



REPUBLIC OF KENYA

**DRAFT
REGIONAL INTEGRATION POLICY FOR KENYA**

April 2015

PREFACE

The rebasing of the Kenyan National Accounts data in 2014 ranks Kenya as a lower middle income country, with a per capita income of USD 1269. Sustaining this status calls for strong engagement and partnership with our regional and global partners who now drive global economic activities. The Kenya Regional Integration Policy is expected to facilitate Kenya's economic transformation from a factor based to a knowledge intense rapidly industrializing middle-income nation by the year 2030 by providing the framework for this participation and engagement. The Policy is anchored in the Constitution of Kenya, Kenya Vision 2030 and the 2nd Medium Term Plan (2013-2017) and takes into account the regional treaties, bilateral and multilateral agreements that Kenya is currently party to.

The Policy spells out Kenya's key priority intervention areas, namely: advancing Kenya's national interests through innovative commercial diplomacy; pursuing a coherent regional integration policy framework and coordinated approach to regional and international engagements; pursuing convergence of national and regional macroeconomic policy framework; developing policy intervention programmes to ensure maximum utilization of opportunities presented by regional integration; consolidating the regional market and promoting integration into the global economy; improving quality of human capital and creating opportunities for employment, poverty reduction and wealth creation; and providing adequate resources for regional integration.

On behalf of the Ministry of East African Affairs, Commerce and Tourism and the Ministry of Foreign Affairs and International Trade, we wish to sincerely thank all stakeholders who took part in the consultative for a and provided valuable insights and ideas that helped shape the Policy. We further appreciate the role of officers from other Ministries, Departments and Agencies whose contribution was invaluable in the policy formulation process. In addition we most sincerely thank TradeMark East Africa and the Africa Development Bank for their invaluable input and financial support in the formulation of the Regional Integration Policy and the Strategy.

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EXECUTIVE SUMMARY

Over the recent past, the global business landscape has undergone considerable changes with increased regionalism alongside globalization; and a rapidly growing trend towards liberalization of a wide range of political and socio-economic policies. Regional integration now accounts for over 70% of trade globally and provides the framework from which other socio-economic and political collaborations are transacted.

Over the last two decades, Kenya has participated actively in a number of regional integration efforts without a regional integration policy. This has resulted in a number of challenges including; non-alignment amongst the regional, bilateral and international trading agreements to which Kenya is a signatory, the very low level of domestication of regional and multilateral agreements, the proliferation of national law based Non-Tariff Barriers (NTBs) and the lack of a coherent national trade facilitating system amongst others. The overall objective of the Regional Integration Policy is to enhance Kenya's ability to maximize on the opportunities in the Regional Economic Communities (RECs) it participates in, and to enable Kenya's ability to better integrate into the global economy.

Achieving this objective will require a sustained coherent government wide approach to harness regional integration to address national challenges like poverty, unemployment, insecurity, inadequate infrastructure, energy deficit, trans-boundary resources. The policy focuses on governance, justice, law and order; trade, tourism, finance and industry; public administration and international relations; physical infrastructure; expansion and diversification of economic activities; in particular those impacting on agriculture and rural development and the services sectors, environment, water and irrigation; human resource development, research and innovation and technology; role of parliament in regional integration; and mechanisms of strengthening participation and coherence of devolved governments and Non-State actors including private sector in regional integration.

Kenya's regional integration policy takes cognizance of the unique national and regional culture and values to fashion a policy that deepens North-South and South-South linkages and grows Kenya's linkages with the emerging and growing economies expected to dominate the global economies by 2025. The policy takes on board the tenets of: open regionalism; greater private sector participation; rationalization of regional integration activities; adoption of the multi-speed/variable geometry approach; encouragement of member countries to support regional integration initiatives; compensation mechanisms; promotion of collaborative work with other institutions; and promotion of regional and multilateral cooperation on cross-cutting issues.

Broadly, the regional integration policy addresses the following eleven strategic intervention areas:

1. *Pursuit of a coherent regional integration policy framework and coordinated approach to regional and international engagements.*

To ensure that Kenya reaps the full benefits of regional integration, participation in future regional integration efforts shall be anchored in the EAC framework and deepening economic and commercial diplomacy within the foreign policy. This will require domiciling coordination of all regional integration efforts and issues into one entity for efficiency and effectiveness while facilitating for the executive and county governments, private sector and non-state actors, legislature and judiciary to perform their core functions as they relate to regional integration and International Corporation. This should result in the full implementation of ratified regional/bilateral agreements with other countries and organizations.

2. *Maintaining Peace, Security in guaranteeing Sustainability of livelihoods:*

Kenya's foreign policy which is guided by a strong belief that the future is inextricably tied to the stability and security of our environment for her prosperity and that of her neighbours in East Africa and the rest of Africa and the world will be a foundation for this policy. Effort will be made to domesticate and implement regional and international peace agreements, continue with engagement in regional and international peace keeping missions, sustain capacity building programmes and information exchange on security related matters including emerging issues of terrorism, human trafficking, and cyber-crime among others. Further, there will be need to build on the ongoing IGAD, ICGLR and COMESA Early Warning and Conflict Response Mechanisms to foster security and stability in the region. Sustained greater market access shall be assured through regional peace and stability.

3. *Pursue convergence of national and regional macroeconomic policy framework*

Kenya will strive to domesticate a harmonized EAC and COMESA convergence criteria within the Tripartite arrangements. Kenya shall continue to implement prudent macro-economic policies in order to provide a predictable overall climate for business investment decisions. This will include promoting actions aimed at addressing gaps in monetary and fiscal policies, benchmarking international best practice in the review of laws and regulations to enhance the capital markets, mobile money. These actions shall be pursued within the framework of deeper regional integration through full implementation of the EAC Customs Union and Common Market and in the progressive implementation of the Monetary Union. Necessary institutions and regulatory framework for policy coordination and harmonization to improve the performance of the economy shall be identified or established.

4. *Advance Kenya's interests through innovative commercial diplomacy*

Kenya will need to advance and protect its national interests regionally and internationally, while avoiding injury or jeopardizing the interests pursued by our partner nations. The regional integration policy shall deepen economic and commercial diplomacy as a pillar to improve relations with our partners, stabilize markets, ease the movement of labor and increase access to markets and capital through economic cooperation.

5. *Promoting joint economic development corridors for enhanced competitiveness*

Building on the regional economic corridors identified in the infrastructure, energy and ICT master plans of the respective RECs (EAC, COMESA, IGAD, and AU), Kenya will intensify her implementation capacity through joint public-private and intergovernmental initiatives and domestication of international commitments to improve the efficiency of the northern corridor and construction of the LAPSET in particular. The country will also leverage the expanding regional capital markets to mobilize the requisite infrastructural development resources and to establish a dedicated fund to upgrade the ports and connected inland containers, petro-chemical complex and oil pipelines; expansion and diversification of BPO and other services to meet national demand.

6. *Regional Approach to the Management of Trans Boundary Natural Resources*

Natural resources are trans-boundary in nature and sustainable utilization of these resources requires co-operation and joint management. Kenya will continue to domesticate harmonized regional policies and international conventions; leverage the provisions of the Environmental Management and Coordination Act (EMCA) 1999 and the National Biodiversity Strategy Action Plan (NBSAP) Policy 2000; National Climate Change Action Plan (NCCAP) (2013-2017) and African Mining Vision on sustainable management of natural and mineral resources with equitable benefit sharing among the riparian states and communities. Kenya will formulate and implement strategies and mechanisms that promote conflict prevention and peaceful dispute resolution from the utilization of trans-boundary natural resources. More specifically the establishment of a regional Mineral Exchange platform and oil refinery is ideal. Other important issues to be addressed pertaining to natural resources include Vision 2030 flagship projects covering conservation, protection, and management of water catchment areas; conservation of wildlife corridors; pollution and solid waste management; and land use mapping initiatives.

7. *Regional Integration in a Global Economy - Using RECs as Gateway to globalization of Policy Interventions*

The rising trends of globalization and deepening of regional integration efforts with demonstrable socio-economic and political gains justifies the urgency for integrating into the global economy through complementary unilateral, regional and multilateral initiatives and pursuit of North-South and South-South cooperation. This will be achieved through active participation in the EAC, COMESA, African Union, WTO, World Economic Forums and other multilateral Forums. Further, Kenya shall utilize her strategic location in East Africa to support neighboring countries like Ethiopia, Uganda, and South Sudan in maximizing the benefits from their natural resources e.g. through the development of a petrochemical complex corridor.

8. *Consolidate the regional market and promote integration into the global economy*

While regional integration creates markets for goods and services and opportunity for investment, the potential in regional markets in EAC and COMESA is underutilized. Intra-

regional trade is currently less than 10% and negligible large scale and cross border investment occurs. The government will promote local and cross border private sector investments to generate the requisite supply capacities to sustainably increase Kenya's share in the regional market, address food security, promote business environment that improves competitiveness of Kenyan originating products and services and that stimulates regional and international investments and service providers to create wealth and job opportunities. Deliberate actions to open up opportunities for SMES in the regional and global value chains will be pursued.

9. *Improve quality of human capital and create opportunities for employment and poverty reduction and wealth creation*

The critical role that social capital plays in fostering development and regional integration is now an acknowledged fact, especially within the AU framework. In recognition of this fact the government will promote human resource development targeting technical competencies, coordination and management skills, negotiation capacity, trade/investment facilitation, research and analytical skills as well as the development of entrepreneurial skills. This will be achieved through continued development of learning institutions, including accreditation and mutual recognition of educational qualifications and professional skills.

10. *Information access*

The widespread lack of knowledge about markets for Kenyan export and investment opportunities available through RECs and a lack of awareness as to how to acquire such knowledge further limits Kenya's ability to maximize on the opportunities presented through these RECs. Further, lack of international networks make it very difficult to obtain market intelligence on these regional and global markets. The media also lacks the competence to effectively, consistently, and independently articulate regional integration issues for general awareness raising and education of the public on international trade relationships and the implications of proposed processes. The mismatch between utilization of available market potentials, shall be addressed through intensified sensitization programmes and multimedia approach for effective information dissemination and promotion (electronic and print)

11. *Provide adequate resources for regional integration.*

Regional integration commitments and initiatives will be mainstreamed in all relevant Ministries and Government Institutions to ensure introduction of regional integration in the national and county budget cycles. Appropriate indicators for regional integration shall be formulated and linked to budgetary allocation a step towards entrenching regional integration in national development. In this regard, the government shall provide dedicated funds to finance regional integration initiatives; promote strategic public-private partnerships and establish targeted joint inter-governmental partnerships.

A separate regional integration strategy with an implementation plan has been prepared and published separately for implementing the regional integration policy.

ACRONYMS AND ABBREVIATIONS

AMCOW	African Minister's Council on Water
AMV	Africa Mining Vision
ANS	Air Navigation Services
AU	African Union
BASA	Bilateral Air Serve Agreements
CFA	Cooperative Framework Agreement
CM	Common Market
CMI	COMESA Monetary Institute)
COMESA	Common Market for Eastern and Southern Africa
COMESAMIA	COMESA Metallurgical Industries Association
CSO	Civil Society Organization
CU	Customs Union
EAC	East African Community
EACSO	East African Civil Society Organisation
EC	European Commission
ECA	Economic Commission of Africa
EMCA	Environmental Management and Coordination Act
EPA	Economic Partnership Agreement
ESABO	Eastern and Southern Africa Business Organization
EU	European Union
FEMCOM	Federation of national Association of Women in Business In eastern and Southern Africa
FTA	Free Trade Area
GOK	Government of Kenya
ICGLR	International Conference on the Great Lakes Region
ICT	Information Communication and Technology
IGAD	Intergovernmental Authority for Development
IOC	Indian Ocean Commission
IT	Information Technology
IUCEA	Inter-University Council for East Africa
IWRM	Integrated Water Resources Management
MDG	Millennium Development Goals
MOU	Memorandum of Understanding
MRA	Mutual Recognition Agreement
MU	Monetary Union
NBI	Nile Basin Initiative
NBSAP	National Biodiversity Strategy Action Plan
NCCAP	National Climate Change Action Plan
NTB	Non-Tariff Barriers
OECD	Organisation for Economic Corporation and Development

OSBP	One Stop Border Post
PPPs	Public Private Partnership
PSO	Private Sector Organisation
REC	Regional Economic Community
RIO	Regional Integration Organisation
RIOs	Regional Integration Organisations
ROW	Rest of the World
RTA	Regional Trade Agreement
SADC	Southern Africa Development Community
SEZs	Special Economic Zones
SME	Small Medium Enterprises
UK	United Kingdom
UN	United Nations
UNCATD	United Nations Conference on Trade and Development
USA	United States of America
WTO	World Trade Organization
YD	Yamasukro Decision

CHAPTER ONE: INTRODUCTION

1.1. Background

The national, regional and international business environment has in the recent past undergone considerable changes with increased regionalism amidst the globalization trend mainly characterized by liberalization of a wide range of political and socio-economic policies. This has led to the emergence of regional and global markets that have a significant impact on national economies, mainly through the creation of new opportunities and competition from global and regional suppliers. Its significance is manifested in the role integrated regions now plays in the global trade, where regional integration currently accounts for over 70% of the global trade and provides the frameworks from which other socio-economic and political collaborations are transacted. It has in turn created a space for global and regional capital movement to finance new opportunities in these emerging markets spurring Foreign Direct Investment.

Regional integration is an arrangement in which states enter into regional agreements in order to enhance regional cooperation; through regional institutions and rules. It is underpinned by a wide range of economic, socio-political, and security initiatives to achieve peace, stability and wealth as defined by the national governments taking part in these agreements. **Economic integration** entails removal of trade barriers to movement of goods, labour and capital through coordination of monetary and fiscal policies. **Political integration** on the other hand entails operating from common political systems and institutions, foreign policies and merged security arms; and common policies in social policy (education, health care, unemployment benefits and pensions).

The agenda for regional integration in Africa is shaped by the Regional Economic Communities (RECs) and specialized regional institutions¹ across the continent, which bring together countries to address common development challenges, deepen economic and political integration, develop strategic regional frameworks and build capacity to pursue regional integration.

The regional integration policy agenda in Kenya is shaped by the RECs, to which Kenya is a signatory including: East African Community (EAC), Common Market for Eastern and Southern Africa (COMESA), Intergovernmental Authority on Development (IGAD) and the Indian Ocean Rim (IOR-ARC). The COMESA/EAC/SADC Tripartite Free Trade Area (FTA) will also have an impact on Kenya's regional integration agenda, once it is launched². Kenya's

¹United Nations Economic Commission of Africa (UNECA), Pan-African Parliament; East African Legislative Assembly (EALA), East African Court of justice (EACJ), Inter-University Council for East Africa (IUCEA), East Africa Securities Regulatory Authorities (EASRA), East African Civil Aviation Safety and Security Oversight Agency (CASSOA); COMESA Court of Justice, African Trade Insurance Agency (ATIA), PTA Re-insurance Bank (ZEP-RE) and COMESA Monetary Institute CMI, COMESA Bank (PTA), COMESA Clearing House and the Regional Investment Agency (RIA) (.....).

²COMESA/EAC/SADC Tripartite FTA is due for the launch in June 2015.

regional integration policy agenda is also impacted upon by a number of international conventions and bilateral agreements, such as the just concluded EAC-EU Economic Partnership Agreement (EPA) and the EAC-USA Trade and Investment Agreement.

The World Trade Organization (WTO) and related United Nations (UN) frameworks provide the multilateral framework against which trade, investment and other development related issues are benchmarked. Other multilateral frameworks impacting on trade include those related to environment, labour, intellectual property, climate change, and standards among others.

Kenya's Regional Integration Policy is intertwined in the country's five interlinked pillars guiding foreign policy and diplomacy namely: economic; peace; environmental; cultural and Diaspora and adherence to the Charters of the United Nations (UN) and the Africa Union (AU). These pillars inform the core priorities and strategies for bilateral and multilateral engagement so as to strengthen relationships, enhance social cultural cooperation and promote our national interests. With the deepening of the EAC integration process, Kenya's international relations policies are progressively being anchored on the EAC framework.

1.2. Rationale for Developing the Regional Integration Policy

Regional integration is a global instrument used for development with social, economic and political impacts, providing expanded markets and investment areas. Countries that successfully manage integration embrace open policy frameworks; in which the contributions of different stakeholders are harnessed for the benefit of the whole. External resources are leveraged for synergistic economic and political gains.

Many African countries are increasingly recognizing that collaborative actions and regional approaches are critical to achieving their development goals. Hence the Abuja Treaty (1991) establishing grounds for mutual economic development among African states through a gradual integration process with coordination, harmonization and progressive integration of existing and future regional economic communities (RECs) across Africa was reached. The RECs also contribute positively to policy stability and predictability providing a more stable business environment.

As a major instrument for increased intra-regional trade, investment and development, regional integration is expected to produce considerable economic gains for Kenya. However, for a long period the country has engaged in regional integration without a coherent policy to guide its participation. This has led to conflicting commitments, a duplication of efforts with inefficient use of resources and minimal realization of the potential benefits from these regional integration initiatives. This Policy will serve as a framework from which the country's strengths can be optimised as a major driver for deeper integration with its regional and global partners while achieving Kenya's interests. Leveraging the synergies of the different players implementing regional integration programmes and activities, the regional integration policy will facilitate the

coordination of the different players and programmes in harmonious way. Further, the policy affirms the country's commitment to improve relations beyond the confines of conventional diplomatic cooperation.

The path to regional integration calls for shared values reflected in the policies and regulatory frameworks, governance structures and administrative institutions of the RECs and the participating Member States. This is even more critical in the case of Kenya, which is the gateway to the East and Central African countries and is a commercial hub serving up to seven landlocked neighbouring countries with underlying potential for full exploitation. Kenya needs a regional integration policy to harness these opportunities. .

A recent trend has seen RECs develop regional solutions to among others: joint approaches to peace and security matters, mainstream regional issues in national planning, achieve economies of scale in developing and leveraging regional infrastructure, promote trade diversification, providing learning-by-exporting experiences, tackle the climate change agenda, economic integration, and the wider dissemination of regional public goods. It is therefore natural that Kenya rationalizes its approach to regional integration in order to provide leadership in these efforts and to meaningfully participate to achieve Kenya's goals.

The focus on trade and investment is even more appropriate now as the continent moves away from a dependency on international aid to strategies that focus on economic development. There is a strong consensus among African leaders that regional integration will unlock economies of scale and improve the global competitiveness of African economies, products, goods and services. Promoting intra-African trade has therefore emerged as a top priority. Increased trade and investment is a critical component of the solution.

With a population in excess of one billion people, the African region is a solid market within which to develop intra-regional trade and investment. Over 60% of Africa's population is aged below 30 years. This gives the continent a growing labour force and middle class that has the potential to sustain a wide range of economic activities and provides a huge consumer market. Despite the trade liberalisation schemes of the RECs, intra-African trade is still very low, accounting for about 10 percent of the value of total trade. The African governments, Kenya included, hope to exploit regional integration to spur growth and provide jobs for the population. So far Kenya has had no policy or strategy to guarantee its access or guide its participation in this huge and growing African consumer market. This regional integration policy is designed to promote Kenya's role in deepening intra-Africa trade.

While Kenya's outgoing investments are concentrated within the EAC region, over 98 per cent of the inward investment into Kenya comes from the rest of the world (ROW). Similarly, the bulk of Kenya's manufactured goods go to the regional African markets. The bulk of Kenya's agro-based exports go to the European market and textiles products to the USA market. There are major emerging markets in the Middle and Far East. The regional integration policy shall take cognizance of these unique markets and their specializations and will be fashioned to deepen North-South and South-South linkages. An emphasis will be placed on growing the linkages with emerging economies expected to dominate the global economic landscape by 2025.

In the process of implementing regional integration programmes, both the public and private sector institutions, face problems due to lack of effective consultation and participation in regional integration processes leading to conflicting rules, regulations and practices affecting trade and investment, security and management of trans-boundary natural resources. Consequently, going forward Kenya's approach to regional integration prioritises stronger involvement of the civil society and private sector. The regional integration policy will facilitate wider stakeholder involvement from national to county level. Further, parliament will be involved in the domestication and entrenching of regional integration commitments in the nation's laws as well as institutionalizing administration of regional integration within the national administrative structures. Finally, the policy will mainstream regional integration issues in the country's national planning and development agenda.

The key challenges and constraints that have denied the country the opportunity to fully exploit the benefits of regional integration include: prevalence of non-tariff barriers, non-alignment of regional, bilateral and international trade agreements, inadequate trade facilitating infrastructure, weak intra-regional infrastructure connectivity; energy deficits and gaps in ICT networks and insecurity. Others include: weak institutions and enforcement mechanisms; lack of requisite capacity for REC to enforce their obligations, inadequate technical expertise, cumbersome customs administration processes and weak information sharing culture among Member States on regional integration. Compounded by supply capacity inadequacies and lack of product complementarities for enhancing competitiveness, these factors inhibit the ability of the private sector to take advantage of the available regional and international market opportunities. The regional integration policy is designed to respond to these challenges. In addition it is expected to facilitate Kenya's economic transformation from a factor based to a knowledge intense rapidly industrialising middle income nation by the year 2030. It will serve as framework from which the country's strengths can be optimised as a major driver for deeper regional integration. The key strengths to be leveraged to take advantage of the regional markets for goods, services, investment and employment include the country's geographic location, a more diversified export base and competitive service industry, skilled pool of human resource and general political stability.

The policy focuses on multiple areas including governance, justice, law and order; trade, tourism, finance and industry; public administration and international relations; physical infrastructure; expansion and diversification of economic activities particularly those impacting on agriculture and rural development and the services sectors, environment, water and irrigation; human resource development, research and innovation and technology; the role of parliament in regional integration; and mechanisms of strengthening participation and coherence of devolved governments and Non-State actors including private sector in regional integration.

The Kenyan Constitution creates a better framework for the recognition and enforcement of international law. Article 21 (4) of the Constitution requires the State to enact and implement legislation to fulfil its international obligations in respect of human rights and fundamental freedoms. These include commitments made within regional frameworks. The regional integration framework is anchored on the constitution articles 2(5) and 2(6), regional treaties and protocols and multilateral agreements. The Kenya Constitution also demands under Article 132 (1) (iii) that the President should submit annually a report for debate to the National Assembly on the progress made in fulfilling the international obligations of the Republic further enforcing the need for this Regional Integration Policy.

The regional integration policy will facilitate wide stakeholder involvement from national to county level, greater market access and expansion of investment opportunities as envisaged under Vision 2030; accelerate implementation of diverse agreements that Kenya is party to, as provided in the Constitution and other national policy documents; and facilitate realisation of other benefits such as harmonised foreign policy on security and a stronger voice of a regional bloc in the global community. Finally, the policy will mainstream regional integration issues in the country's national planning and development agenda.

1.3 Policy Formulation Approach

In line with Article 10 of the Kenyan Constitution emphasising public participation as a value and principle of governance; stakeholder participation at different levels was drawn from national and county governments, private sector, civil society and the parliament. Views from donors and the international community were taken into account. Therefore the development of this policy was a consultative process involving all stakeholders with input sought through written memorandum and consultative meetings.

1.4 Objectives of the Policy

The overall objective of Regional Integration Policy is to enhance Kenya's ability to maximize the utilization of the socio-economic and political opportunities presented by the RECs, and to further integrate into the global economy. To achieve this will require sustaining a coherent government-wide approach that leverages these opportunities to solve the national challenges of

poverty, unemployment, insecurity, inadequate infrastructure, energy deficit and better management of trans-boundary resources amongst others.

In this regard, the policy targets:

- a) Promoting joint development of economic corridors with neighbouring countries as a means to secure infrastructure development and energy supply; facilitate trade; guarantee food security; utilise and manage shared natural resources like water; and mobilise resources through joint efforts;
- b) Promoting and protecting investments by Kenyans within the region in manufacturing, financial and distribution services, agricultural production and agro-processing, livestock production, tourism, education, pharmaceuticals, and any other new areas that Kenyan entrepreneurs may venture into;
- c) Securing destinations for Kenya's expertise in various fields including education, financial and ICT services, distribution/retail, tourism, and medicine;
- d) Taking a collective approach to maintain peace and security and in the management of trans-boundary resources; and
- e) Ensuring full implementation of ratified regional/bilateral agreements with other countries.

1.5 Guiding Principles

The regional integration policy builds on the tenets of: open regionalism; greater private sector and civil society participation; rationalization of regional integration activities; adoption of the multi-speed/variable geometry approaches; encouragement of member countries to support regional integration initiatives; compensation mechanisms; promotion of collaborative work with other institutions; and promotion of regional and multilateral cooperation on cross-cutting issues.

Kenya will uphold the founding principles of the EAC and COMESA which are anchored on people-centered and market-driven principles based on mutual trust; peaceful co-existence; good governance; inter-dependence and good neighbourliness; solidarity and collective self-reliance; harmony and peaceful settlement of disputes; commitments to the principles of liberty, fundamental freedoms and rule of law; recognition, promotion and protection of fundamental human rights; efficient resource utilization and equitable distribution of benefits. These are complemented by the principles of the Intergovernmental Authority on Development (IGAD) on security and the environment and the Indian Ocean RIM (IOR-ARC) principles on environment and fisheries.

Further, Kenya will continue to pursue the traditional core principles and norms of non-alignment, non-interference in the internal affairs of other States and adherence to the Charters of the African Union, United Nations and other recognized International Charters.

In operationalizing the regional integration policy, Kenya efforts will be characterized by:

- i) Variable geometry that facilitates integration on progressive steps;
- ii) Subsidiarity in the distribution of power/authority and responsibilities across the different layers and stakeholders;
- iii) Cooperation for good infrastructure development;
- iv) Policy coordination and harmonization for macro-economic stability; and
- v) Multilateralism for benchmarking against best practice.

To ensure ownership, the regional integration policy is anchored on adequate public participation, communication and sensitization on the commitments and obligations associated with different aspects of regional integration.

In order to secure national interests while pursuing regional integration efforts to provide market access opportunities for Kenya's goods, products, services and people, safety valves³ in form of exceptions as contained in the WTO agreements and international conventions have been taken on board.

The operationalization of the regional integration policy will take on board the universal principles of good governance, democracy, and the rule of law in sustaining peace and security.

³Exceptions that cover (a) articles allowing for the use of trade measures to attain noneconomic objectives; (b) articles aimed at ensuring "fair competition"; and (c) Provisions permitting intervention in trade for economic reasons.

CHAPTER TWO: THE REGIONAL INTEGRATION POLICY

This policy is designed to address all the challenges and harness opportunities identified above.

It covers the following policy areas;

- i). Pursue a Coherent Regional Integration Policy Framework and a Coordinated Approach to Regional and International Engagements;
- ii). Maintaining Peace and Security and guaranteeing Sustainability of Livelihoods;
- iii). Convergence of National and Regional Macroeconomic Policy Framework;
- iv). Advance Kenya's National Interests through Innovative commercial diplomacy;
- v). Joint economic development corridors for enhanced competitiveness;
- vi). Regional Management of Trans Boundary Natural Resources;
- vii). Regional Integration platform for engagement with the Global Economy:- Using RECs as Gateway to Globalization of Policy Interventions;
- viii). Consolidation of Regional market and Integration into the Global Economy;
- ix). Improvement of the quality of human capital and creation of opportunities for employment and poverty reduction and wealth creation;
- x). Information Access; and
- xi). Resources for regional integration.

In each policy area, specific policies issues are identified, the specific policy objective is stated and policy intervention measures provided.

2.1 Pursue a Coherent Regional Integration Policy Framework and a Coordinated Approach to Regional and International Engagements

Policy issue

There has been positive progress in the consolidation of regional integration programmes since 2013 into the ministries of East African Affairs, Commerce and Tourism and Ministry of Foreign Affairs and International Trade. Nevertheless, divergences in the commitments and obligation under the different RECs Kenya participates in distorts the business environment, reducing the benefits arising thereof. In order to achieve maximum benefits from regional integration, the

government undertakes to ensure that regional integration programmes and projects in the RECs it participates in are coordinated in a coherent and efficient manner that avoids duplication of effort. Incoherent policy driven frameworks have created challenges, contributing to Kenya's inability to fully implement commitments made in the bilateral, regional and multilateral agreements it has signed nor realize the socio-economic benefits of regional integration. The challenges come in the form of conflicting requirements and policies such as differences in trade and investment facilitating instruments like standards, conflicting tariff structures across the different trade regimes, deindustrialisation amongst others. These conflicts are often manifested as NTBs that hinder the ability of Kenya to fully realize the benefits of regional integration.

Regional integration issues have been taken on board by the different ministries, institutions and other players in accordance with existing structures without the benefit of a coherent policy framework. This at times makes coordination, monitoring and impact assessment difficult. Under Article 132(3) (b) of the Constitution, executive authority of directing and coordinating government ministries is vested in the President.

Further, successful regional integration requires the participation and buy-in at all levels of government (national and county), from civil society and the private sector and support from Kenya's development partners. The current process also does not reflect the devolved system of governance as entrenched in Kenya's 2010 Constitution, leading to some counties imposing charges of tariff equivalence effects on transit goods contrary to the spirit or commitments made in regional integration agreements. These county imposed charges also hurt the competitiveness of Kenya's products and of Kenya itself as a regional transit hub and business base.

This situation underscores the need for a cohesive institutional framework that responds to the above challenges. Within this framework, a regional integration service charter spelling out the mechanism of engaging the different public and private sector stakeholders at national and county governments, especially the border counties, on regional integration matters will be developed. Government ministry and agency mandates will be defined taking into account relevant national, regional and international obligations.

In leveraging best practice⁴ from the European Commission (EC), United States of America (USA), United Kingdom (UK), South Africa where specialized institutions manage all trade negotiations, there will be need to have in place an elaborate and accountable institutional

⁴In South Africa, trade policy managed through TRALAC is synonymous with trade negotiations in search of market access. The European Commission, through the respective Parliaments and with institutionalised participation of the private sector and civil society undertakes all trade negotiations and policy making on behalf of its membership. USTR has the principal responsibility for administering U.S. trade and investment agreements. Similarly, the British ministry of trade coordinates all matters pertaining to trade policy.

framework with a coordinating body for regional trade policy making, negotiations, implementation and monitoring.

Policy objective

Establishment of a cohesive institutional framework for mainstreaming regional integration into national development agenda and ensuring a coordinated approach to formulation and implementation of regional integration policies and commitments.

Policy Measures

- a) Establish a cohesive institutional framework that maps regional integration scope and commitments to institutions and spells out management structure and operational modalities;
- b) Prepare a regional integration service charter that ensures coherence between Regional, National and County Government policies and programmes;
- c) Support mainstreaming of regional integration agenda in legislations that are the basis for various government institutions and ensure introduction of regional integration in the mandates and strategic plans of these institutions;
- d) Prepare a comprehensive system of indicators with targets on what Kenya wishes to reap in all spheres of regional integration. On the basis of this system, prepare a Monitoring and Evaluation Plan that is linked to annual contractual obligations of various institutions in order to entrench regional integration in institutional budget cycle;
- e) Strengthen the oversight and legislative role of Parliament on regional integration in order to fast track domestication of REC agreements and commitments;
- f) Ensure adequate stakeholder consultation by including County Governments, policy makers, implementers, Non-State Actors in regional integration matters;
- g) Involve the Office of the Attorney General at all stages;
- h) Sustained engagement with regional and international organizations; and
- i) Ensure full implementation of ratified regional/bilateral agreements with other countries and organisations.

2.2 Peace, Security and Sustainability of livelihoods

Policy Issue

Kenya's foreign policy is guided by a strong belief that the future is inextricably tied to the stability and security of our environment for her prosperity and that of her neighbours in East Africa and the rest of Africa and the world.

In an increasing globalised world, security is a trans-boundary issue requiring regional and international approaches to guarantee freedom, peace, and safety. Security threats that have emerged or metamorphosed over the recent past are cross border or global in nature including terrorism, international crime syndicates, piracy, money laundering schemes, cybercrime, narcotics and human trafficking, wildlife poaching and environmental degradation. Others include illegal immigrants and refugees, trade in illicit small and light arms, the spread of communicable diseases, trans-boundary pests and diseases and trans-border crime.

The instability in Kenya's neighbouring countries, mainly South Sudan and Somali affect Kenya in many ways. There has been an influx of refugees, acts of violence from these countries that have overflowed particularly into northern part of Kenya and some parts of the coastal region and increased the number and availability of illegal fire arms in Kenya. The recurrent nature of these conflicts has had devastating and far reaching consequences on the individual states, Kenya and across the region. In addition, the protracted nature of these conflicts has resulted in loss of human life, displacement of people and social exclusion and destroyed the socio-economic infrastructure, aggravated poverty and makes it more difficult to achieve sustainable development and the Millennium Development Goals (MDGs). Kenya has also felt the impact of these on its economy, with lost trade, investment and decreased tourist arrivals.

In order to confront these numerous security threats to its national interest, Kenya will need to apply economic, diplomatic, and political interventions. Kenya has to continue to participate in various regional cooperation initiatives and consultations in order to ensure that regional peace and security is maintained, in order to guarantee sustainability of livelihoods, investor confidence, political stability, economic development, and social welfare through wide stakeholder engagement. Peace-making, peace-building, peacekeeping, and peace enforcement actions shall be important components in Kenya's quest for regional and continental stability via the country's regional and international undertakings.

Sustaining greater market access for Kenyan products, goods and services and her people can only be assured when there is peace and stability, particularly in our region. Continued regional peace and security builds investor confidence and supports increased trade.

Policy objective

Promote peace and security as a central pillar of Kenya's regional integration goal and enhanced bilateral and multilateral cooperation.

Policy measures

Since peace and security are a prerequisite to social and economic development, Kenya will continue to foster and maintain a conducive atmosphere, through regional co-operation and consultations in order to prevent, better manage, and resolve regional disputes and conflicts. In this regard, the government shall:

- a) Continue to engage in peace keeping missions in the region and information exchange and visits by security personnel;
- b) Pursue domestication of the United Nation's model law on mutual assistance on criminal matters;
- c) Implement regional protocols on combating illicit drug trafficking control of the proliferation of small arms and illegal migrants; and cyber security policies and systems to secure the region from cybercrimes;
- d) Promote cultural exchanges, creative industries, sports and arts in cultivating peaceful co-existence;
- e) Build on Regional early warning systems and conflict response mechanisms to sustain regional peace;
- f) Enforce regional protocols that promote democracy and good governance with regard to rule of law, human rights and elimination of corruption;
- g) Sustained structured informed consultations with regional and international organisations including promotion of bilateral and multi-lateral agreements to secure peace; and
- h) Put in place adequate resources for ensuring regional security.

2.3 Pursue Convergence of National and Regional Macroeconomic Policy Framework

Policy Issue

The macroeconomic policies reflected in the bilateral, regional and multilateral agreements assented to must be in agreement with the macroeconomic policies pursued at national level as dictated by Kenya's national interest. Any conflicts will significantly affect any efforts to domesticate these agreements and limit the country's ability to fully realize the economic benefits of regional integration. Kenya will focus on the convergence of these different macroeconomic policies while taking national interests into account. This will include promoting actions aimed at addressing gaps with regard to monetary and fiscal policies, laws and regulations and facilitating institutions.

In an environment where capital movements are a driving force of the world economy, increased regionalization of capital markets has the potential to address the thinness and liquidity

problems of these markets. The regional integration policy will promote progressive liberalization, increased access and non-discriminatory practices in the financial sector to lock-in this outward orientation. The rules based trading frameworks consistent with world trading system shall underpin the legal framework applicable to transactions and operations, trade and exchange reforms.

In order to provide a predictable overall climate for business investment decisions, Kenya shall continue to implement prudent macro-economic policies. This will include promoting actions aimed at addressing gaps in monetary and fiscal policies, benchmarking international best practices in the review of laws and regulations to enhance the capital markets and mobile money. These actions shall be pursued within the framework of deeper regional integration through Free Trade Area (FTA), Customs Union and Common Market and Monetary Union. The necessary institutions and regulatory framework for policy coordination and harmonization to improve the performance of the economy shall be identified or established and empowered in policy and law.

Policy objective

Pursue macroeconomic policies that promote deepening regional financial markets and access to finance for investment and trade development

Policy Measures.

Kenya will focus on macro-economic convergence while taking into account its national interest to ensure continued enjoyment of benefits of regional integration. In this regard the Government shall:

- a) Domesticating a harmonized EAC and COMESA macroeconomic convergence criteria;
- b) Fully implement the regional integration frameworks and commitments while prioritising the EAC Customs Union (CU) and Common Market (CM) and the EAC Monetary Union (MU);
- c) Strengthen development of regional capital and monetary markets through enabling monetary and fiscal policy reforms; and
- d) Work through the RECs in building new revenue streams including establishing trade and investment institutions and promoting and facilitating Diaspora Resource inflow through enabling macroeconomic policies.

2.4 Advance Kenya's Interests through Innovative Diplomacy

Policy Issue

Every country joins Regional Economic Communities (RECs) to pursue, advance and protect its interests while avoiding injuring or jeopardizing the interests pursued by other collaborating

countries. This is a delicate balancing act. The international community is moving towards economic diplomacy where the use of the full spectrum of economic and cultural tools of the State are applied to achieve national interests.

Economic diplomacy activities include export and import relationships, investment, lending, aid, and entering free trade agreements. It uses economic resources, either as rewards or sanctions, in pursuit of a particular foreign policy objective. These can be heightened with cultural diplomatic activities to support the exchange of ideas, values, traditions and sharing aspects of diverse cultures and identity to strengthen relationships, enhance socio-cultural cooperation and promote national interests.

Kenya's geographic position as a gateway and commercial hub for a number of EAC and COMESA countries, and its key role as a host of the continental headquarters for numerous private sector and corporate and international organisations, gives it the added advantage to internationalise its services and outlook to secure economic and political interests of the region.

Kenya is employing new innovative diplomatic strategies to positioning itself strategically to fully realize the economic benefits of regional integration. In this regard, Kenya has now shifted its foreign policy orientation to include five interlinked pillars for diplomacy namely: economic; peace; environmental; cultural and Diaspora. These pillars inform the core priorities and strategies for Kenya's bilateral and multilateral engagements to strengthen relationships, enhance social cultural cooperation and promote national interests. Harnessing the diverse skills, expertise and potential of Kenyans living abroad and facilitating their integration into the national development agenda is a key component of the new foreign policy orientation.

Promoting and protecting Kenya's investments within the region in manufacturing, financial and distribution services, agricultural production and agro-processing, livestock production, tourism, education, pharmaceuticals, and any other new areas that Kenyan entrepreneurs may venture into will be a central part of Kenya's national interests.

Policy objective

Deepen economic and commercial diplomacy for strengthened relations with partners, and enhanced market access for labour, goods, services and capital and protect Kenya's external investments.

Policy Measures

Kenya will pursue economic and cultural diplomacy initiatives to leverage its strategic location and secure its economic and political interests. In this regard, the government shall:

- a) Promote market access for labour, goods, services and capital through economic cooperation and strategic partnerships and agreements;

- b) Deepen economic and commercial diplomacy to stabilize markets and improve relations with partners;
- c) Leverage RECs in solving regional challenges using regional political economy frameworks;
- d) Enhance cultural exchange programmes; and
- e) Promote facilitative regional integration immigration policies that enable easy movement of labour across the region.

2.5 Promoting joint economic development corridors for enhanced competitiveness

Policy Issue

The slow growth of regional trade within EAC, COMESA, and IGAD is mainly due to poor infrastructure. These include poor transport infrastructure, logistics problems, energy deficits, poor access to Information and Communication Technology (ICT), and water scarcity. With transport costs accounting for up to 40 per cent (GOK, 2011) of the shelf-price of processed foodstuffs, efficient transport infrastructure will enhance competitiveness in originating and transiting goods to promote the economy. Further, ports account for 8-12% of the transport costs, which worsen with port inefficiencies. High dependence on road transport for goods haulage adds costs to final products. Equally, poorly facilitated airports and marine transport cost business and travellers dearly.

Provision of good infrastructure will contribute to removing supply constraints. In this regard the focus of the government is to expand regional integration space through joint development of regional transport infrastructure, adoption of harmonised trade facilitation infrastructure, collaboration in regional energy infrastructure, harmonisation of information, modernisation and benchmarking of communication technology infrastructure.

Economic corridors are integrated networks of infrastructure within a geographical area designed to connect economic agents and stimulate economic development. They incorporate global and regional value chains to link the supply and demand sides of markets, through transport corridors, energy, ICT and other input suppliers, facilitators and service providers.

Within the EAC, progress has been made in corridor based infrastructure development, and a regional approach to research and technology, security and defence, and legal and judicial affairs among others. Kenya is participating in the EAC Northern transit corridor projects through the principle of variable geometry. Kenya as a transit corridor for its land locked neighbouring countries has to prioritise the right infrastructure combinations for the benefit of the region.

The Mombasa Port Community Charter dated 30th June 2014 aims to facilitate for the realization of the full potential of Mombasa as a gateway for the land locked countries.

Policy objective

Expand intra-regional connectivity through the establishment of joint economic development corridors to maximize the realization of benefits from regional markets.

Policy Measures

In support of this, the government shall:

- i. Continue to pursue implementation of joint programmes on intra-regional infrastructure development, encompassing roads, rails, ports, ICT, airports, telecommunication and energy; encompassing multi-modal transport and maritime connectivity, security and safety and benefit sharing;
- ii. Promote Public Private Partnerships (PPPs) model of delivering large and capital intensive projects to ensure effective closure of existing regional infrastructure gaps;
- iii. Involve the private sector in intra-regional projects in order to scale up their participation in regional development;
- iv. Support the Operationalization the COMESA and EAC infrastructure funds as well as establishment of innovative funds for research and creativity;
- v. Support regional and bilateral arrangements in implementing the regional infrastructure; including modernization and upgrading of the Northern Corridor rail network and construction of the LAPSSET rail lines.
- vi. Enhance competitiveness and the productive capacity of the enterprise sectors to facilitate cross-border trade and investment in order to achieve substantial reductions in the cost of conducting regional trade;
- vii. Benchmark regulations and IT-facilitated services related to business competitiveness internationally in order to integrate with the global economy; and
- viii. Promote investment in support infrastructure to expand and leverage new economic activities that expand opportunities creating regional and international linkages;

2.6 Regional Approach to the Management of Trans Boundary Natural Resources

Policy Issue

Natural resources are trans-boundary in nature and sustainable utilisation of these resources requires co-operation and joint management. In this regard, harmonisation of regional natural resource and environmental policies and adherence to international conventions is paramount and would help Kenya conserve and manage its natural and global resources sustainably while reducing the possibility of conflicts arising.

Shared Water Resources

Kenya shares about 54% of its surface and ground water resources with neighbouring countries which if properly harnessed, can contribute to immense socio-economic development of the country. For sustainable management of these resources, the country needs to cooperate with its riparian neighbours with a common goal to jointly manage and develop the shared resources in a sustainable manner. In this regard, a number of cooperative framework agreements/Memorandum of Understandings (MOUs) are at various levels of development on most of the shared water basins.

Considerable progress has been made on trans-boundary water resources management through the initiatives of the African Minister's Council on Water (AMCOW) and the Nile Basin Initiative (NBI). Under the Nile Basin Initiative, 11-member countries, including Kenya, have developed a Cooperative Framework Agreement (CFA) for the wider Nile Basin to guide the joint sustainable development and management of the Nile waters. Other upcoming initiatives include Kenya-Ethiopia MOU relating to the lakes Jipe/Jala and river Uмба ecosystems for the joint management of the resources, the Integrated Water Resources Management (IWRM), natural resources, environmental management, and land use practises among others.

Environment and Climate Change

Climate change is a global issue which requires global solutions. By building on international commitments to mainstream climate change into agriculture and environmental management, Kenya and the other EAC and COMESA member countries have developed national adaptation and mitigation strategies and programmes for sustained growth and development.

The National Climate Action Plan (2013-2017) integrates climate change information into Government policy and prioritizes the harmonization of regional environment policies, regulations, and technical standards for the conservation, management and utilization of trans-boundary resources that include the protection of water towers and ecosystems. Kenya is also working towards implementing IGAD's conflict and early warning response mechanism.

Oil and Other Minerals

Kenya is endowed with a variety of minerals such as soda ash, fluorspar, diatomite, gemstone, limestone, barite, gypsum, salt, dimension stones, silica sand, Kisii stone (soapstone), manganese, zinc, wollastonite, graphite, kaoline, copper, gold, lead, nickel, iron ore, carbon dioxide, chromite, pyrite, various clays, niobium and rare earth elements, pyroclore, titanium and recently , fossil fuels (coal, oil and gas). The prospects for oil exports are eminent, with production expected to come on stream in the near future. However, the appropriate legal, policy and institutional frameworks are not in place.

The policies, laws and institutions that presently govern the Oil and Mineral sector in the country will need significant reform if the sector is to grow sustainably and contribute to economic development and poverty reduction. Kenya needs a shared vision of how development of Oil/gas and Minerals will take place, building on experiences from across the world.

Domestication of the Africa Mining Vision (AMV) into national policies, laws and regulations provides an avenue for responsible exploitation of such minerals. However, inclusion of an AMV provisions in national policy and legal frameworks, alone, will not unleash mineral-driven structural transformation of the continent; it is important that African states rally together to secure the policy space required for the Vision. In addition the African countries should embrace regional cooperation and integration which are essential to reduce transaction costs, establish intra-regional synergies, enhance the continent's competitiveness and realize economies of scale that would catalyse minerals cluster development.

The government will develop the policy, legal and institutional framework for the exploitation and management of Kenya's natural resources (oil, gas and other minerals) for the maximum economic benefit of the country and local communities, done in a transparent and accountable manner. It will also ensure that legislation for transparency and fair sharing of the revenues is enacted, and safeguards erected to protect the environment and to avoid risks usually associated with huge inflows of resource based external earnings. Kenya will also implement the Africa Mining Vision (AMV).

Locally, the new natural resource sharing formulae between the community, county and national governments shall be used. More stringent governance structures and systems covering re-forestation and protection of wetlands and fragile ecosystems will be prioritised to protect vulnerable habitats and biodiversity and, for a large proportion of Kenyans, enhance livelihoods and long-term food security.

To better manage conflicts originating from the utilization of trans-boundary natural resources, Kenya will continue to leverage the provisions of the Environmental Management and Coordination Act (EMCA) 1999 and the National Biodiversity Strategy Action Plan (NBSAP) Policy 2000 on sustainable management of natural and mineral resources.

Policy objective

To promote sustainable management and utilisation of trans-boundary natural and mineral resources to maximize socio-economic impact.

Policy Measures

Water Resources

Noting the immense contribution of the trans-boundary shared water resources to socio-economic growth and development, the government shall:

- i. Develop and manage trans-boundary water resources on the basis of cooperation on principles which conform to international norms and agreements; and equitable benefit sharing among the riparian states;
- ii. Promote appropriate bilateral and institutional frameworks to enhance cross border stakeholder and gender mainstreamed participation;
- iii. Formulate and implement strategies and mechanisms that promote conflict prevention and peaceful resolution of disputes over trans boundary water resources;
- iv. Develop programmes to enhance collaboration in strengthening human and institutional capacities and trans-boundary water resources management at national and regional levels; and
- v. Establish appropriate strategies for resource mobilization and allocation to ensure sustainable management and development of trans-boundary water resources;

Environment and Climate Change

Recognizing the effort that has been put into environmental conservation and climate change within the region and internationally, the government shall:

- i. Ratify and domesticate international and regional environment and climate change conventions;
- ii. Continue to develop policies and institutional frameworks to address environmental management issues;
- iii. Support relevant programmes that encompass sustainable exploitation, and conservation of natural resources including wildlife; and
- iv. Adopt a regional approach to climate change.

Oil and Minerals

To better manage the oil and mineral sector and put in place the requisite legal, policy and institutional frameworks, the government in collaboration with stakeholders shall:

- i. Partner with other African Union member states in implementing Africa Mining Vision;
- ii. Develop National Mining Vision as required in the Africa Mining Vision;
- iii. Implement the strategies contained in the Mineral Policy to operationalise the African Mining Vision;
- iv. Establish a regional Mineral Exchange platform; and
- v. Support the establishment of regional oil refinery to accommodate oil discoveries in the region.

2.7 Regional Integration in a Global Economy: Using RECs as a Gateway to Globalization

Policy Issue

The rising trends of globalization and deepening regional integration with demonstrable gains in trade, investment and economic growth in Europe, North America and Asia has made Africa realize that progressive integration holds great potential with social, economic and political gains.

Globally, over 70% of trade takes place within and across regional trade blocs that operate alongside global multilateral agreements under the World Trade Organisation (WTO) (OECD, 2012; WTO, 2012). The level of intra-regional trade was 70% in the European Union; 40% in North America; 47% in developing Asia; 27% within Latin America and the Caribbean; and 15% in Africa (World Bank, 2014; ECA, 2014).

Regional integration in Africa represents an opportunity for integrating African economies into the global economy (UNCTAD, 2012). However, the lack of a coordinated approach leading to the non-alignment of regional and Africa wide agreements with global commitments is a threat and reduces the ability to leverage on the new market opportunities for economic gains. There is need to progressively integrate the regional economies into the global economy through complementary unilateral and multilateral liberalization in parallel with the adoption and implementation of regional integration initiatives. Rules based trading frameworks consistent with world trading system shall underpin the legal framework applicable to transactions and operations, trade and exchange reforms.

Kenya stands to benefit from expanding and deepening its integration into the global economy by sustaining partnerships including both the developed and developing countries. Kenya shall continue to participate in preferential and regional trade arrangements with the North-South, and South-South trading frameworks. Kenya's foreign policy engagements will be underpinned by the EAC framework. Already, bilateral negotiations with EU and USA are anchored on the EAC framework. WTO multilateral reviews are also being undertaken under the EAC framework.

Policy objective

To promote Kenya's global market access using regional integration platforms as a leverage

Policy Measures

In this regard the government in collaboration with stakeholders shall:

- i. Continue engagement with the WTO, UNCTAD, World Economic Forums and other multilateral Forums on matters of interest to the region;
- ii. Continue pursuing the African Union objective of the African Economic Commission (AEC);
- iii. Pursue economic/commercial diplomacy to promote Kenya's strategic interests;
- iv. Where possible use the EAC framework to conclude any future trade agreements with third parties;
- v. Pursue both North-South and South-South trade and economic arrangements for regional gains;
- vi. Create and consolidate an enabling environment for Kenya to continue attracting regional institutions; host regional meetings and conferences; and
- vii. Ensure access and effective utilization of resources available to the regional blocs.

2.8 Consolidation and Expansion of Regional Markets

Regional integration creates markets for goods, services and investment. The potential of regional markets in EAC and COMESA are underutilized with intra-regional trade less than 10% and negligible large scale and cross border investment. Potential for expansion of intra-regional trade for Kenya lies in additional investments in sectors with opportunities in the regional and international markets. Through different initiatives, the government hopes to harness the potentials in regional integration to expand local and cross border private sector investments, generate the requisite supply capacities to meet regional demand, address food security and create a business environment that improves competitiveness of Kenyan originating products and services.

To promote regional market access and increase trade the government shall pursue interventions under the following thematic policy areas:

- i) Support the improvement of Trade Facilitation/Business Support Services,
- ii) Promote cross border trade in support of food security,
- iii) Promote diversification and value-addition of Kenya's exports,
- iv) Support productivity improvements for competitiveness of Kenya's exports,
- v) Ensure wider involvement of the private sector,
- vi) Position Kenya as regional service hub

2.8.1 Improve Trade Facilitation/Business Support Services

Policy Issue

Trade Facilitation is critical to the consolidation and expansion of Kenya's exports into the regional market. However, the current trade facilitation framework in Kenya has been weak, characterized by limited market information, weak trade facilitation infrastructure and lack of an effective legal framework.

Non-Tariff Barriers have complicated trade facilitation for Kenya thereby impeding the country's access to the regional markets. The NTBs include cumbersome customs and administrative documentation procedures; demanding immigration procedures; cumbersome inspection requirements; varying trade regulations and quality control measures; varying, cumbersome, and costly transiting procedures among others.

The best possible environment for the exchange of goods requires a minimum of impediments to business activity by government. When properly structured, government trade facilitation and business support services enhance the ability of local companies to pursue trade and investment opportunities. While there are necessary government requirements related to trade eg ensuring only products that meet local standards enter local markets, facilitating access to information, expediting processes and procedures and imposing minimal costs, time or administrative burden on exporters must be the ultimate goal.

Policy Objective

To promote an effective trade facilitation system building on the WTO trade facilitation agreement and other regional and national initiatives.

Policy Measures

To improve trade facilitation/business support services, the government shall:

- i. Domesticate and implement the WTO Trade Facilitation Agreement in the context of the EAC Protocols;
- ii. Establish and operationalise additional One Stop Border Posts (OSBP);
- iii. Deploy cross border broadband connectivity to facilitate regional customs interconnectivity, trade and investment logistics, creation of business processes and information access ;
- iv. Streamline and harmonize the regulatory business frameworks to formalize informal cross border trade;
- v. Leverage complementary service providers within and outside the region.

2.8.2 Food Security and Sustainable Livelihoods

Policy Issue

Kenya looks at regional markets as both a market for its agricultural and agro-processed products and a source of food stuff to meet its food security needs. As a net food-importing country, Kenya looks to regional production capacity and markets with liberalised access and movement of food products as part of the solution. While undertaking activities to maximize internal food production, Kenya shall, continue to promote cross border trade to meet its national interest objectives of ensuring food security and supporting the livelihoods of her people.

Priority policy interventions towards achievement of food security include improved water resources management; technology adoption, supply chain management, environmental conservation and mitigation of the effects of climate change; sustainable exploitation of fishery resources; strengthening of technical standards and improvement of meteorological services. In order to meet the national food requirements, Kenya will prioritize technology adoption and biotechnology applications that enhance productivity, value addition, continue with the subsidized fertilizer project, expand land under irrigation to cover the one million acres targeted in MTP2, and efficient natural resource management to supplement food imports from regional markets.

Policy Objective

To promote technology adoption, disease control and diversification along the value chain as a corner stone to food security and self-sufficiency.

Policy Measures

In this regard the government shall:

- i) Harness regional frameworks on environment and natural resources to improve water resources management; harvesting, and underground water exploration and storage; and shared water resources to expand arable land under irrigation for agricultural and food production;
- ii) Promote partnerships to expand investments in deep sea fishing for income generation and food security;
- iii) Invest in research, technology adoption and biotechnology applications that to promote enhance productivity, quality control and safety and mitigating effects of climate change;
- iv) Partner, through special agreements, with other countries on agricultural investments, projects and programmes;
- v) Promote improvement of meteorological services in the region and adoption of early warning systems;
- vi) Support regional programmes that address control and management of trans-boundary pest and diseases;
- vii) Promote export diversification through selection and investment in potential value chains for value addition of agricultural products to widen the range of manufactured products for exports;
- viii) Strengthen marketing frameworks that incorporate cooperatives and farmers unions take advantage of the opportunities in the regional markets;
- ix) Facilitate formal and informal cross border trade and strengthen market research and trade information networks;
- x) Enhance sharing of information on food availability within the region in order to encourage food movement across the borders; and
- xi) Develop a clear framework of collaboration between national and county governments.

2.8.3 Add Value to Kenya's Strategic Exports

Policy Issue

While regional integration initiatives have created new opportunities and increased market access, Kenya's performance is lagging on account of limited product range traded. The Government will mainstream regional and international commitments on youth and gender to focus on an export led growth strategy through the establishment of Special Economic Zones (SEZs), industrial clusters, and Small Medium Enterprises (SME) parks. As part of this strategy, Kenya will address various issues including competitiveness, diversification and value addition and branding of the Kenyan exports.

Policy Objective

To promote development of comprehensive value chains through integration of primary production to value added industrial activities.

Policy Measures

The government shall:

- i) Promote and fund Research and Development programs to stimulate value addition and industrial activities in all export strategic value chains;
- ii) Promote awareness and uptake of innovations and inventions by the private sector, and especially those in the SME sector;
- iii) Provide investment incentives to support private sector investments in value added industrial activities;
- iv) Promote regional and global market access of Kenya's value added products in pursuit of opportunities created through trade agreements and global trading arrangements that Kenya is party to;
- v) Promote training and skills development on regional and international market access requirements and regulations for value added industrial products;
- vi) Facilitate the integration of the SMEs including those operated by women and youth into the regional and global value chains;
- vii) Strengthen technical certification capacities for enhanced product/service quality and disease control; and
- viii) Promote adoption of modern technology that facilitates wider local and foreign private sector involvement and partnerships.

2.8.4 Productivity Promotion

Policy Issue

Productivity is a key factor in cost reduction and competitiveness of products in the regional and global markets. Recent studies and industrial surveys show that Kenya's productivity remains low relative to other countries that Kenya's products compete with in the regional and global market. This is in spite of the many productivity improvement initiatives in the past. However, these measures have been piecemeal in nature, lacking focus, poorly coordinated and hardly implemented, and hence could not create the desired sustainable impact.

Policy Objective

To promote productivity and competitiveness of Kenya's exports.

Policy Measures

The Government shall:

- i) Promote productivity and competitiveness cluster approach geared towards availing requisite technology and services at affordable prices
- ii) Promote and invest in technology upgrading, skills development, research and innovation;

2.8.5 Wider involvement of the private sector

Policy Issue

The role of the private sector is central to quest for Kenya's consolidation and expansion of her exports into the regional market access. This is a role that Kenya's private sector has played very well so far through activities of various private sector associations. Further, the private sector has maintained pressure within national government to promote common level investment climate and regulatory environment. Despite this commendable role, Kenya's market share in the region has been very low, with cases of loss of market to products from competitor countries. There are also cases where Kenya has not exploited the regional market potential, despite an enabling regional policy regime that gives preference to regionally produced products. These experiences and challenges demonstrate need for wide and strengthened private sector involvement in regional integration initiatives. The strengthening of private sector networks and linkages through support of COMESA organizations such as Eastern and Southern Africa Business Organization (ESABO), Federation of National Association Women in Business in Eastern and Southern Africa (FEMCOM), and COMESA Metallurgical Industries Association (COMESAMIA); EAC Business Council and East African Civil Society Organisation (EACSO) forms a useful

platform through which Kenya's private sector can work in collaboration with private sector associations from the region to promote consolidation and expansion of the regional market. These associations have helped in the development of a robust, networked and regularly updated database in order to enhance the flow of information between the countries.

Policy Objective

To promote and strengthen private sector role in promotion of regional trade and investments.

Policy Measures

Government shall:

- i) Partner with the private sector to promote regional market research and surveillance to inform the country's regional market consolidation and expansion activities;
- ii) Partner with private sector to ensure development of regional legislation and institutional framework on anti-dumping, countervailing and trade remedies and counterfeits;
- iii) Partner with the private sector to support domestication and implementation of legislation on anti-dumping, countervailing and trade remedies and counterfeits;
- iv) Continue engagement of the private sector in joint programmes on intra-regional infrastructure development, encompassing roads, rails, ports, airports, ICT, and energy;
- v) Promote Public Private Partnerships (PPPs) model of delivering large capital intensive projects to ensure closure of existing regional infrastructure gaps;
- vi) Involve private sector in intra/inter-regional projects in order to scale up their participation in regional development;
- vii) Improve the business environment to attract investment into the region.

2.8.6 Positioning Kenya as a Regional Services Hub

Policy Issue

Trade in services has been growing at a pace faster than trade in goods since the 1980s. According to the 2011 World Development Indicators, the services sector accounted for almost 71% of global GDP in 2010 and is expanding at a quicker rate than the agriculture and the manufacturing sectors. In 2011, commercial services exports grew by 11% to US\$ 4.1 trillion— with 29.82% coming from developing countries and 2.85% from transition economies.

Kenya stands to benefit from its dominant position as a regional service hub and exporter of services to the region. However, the operational laws differ from both REC to REC and country to country. In order to leverage its advantageous geographical location and strength in the

services sector within the REC frameworks, Kenya shall strengthen its competences in the services sectors to create employment opportunities and wealth creation from a target growth rate of 10% by 2017.

Policy Objective

To promote trade in services targeting regional and global market.

Policy Measures

The Government shall:

- i) Promote development and upgrading of professional skills in response to regional trade in services market opportunities;
- ii) Promote regional market access for trade in services through enabling policy measures and bilateral agreements taking into account the provisions of the EAC Common Market Protocol and COMESA Trade in Services framework;
- iii) Provide policy incentives to facilitate investor participation in emerging economic opportunities including BPOs, Government Diaspora policy framework and modernisation and expansion of safe transport services and trade logistics sectors for ease of connectivity and to encourage exportation of services;
- iv) Develop Kenya service brand to enhance the promotion of Kenya's trade in services;
- v) Promote financial sector deepening through appropriate reforms ;

2.9 Improve quality of human capital and create opportunities for employment, poverty reduction and wealth creation

Policy Issue

Human resource development targeting technical competencies, coordination and management of skills, acquisition of research and analytical skills and development of entrepreneurial skills amongst others are critical for competitiveness in the region's labour market.

In recognition of the critical role of social capital in development, the African Union Labour and Social Affairs Commission meets bi-annually to deliberate on the impact of labour policies on employment and poverty reduction in the continent. The key interventions include strategies for enhancing the capacity of the national and regional labour market institutions in Africa to meet the current and future challenges.

The EAC commissioned manpower surveys in 2008 across its Partner States as a precursor to the implementation of the Common Market Protocol, which among other provisions; prioritises the

harmonisation and standardisation of the labour market to facilitate free movement of goods, labour, service and capital. Regular surveys assist in generating data on the current stock and characteristics of skilled manpower, vacancies, and provide information that would assist in matching demand and supply in the national and regional economy in order to determine both current and future shortages and surpluses.

The targeted skills mix shall leverage strategic partnerships by taking advantage of revised of labour laws, strengthened common training and education institutions, harmonized and coordinated education policies, accreditation and mutual recognition of educational qualifications and professional skills, private sector participation, liberalized services sector, expanded capacity for diversified value-added, high technology, and knowledge-intense trade and investment opportunities in goods and services across the region.

Policy objective

To promote human resource capacity development in Kenya to meet regional and continental needs while ensuring access to these markets for Kenya's human resource base.

Policy Measures

The government shall:

- i) Support improvement of quality of education by harmonising and introducing regional integration issues in education curriculum, and establishing centres of excellence focusing on the region's demand;
- ii) Promote development of strategic professional skills in response to the regional human capital requirements;
- iii) Support modernisation of industrial training institutions, and maritime training and development to regional centres of excellence in professional training;
- iv) Facilitate implementation of regional and international frameworks that liberalise trade in services, accreditation and mutual;
- v) Promote recognition of educational and professional skills to create opportunities for more professionals;
- vi) Promote regional trade of professional services ; and
- vii) Harmonise Pension and Social Security schemes for increased mobility of labour and professionals across the region;

2.10 Information Access

Policy Issue

The lack of international networks makes it very difficult to obtain market intelligence on these regional and global markets. There is a widespread lack of knowledge about opportunities for Kenyan export and investment available through RECs. This dynamic is demonstrated by surveys that show that 48% of Kenyan service exporters do not have a plan for exporting, and 54% of exporters do not conduct any market research before exporting. While Kenyan services firms may be innovative and successful domestically, many do not engage in any systematic attempt to export their services. A lack of awareness on how to acquire such knowledge limits Kenya's ability to maximize on the opportunities presented through these RECs.

The media in general also lacks the competence to effectively, consistently, and independently articulate regional integration issues and opportunities for general public awareness raising and educating the public on international trade relationships and the implications of proposed processes.

Policy objective

To promote seamless information access in support of regional integration and market access initiatives

Policy Measures

The Government shall:

- i) Establish a regional integration market portal for dissemination of crucial information on regional integration, including market and market access regulatory requirements
- ii) Develop an e-library for all official circulars and gazettes on regional integration;
- iii) Support development of IEC Materials and dissemination seminars and workshops for different stakeholder groups;
- iv) Support engagement on Advocacy/accountability reports by Civil Society (CSO)/Private Sector Organisations (PSO);
- v) Support multi-sectoral research activities to generate more reliable regional trade and investment promotion materials;
- vi) Disseminate information from the Regional Integration M&E framework

2.11 Provide Adequate Resources for Regional Integration

Policy Issue

The domestication and full implementation of regional integration agreements and commitments require the mainstreaming them across all levels of government with adequate budgetary resources. In this regard, the government shall provide dedicated funds to finance regional integration initiatives, promote strategic public-private partnerships and establish targeted joint inter-governmental partnerships.

Appropriate indicators for regional integration shall be formulated and linked to budgetary allocation a step towards entrenching regional integration in national development.

In addition to setting aside resources in the national budgets, resource mobilization will be diversified in support of regional integration programmes through investment opportunities.

Policy objective

Ensure adequate budgetary allocation through the national and county budget cycles by mainstreaming across all relevant ministries and government institutions to fulfil regional integration commitments.

Policy Measures

In this regard, the government shall:

- i. Dedicate funds to finance regional initiatives;
- ii. Promote strategic public private partnerships;
- iii. Establish targeted joint inter-governmental partnerships; and
- iv. Mobilise resources from the private sector as direct investments and through use of capital markets and any other means as appropriate.

CHAPTER THREE: INSTITUTIONAL FRAMEWORK

3.1 Regional Policy Implementation Framework

The agency responsible for coordination of regional integration initiatives shall, in consultation with the Office of the Attorney General, Ministries, Departments, Agencies and County Governments set out a framework for implementation of this Policy. The envisaged Framework will provide for integrating coordination of regional integration issues within the agency. Programme implementation shall constitute the core functions of the respective ministries, departments and agencies. In addition, the Framework will provide for capacity building and mechanisms for financing the implementation of this Policy.

3.2 Institutionalization of Regional Integration

The agency responsible for coordination of regional integration shall put in place mechanisms for the implementation of the regional integration policy. The agency shall facilitate:

- a) The drafting and enactment of the legislation necessary to implement this Policy;
- b) The establishment of relevant institutions;
- c) Preparation of the service charter;
- d) The recruitment and training of required personnel;
- e) The mobilization of financial and other resources;
- f) The coordination of training and civic education on regional integration; and
- g) The effective implementation and operationalization of this Policy.

This policy shall be operationalized through the programmes and priorities outlined in the “Regional Integration Strategy Implementation Framework” under this Policy.

3.3 Capacity Building

Training shall be undertaken to build capacity of members of staff of Ministries, Departments, Agencies and County Governments and Parliament involved in the coordination and implementation of the Policy.

3.4 Effective Date

The Regional Integration Policy shall take effect from its date of adoption.

3.5 Policy Review

The Policy will be reviewed as the need arises to take into account any emerging issue in regional integration.

