Royal Garments Industries EPZ Ltd and Top New Knitwear Manufacturing EPZ Ltd, hence registering 100% occupancy. Transfleet EPZ Ltd is constructing additional industrial of 130,000 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 it is 100% occupied. Other developer include Nexus Holdings Holdings EPZ Ltd with 63,400 square feet to cater for increased industrial demand for space within the zone.

Industrial space constructed by the private developers is estimated at 1,231,400 square feet, bringing cumulative industrial space within Athi River zone to 1,907,500 square feet.

The zone had 89 operating enterprises in the year 2022 compared to 81 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 Top New Knitwear Manufacturing EPZ Kenya Ltd, Elegant Apparels EPZ Ltd, JF & I Packaging EPZ Ltd, Olvea Kenya EPZ Ltd, Premier Frisch EPZ Ltd, Kwolflow EPZ Ltd, Royal Apparel EPZ Ltd and Pragya Apparel 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 and Ceytun 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 122,423 square feet of which it registered 100% occupancy. It housed eight enterprises that dealt with activities which included agro processing, relief supplies 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 Osiqsa 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, Amor Coco Kenya 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 8,063,331 square feet within th

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.

Eight zones were gazetted in the year 2022; namely Dada EPZ Ltd (Kisumu County); Mombasa Road EPZ Ltd (Nairobi County); Bani Wahiba EPZ Ltd,0.40 hectares (Kilifi County); SpiceKen EPZ Ltd (Kiambu County); Abyssinia Iron & Steel EPZ Ltd (Kilifi County); Avopro EPZ Ltd (Kirinyaga County); Novateas EPZ Ltd (Mombasa County) and Bani Wahiba EPZ Ltd , 1.3464 hectares (Kilifi 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, Osiqsa 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.

2.7 Sector performance

In the year 2022 sixteen industrial sub sectors were operational, namely, agro processing, Business Process Outsourcing, (BPO -service), Business Service Permit (BSP), chemicals, commercial & commercial craft, 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 2021 fifteen industrial sub sectors were operational, namely, agro processing, Business Service Permit (BSP), chemicals, commercial & commercial craft, dartboard, food processing, garments, garment support services, pharmaceuticals & medical supplies, plastics, printing, relief supplies, services and other (joinery works, leather, 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 local resource utilization.

The garment sector still remains the most dominant sector within the program as shown by selected performance indicators. It constituted 22.93% of enterprises, 80.05% of total local jobs, 53.18% of exports, 50.61% of total sales, 41.11% of expenditure on local goods & services and 25.13% of private investment compared to 20.00%, 76.34%, 57.19%, 55.44%, 38.39% and 25.93% respectively in the year 2021.

However, agro processing sector which is the second dominant sector within the program was the highest performer in number of enterprises at 31.85% compared to garment sector in which it recorded 22.93% respectively in year 2022. During the year 2021, agro processing contributed 34.48% in number of firms while garments sector recorded 20.00%.

On average, garment sector contributed 45.50%, agro processing at 22.45%, services at 5.26%, BSP at 4.73, Edible oil at 4.70, food processing at 4.26% and Pharmaceuticals at 3.10% on the above selected indicators compared to 45.55%, 25.01%, 7.99%, 4.29%, 1.90%, 4.37% and 2.96% respectively in the previous year.

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

Table 4: Sectoral Performance year 2022 (Kshs)

sector	no of firms	local jobs	exports	total sales	local resource	investment
Agro processing	50	7,100	20,346,072,902	20,855,325,363	15,932,777,966	24,237,204,771
BPO -service	2	4,586	2,490,657,424	2,490,657,424	2,492,385,733	1,089,176,261
BSP	10	775	0	0	375,485,555	20,263,897,491
chemicals	3	328	260,785,294	287,678,332	383,910,071	5,219,024,604
commercial & commercial	2	74	58,396,088	58,396,088	40,714,150	98,368,038
Dartboard	1	880	2,393,225,061	2,396,477,886	1,203,580,953	1,549,842,916
Edible oil	2	128	11,925,070,415	12,001,452,307	1,628,176,686	1,871,158,008
Food processing	4	364	6,762,199,684	7,944,152,303	1,478,878,962	6,320,031,822
Garments	36	66,260	56,710,542,088	58,881,066,465	19,860,764,981	25,053,971,747
Garments support services	3	62	2,893,680	331,596,457	197,253,401	190,129,213
Pharmaceuticals & medical supplies	5	902	1,600,011,499	2,624,373,364	1,760,436,104	6,891,888,102
Plastics	3	154	153,170,118	316,158,470	305,823,703	267,289,490
printing	1	276	158,417,754	3,303,871,360	814,311,868	861,226,701
Relief supplies	2	62	1,095,745,713	1,502,350,815	490,079,320	130,686,240
services	28	691	2,569,644,930	3,129,694,875	1,154,686,950	5,391,676,004
other	5	129	109,754,235	217,154,554	186,585,018	279,461,039
Total	**157**	**82,771**	**106,636,586,885**	**116,340,406,063**	**48,305,851,421**	**99,715,032,447**

Table 5: Proportion of sector contribution year 2022 (%)

Sector	no of firms	local jobs	exports	total sales	local resourc e	investme nt	averag e
Agro processing	31.85%	8.58%	19.08%	17.93%	32.98%	24.31%	22.45%
BPO - Service	1.27%	5.54%	2.34%	2.14%	5.16%	1.09%	2.92%
BSP	6.37%	0.94%	0.00%	0.00%	0.78%	20.32%	4.73%
chemicals	1.91%	0.40%	0.24%	0.25%	0.79%	5.23%	1.47%
commercial craft	1.27%	0.09%	0.05%	0.05%	0.08%	0.10%	0.28%
Dartboard	0.64%	1.06%	2.24%	2.06%	2.49%	1.55%	1.68%
Edible oil	1.27%	0.15%	11.18%	10.32%	3.37%	1.88%	4.70%
Food processing	2.55%	0.44%	6.34%	6.83%	3.06%	6.34%	4.26%
Garments	22.93%	80.05%	53.18%	50.61%	41.11%	25.13%	45.50%
Garments support services	1.91%	0.07%	0.00%	0.29%	0.41%	0.19%	0.48%
Pharmaceuticals & medical supplies	3.18%	1.09%	1.50%	2.26%	3.64%	6.91%	3.10%
plastics	1.91%	0.19%	0.14%	0.27%	0.63%	0.27%	0.57%
printing	0.64%	0.33%	0.15%	2.84%	1.69%	0.86%	1.08%

Relief supplies	1.27%	0.07%	1.03%	1.29%	1.01%	0.13%	0.80%
services	17.83%	0.83%	2.41%	2.69%	2.39%	5.41%	5.26%
other	3.18%	0.16%	0.10%	0.19%	0.39%	0.28%	0.72%
Total	**100.00 %**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00 %**

Chart 3: Sector contribution to local employment 2022

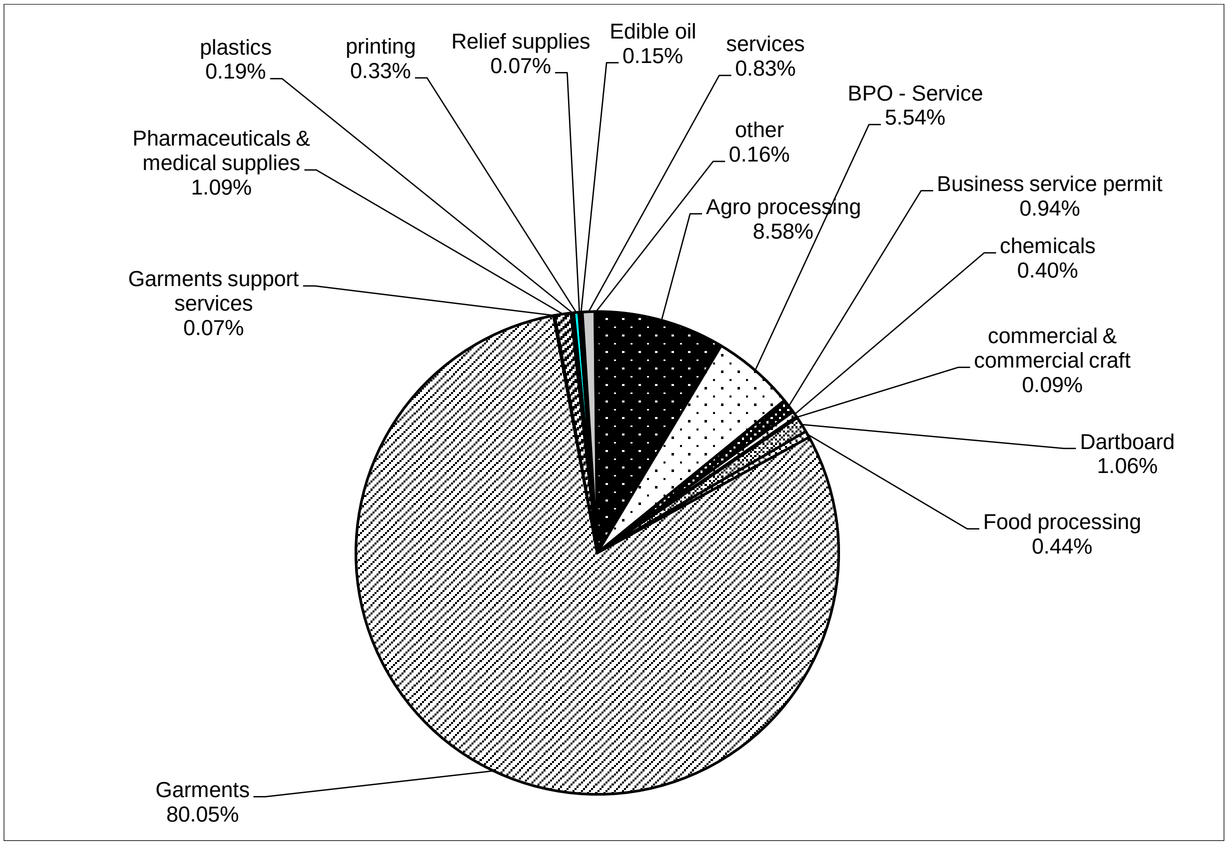
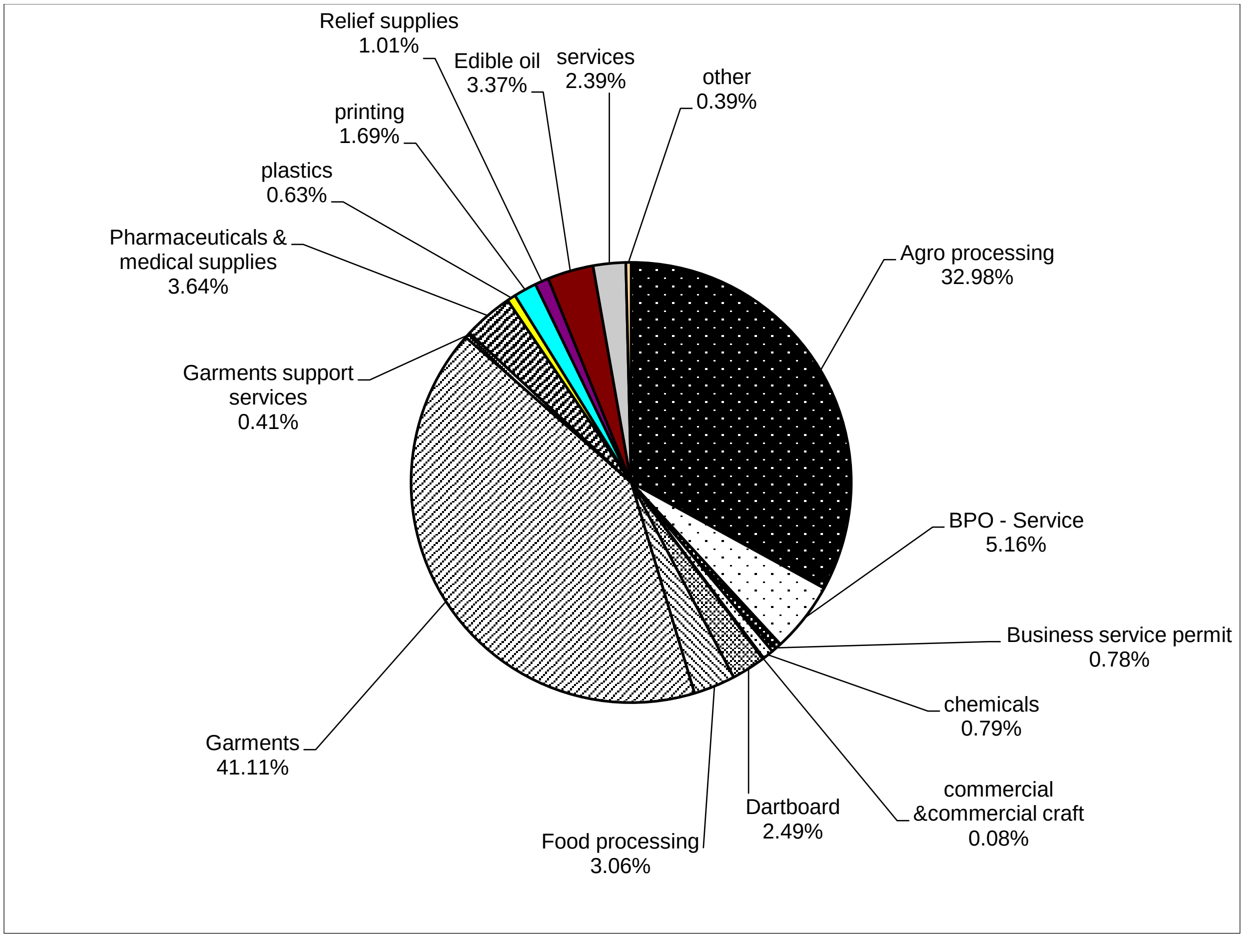


Chart 4: Sector contribution to local resource utilization, 2022



2.8 Ownership of EPZ enterprises

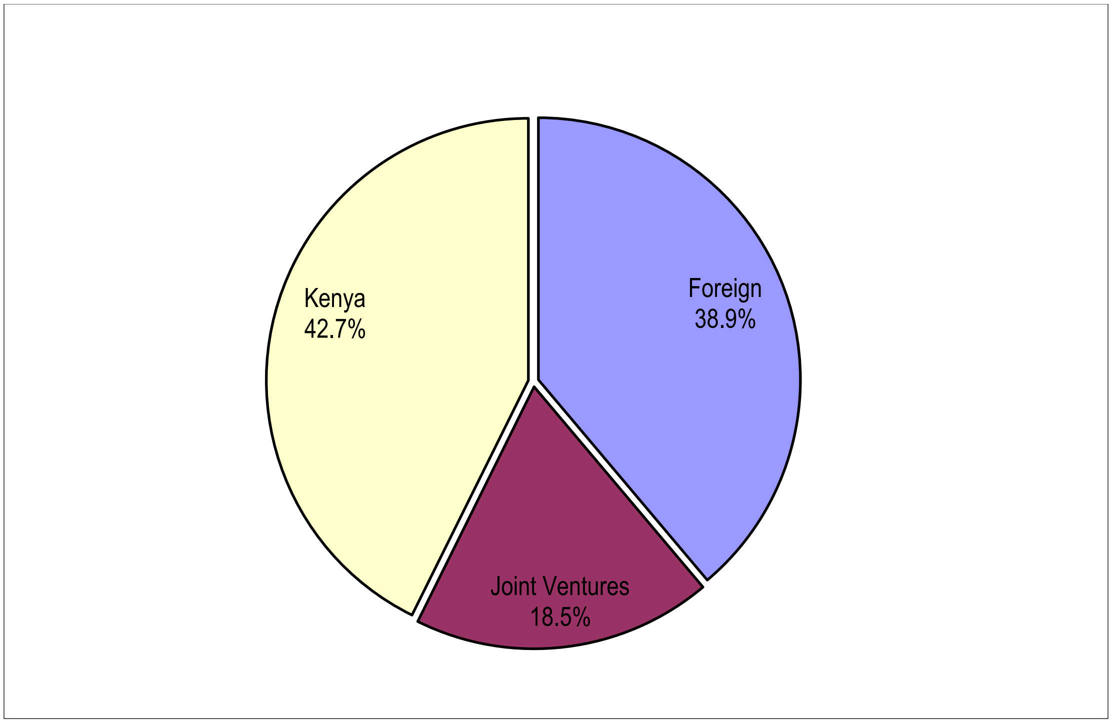
During the year 2022, 42.7% of the number of enterprises were wholly Kenyan; 38.9% foreign owned, while joint ventures stood at 18.5%. In 2021, 44.8% were wholly Kenyan owned, 35.9% were foreign owned and 19.3% were joint ventures.

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 2022.

Chart 5: Ownership of EPZ enterprises, 2022



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. 99,715 million in 2022 from Kshs. 89,541million in the year 2021.

When infrastructure investment of Kshs. 35,065 million undertaken by EPZ developers included, the figure becomes Kshs. 134,780 million compared with Kshs. 124,490 million in the year 2021. 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, 60.9% (Kshs. 60,775 million) were foreign owned while Kenyan accounted for 39.1% (Kshs. 38,501 million) in 2022 compared with 57.0% (Kshs. 50,040 million) foreign owned and 43.0% (Kshs. 38,501 million) Kenyan respectively in the year 2021 (table 6).

Table 6: Value of EPZ enterprises' investments: 2018 – 2022

Indicator	2018	2019	2020	2021	2022
Value of Kenya/Local investments (Kshs million)	30,500	32,128	34,619	38,501	38,940
Value of Foreign investment (Kshs million)	45,856	45,563	48,528	51,040	60,775
Total Investment (Kshs million)	**76,356**	**77,691**	**83,147**	**89,541**	**99,715**
Ratio of value of Kenya/Local investment to Total (%)	39.9	41.4	41.6	43.0	39.1
Ratio of value of Foreign investment to Total (%)	60.1	58.6	58.4	57.0	60.9

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 an average of 60% of exports.

Exports of articles of apparels to USA increased in value by 11.9% to stand at Kshs. 54,621 million in 2022 from Kshs 48,830 million recorded in the year 2021. Quantity of apparels exported to US also increased from 100.9 million pieces in 2021 to 112.3 million pieces in 2022.

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 2022, these alternative markets were a destination of Kshs.2.1 billion (5.9 million pieces) worth of apparel compared with Kshs. 2.8 billion (9.2 million pieces) of apparel consigned to these markets during the year 2021 (table 9b).

Direct employment expanded by 31.4% to stand at 66,260 persons from 50,422 recorded in the previous year. During the year 2022, garment sector contributed 80.1% of total local employment compared with 76.4% in 2021.

Investment on the other hand registered an increase of 7.9% to stand at Kshs. 25,054 million from Kshs. 23,216 million in year 2021 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: 2018 - 2022

Indicator	2018	2019	2020	2021	2022	% growth (2021 v/s 2022
Number of Enterprises	22	24	28	29	36	24.1
Employment (No.)	46,248	49,489	45,588	50,422	66,260	31.4
Investment (Kshs million)	16,146	18,065	19,133	23,216	25,054	7.9
Exports (Kshs million)	47,252	47,196	44,640	51,618	56,711	9.9
Quantity of exports (million pieces)	94.0	105.4	102.2	110.2	118.2	7.3
Imports (Kshs million)	25,323	28,387	24,144	30,473	36,651	20.3
Local purchases (Kshs million)	534	643	1,007	1,311	855	-34.8

Table 7 b: Value & quantity of apparel export to USA and to rest of the world: 2018 – 2022

Indicator	2018	2019	2020	2021	2022	% growth
Value of apparel exports to USA (Kshs million)	41,578	46,066	42,278	48,830	54,621	11.9
Value of apparel export rest of world (Kshs million)	5,674	1,130	2,362	2,788	2,090	-25.0
Total value (Kshs million)	**47,252**	**47,196**	**44,640**	**51,618**	**56,711**	**9.9**
Quantity apparel of exports to USA (million pieces)	94.0	105.4	91.8	100.9	112.3	11.3
Quantity of apparel export to rest of the world (million pieces)	9.8	5.7	9.4	9.2	5.9	-35.9
Total quantity (million pieces)	**103.8**	**111.1**	**101.2**	**110.1**	**118.2**	**7.4**

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 2022. However, most countries experience an upward performance in the year under review.

Total apparel exports from Kenya to US increased by 19.1% in year 2022 to stand at US$ 534.6 million from US$ 448.9 million recorded in 2021.

Madagascar apparel exports rose by 40.7% to stand at US$397.8 million in 2021 from US$ 282.8 million recorded in 2021.

Similarly, apparel exports from Mauritius tho saw an increase of 5.2% to stand at US$75.9 million while those from Ethiopia rose by 32.5% to US$ 345.6 million.

However, exports from Lesotho declined by 5.8%to stand at US$ 276.7 million while those from South Africa dropped by 10.8% to stand at US$9.3 million respectively.

Overall, Kenya maintained her SSA top apparel exporter to US for the last nine consecutive years in 2022.

Table 8 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 2018 – 2022 (US $ '000)

Country	2018	2019	2020	2021	2022	% change 2021 - 2022
Kenya	392,217	453,730	385,058	448,883	534,614	19.1
Lesotho	320,613	303,418	257,638	293,768	276,668	-5.8
Madagascar	196,181	243,331	199,935	282,769	397,821	40.7
Mauritius	146,988	140,884	88,260	72,196	75,950	5.2
Ghana	13,840	17,326	9,631	20,078	35,038	74.5
Ethiopia	112,047	211,280	223,064	260,734	345,602	32.5
Tanzania	41,868	52,237	39,519	32,179	71,879	123.4
South Africa	7,872	9,554	8,285	10,417	9,275	-10.8

Source: https://otexa.trade.gov/data-visualization/otexa-trade-preference-program-data

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/Kisumu,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 Embu, Meru and Kisumu.

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.

Athi River region had employment numbering 30,864 persons while Mombasa on the other hand had 26,988 persons in the year 2022.During the year 2021, Athi River region employed 23,835 while Mombasa had 20,450 persons.

Average performance for the regions with respect to the selected indicators were 43.0%, 32.3%, 14.0%, 4.7%, 2.1%, 2.7% and 1.2% for Athi River/Mlolongo/Kinanie, Mombasa, Nairobi, Thika/Kiambu/Muranga/Embu/Kitui, Laikipia/Naivasha/Nakuru, Bomet/Narok and Eldoret/Nandi/Kisumu for 2022 compared with 42.1%, 30.7%, 16.3%, 4.6%, 2.6%, 2.4% and 1.3% respectively in 2021.

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

Table 9: Regional performances year 2022

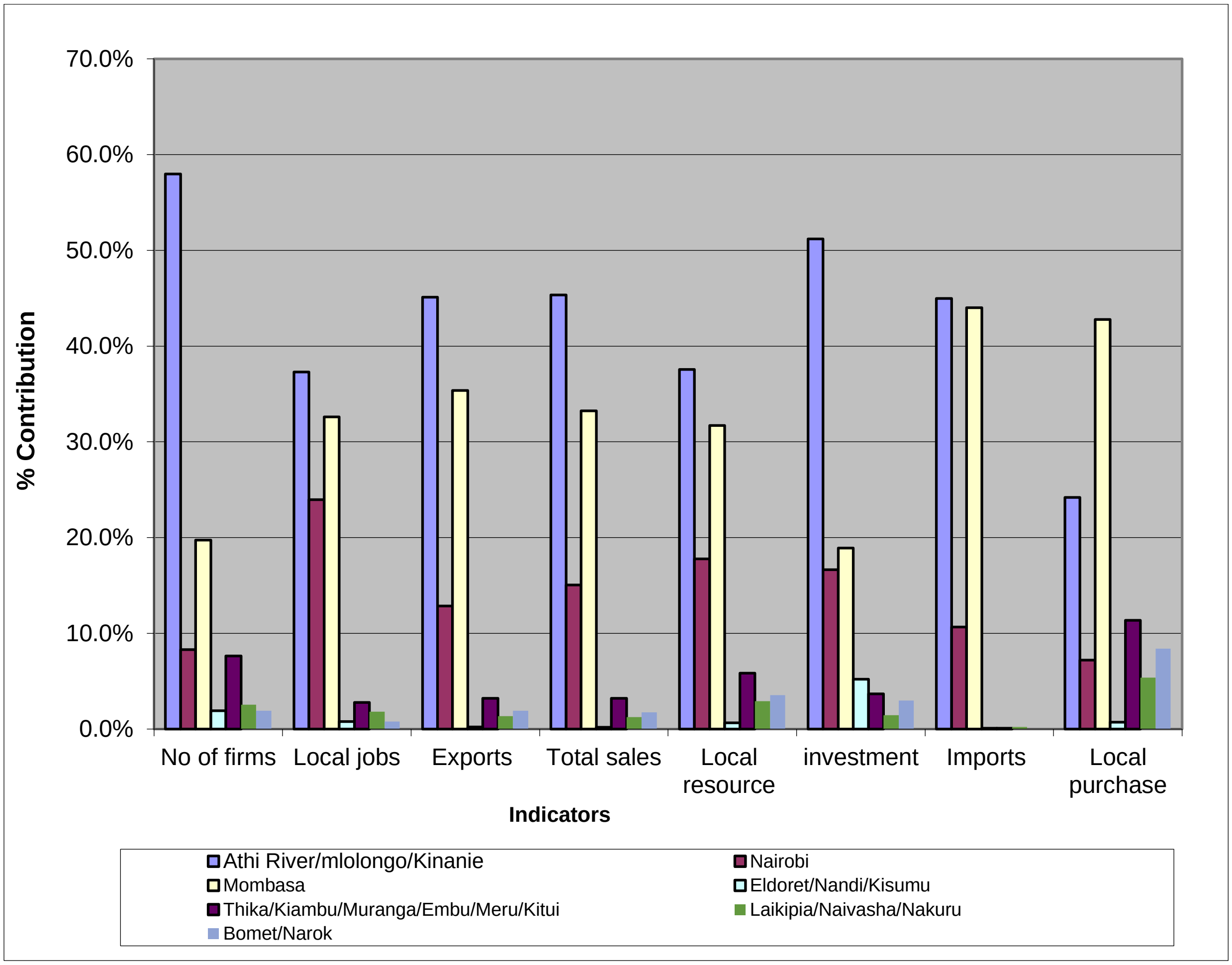
Zone	Firms (no)	Local jobs (no)	Exports (Kshs m)	Total sales (Kshs m)	Local resource (Kshs m)	investment (Kshs m)	Imports (Kshs m)	Local purchases
Athi River/mlolongo/Kinanie	91.0	30,864.0	48,096.0	52,756.0	18,141.0	51,044.0	28,641.0	3,622.0
Nairobi	13.0	19,818.0	13,699.8	17,508.1	8,584.5	16,604.2	6,775.9	1,079.5
Mombasa	31.0	26,988.0	37,707.9	38,649.4	15,308.6	18,848.2	28,014.8	6,409.1
Eldoret/Nandi/Kisumu	3.0	642.0	211.6	211.6	319.2	5,182.8	51.0	104.6
Thika/Kiambu/Muranga/Embu/Meru/ Kitui	12.0	2,292.0	3,432.1	3,725.6	2,824.1	3,651.2	44.4	1,701.7
Laikipia/Naivasha/Nakuru	4.0	1,510.0	1,448.5	1,448.5	1,410.7	1,429.6	132.3	805.4
Bomet/Narok	3.0	657.0	2,040.7	2,040.7	1,717.5	2,954.5	3.1	1,258.7
total	**157**	**82,771**	**106,637**	**116,340**	**48,306**	**99,715**	**63,663**	**14,981**

Table 10: Contribution by region, 2022 (%)

Zone	No of firms	Local jobs	Exports	Total sales	Local resource	investment	Imports	Local purchase	Average
Athi River/mlolongo/Kinanie	58.0%	37.3%	45.1%	45.3%	37.6%	51.2%	45.0%	24.2%	**43.0%**
Nairobi	8.3%	23.9%	12.8%	15.0%	17.8%	16.7%	10.6%	7.2%	**14.0%**
Mombasa	19.7%	32.6%	35.4%	33.2%	31.7%	18.9%	44.0%	42.8%	**32.3%**
Eldoret/Nandi/Kisumu	1.9%	0.8%	0.2%	0.2%	0.7%	5.2%	0.1%	0.7%	**1.2%**
Thika/Kiambu/Muranga/Embu/Meru/Kitui	7.6%	2.8%	3.2%	3.2%	5.8%	3.7%	0.1%	11.4%	**4.7%**
Laikipia/Naivasha/Nakuru	2.5%	1.8%	1.4%	1.2%	2.9%	1.4%	0.2%	5.4%	**2.1%**
Bomet/Narok	1.9%	0.8%	1.9%	1.8%	3.6%	3.0%	0.0%	8.4%	**2.7%**

Zone	No of firms	Local jobs	Exports	Total sales	Local resource	investment	Imports	Local purchase	Average
total	100.0 %	100.0 %	100.0 %	100.0 %	100.0%	100.0%	100.0 %	100.0%	100.0 %

Chart 6: Contribution by region (%) year 2022

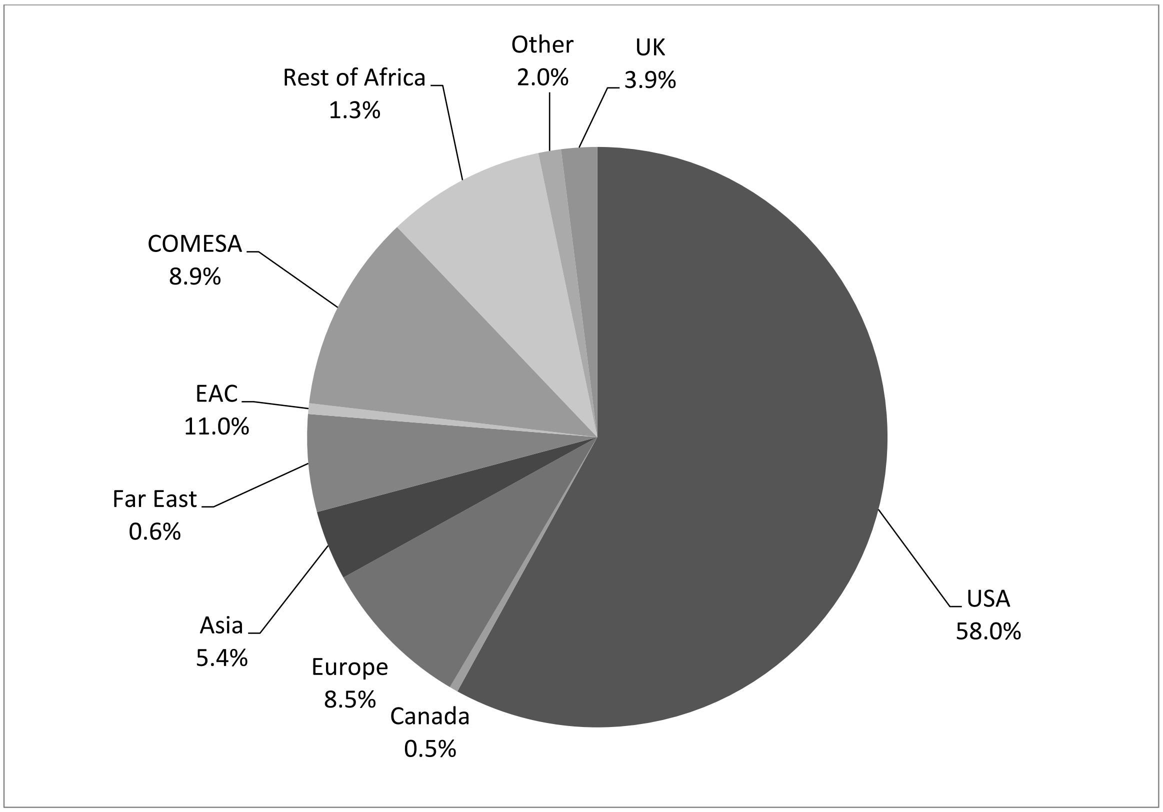


5.0 Destination of Exports

During the year 2022, 58.0% (Kshs. 61,857 million) of all exports were consigned to USA market out of which 88.3% (Kshs. 54,621 million) constituted exports of garment products. In the year 2021, 59.9% (Kshs. 54,018 million) were exported to US out of which 90.4% (Kshs. 48,830 million) were accounted for by garment exports.

Europe accounted for 8.5% (Kshs.9,046 million) of the export market, UK 3.9% (Kshs 4,138 million), EAC 11.0% (Kshs.11,746 million), Asia 5.4% (Kshs. 5,789 million), COMESA 8.9% (Kshs. 9,445 million), Rest of Africa 1.3% (Kshs. 1,343 million), Far East 0.6 % (Kshs.637 million) and 2.0% (Kshs.2,131 million) was destined to the rest of the world. During the previous year, Europe accounted for 10.5% (Kshs. 9,438 million), 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) to the rest of the world (chart 7).

Chart 7: Market destination for all exports, 2022



6.0 Employment and wages

The average monthly wages increased from Kshs 17,851 in the year 2021 to Kshs 18,363 in 2022, representing 2.9% rise.

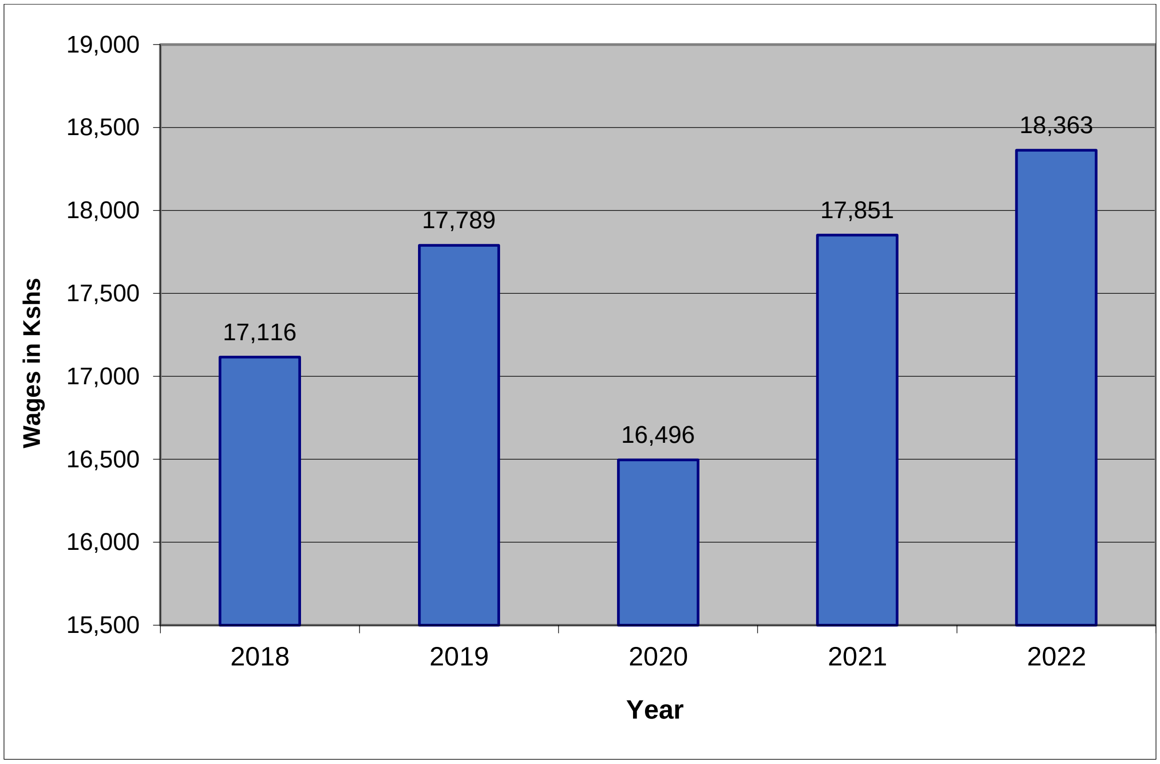
Details on table 11 and chart 8.

Table 11: Employment and Wages: 2018 – 2022

Indicator	2018	2019	2020	2021	2022
Local employees (Number)	57,099	60,390	56,293	66,053	82,771
Expatriates (Number)	644	665	647	801	981
Total employment (Number)	57,743	61,055	56,940	66,854	83,752
Local wages (Kshs)	11,727,644,428	12,891,138,230	11,143,242,546	14,149,109,370	18,239,156,832
Expatriate wages (Kshs)	994,682,828	1,051,048,787	976,746,558	1,050,014,263	1,345,266,601
Total wages (Kshs)	12,722,327,256	13,942,187,017	12,123,209,679	15,199,123,633	19,584,423,433
Average Annual wages locals (Kshs)	205,391	213,465	197,951	214,208	220,357
Average Annual wages expatriates (Kshs)	1,549,350	1,580,525	1,509,655	1,310,879	1,371,322
Average monthly wage locals (Kshs)	17,116	17,789	16,496	17,851	18,363
Average monthly wage expatriates (Kshs)	129,112	131,710	125,805	109,240	114,277
Average monthly wage locals (US$)	169	174	155	163	156
Average monthly wage expatriates (US$)	1,276	1,291	1,180	999	969
Average annual exchange rate(Kshs/US$)	101.2	102.0	106.6	109.4	117.9

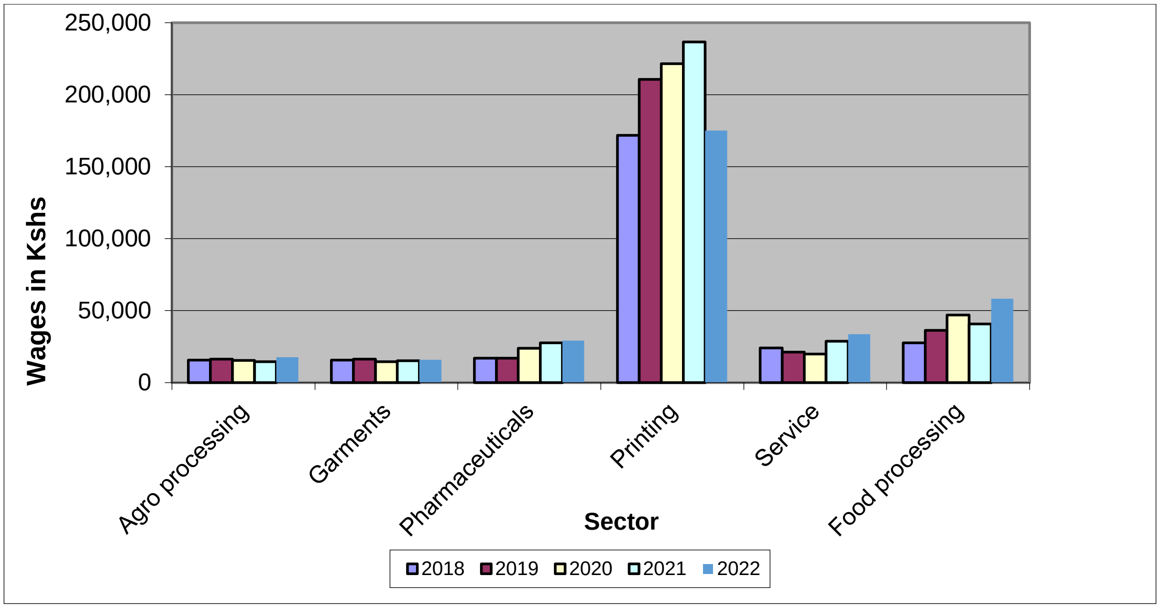
Source: EPZA records

Chart 8: Average monthly wages for local employees, 2018 to 2022 (Kshs)



With respect to selected sectoral wages, the printing sector continued to offer high remuneration to its employees in 2022compared 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, 2018 – 2022



6.1 Training of local workers and transfer of technology

In the year 2022, 68 enterprises (43.3%) trained local employees in various industrial disciplines compared to 74 (51.0%) in the previous year.

The training provided include: machine operation & quality assurance, setting corporate & personal targets, 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, drug safety & pharmacovigilance, 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,first aid, firefighting, fire marshall, fire drill, team building, setting of personal & corporate targets, training of trainers, in-house/induction courses, risk assessment, operational excellence,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 2022, the EPZ contribution to the total manufacturing sector employment accounted for 23.47% from 19.54% posted in the year 2021.

In the year under review, EPZ contribution to manufacturing sector output stood at 3.66% in year 2022 as it was in the year 2021.

EPZ exports to total Kenya exports stood at 12.21% in 2022 from 12.14% in the year 2021.

EPZ employment accounted for 0.432% of total national employment in year 2022 from 0.360% registered in 2021.

Contribution to Gross Domestic Product (GDP) at market price of the economy was 0.870% in 2022 from 0.817% in the year 2021.

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

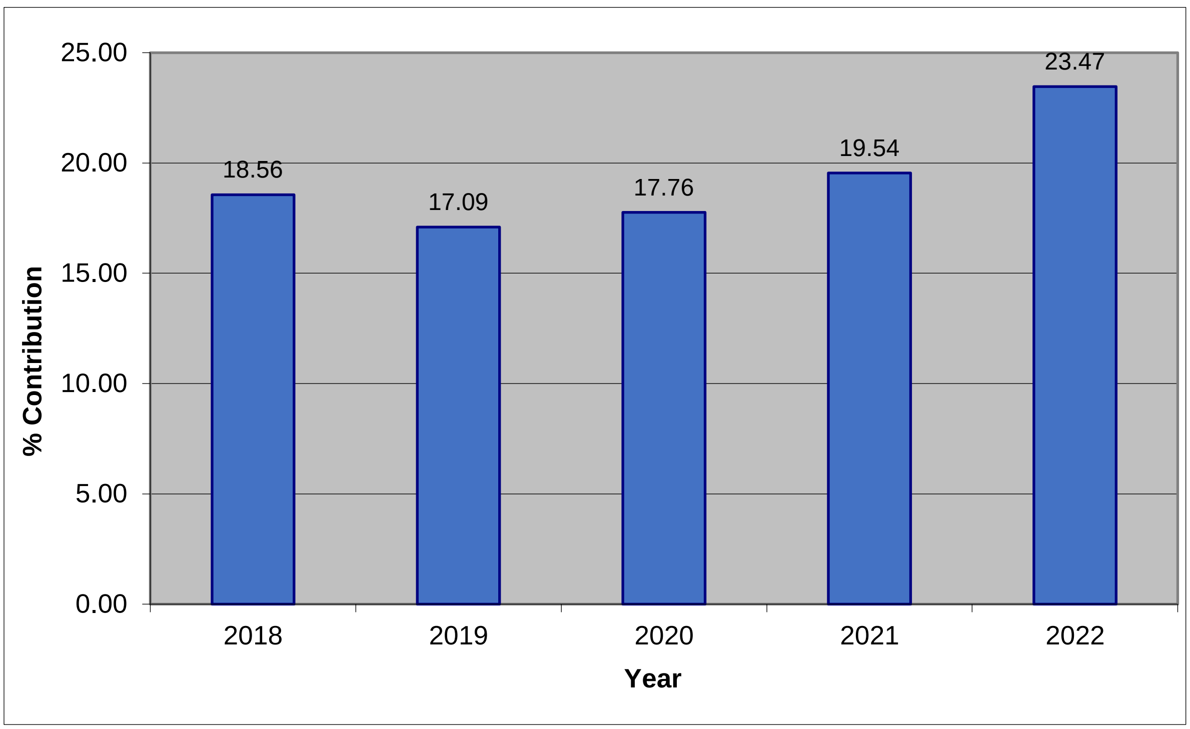
Table 12: EPZ contribution to the national economy: 2018 – 2022

Indicator	Units	2018	2019	2020	2021	2022
Total Kenya Exports	Kshs Million	614,316	596,677	643,706	743,671	873,145
Manufacturing sector Value of Output	Kshs Million	2,407,188	2,311,586	2,376,423	2,700,161	3,175,340
GDP at market prices	Kshs Million	8,904,984	10,237,727	10,715,070	12,027,662	13,368,340
Total national employment	number	17,783,200	18,142,700	17,406,700	18,331,600	19,148,200
Manufacturing sector employment	Number	307,592	353,300	316,900	336,800	352,600
Total output EPZ	*Kshs Million*	*77,271*	*77,189*	*81,207*	*98,867*	*116,340*
Exports EPZ	*Kshs Million*	*72,390*	*68,572*	*74,360*	*90,249*	*106,637*
Employment EPZ (local)	*Number*	*57,099*	*60,390*	*56,293*	*66,053*	*82,771*
EPZ contribution to total Kenya Exports	*Percent*	*11.78*	*11.49*	*11.55*	*12.14*	*12.21*

Indicator	Units	2018	2019	2020	2021	2022
EPZ contribution to manufacturing sector value of output	*Percent*	*3.21*	*3.34*	*3.42*	*3.66*	*3.66*
EPZ contribution to total national employment	*Percent*	*0.321*	*0.333*	*0.323*	*0.360*	*0.432*
EPZ contribution to manufacturing sector employment	*Percent*	*18.56*	*17.09*	*17.76*	*19.54*	*23.47*
EPZ contribution to GDP market prices)	*Percent*	*0.868*	*0.754*	*0.758*	*0.817*	*0.870*

*S*ource: Economic Survey 2023 and EPZA reports

Chart 10: EPZ Contribution to manufacturing sector employment; 2018 – 2022



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 competion 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 face Covid -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 2022 are tabulated on table 13.

Table 13: Constraints/ impediments reported by EPZ enterprises, 2022.

Constraint/impediment	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)	Number of firms which reported/ affected (2022)	% of enterprises affected to total no. of operating firms in (2022)
Labour productivity/turn over/efficiency, labour unrest	5	3.6	11	7.6	5	3.2
Unfavourable economic condition/inflation	4	2.9	5	3.4	6	3.8
High cost of production	14	10.1	28	19.3	11	7.0
Customs regulation/KRA	11	7.8	7	4.8	8	5.1
High cost of power/electricity	10	7.2	9	6.2	6	3.8
Competition from other countries	8	5.8	6	4.1	4	2.5
High cost of water/unreliable water supply	5	3.6	4	2.6	3	1.9
Local currency fluctuation	6	4.3	6	4.1	6	3.8
Poor infrastructure	5	3.6	7	4.8	4	2.5
Shortage of raw materials	31	22.5	24	16.6	14	8.9
Market access/market barriers	12	8.7	12	8.3	4	2.5
Diminishing demand	4	2.9	8	5.2	13	8.3
Inadequate finances	16	11.6	18	12.4	7	4.5
Reduced production capacity	-	-	5	3.4	2	1.3
Political climate/elections	-	-	6	4.1	1	0.6
Adverse weather conditions	11	8	9	6.2	8	5.1
Adverse effects of Covid-19	53	38.4	43	29.7	13	8.3
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, Russia – Ukrain war among others	42	30.4	34	23.4	36	22.9

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) 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.

ii) Inadequate supply of industrial sheds 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.

iii) Inadequate water supply 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) 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.

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.

- Expansion of EAC has resulted in reduced export market as countries which were hitherto regarded as export markets have become domestic markets.

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

i) Facilitate development of industrial buildings for investors within Athi River Zone.
ii) Increased water volumes supply by Nairobi Water and Sewerage Company to Athi River Zone to enable EPZ companies have adequate quantity for their operations.

iii) Reduce cost of power to the EPZ Enterprises to Kshs 5 per kilowatt hour.

iv) Facilitate availability of affordable financing especially to SMEs enterprises operating within the EPZ program.

v) Improve the supply of raw material to agro processing industries like macadamia, cashewnuts, coconuts and other horticultural products.

vi) 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 and Somalia is on the way. Thus, to encourage expansion of existing firms and new companies, the cap should be increased.

vii) The ongoing trade negotiations between Kenya and USA will also enhance market stability in the US.

viii) 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.

11.0 Set targets and Actual performance.

The projections for the year 2023 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 170 based on facilitation of new enterprises to commence operation by end of year 2022, while local employment is estimated to expand by 5% based on coming into operation of the new firms and expansion of the existing ones.

Exports and total sales are expected to grow by an average of 8%. 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 43% of total sales.

A summary of set and actual targets for years 2020 to 2022 and projections for year 2023 are outlined on table 14.

Table 14: Set and Actual Targets for 2020 to 2022 and Projections for 2023

Indicator	Target			Actual			% attained			Target
	2020	2021	2022	2020	2021	2022	2020	2021	2022	2023
Operating enterprises (Number)	160	150	160	138	145	157	86.3	90.6	98.1	170
Employment (Kenyans) Number.	66,429	66,293	77,943	56,293	66,053	82,771	84.7	99.6	100	77,943
Investment for firms (Kshs million)	81,575	88,800	95,809	83,147	89,541	99,715	100	100	100	106,695
Total sales (Kshs million)	84,136	89,207	107,765	81,207	98,867	116,340	96.5	100	100	125,647
Exports (Kshs million)	74,057	82,070	100,176	74,360	90,249	106,637	100	100	100	115,168
Ratio of domestic sales to total sales (%)	5	5.0	5.0	5.1	4.8	4.4	100	100	100	5.0
Domestic expenditure (Kshs million)	33,654	36,575	43,106	33,252	40,118	48,306	98.8	100	100	43,106

Average attainment of set targets for the year 2022 was 99.7% compared to 98.6% in the previous year.

Some of the targets set for the year 2022 which were not attained like the number of operating enterprises was as a result of the constraints reported by the enterprises in the course of the year as outlined in numbers 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 2023 will depend on the addressing some challenges and constraints outlined in this report.

Research Planning & Innovation Department
October 2023