



AGRICULTURE SECTOR INVESTMENT IN KENYA

KENYA DELEGATION

September 2020

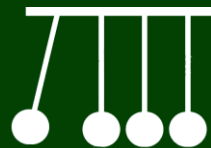
Kenya Economic Overview



Largest economy in Sub-Saharan Africa, with a population of 47m and a market-based economy which as at year 2019, generated



GDP of USD 99b. (2019)



Micro, Small and Medium Enterprises (MSMEs) contribute approximately 40% of GDP



Ranked 56 among 190 economies in the ease of doing business. (2019 World Bank annual ratings).



Regional hub for trade and finance, hosting over 225 foreign multi-national Corporations (MNCs), with 10 setting up their regional headquarters in Nairobi



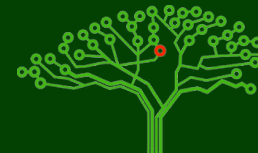
Robust Financial System - 42 Commercial Banks non-bank financial institutions, micro finance institutions, a range of insurance companies and a security exchange.



Available skilled and semi-skilled labour, with adult literacy rate of 81% as at year 2018



Nairobi hosts the United Nations Office at Nairobi (UNON) which is one of the four major United Nations office sites where numerous different UN agencies have a joint presence.



The Silicon Savannah, its Information and Communications Technology (ICT) sector has grown at an average of 10.8% annually since 2016.

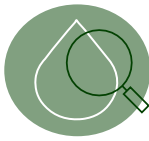


Jomo Kenyatta International Airport, Flights to over 50 countries, hosts over 30 passenger and cargo airlines, served over 11m passengers (2019).

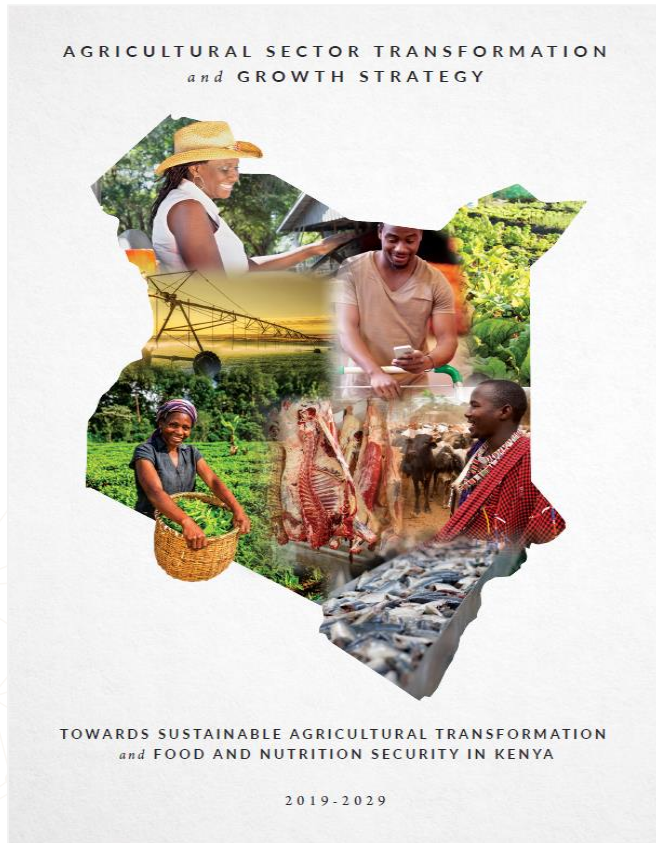
Kenya Ports cargo throughput of 34.4m tonnes

Transformation in Agriculture

The 10-year ASTGS aims to support 100% food security



Targets Subject To Revision After 5 Years



ASTGS anchors and targets for first 5 years

Increase small-scale farmer incomes¹ of ~3.3mn households and impact ~15 mn² Kenyans

Increase food available year round by unlocking > 500,000 acres of agricultural production and agro-processing across priority value chains (~KES 400Bn GDP boost across economy)

Boost household food resilience especially for the most vulnerable (~ 4mn during emergencies, 1.3mn chronically):

- **reduce by 100% the number of food insecure Kenyans**
- **reduce the cost of nutritious food**

A vibrant, commercial and modern agricultural sector that supports **100% food security in the context of devolution** by ensuring access and availability of nutritious food, at affordable prices for entire population

The ASTGS identified 9 flagships to drive these outcomes. Detail follows



1 Over the past ~10 years, incomes have grown 35%, below the pace required to meet SDG goal of doubling incomes between 2016-2030. If incomes are 145k today (~KES 400/day), without transformation in 5 years should grow to 170k (~KES 465/day) based on historical trends. Transformation is estimated to contribute an incremental ~30% to 230k (~KES 625/day) | 2 Assumes ~4.5 people per household

The 9 Flagships in the ASTGS



Working with the private sector as a true partner to design and implement ASTGS is a priority. With the right approach, ~80% of the costs can be financed through public-private partnerships

“FARMER” Implies Small-holder, Pastoralist And Fisherfolk, Unless Stated Otherwise

ASTGS Anchor	Flagships
Increase SSF income 	<ol style="list-style-type: none"> Target 1 million farmers, pastoralists and fisherfolk with 1,000 farmer-facing SMEs, supported by SME accelerators Shift nationwide input support programme to e-vouchers for 1.4million high-needs farming households for a range of inputs
Increase ag output 	<ol style="list-style-type: none"> Set-up 6 agro-processing hubs with a one-stop-shop PPP process for local and export markets Unlock 50 large-scale private farms (>2,500 acres) with 150,000 acres under sustainable irrigation from existing infrastructure (e.g., rehabilitate dams)
Boost household food resilience 	<ol style="list-style-type: none"> Restructure Strategic Food Reserve (SFR) to serve 4 million high-needs Kenyans with digital reserve stock and cost management with private sector, and price stability managed by Treasury Boost food resilience of 1.3million farming, pastoralist, and fishing ASAL households with community-driven design of projects, and coordination of funding in regional economic blocs
Enablers 	<ol style="list-style-type: none"> Launch 3 knowledge and skills building programs focused on technical and management skills in the field for 200 national and county government transformation leaders, 1000 farmer-facing SMEs, and 3000 extension agents Strengthen research and innovation, and launch priority digital use cases for better decision making and performance management (e.g., first wave could include e-incentive registration & delivery - flagship 1, automated SFR buy / sell needs – flagship 5) Actively monitor 2 key food system risks: i. sustainable and climate smart natural resource management; and ii. crisis management for pests and diseases, climate and global price shocks

The Agricultural Transformation Office (ATO) reporting to the CS was designed to coordinate and performance manage ASTGS implementation across the flagships

The Agriculture Transformation Office



Responsible for inter-ministerial coordination, performance management and mutual accountability for the sector in implementing the ASTGS

Focus Area	Role
Performance Management	Provide technical support to the Steering Committee preparing progress reports on the status and key issues affecting all ongoing transformation and food and nutrition security interventions
	Provide an independent perspective on transformation performance management and monitoring and evaluation
	Provide guidance on how to embed sustainability across all flagships, and track the incorporation of sustainability interventions
Inter-ministerial coordination	Facilitate and coordinate broad, multisectoral collaboration for effective implementation of the ASTGS with the CS
Data	Maintain a database on the status and key issues affecting all ongoing transformation and food and nutrition security interventions
	Validate data on implementation provided by MoALFC state departments and the counties, and assessing these against the flagship KPIs

MOALFC has a plan to deliver on 13 milestones over the next 1-2 years

Flagship	13 ASTGS milestones for discussion	Potential Program Partners	Investment required
1 1000 farmer-facing SMEs	Target ~500,000 farmers and ~300 farmer-facing SMEs operated by business accelerators jointly selected with the Counties. Enable them to thrive (e.g., lift GMO ban on feed)	USAID, The Rockefeller Foundation, Mercy Corps, AGRA; BMGF; DFID; EU, Danida	~KES 10 billion
2 E- voucher system	Roll-out e-voucher system across targeting 400,000 farmers in 11 pilot counties; focus on quick wins (e.g., scale up KCEP-CRAL to 200k farmers, consolidate existing farmer registration)	Mercy Corps; AGRA; FAO	~USD 100 million over 5 years
3 Agro-processing hubs	Finalize partnership with AfDB for agro-processing hubs (KES 15-20Bn) for feasibility studies Execute on 5-10 deals independent of the hub, guided by private sector and consumer needs	World Bank Trademark E.A.	~USD 1 billion over 5 years
4 Large-scale farms	Prepare first 5-10 large farms for investment (i.e. ensure land titling in place, and feasibility studies) Support policy efforts to lift ban on BT varieties (maize for feed and cotton) – will also support small-scale farmers	TBD	~USD 800 million over 5 years
5 Strategic food reserve	Finalize reforms to the SFRTF and National Cereals and Produce Board (NCPB) to ensure the former has independent decision making on food security for emergencies, operational efficiencies (e.g., digital stock monitoring) in place, and separate price stability mandate from SFRTF operations to other relevant body (e.g., Treasury, Social Welfare)	AGRA	~USD 100 million over 5 years
6 ASAL food resilience	Finalize detailed mapping of communities in pilot counties to understand demographics, cultural practices, migratory routes etc., and use this as input to develop first round of community-driven interventions (~10 counte0s)	USAID; UN; WFP; Embassy of the Kingdom of The Netherlands in Kenya; ASAL donor group	~USD 5 million
7 Skills building	Design training curricular for transformation leaders and front-line transformation implementers in partnership with key stakeholders (e.g., KSG), launch first cohort	USAID; DFID	~USD134 million
8 Research & digital innovation	Formally launch the national FBS Committee and confirm resources to scale (i.e. people, technology)	USAID; Mercy Corps; Master Card Foundation;	
	Kick-off a full digital transformation roadmap across MoALFC including digital / analytics team and talent	AGRA	
	Vet and curate relevant research including home grown research for extension officers and change agents and mobilize investments for R&D for MoALFC relevant research agencies	KFW/GIZ	
9 Food system risks	Design and launch detailed sustainability and management intervention protocols that incorporate the counties	KFW/GIZ; GEP	
-- ATO	Set up the ATO to transition from the Food Security War Room (FSWR) efforts, to support implementation of the key milestones identified herewithin	TBI	~USD 9 million

1 Funding requirements defined according to the ASTGS: Low - no reference to funding for the flagship; Medium - required funding ~10b KES; High -required funding ~100b KES

Brief Overview of Bachuma Livestock Export Zone (LEZ) Opportunity:

Project overview

- A Livestock Export Zone (LEZ) facility at the coastal area within Bachuma, Taita Taveta County, along Voi-Mombasa road. It is set to undertake disease screening of livestock before export, as required by the targeted importing countries, while applying international standards.
- It is wholly owned by the State Department of Livestock, as a Livestock Marketing and Productivity improvement facility.

Market opportunity

- A high and growing demand for livestock commodities within the Middle East countries. The UAE presents a market opportunity of up to 5.1 million herd of livestock, costing Kes 43 Billion; ~ USD 430 Million. A rapid expansion of Mecca by the GCC countries set to increase pilgrims from 8Mio to 15Mio by 2020, and 30Mio by 2030 which will significantly increase livestock export to the region. A significant increase to the current export of livestock to Mauritius.
- Bachuma LEZ is a Disease Free Zone, therefore providing an impetus for more trade in the livestock sector.

Project or investment opportunity

- The LEZ sits on 15,000 acres of land; has **8 cattle pens** capable of holding **500-600 cattle heads** each, **6-sheep & goats pens** capable of holding **1,400 heads each** and **2 camel pens** capable of holding **400 heads each**
- It's surrounded by 28 large ranches; the LEZ will be the final screening and certification point for all exports; close proximity to the railway network and port of Mombasa at about 70 Kms; good access to water; connection to electricity through the national grid; an isolated location that is flat and free of settlements; free from industrial pollution; and free from recent intensive agricultural production with heavy use of pesticides, herbicides or other chemicals
- The development comprises Pre-Quarantine and Quarantine Stations and value addition provision; and stands at 70-80% completion

Funding requirement

- Development of the LEZ is currently funded by the National Government of Kenya.
- The facility will be **leased** to a private investor by way of an **“Operate, Maintain and Upgrade” arrangement over 30 years**
- The partner will manage the facility and expand as livestock volumes rises with annual throughput projected at 5 Million heads by year 10.

Impact

- FX earnings by the country from the exports of products and live animals certified through the facility; Creation of employment for both skilled and unskilled workers (250 at the LEZ facility and 102,000 ancillary services); Livelihood support through livestock keeping and pastoral livelihood; Stimulate development of the livestock value addition industries

Project Overview

Key leadership:

State Department of Livestock

The Directorate of Veterinary Services (DVS)

Agriculture Transformation Office (ATO)



Bachuma LEZ

Key Facts:

- Disease Free Zoning Programme,
- Consists of ~ **15,000 acres** wholly owned by State Department of Livestock
- Surrounded by **28-large livestock ranches** previously used for livestock finishing for export
- Isolated location that is generally flat & far from settlements and urban centre,
- Free from industrial pollution
- No previous intensive agricultural production hence free from pesticides, herbicides and other chemicals that compromise potential export of 'organic' or 'grass-fed' labelled livestock
- Close proximity to the railway network; and the port of Mombasa: ~**70km** away
- Good access to piped water from **Mzima springs** and a borehole is on site
- The site is connected to the national grid.

Existing investors & Strategic Partners:

National Government of Kenya

The LEZ is a national project of the Government of Kenya that aims at developing livestock export screening and finishing facilities.

State Department of Livestock

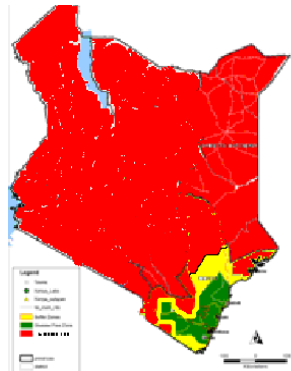
The Directorate of Veterinary Services, under the State Department of Livestock, is tasked with the policy direction on management of livestock diseases and pests, and certification of animals and animal products for international trade.



Key Milestones and Achievements

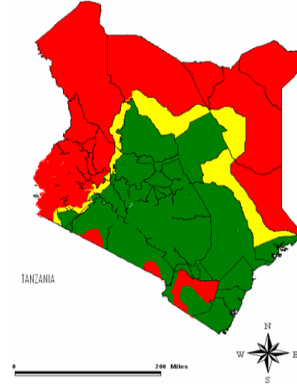


KEY: ■ Infected Zone ■ Protection Zone ■ Disease-free Zone



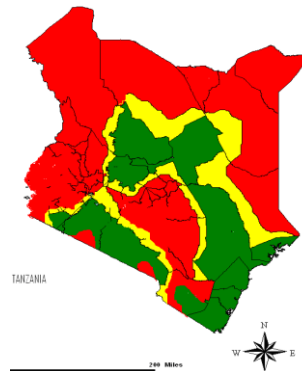
2010-2014

Disease Free Zoning Programme in Kenya:
 Conceptualized in 2005 and implemented in 2010/11 with requisite Exchequer funding was allocated towards DFZ sensitization and ownership drive



2018-2020

2014-2018



Program Strategy & Plan

- Strategy for revitalizing animal husbandry, promoting livelihoods & economic flagship;
- Formulated in line with the Strategy for Revitalizing Agriculture (SRA) 2004-2014, Kenya Agricultural Sector Development Strategy (2010-2020) and National Livestock Policy;
- Identified and accorded priority in the current Medium Term Plan (MTP II) covering the years 2013-2018

Rational of zoning in Kenya:

Kenya is highly infected with many trade sensitive diseases that affected livestock & livestock products access to desired export markets

Key achievements

Jobs created

~250

Direct

~100,000

Ancillary Services

Community Engagement

~28

Surrounding ranches

~1,000

Smallholder farmers

Total capital requirement, use and terms



Responsibility of the Director of Veterinary Services & service fees:

- DVS will have an **oversight** role in implementation of sanitary standards in the facility and issue the requisite international Veterinary Certificates for export bound animals and/or animal products.
- DVS will charge the exporter or operator the applicable
 - a. **Sanitary certification fee** charged to the **Exporter** for each export consignment at application for *international veterinary certificate* on the KENTRADE Electronic Single Window System
 - b. **Laboratory service fee** to the **Operator** for every sample submitted to the DVS laboratory*.

**Once the Bachuma lab is complete, equipped and operational by the operator who will no longer be required to submit samples to DVS labs outside of the facility. Operator will recover the costs from Exporters*

Expected Deliverables from the Investor;

- Design an appropriate Livestock Quarantine Operation System to be approved by the DVS,
- Deploy management team at Bachuma both for the requisite administrative and Livestock handling and screening operations;
- Undertake all required development and requirements for housing and feeding of quarantine based livestock including expansion as per the master plan approved by the department,
- Mainstream an appropriate provision for feeding of livestock at the quarantine and during shipment,
- Provide all the necessary station equipment for both administration and livestock handling operations,
- Provide appropriate transport for personnel and livestock from the counties to the station and for shipment.

Overview of project opportunity



The Livestock Export Zone (LEZ)

- Aimed at facilitating access of livestock and livestock products into the high-value markets which had been lost to other producers in the world, due to Kenya's failure to implement effective disease control measures as required by the prospective importing countries,
- It will facilitate access of livestock and livestock products to local, regional and international markets,
- Improve sustainable rural livelihoods and food security in Kenya
- Strengthen institutions in the livestock sub-sector.
- Development of a marshalling yard in Miritini area; which will potentially be twinned within the lease for direct export out of Mombasa



Implementation Structure:

- Implementation structure of the project will be by way of "Lease, Operate, Maintain and Upgrade" long-term lease,
- The successful bidder shall take over the facility operate, maintain and upgrade it for a lease period of 30 years through a project company incorporated for the purpose (the Special Purpose Vehicle- SPV)



Scope of the Lease:

- Lease of Bachuma Livestock Export Quarantine Station will also include the Proposed Miritini Marshalling yard

Konza Agri-Tech Centre



Problem Statement

- There is need to leverage on technology and research to accelerate growth in the Agri sector and position Kenya as a global leader in food and agricultural advancements
- Konza Technopolis is developing “The Agri-Tech Centre of Excellence” bringing together the agri ecosystem players to leverage technology in streamlining the food value chain.
- This will be through the application of technology in agricultural research and practices and development of enabling services and devices in support of adoption of sustainable agriculture practices in the country and beyond
- Konza Agri-Tech Centre of Excellence (The Centre) will be a test bed for high yield productivity, efficient use of resources, automation, value addition, common use facilities and promotion of urban agriculture practices among others
- The Centre will be home to well established organisations and SMEs. It will also host and support start ups, ideas, innovations and organisations through incubation and commercialisation of their products and services

Investment Plan

- The Infrastructure development cost for Konza Technopolis Phase 1 has been financed by the Government of Kenya to a tune of **USD 700m equivalent**
- The Investment needed to operationalize the Centre will be through partnerships and private investments

Expected Outcomes

- The Centre will apply ICT, Research and emerging tools to develop solutions which can then be upscaled and disseminated in the country, the region and beyond
- Research and Development that will improve food security across the value chains
- Several new and improved farming techniques and technologies will be developed, tested, show-cased and availed through demonstration centres
- *Value addition initiatives:* Training, technical support and consultation that will enhance the adoption of technologically enhanced new and improved farming techniques that will lead to improved food nutrition, security and enhanced income from agriculture entrepreneurship

Agri-Tech Centre of Excellence Offer:

- Employ a collaborative and partnership approach, where Government entities, Academia, Private Sector and the community will come together to promote food and income security from Agriculture and related activities.
- Bring together expertise and efforts in different fields of agriculture and allow sharing of best practice and knowledge transfer
- Accelerate the adoption of game-changing innovations and uptake of new concepts that are transforming agriculture. Farmers will learn new ways of doing things solve some of Africa's most persistent challenges including degraded soils or the low adoption of irrigation technologies
- Seek tech innovations that will lead to greater efficiencies between the farm gate and dinner table. These include advances to overcome fragmentation in a sector dominated by small-scale producers, deployment of digital tools to improve output quality and traceability, strengthen resilience, boost information transfer and promote income safety in the agricultural sector.



Agri-Tech Centre of Excellence Offer:



Transaction Structure

- Transaction involves on-boarding and settling of key players either as partners or investors and will be subject to existing internal land allocation policies.
- Investors in need of the land for agriculture, the Konza project is 5,000 acres with 400 acres currently under development
- The land allocation process is an internal process that looks at the investment objectives and capabilities. The allocation is approved by the Konza Technopolis Development Authority (KOTDA) Board
- The Agri-Tech Centre land has been set aside with structures available on site
- One-Stop Shop services are available through the Authority

Investment Incentives

- Corporate tax** ✓ Reduced tax: 10% for the 1st 10 years, 15% for the next 10 years
- Exemptions** ✓ Value Added Tax (VAT) for supply of goods or taxable services
Stamp duty exemptions on execution of legal documents
- Deductions** ✓ 100% Investment deduction allowance on construction of buildings and purchase /installation of machinery for use
- Permits** ✓ Up to 20% for full-time employees and higher for specialized sectors
- Other Tax Benefits** ✓ With-Holding Tax (WHT) and Dividends at reduced rates



**Asante Sana,
Thank You!**