SUGAR SUBSECTOR

STRATEGIC PLAN 2021-2025

KAM 60 YEARS
KENYA ASSOCIATION OF MANUFACTURERS
Driving Global Competitiveness
OF ADDING VALUE

TABLE OF CONTENTS

ACRONYMS AND ABBREVIATIONS

AFA: Agriculture and Food Authority

AFA – SD: Agriculture and Food Authority - Sugar Directorate

AGDP: Agricultural Gross Domestic Product

ASALs: Arid and Semi-Arid Lands

ASCU: Agricultural Sector Coordination Unit

ASDS: Agricultural Sector Development Strategy

BPO: Business Process Outsourcing

BSC: Balanced Scorecard

CAADP: Comprehensive African Agricultural Development Programme

CET: Common External Tariff

COMESA: Common Market for Eastern and Southern Africa

CSR: Corporate Social Responsibility

DADC: District Agricultural Development Committee

EAC: East Africa Community

ERS: Economic Recovery Strategy for Wealth and Employment Creation

FY: Financial Year

GDP: Gross Domestic Product

GOK: Government of Kenya

KALRO: Kenya Agricultural and Livestock Research Organization

KENFAP: Kenya National Federation of Agricultural Producers

KEPSA: Kenya Private Sector Alliance

KES: Kenya Shilling

KESMA: Kenya Sugar Manufacturers

KALRO-SRI: Kenya Sugar Research Foundation

KRA: Key Result Area

KSA: Kenya Sugar Authority

MDG: Millennium Development Goal

M&E: Monitoring and Evaluation

MT: Metric Tonnes

MTP: Medium Term Plan

MTEF: Medium-Term Expenditure Framework

NARC: National Alliance of Rainbow Coalition

NEPAD: New Partnership for Africa's Development

NGO: Nongovernmental Organization

NTB: Non-tariff barriers

RDA: Regional Development Authority

SACCO: Savings and Credit Cooperative Organizations

SRA: Strategy for Revitalizing Agriculture

SWOT: Strength Weaknesses Opportunities and Threats

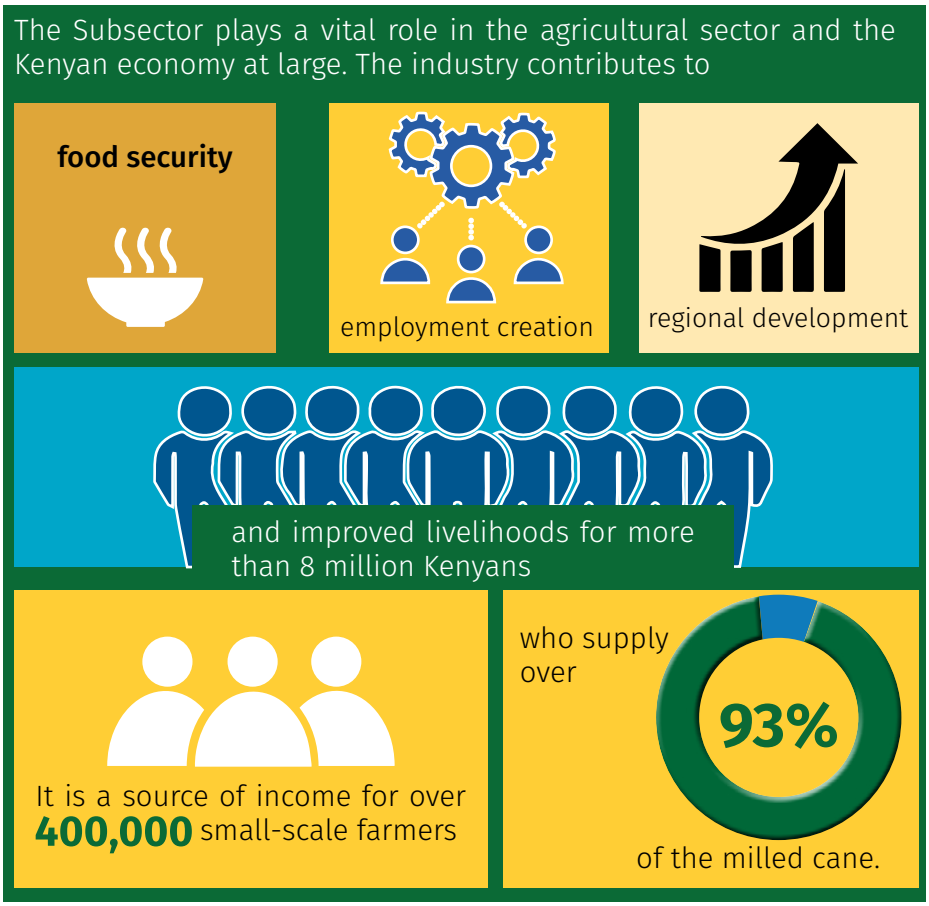
TCD: Tons of Cane per Day

USD: United States Dollar

PREFACE

> COVID-19 has impacted the economic outlook, further presenting strains on the economy, which will have a trickle effect on the Subsector for an unknown period.

Kenya Association of Manufacturers (KAM) is the representative organization for manufacturing value – add industries in Kenya. KAM has a membership of over 1,000 industries categorized into 14 sectors defined by specific value chains in which they operate. The Sugar Subsector falls under the Agro-Processing Sector, comprising 14 sugar companies that advocate for a conducive and competitive business environment.



Despite the critical role it plays in the economy, the Subsector continues to be bedevilled by a myriad of challenges that hinder its competitiveness. These include gaps on how to strategically manage the various components of the value chain to make them efficient, policy gaps and infrastructure gaps, among others. At operational levels, the challenge is on gaps or the absence of a strategic framework that guides millers towards holistically addressing some of the challenges they face. On the other hand, privately-owned millers face differential treatment given to the public-owned millers, among other challenges.

COVID-19 has impacted the economic outlook, further presenting strains on the economy, which will have a trickle effect on the Subsector for an unknown period. It is against this background that we have developed this five-year Sugar Millers' Subsector Strategic Plan to provide a holistic framework for addressing the long-standing and emerging challenges facing the Subsector. Such a process shall bring out both short-term and long-term approaches to addressing the challenges.

Phyllis Wakiaga,
Chief Executive, KAM

EXECUTIVE SUMMARY

> ...an analysis was undertaken focusing on its past performance, and internal and external environment. This resulted in a conclusive situational analysis of the Subsector

Kenya's sugarcane industry is a major employer and contributor to the national economy. Sugarcane is one of the most important crops in the economy alongside tea, coffee, horticulture and maize. By far, the largest contribution of the sugarcane industry is its silent contribution to the fabric of communities and rural economies in the sugar belts.

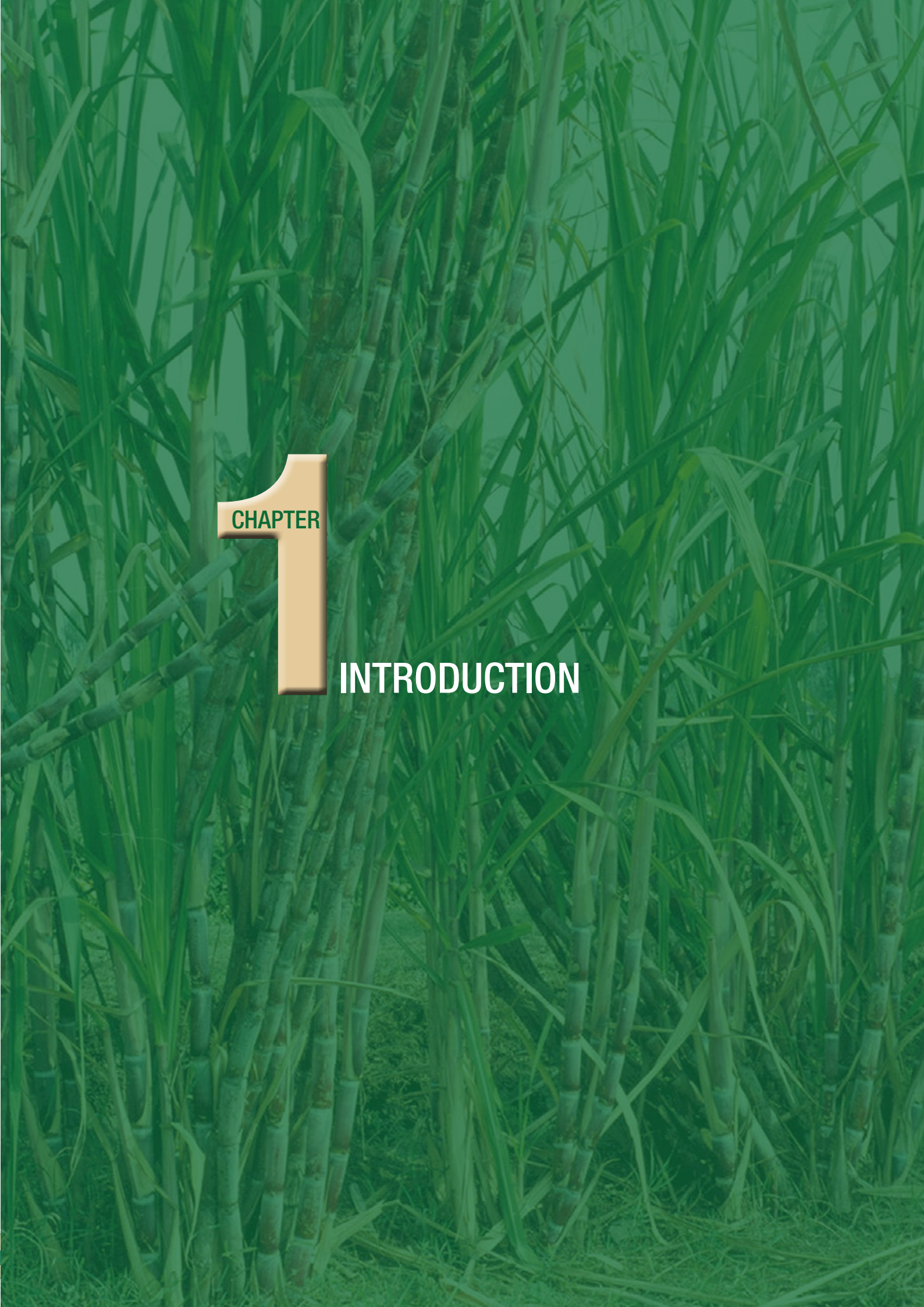
Farm households and rural businesses depend on the injection of cash derived from the industry. The survival of small towns and market places is also dependent on this income. The industry is intricately weaved into the rural economies of most areas in western Kenya. Besides the socio-economic contributions, the industry also provides raw materials for other industries such as bagasse for power co-generation and molasses for a wide range of industrial products including ethanol production. Molasses is also a key ingredient in the manufacturing of various industrial products such as confectionery and pharmaceuticals. The industry is primed to make significant contribution to the realization of the national socio-economic development aspirations enshrined in Vision 2030 as well as the "Big Four Agenda".

In preparing this Strategic Plan, a participatory and collaborative approach and methodology was adopted. Consultations were held with industry stakeholders in structured discussions as well as personal interviews with key informants. A review of the literature was done to align the Sugar Subsector Strategy to the country's development agenda as enshrined in Vision 2030 (Medium-Term Plan III) as well as the Big Four Agenda; the sector strategy (Agricultural Sector Development Strategy) and other relevant frameworks. To prepare the Sugar Subsector fully for the alignment, an analysis was undertaken focusing on its past performance, and internal and external environment. This resulted in a conclusive situational analysis of the Subsector. Validation workshops were held where the recommendations of the Draft Strategic Plan 2021-2025 were discussed.

The sugarcane industry seeks to find new ways to reposition itself competitively. This requires it to go beyond the production of sugar towards valuing the sugarcane as a whole and exploiting market opportunities presented by multiple sugarcane products. This Strategic Plan, therefore, seeks to put new pressure on the industry to invest its resources in this new direction.

The Strategic Plan covers three strategic themes: Sugar Subsector Policy and Advocacy; Research and Innovation; and Value Chain and Subsector Development. The three strategic themes were cascaded into SMART strategic objectives with corresponding strategies to enable the Sugar Subsector to realize its goals. An implementation plan was developed to establish the expected output and outcomes and to assign responsibilities for each of the activities to be undertaken. A monitoring and evaluation (M&E) framework aimed at ensuring the successful implantation of the strategic plan has been developed as part of the planning process. The M&E framework will enable tracking of the goals and provide result-based information to aid in reporting and decision making.

Joyce Opondo
Chairperson, KAM Sugar Subsector



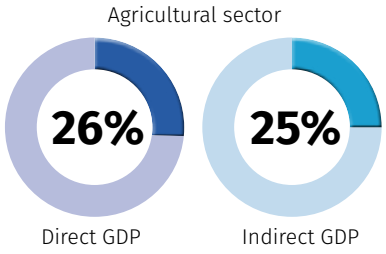
CHAPTER 1 INTRODUCTION

CHAPTER ONE

INTRODUCTION

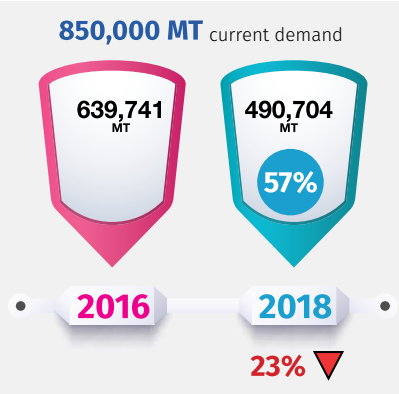
1.1. Background of Kenya's Sugar Industry

The agricultural sector is a major driver of Kenya's economy, supporting the livelihoods of many in the country. It contributes approximately 26% directly to the Gross Domestic Product (GDP) and a further 25% indirectly through linkages with agro-based and associated industries.



Kenya's Sugar Subsector plays a vital role in the agricultural sector and the Kenyan economy. The industry contributes to food security, employment creation, regional development and improved livelihoods for more than 8 million Kenyans. It is a source of income for over 400,000 small-scale farmers who supply over 90% of the milled cane. The sugar crop is envisaged to play a bigger role not only in the achievement of Vision 2030 goals but also in the Government's Big 4 Agenda, as an enabler in Food Security and Nutrition and Manufacturing pillars.

Sugarcane is grown in 14 counties spread across Western, Nyanza, Rift Valley and Coastal regions mainly on small-scale farms. Kenya has the potential to produce enough sugar to satisfy its domestic demand and provide a surplus for export. There are 14 sugar factories with a total installed milling capacity of 41,000 TCD. This requires over 9.8 Million Tons of cane per annum, which translates to 1.09 million tons of sugar, exceeding the annual table sugar demand. Due to the many challenges and inefficiencies in the value chain, the industry has been unable to meet domestic demand. In 2018, local sugar mills produced 490,704 MT, accounting for 57% of the domestic requirements of table sugar - current demand stands at 850,000 MT. This is a decline from 639,741 MT in 2016, representing a 23% decline. Kenya has an annual requirement of 160,000 MT of refined sugar, which the country does not currently produce. The deficit of both table and refined sugar is met through imports from the COMESA region and globally.



Sugarcane growing in Kenya started in the early 1900s when it was introduced around Lake Victoria by Indian labourers engaged in the construction of the Kenya-Uganda Railway. The first sugar factory was established at Miwani in Kisumu County in 1922, followed by Ramisi in 1927 in Kwale County (Coastal region). Before independence, the Sugar Subsector in Kenya was dominated by the private sector with large-scale production. After independence, the Kenyan Government explicitly expanded its role in the Sugar Subsector as set out in the Sessional Paper No. 10 of 1965, which sought to accelerate socio-economic development, redress regional economic imbalance, promote indigenous entrepreneurship and promote foreign investment through joint ventures.

1.2. Mandate and Structure of the Subsector Association

The Kenya Sugar Manufacturers' Association (KESMA) is an umbrella body for Sugar Millers' Subsector. It comprises 13 sugar millers charged with coordinating the development and operation of the subsector to ensure its sustainability. The Association provides a structured mechanism for increasing internal discourse and communication on matters sugarcane and sugar in the country. This way, the Association accelerates the identification of common issues plaguing the subsector, mapping out potential solutions and implementing the optimal solutions to the benefit of its members. KESMA also provides a unified, coordinated voice for airing member grievances and other matters. It provides a unified platform for lobbying on behalf of its members thus providing an effective avenue for change. It is led by a committee comprising of a Chair, Deputy Chair, Secretary, Deputy Secretary, Treasurer and Deputy Treasurer appointed by members and serve a renewable term of one year.

1.3. Overview of the Strategic Planning process

Strategic planning provides the framework through which organizations align themselves effectively to their operational environments. The Sugar Subsector 2021-2025 Strategic Plan is aligned to the Sugar Task Force Report, government development blueprints, the Constitution of Kenya, 2010 and Ministry of Agriculture's policy and operational frameworks, among other key frameworks and documents. The Strategic Plan will help the Sugar Subsector position itself strategically in its operational environment by aligning its strategic intent to anticipated environmental changes. This Plan has been precisely crafted and documented with exhaustive thematic pillars that yield SMART objectives, which have been cascaded into clearly implementable activities.

The implementation of the proposed strategies will enhance the subsector's institutional capacity, creating cross synergies and capabilities for dealing with risks to ensure that objectives are realized. The implementation matrix provides the framework through which the strategic objectives will be achieved. The Plan sets out a coherent, systematic and sustainable road-map for anchoring the subsector's strategic intents and translating them into operational initiatives for the period 2021-

2025. As a key assumption in the planning process, this Plan acknowledges that the operational environment is dynamic and as such, the environment will shift from time to time, either rapidly and/or significantly. Consequently, the subsector will have to continuously reinvent itself to adapt to the changes.

The subsector will strive to ensure efficient processes through resource utilization and effective stakeholder management in a bid to achieve institutional sustainability, and consequently, the core mandate.

1.4. Objectives of the Plan

The overarching objective of the Plan is to ensure structured, coordinated and sustainable development of the Sugar Subsector in the country. The specific objectives include:

i. This Plan is the subsector's action plan to ensure that the subsector and the leadership genuinely think through competing priorities to focus on the right priorities. This will foster the adoption of policies and innovations that will result in an efficient and effective subsector in which member millers are profitable and sustainable.

ii. The Strategic Plan will act as a communication tool that will enable the subsector leadership to communicate development strategy, goals and objectives to stakeholders and improve the connection between national policy priorities and sector level actions.

ii. The Plan will encourage effective participation, better leadership, implementation of projects and enhanced transparency and accountability.

1.5. Organization of the Plan

This Strategic Plan is organized into six chapters: Chapter One – Introduction; Chapter Two – Situational Analysis; Chapter Three - Strategic Model; Chapter Four – Implementation Framework; Chapter Five – Strategic Risk Analysis; and Chapter Six – Monitoring, Evaluation and Reporting.

The Strategic Plan sets out a coherent, systematic and sustainable road-map for anchoring the Sugar Subsector's strategic intents and translating them into operational initiatives for the period 2021-2025.

2 CHAPTER SITUATION ANALYSIS

CHAPTER TWO

SITUATION ANALYSIS

The subsector's situational analysis was done at four distinct levels, starting with an analysis of key trends in the subsector. SWOT analysis identified factors and circumstances in the internal and external environment that are likely to exert influence on the subsector and affect the realization of the strategic objectives over the strategic planning period. The situational analysis also looked at the linkage of the subsector strategic aspirations to national and regional development agenda.

2.1 Sugar Subsector Situation Analysis

Kenya is comparatively a high-cost sugar producer, attributed mainly to inefficiencies across the entire value chain. This not only renders the industry uncompetitive but also makes Kenya an attractive destination for imports from the region and globally. The imports from low-cost producers lower sugar prices creating financial constraints as the local mills cannot sell the locally produced sugar to the market at the required margin. The Sugar Subsector is facing unprecedented challenges which have drastically affected cane and sugar production. Key among them: high-cost of production, acute cane shortage, low productivity, inefficiencies across the value chain, weak regulatory framework, high indebtedness, weak extension support, low value addition initiatives, cyclic markets, uncontrolled and illegal sugar imports, poor governance, ageing equipment, obsolete technology, delayed payment to cane farmers and frequent calls for Government intervention among others. The existence of KESMA provides a coordinated mechanism for resolving subsector challenges.

2.1.1 Policy and Legal Transformation

At the commencement of the implementation of the COMESA Free Trade Area (FTA) in 2000, Kenya sought and was granted a sugar safeguard, in 2002, as the country's Sugar Subsector was unable to compete with sugar from other COMESA Member States. In Directive No. 1 of 2007, Kenya was expected to undertake several changes that would turn around the Sugar Subsector and make it competitive. These include privatizing state-owned mills, conducting research into new and high sucrose content sugar cane varieties and adopting them, diversification from single-product, paying farmers based on sucrose content instead of weight only, maintaining the safeguard as a tariff rate quota with the quota increasing while the above quota tariff reducing until it reaches 0%, providing and maintaining infrastructure including roads and bridges in the sugarcane growing areas. The safeguard was implemented in March 2002 for an initial period of twelve (12) months and subsequently renewed by the Council of Ministers. The Council also directed that any unavoidable full or partial suspension of COMESA quotas or the East African Community (EAC) import tariff for sugar, or interruption of preferential access established under this agreement, be preceded by prior consultation with affected parties.

The Subsector has performed fairly well under the first four years of COMESA safeguard. The main law governing the sugar industry was enacted in 2001. The Sugar Act, 2001 and regulations thereof provide the framework for relationships for all the industry players, with the exception of sugar consumers who have no representation in the Act. While it is an important piece of legislation for managing the subsector, according to critics and stakeholders, the Act is said to have several impracticable provisions. It is important to note that laws do not change attitudes by themselves, they require a strong implementation framework and enforcement mechanism to be effective.

Kenya has since 2002 been on COMESA safeguards to enable it to take measures to improve the competitiveness of its sugar industry. During this period, the allowable quota of sugar to be imported into Kenya has been raised from 340,000MT to 350,000MT. Any

additional imports above the quota are subject to a 5% tariff. With illegal imports on the high rise, the Ministry of Interior and Coordination of National Government established a permanent interagency enforcement unit on sugar trade that enhances the capacity to verify, scrutinize and monitor cross border trade and step up border patrols to eradicate sugar smuggling. To expand the mandate of the Kenya Sugar Authority, Kenya Sugar Board was established in 2001 by the Sugar Act, 2001. The expanded mandate of the Board was to regulate, develop and promote the sugar industry, coordinate the activities of individuals and organizations within the industry and facilitate equitable access to the benefits and resources of the industry stakeholders. The Board facilitated the expansion of the industry by licencing more private millers. Agriculture Sector Reforms of 2003 led to the enactment of the AFA Act, 2013. The purpose of the reforms was to consolidate numerous pieces of legislation within the agriculture sector, address the overlap of functions, address obsolete legislations, and to benefit from economies of scale. This led to the repealing of the Sugar Act, 2001 and gave birth to the AFA – Sugar Directorate (AFA –SD). To date, the regulatory, development, and promotion mandate of the sugar value chain is under the AFA – Sugar Directorate.

Commodities Fund (Fund) is established under Crops Act, 2013 (amended May 2016), Article 9 (1). The Fund is the successor of Coffee Development Fund and Sugar Development Fund. The Commodities Fund is committed to providing efficient and reliable credit facilities along the value chain to the satisfaction of the agriculture sector. The Fund will continually improve its Quality Management System through enhanced customer service delivery, to achieve vibrant, sustainable and profitable scheduled crops in the agricultural sector. Commodities Fund shall implement, monitor and regularly review this policy and related quality objectives for suitability in line with the changing needs and requirements of customers and other relevant interested parties. The Fund shall;

a Ensure it improves its customer satisfaction level by **10%** annually.

b Provide affordable and accessible credit by ensuring disbursement of loans to clients within **30 days** after perfection of security.

c Ensure it complies with rules, regulations, statutory requirements and **ISO 9001:2015** requirements by preparing and submitting quarterly and annual reports, and remittance of statutory deductions within the prescribed timelines.

d Continually improve its services in order to meet customer and other interested parties needs and expectations by acknowledging and responding to complaints/inquiries within **30 days**.

e Provide leadership and commitment by engaging interested parties in achieving the Funds' mandate through at least four **(4) stakeholder** sensitization forums, annually.

2.1.2 Sugar Imports

Unable to improve productivity and efficiency to satisfy domestic demand, state mills' Boards of Directors and managers have perennially whipped up sugar imports as their excuse for the industry's problems and operational mis-performance. For instance, farmers' cane is unharvested for long periods and when harvested, farmers are not paid in time. Bad husbandry practices cause chaos in supply of canes. Add to these, persistent factory breakdowns that lead to low downtime. Such malpractices make the fixed costs astronomical, yet, cost may not be the cure for Kenya's ailing sugar industry. The government has pumped in Sh21 billion in grants for infrastructural sugar roads and bridges, and sugar research as well as soft loans at five per cent interest for cane development and annual factory maintenance. The out-grower institutions are equally beneficiaries of cane development loans at the same interest rates besides infrastructure grants. Then there are the persistent farmers' arrears grants. These grants and loans were previously channelled through Sugar Development Fund at Kenya Sugar Board. The arming contract, for example, is drawn and administered by the factory without input from farmers. Despite farmers producing 98 per cent of cane, mills control all farming activities and transport at costly rates. In the absence of interacting with farmers, the Sugar Draft regulations to give teeth to the Sugar Act in the governance of cane farming activities never got gazetted by successive ministers of agriculture.

2.1.3 Increasing Cost of Sugar Production in Kenya vis a vis Sugar Imports

Production costs ultimately determine whether the Sugar Subsector can compete with duty-free and quota-free imports from the COMESA FTA. The average cost of producing one tonne of cane in Kenya is USD 500, while that of neighbouring competitors (Uganda and Tanzania) is as low as USD 190 per ton. The average cost of producing a tonne of sugar in Kenya is USD 870 (or USD 700 exclusive of finance charges) compared to USD 350 in Malawi, USD 400 in Zambia, USD 450 in Swaziland/Egypt/Sudan and USD 300 in Brazil, making Kenya's cost of production among the highest in the world. This high cost is driven by;

a) Cane transport costs, which currently accounts for 13% to 28% of the total sugarcane revenue. The distance and poor roads contribute to these costs by slowing cane hauling, frequent equipment breakdowns and deterioration, which in turn add to the cost of cane transportation

b) Poor agronomic practices in the sugar-growing zones

c) High cost of inputs and old machinery at farm and factory levels

d) Deteriorating soil fertility

e) Low yielding sugarcane varieties

f) Small and uneconomic land sizes

g) Unsustainable technical support to out-growers

2.1.4 Declining Sugar Cane Production in Kenya

Over the last three decades, sugar consumption in Kenya has grown steadily, outpacing domestic production. Despite government investment in sugar mills, the country still has not reached self-sufficiency in sugar production, as several mills continue to operate inefficiently and below capacity. Sugar production hit an all-time record of 639,741 tonnes in 2016, a 22% increase from 2010. In 2019 only 440,935 tonnes were produced against a consumption of 1,038,717 tonnes, resulting in a 58% deficit.

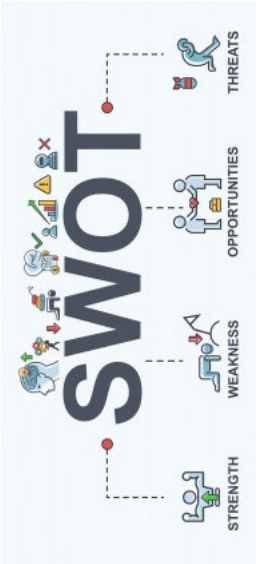
Sugarcane production in Kenya has declined due to several challenges. At the farm level, sugar productivity is low due to poor seed of long maturing varieties, smut disease, high costs of inputs and delayed payments to farmers. Land fragmentation is also another factor causing a decline in sugarcane production. This is a major problem in most parts of Kenya as it restricts agricultural development, reduces productivity and opportunities for rural development. There is a decline in average plot sizes in most sugar zones, attributed to, among other challenges, population pressure on land necessitating continuous land subdivision and conversion of land to produce other crops such as maize, soya beans, cassava and sorghum.

2.1.5 Mismanagement of Sugar Factories

Governance issues have contributed to inefficiencies across the sugar/sugarcane value chain but more so in sugar milling establishments. Most of the state-owned sugar mills are operating below capacity and are burdened by huge debt. Inefficient, poorly maintained machinery, which suffer frequent breakdowns further aggravate the production capacity and quality of the mills. As a result, most millers and out-grower farms have problems operating efficiently and profitability on a sustainable basis with most of them returning recurrent losses and accumulating huge, unserviceable debt. Policy and political factors adversely influence the going concern of many millers as predatory importers stalk a weakening sector. Weak institutional structures and policy governing the subsector further aggravate a worsening situation. Inconsistencies in policy, weak governance framework, weak institutional and marketing structures have been contributing factors to the industry's woes. Moreover, key stakeholders have not been fully involved in the development of subsector policies. There is thus the need for a proper policy and legislative framework to be put in place or the need for existing ones restructured and implemented effectively to enhance governance.

2.2 SWOT Analysis

Table 2.2.1 SWOT Analysis



Strengths	Opportunities
a) A good number of government institutions such as KALRO-SRI, AFA, that spearhead research and development efforts for sustainability of the Subsector. b) Sufficient skilled manpower to operate an efficient sugar value chain. c) Establishment of cane testing units. d) Policy interventions by the government to stabilize the operations of the subsector such as the Sugar Directorate under the AFA Act. e) Subsector Association (KESMA) that provides a coordinated voice for the subsector. f) COMESA Safeguards ensuring that local markets are protected thereby providing a ready local market for the cane products. g) Sufficient arable land for sugarcane production.	a) Excess local demand vis a vis the production capacity creating ready demand to absorb the output of the subsector. b) Implementation of cane payment based on sucrose content. c) Opportunity for adopting modern production technologies to reduce the cost of production hence making local sugar more competitive. d) Privatization of public sugar mills to bring investors on board who will provide the required funds for modernizing the factories. e) Possible development of new products -diversification of product base to include co-generation, distillation, pulp, paper, fertilizer and briquette manufacture. f) Collaborative product development within the subsector as well as third party collaboration with independent agro-business companies. g) Opportunity for the county government to develop and improve infrastructure within the sugar belt. h) Export opportunities. i) Enough rivers for irrigation.

Weakness	Threats
a) "Unprotected" local markets against cheaper imports. b) Cheap imported sugar for industrial use, which ends up in the domestic market. c) Lack of county government support for extension services and the mechanization of agriculture in cane farming to improve cane production. d) Institutions (KALRO-SRI, AFA) in place are not fulfilling their mandate e) Poor management of the value chain by allowing cartels to import cheap sugar and sell it despite the existence of importation restrictions. f) High sugarcane production and transport costs, which increase the cost of production per metric tonne of sugar to almost twice as much as in other COMESA countries making local sugar price uncompetitive. g) Poor payment of farmers by sugar millers, leading to farmers' apathy in cane growing, thereby threatening local cane production. h) Over-reliance on a single product (sugar) for revenue. i) Unsupportive government policies/position such as lack of subsidies for the subsector and high taxes. j) Poor management, particularly in public-owned millers resulting in a poor financial performance characterised by recurrent losses and high debt levels. k) Lack of innovation and change in the subsector pathways to enhance the success of the development of sugarcane by-products. l) Underfunding of research initiatives. m) Lack of access to affordable credit for Sugarcane farming. n) Lack of uptake of new and emerging technology (public millers).	a) Weak value chain management leading to the flooding of cheap sugar imports that are more competitive than the local sugar, making local sugar unmarketable. b) Excessive and overlapping licensing and taxation requirements by both national and county governments that discourage investment in the Sugar Subsector. c) Land fragmentation due to increasing human population, threatening commercial cane production of sugarcane. d) Over-reliance on rain-fed production/ Meagre farming methods/cane varieties that take too long to mature, reducing the annual cane production capacity of the sugar-belts. e) Rising costs of cane production due to value chain inefficiencies. f) Weak research and extension services. g) Penurious cane processing technologies within the public mills. h) High post-harvest losses (estimated to be at least 5%). i) Capacity underutilisation within public mills (56.25% of TCD) that raises the cost of production. j) Lack of adequate specialized financing for cane farming, research and factory rehabilitation. k) Poorly managed out-grower organizations that no longer offer farmers the required support services. l) Competing land uses, particularly farming of food crops replacing cash crops such as sugarcane. This is likely to further reduce cane production, constraining the subsector production capacity. m) Improved efficiency of sugar production in COMESA countries due to favourable government regulations. n) Lack of government control of contraband sugar passing through porous borders.

2.3 Linkage of the Sugar Subsector Strategic Aspirations to National and Regional Development Blueprints

2.3.1 Kenya's Vision 2030

Kenya's Vision 2030 aims to transform Kenya into a modern, globally competitive, middle-income country providing a high quality of life to all its citizens. The Vision is anchored on three key pillars: Economic, Social and Political. The Economic Pillar aims to achieve an average Gross Domestic Product (GDP) growth rate of 10 percent per annum. The key sectors in this pillar include, tourism, agriculture and livestock, manufacturing, wholesale and retail trade, Business Process Outsourcing (BPO), financial services as well as oil and mineral resources. The Social Pillar seeks to build a just and cohesive society with social equity in a clean and secure environment through the main sectors that include education and training, health, water and irrigation, environment, housing and urbanization, gender, sports, youth and culture. The Political Pillar aims at realizing a democratic political system founded on issue-based politics that respect the rule of law. Additionally, a system that protects the fundamental rights and freedoms of every individual in the society. The Sugar Subsector contributes directly to Vision 2030 and is anchored on the Social and Economic Pillars. It will also act as an economic empowerment tool to raise the standard of living for living through direct and indirect incomes in different rural households through cane purchase, employment creation and support industries.

2.3.2 The Big 4 Agenda

The Big Four Agenda is an economic blueprint developed by the government to foster economic development and provide a solution to the various socio-economic problems facing Kenyans. Building on the progress made so far and to accelerate industrialization and further transforming the lives of Kenyans, the Government has prioritized policy objectives that will lead to faster growth of the economy under "The Big Four" Agenda. One of the four items that the government seeks to deliver on is its 100% food security and nutrition commitment. It seeks to achieve this by increasing large scale production of staple foods, a move that will see 700,000 new acres of maize, potatoes, and rice being put under cultivation in a private/public partnership.

The envisaged flagship projects, such as the creation of wholesale hubs, building of retail markets and a free trade port, are market opportunities that the Sugar Subsector will exploit in the incoming planning period. With fuller exploitation of forward linkages in the value chain, the subsector has an opportunity to increase significantly its contribution to the manufacturing sector. This can be achieved, in part, through the implementation of the Sugar Task Force Report recommendations; gazetting of the Sugar General Regulations; gazettement of the Import-Export Regulations that are currently with the Attorney General's office; writing off debts of state-owned mills and out-grower institutions; conversion from weight to quality cane payment system based on sucrose content; and privatization of the state-owned mills through a long-term lease model.

2.3.3 COMESA and EAC Customs Union Obligations

In Kenya, sugar is traded under the following ratified trade agreements: COMESA, Economic Partnership Agreements (EPA), World Trade Organization (WTO) and the East Africa Community (EAC). The Kenyan Sugar Subsector is protected by COMESA safeguard measures. The safeguards were first granted in 2004 and were to expire in February 2008. Despite the remarkable progress made during the safeguard period, the industry was not ready for an open trade regime in sugar. Sugar prices in Kenya need to drop by at least 39% to be in line with COMESA levels. Kenya still has not reached self-sufficiency in sugar production, as several mills continue to operate inefficiently and below capacity. For this reason, the country

has been filling the deficit by importing sugar, especially from the COMESA region.

The Safeguard granted to Kenya was intended to shield the Kenyan sugar sector from competition arising from lower-cost COMESA sugar producers. During the period of the Safeguard, Kenyan stakeholders were expected to implement measures that would raise the sector's competitiveness. The primary objective of the Safeguard was to accord Kenyan sugar producers, namely farmers and millers, protection for some time. Over this period, farmers and millers, in collaboration with the government and other concerned stakeholders, were expected to address the constraints leading to the non-competitiveness of the sector. While Tanzania is not a member of COMESA, Uganda is not a signatory to the COMESA Free Trade Agreement. Consequently, the two countries can and do import sugar from outside COMESA. The sugar imported by these countries finds its way into Kenya through Informal Cross Border Trade (ICBT), which poses an unfair competition to the local sugar producers. Similar problems also occur through the transhipment of sugar through other COMESA countries (such as Egypt) from non-COMESA countries (such as Brazil). The East African Community (EAC) commenced the implementation of a common customs union in 2005. The Customs Union encompasses the removal of internal tariffs, application of a Common External Tariff (CET) and elimination of Non-tariff barriers (NTB).

CHAPTER 3 STRATEGIC MODEL

CHAPTER THREE

STRATEGIC MODEL

This chapter articulates the strategic themes as well as the mechanisms and coordination frameworks for the effective implementation of the 2021 - 2025 Strategic Plan, guided by the Vision, Mission and Core Values of the Sugar Subsector. It acknowledges the role of the Sugar Subsector's organizational structure, departments, stakeholders and the general public in the strategy execution. The chapter details the institutional structure, which provides strategy implementation and coordination mechanism.

3.1 Vision

To be an innovative and competitive subsector meeting local and regional demand.

3.2 Mission

To facilitate the development of a multi-product sugar industry that is efficient, diversified and globally competitive.

3.3 Core Values

To achieve the Vision and Mission of the industry, stakeholders have pledged to uphold the following five core values:

a) **Product and Service Excellence**: Through excellent product and service delivery, it will strive to exceed customer expectations.

b) **Accountability**: To strive to be responsible custodians of all resources entrusted to the industry in a professional and transparent manner.

c) **Stakeholder Partnership**: To optimise synergies in order to meet set goals by consciously and deliberately nurturing team spirit, collaboration and consultation.

d) **Social Responsibility:** Endeavour to be socially responsible to society and pursue industry goals though socially acceptable practices that preserve the environment, promote socio-economic development, support health programmes and other activities for vulnerable groups.

e) **Integrity**: To uphold virtues of integrity through honesty and fairness in all operations.

3.4 Strategic Themes/Key Result Areas (KRAs)

The Sugar Subsector Strategic Plan, 2021-2025, is informed by the Constitution of Kenya, the Sugar Act, the Big Four Agenda, Kenya Vision 2030 and the Kenya Sugar Task Force Report. This Strategic Plan has been anchored on the Balanced Scorecard framework (BSC). The BSC is a management system and performance appraisal tool built on the four pillars - customers/stakeholders, organisational learning, internal business processes and financial sustainability. It adopts the BSC framework as a tool for communicating the Sugar Subsector's strategic aspirations to key stakeholders; aligning the day-to-day work that everyone is doing to realize the strategy; prioritizing projects, products and services that will propel its value addition aspirations; and lastly a tool that will act as a yardstick for measuring and monitoring progress towards realizing strategic targets enshrined in this strategic plan.

The strategic themes were coined and crafted based on the four pillars of the BSC framework. The implementation of the proposed strategies will enhance the Sugar Subsector's institutional capacity, creating cross synergies and capabilities for dealing with risks to ensure that sectoral objectives are realized. The implementation matrix provides the framework through which the strategic objectives will be achieved. The strategic themes will provide business context for decision-making and serve as inputs to the Vision, budget, and backlogs for the portfolio, large solution and program levels. The Sugar Subsector strategic themes will help articulate the business strategies and business models adopted in realizing the strategic objectives of the 2021- 2025 strategic plan. The three themes highlighted in Figure 3.1 inform the Sugar Subsector's SMART strategic objectives, which are:

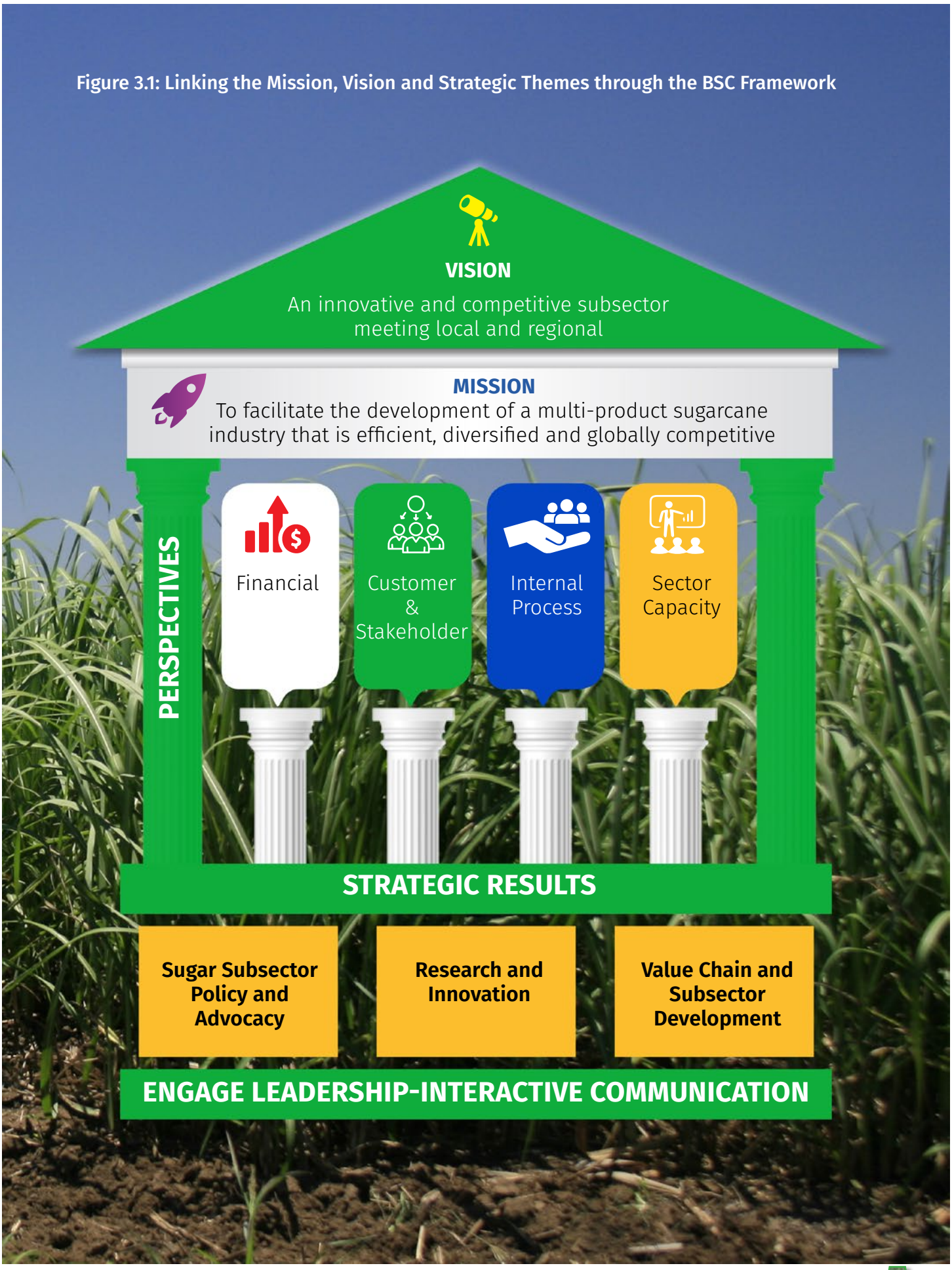
a) Sugar Subsector Policy and Advocacy

b) Research and Innovation

c) Value Chain and Subsector Development

The BSC will constrain the strategic planning process helping to focus on sugar millers' subsector and its strategic goals. Ultimately, help in prioritising resource allocation and performance measures so that the goals selected shall be attained economically, efficiently and effectively. The BSC has evolved to include environmental, social or ethical issues and are often referred to as sustainability balanced scorecards (SBSCs). The balanced scorecard framework will align the work people do with the sectors' vision and strategy, communicate strategic intent throughout the subsector and to external stakeholders, and provide a basis for better alignment of strategic objectives with resources.

Figure 3.1: Linking the Mission, Vision and Strategic Themes through the BSC Framework



3.4.1 Sugar Subsector Policy and Advocacy

This priority area recognizes that a review of the current Sugar Subsector policy framework is needed to provide a legal framework for the adoption and scaling up of the Subsector in the country. It also recognizes that it will take active lobbying and advocacy to persuade the government to review current policies and to approve and adopt proposed changes. This is also critical in mainstreaming the laws and guidelines into national and counties policies and programmes once it becomes law. Active participation of actors to influence the review and adoption of the policies is necessary, but for them to do this effectively, they require adequate knowledge and skills in lobbying and advocacy. The operations of the Subsector have been greatly hampered by the poor implementation and resistance to the Sugar Act 2013 (repealed), which has since been replaced by Agriculture and Food Authority Act No. 13 of 2013. The 2019 Sugar Bill proposes to give the Kenya Sugar Board powers to regulate the sector directly instead of operating through AFA. The Bill further seeks to give farmers more say in the management of sugar factories by apportioning them a 51 per cent shareholding in privatized sugar firms. Research on sugarcane seed varieties was affected by the dissolution of the board, the same setting stage for the proliferation of illegal imports.

This strategic theme identifies the need for limited legislative frameworks to protect the farmers and domestic companies in the sector. Currently, the lack of legislative support is manifested through the lack of anti-dumping legislation, lack of enabling safeguard legislation and the lack of a rigid regulatory framework to check on adverse impact of sugar imports. There is, therefore, an urgent need to develop consensus on the areas that need to be amended.

3.4.2 Research and Innovation

For the Sugar Subsector to remain competitive and sustainable over the next five years, investment in research and innovation is inevitable. Research will provide an empirical body of evidence that can be used to promote and advocate for best practice at different levels, including influencing policies. Innovation will help to bring in new knowledge, products and appropriate technologies that will enhance the efficiency and effectiveness of cane processing. There is still a lot of space and opportunity to increase the level of research within the Subsector. Involvement of the private sector in research and innovation will be a high boost to this strategy as the private sector-owned millers will be willing to partner with stakeholders – local or international - to help in the development of the subsector.

Research and training institutes (KALRO-SRI) must therefore continue to disseminate widely what is already proven while venturing into identifying and promoting new innovations based on sound science. This will, in turn, lead to increased cane, sugar production, and productivity to enhance the Subsector's competitiveness. Leveraging on sugar production technology and innovation are some of the indicators of technological capability that the subsector should emphasize. The Sugar Subsector actors should focus on the possible development of new products and diversification of product base to include co-generation of power, distillation, pulp, paper, fertilizer and briquette manufacture.

3.4.3 Value Chain and Subsector Development

A vibrant subsector will act as a social catalyst by directly contributing to education, health, environmental management, water and infrastructure improvement/development, among other community initiatives. This will greatly contribute to Corporate Social Responsibility (CSR) within the sector. The sugar industries have undertaken several CSR activities in their area of operations with the most common activities being infrastructure (road) development, provision of employment opportunities, health services, water supply, capacity building, humanitarian assistance, environmental conservation and educational support.

This theme will also focus on policy-level interventions. For instance, the review and implementation of policies that will address the following core challenges affecting the subsector.

a)	Land fragmentation
b)	Subsidies for the sugarcane growers for the farm inputs.
c)	Tax breaks
d)	Importation of cheap sugar
e)	Over-regulation of the sugar industry (licenses to run the industry)

Considering that one of the challenges of the Sugar Subsector pertains to high and numerous taxes, this strategic theme also expresses the need to mitigate the inadequate fiscal incentives and high tax regime. The following measures were recommended, which the government should follow through with, and ensure that all policy-level interventions are implemented.

a)	Enforcing bans on the importation of cheap sugar
b)	Providing subsidies and tax relief
c)	Establishing and funding institutions created by the policy level interventions
d)	Improving transport infrastructure
e)	Providing an environment that will support research and innovation
f)	Removal of value-added tax on locally produced sugar
g)	Provision of rebates on fuel
h)	Utilization of the Kenya Sugar Manufacturers' Association (KESMA) distribution system to deliver cheaper inputs to the farmers
i)	Introduction of importation fee to match the local sugar milling fee of 1 Million.

To ensure development within the Sugar Subsector, the actors can focus on collaborative product development within the subsector (under the umbrella of KESMA) and third-party collaboration with independent agro-business companies. Additional elements include investment in value chain development, lobbying members for timely payment to farmers to encourage farmers to grow more cane and sensitizing members on core fund initiatives.

3.5 Strategic Objectives

Identifying desired business outcomes for strategic themes can establish a context for assessing progress toward the strategic intent. The Sugar Subsector strategic intent is summarized in its vision, mission as strategic objectives. The seamless association between strategic vision/intent, strategic themes and strategic objectives forms a superstructure for anchoring the Sugar Subsector's functional strategies and implementation framework. This Strategic Plan has part of its assumptions that the Sugar Subsector will make a deliberate attempt to implement the plan. The Plan's objectives are built on the BSC platform to ensure sustainability.

Arising from the strategic themes and the strategic issues that need to be addressed in each thematic area, the Sugar Subsector shall pursue the following objectives.

a)	To review and develop relevant policies within the sector
b)	To strengthen the regulatory framework for the Sugar Subsector by 2023
c)	Continuously research and develop high sucrose and early maturing cane varieties
d)	Enhance counties' technical capabilities to increase sugarcane production
e)	To enhance Sugar Subsector competitiveness and expand product base
f)	Encourage a "green growth" economy
g)	To continuously improve systems for generating and disseminating sugar subsector information
h)	Increased cane, sugar production and productivity to enhance Sugar Subsector competitiveness.

3.6 Strategies

The Sugar Subsector's strategic objectives are operationalized through a set of specific and implementable strategies with each objective cascaded into a set of strategies as outlined in Table 3.

Table 3: Strategies

Strategic Theme	Strategic Themes	Strategies
Sugar Subsector Policy and Advocacy	To review and develop relevant policies within the sector	Review Energy Policy to encourage the sector to produce power
		Optimization of land use within the Sugar Subsector
		Development of the seed cane policy
		Develop a framework for Sugar Farmers Agency operations
	To strengthen the regulatory framework for the Sugar Subsector by 2023	Implement the reviewed and approved policy documents
		Strengthen the management of Sugar Import Policy
		Development of an institutional framework for the coordination of roads maintenance in the sugar-belt.
		Development of a comprehensive policy on co-generation and exploitation of bio-fuels and other sugarcane products
		Adoption of cane pricing formula
Research and Innovation	Continuously research and develop high sucrose and early maturing cane varieties	Conduct research and publish findings
		Optimally-adapted varieties, plant breeding and release
	Enhance counties' technical capabilities to increase sugarcane production	Enhance counties' technical capabilities to increase sugarcane production
	To enhance Sugar Subsector competitiveness and expand product base	Effective, efficient and reliable milling operations
		Efficient, reliable harvesting and transport operations
		Improve road transport infrastructure
		Value addition and product diversification
	Encourage a "green growth" economy	To encourage green growth economy within the Subsector
Value Chain and Subsector Development	To continuously improve systems for generating and disseminating Sugar Subsector information	Publish Sugar Subsector-related publications
		Ensure all Sugar Subsector information is accessible to all actors
	Increased cane, sugar production, and productivity to enhance Sugar Subsector competitiveness	Piloting cane production under irrigation
		Provision of subsidized fertilizer and other farm inputs
		Implement market-driven pricing and funding mechanism that enhance income to stakeholders

4 CHAPTER IMPLEMENTATION FRAMEWORK

CHAPTER FOUR

IMPLEMENTATION FRAMEWORK

This chapter presents an implementation mechanism and coordination framework for effective implementation and coordination of the strategic plan. It acknowledges Sugar Directorate's role and other relevant stakeholders and the general public in its execution. It also details the institutional structure, which provides the strategy's implementation and coordination mechanism.

4.1 Implementation Approach

The 2021-2025 Sugar Subsector Strategic Plan will be implemented through a hybrid bottom-up and top-down approach to ensure seamless coordination between strategic objectives and operational activities contained herein. Strategic themes and objectives will be cascaded into annual work plans. At the operational level, these will be translated into specifics tasks, which will be assigned as specific responsibilities to individual staff members of the Directorate or relevant stakeholders. This approach will enhance performance management at individual, departmental and corporate levels. The Sugar Subsector players will identify activities that guarantee quick wins, which will enable the Sugar Subsector to achieve rapid results. The quick wins approach will also give impetus to the implementing departments/functional units to roll out other strategic programmes.

4.2 Phasing and Sequencing

The implementation of this Strategic Plan will be in tandem with the government planning cycle. The Sugar Subsector players will, therefore, develop subsequent annual work plans from the Strategic Plan. The work plans will peg the Sugar Subsector players operations on the financial, human and other resources available in each financial year. The organizational annual work plans will be actualized by the departmental work plans, which will, in turn, be cascaded through the assignment of specific roles and responsibilities to individual members of staff. This approach will enhance performance management at individual, departmental and organizational levels.

4.3 Implementation Framework

4.3.1 Strategic Theme 1: Sugar Subsector Policy and Advocacy

Table 4: Strategic Theme 1 Implementation Plan

Strategies	Activity	Expected Output	Expected Outcome	Responsibility	Time Frame
Strategic Objective 1: To Review and develop relevant policies within the sector					
Review of Energy Policy and hasten the adoption of the policy to encourage the sector to produce power	Diversification and adoption of the reviewed Energy Policy	Energy Policy	Fully adopted energy policy within the subsector	KESMA Secretariat/ Miller	2023
	Reduce start-up costs by providing tax rebates	Reduction on start-up costs	Improved Sugar Subsector business environment	KESMA Secretariat/ KAM	2023
	Develop a certification scheme for co-generation projects	Certification scheme	Certified scheme for co-generation projects	KESMA Secretariat/ KAM	2023
	Enact the necessary legal and regulatory framework to enhance the sustainable generation, exploitation, production, distribution, supply and use of liquid bio-fuels	Generation, exploitation, production, distribution, supply and use of liquid bio-fuels	Sustainable generation, exploitation, production, distribution, supply and use of liquid bio-fuels	KESMA Secretariat/ KAM	2023
Land use optimization within the Sugar Subsector	Facilitating land use policy dialogue on optimal land use and sustainable agriculture with stakeholders	Stakeholder consultation forums	Sensitized public on land use policy	KESMA Secretariat/ KAM	2024
Development of seed cane policy	Develop and present the seed cane policy for approval	Draft seed cane policy	Approved seed cane policy	KESMA Secretariat/ KAM	2024
	Sensitization of stakeholders	Sensitized stakeholders	Enhance implementation success	KESMA Secretariat/ KAM	2024
	Implement the seed cane policy	Seed cane policy Implementation	Efficient and effective seed cane production	KESMA Secretariat	2024
	Monitoring and evaluation of the implementation	Efficient and effective implementation of the seed cane policy	Efficient and effective seed cane production	KESMA Secretariat	2024

Strategies	Activity	Expected Output	Expected Outcome	Responsibility	Time Frame
Develop a framework for sugar farmers' agency operations	Develop guidelines to govern sugar farmers' agencies	Draft guidelines	To enhance information sharing among cane farmers	KESMA Secretariat	2024
	Subject draft for stakeholder approval	Approved guidelines	Enhanced information sharing among cane farmers	KESMA Secretariat	2024
	Roll out the guidelines	Published guidelines	Increased financial access to the cane farmers	KESMA Secretariat	2024
Strategic Objective 2: To strengthen the regulatory framework for the Sugar Subsector					
Strengthen the management of Sugar Import Policy	Enhance capacity for a robust assessment of market conditions	Market Assessment Report	Disseminated sugarcane information	KESMA Secretariat	2022
	Support measures to eliminate tax evasion	Higher revenues to KRA	% change in revenue collection	KESMA Secretariat	2022
	Strengthen advocacy role with other stakeholders	Advocacy Roles	Informed stakeholders	KESMA Secretariat	2022
Development of an institutional framework for roads maintenance coordination in the sugar-belt	Establish a sugar-belt roads management committee	Functioning committee	Framework for roads maintenance coordination	KESMA Secretariat	2022
Development of a comprehensive policy on co-generation and exploitation of bio-fuels and other sugarcane products	Support measures to develop a comprehensive policy on co-generation and exploitation of bio-fuels and other sugarcane products	Comprehensive policy	Improved Sugar Subsector business environment	KESMA Secretariat	2025
Adoption of cane pricing formula	Recruit, train and deploy operations staff.	Recruitment and selection process	Competent staff	KESMA Secretariat	2025
	Interfacing of the LIMS with the mills ERP and weighbridge database Systems	Laboratory information management system (LIMS) System	Suitable LIMS system	KESMA Secretariat	2025
	Calibration of the NIR to test samples	Calibrated NIR	Efficient and effective testing	KESMA Secretariat	
	Cane Testing Unit (CTU) Laboratory Operations Manual	Operations Manual	Efficient and effective pricing formula	KESMA Secretariat	2025
	Stakeholder sensitization	Sensitized Stakeholders	Enhance implementation success	KESMA Secretariat	2025

4.3.2 Strategic Theme 2: Research and Innovation

Table 4: Strategic Theme 2 Implementation Plan

Strategies	Activity	Expected Output	Expected Outcome	Responsibility	Time Frame
Strategic Objective 1: Continuously research and develop on high sucrose and early maturing cane varieties					
Conduct research and publish findings	Develop thematic research work plan	Thematic research work plan	Guided and effective research	KESMA Secretariat /KALRO-SRI	2021
	Continuously conduct market intelligence to identify research topics	Report	Published sugarcane information	KESMA Secretariat /KALRO-SRI	2021
	Identify research partners	List of partners	Pool of collaborative partners	KESMA Secretariat /KALRO-SRI	2022
	Conduct and publish the research	Research report	Disseminated sugarcane information	KESMA Secretariat /KALRO-SRI	2022
To have optimally-adapted varieties, plant breeding and release	Breeding for genetic gain and delivery of new varieties	Plant genetics/selection	Improved breeds of sugarcane	KESMA Secretariat /KALRO-SRI	2023
	Develop diagnostics technologies for genetic screening	Diagnostics technologies	Developed diagnostics technologies	KESMA Secretariat /KALRO-SRI	2023
	Fundamental research for gene characterisation and editing	Research report	Disseminated sugarcane information	KESMA Secretariat /KALRO-SRI	2023
	Restructure and modernise the breeding program and broaden the genetic base.	Optimally-adapted varieties, plant breeding and release	Increased sugarcane yield and commercial cane sugar	KESMA Secretariat /KALRO-SRI	2023
	Develop a collaboration framework for the various players involved in seed cane production.	Collaboration framework	Enhanced cane seed production	KESMA Secretariat /KALRO-SRI	2023
	Develop comprehensive growers' manuals to guide cane production	Growers' manuals	Enhanced cane production	KESMA Secretariat /KALRO-SRI	2024

Strategies	Activity	Expected Output	Expected Outcome	Responsibility	Time Frame
Strategic Objective 2: Enhance counties' technical capabilities to increase sugarcane production					
Enhance technical capabilities of the millers to increase sugarcane production	Carry out a capacity need assessment	Needs assessment	Areas of improvement withing the Sugar Subsector	KESMA Secretariat/ KALRO-SRI/Millers	Continuous
	Develop joint strategies with counties and other private sector stakeholders on capacity building	Joint strategies	International standards adopted	KESMA Secretariat / KALRO-SRI/Millers	Continuous
	Provide capacity building in the identified areas including, seed variety, best farming practices	Farmers' training	The number of training undertaken	KESMA Secretariat / KALRO-SRI/Millers	Continuous
Strategic Objective 3: To enhance Sugar Subsector competitiveness and expand product base					
Effective, efficient and reliable milling operations	Increasing sugar production through efficient processing	Higher sugar production at lower costs	Efficient sugar production	Millers	Continuous
	Creating economies of scale by increasing capacity for milling, innovation, capacity enhancement and diversification	Lower production costs	Integration of factories, mergers, acquisitions	Millers	Continuous
	Benchmarking with international standards	Best practice	International standards adopted	Millers	Continuous
	International standards to benchmark with the local sugar industry **(Sugar Industry Tourism)**	Best practice	Local standards adopted	Millers	Continuous
Efficient, reliable harvesting and transport operations	Improving cane yard management	Lower cane-yard losses and reduced cycle times	Reduced staleness index and improved sugar quality	Millers	Continuous
	Reducing post-harvest losses	Increased cane supply	Increased cane supply	Millers	Continuous
	Reducing time lapse between cane maturity and harvesting	Timely harvesting	% of cane harvested at maturity	Millers	Continuous
	Increasing research funding for harvesting and transport	Improved cane transport system	% of harvesting and transportation in total cost	KESMA Secretariat/ KAM	Continuous
Improve road transport infrastructure	Setting up a mechanism to coordinate the utilisation of public funds available for road infrastructure development	Coordinating mechanism	Allocated funds to roads within the sugar belt	KESMA Secretariat/ KAM	2024
	Increasing SDF allocation for infrastructure development	Infrastructure development	SDF allocation to infrastructure	KESMA Secretariat/ KAM	2024

Strategies	Activity	Expected Output	Expected Outcome	Responsibility	Time Frame
Value addition and product diversification	Commissioning and undertaking value chain analysis and product diversification studies	Reports	Number of studies completed	KESMA Secretariat/ KAM	Continuous
	Implementation of recommendations from the value chain analysis and product diversification study	Recommendations	Recommendations adopted	KESMA Secretariat/ KAM	Continuous
	Developing diversification programmes tailored to suit specific factory requirements in line with market opportunities	New product lines	Number of new products reaching the market	KESMA Secretariat/ KAM /Millers	Continuous
Strategic Objective 4: Encourage a "green growth" economy					
To encourage a green growth economy within the Subsector	Undertake sector-wise environmental audit to ensure compliance	Environmental audit report	Environmental audit report	KESMA Secretariat/ KAM	2025
	Sensitize the value chain players on the best environmental practices (BEPs) in agriculture and the benefits such as carbon credits	Number of trainings	Sensitized Subsector	KESMA Secretariat/ KAM	2025
	Promotion programs on climate change adaptation and mitigation measures in agriculture	Number of promotion programs on climate change and mitigation measures	Programs on climate change and mitigation measures	KESMA Secretariat/ KAM	2025
	Continuously monitor emerging environmental issues that impact the value chains	Monitoring reports	Monitoring reports	KESMA Secretariat/ KAM	2025

4.3.3 Strategic Theme 3: Value chain and Subsector development

Table 4: Strategic Theme 3 Implementation Plan

Strategies	Activity	Expected Output	Expected Outcome	Responsibility	Time Frame
Strategic Objective 1: To continuously improve systems for generating and disseminating Sugar Subsector information					
Publish Sugar Subsector related publications	Preparation and publication of the Sugar Subsector related publications	Updated Sugar Subsector information including, sugar imports	Timely access to Sugar Subsector information	KESMA Secretariat/ KAM	Monthly
Ensure all Sugar Subsector information is accessible to all actors.	Review and implementation of the universal accessibility guidelines	Universally accessible systems	Universally accessible systems	KESMA Secretariat/ KAM	Monthly
Strategic Objective 2: Increased cane, sugar production, and productivity to enhance Sugar Subsector competitiveness					
Piloting cane production under irrigation	Provision of irrigation infrastructure	Irrigation infrastructure	Improved irrigation infrastructure	KESMA Secretariat/ KAM	2025
	Promotion of irrigation initiatives	Promotion initiatives	Improved irrigation & water use management	KESMA Secretariat/ KAM	2025
	Increasing investment in irrigation to reduce dependency on rain-fed agriculture.	Investments in irrigated agriculture	Increased revenue	KESMA Secretariat/ KAM	2025
Provision of adequate subsidized fertilizer and other farm inputs	Expediting the establishment of fertilizer blending factories to reduce the cost of agricultural inputs to farmers	Subsidized fertilizer and other farm inputs	Enhanced cane production	KESMA Secretariat/ KAM	2022
Implement funding mechanism that enhances income to stakeholders	Lobby for re-introduction of the Sugar Development Levy (SDL)	SDL	Affordable credit and infrastructure support	KESMA Secretariat/ KAM/	2025

4.4 Stakeholder Management

A stakeholder analysis and mapping process was undertaken to identify key stakeholders and map out strategies for managing the key stakeholder relationships. The stakeholder analysis and mapping process followed the power, urgency and legitimacy typology ranking attributes. These three attributes define the stakeholder "salience", which is "the degree to which managers give priority to competing stakeholder claims". The more attributes (power, legitimacy, and urgency) a stakeholder is perceived to have, the higher their salience. In other words, the greatest priority will be given to stakeholders who have more power, legitimacy and urgency. Power and legitimacy are interrelated, and the three variables can overlap.

Based on this analysis, three prime categories of stakeholders were derived for the Sugar Subsector, which then feeds into the stakeholder management process as outlined below.

i. Customer centrism and market focus

ii. Staff capacity building to ensure a motivated and competent workforce

iii. Adequate financial, human and other resources to support strategy implementation

iv. Implementation and continuous monitoring and evaluation of the implementation process

v. Effective leadership, open and effective communication and teamwork

vi. Innovation and creativity

vii. Development and effective management of strategic partnerships

viii. Good corporate governance

ix. Business continuity planning and knowledge management

x. Building a reputable and visible brand

Table 9: Stakeholder mapping

	Red	**Definitive stakeholders**	Presence of all three attributes (power, legitimacy and urgency) - high salience. Managers give immediate priority to these stakeholders.
	Amber	**Expectant stakeholders**	Two attributes - moderate salience. Rather passive, likely higher-level engagement with these stakeholders. Manage carefully otherwise frustration could make them 'turn red'.
	Green	**Latent stakeholders**	One attribute - low salience. Some level of attention and monitoring, otherwise they 'go amber'.

Table 10: Stakeholder Map

Stakeholder	Role of stakeholder	Stakeholder expectations from the Subsector	Class	Stakeholder management strategy
Ministry of Agriculture, Livestock, Fisheries and Cooperatives	• Policy formulation • Supervise sector performance • Linkages with Financial support (donors) • Governance of farmers' cooperative societies	• Execute the Sugar Directorate's mandate • Efficient and effective service delivery • Collaboration and partnership	Red	• Effective service delivery • Ensure proper management of cooperative societies
Ministry of Water & Sanitation and Irrigation	• Facilitation of foreign investments	• Collaboration and partnership	Red	• Disseminate information on foreign investments in the sector (irrigation sector)
Ministry of Industrialization, Trade and Enterprise Development	• Facilitation of foreign investments	• Collaboration and partnership	Red	• Disseminate information on foreign investments in the sector
Farmers	• Production of crops • Delivery of quality products	• Provision of extension services • Advocate on market accessibility • Good prices on produce	Red	• Partner with donors and other key institutions • Efficient and effective service delivery • Disseminate information on best practices • Provide market information
Farmer Institutions	• Represent farmers' issues • Marketing of farmer produce	• Dissemination of information • Promote smallholder participation in export markets	Red	• Linkages to markets for smallholders • Disseminate industry information
National Government	• Provision of extension services to farmers • Promotion of sugar plantation	• Collaboration and partnership • Public confidence • Industry development • Enabling operating environment for business growth	Red	• Provide technical assistance to farmers • Availing of farm inputs such as certified seeds, fertilizer and other planting materials • Provision of infrastructure to promote agricultural production and marketing
Other agencies -KEBS, NEMA, KAM, KRA, KEPHIS, KIRDI, KALRO, PCPB and CAK	• Conduct research and development of industrial and allied technologies.	• Support sensitization programmes • Collaboration and partnership	Red	• Provide information on priority areas • Promote and disseminate findings within the industry (sharing industry information) • Capacity development and technical support • Advise

Stakeholder	Role of stakeholder	Stakeholder expectations from the Subsector	Class	Stakeholder management strategy
County Governments	● Provision of extension services to farmers ● Promotion of sugar plantation in counties	● Collaboration and partnership ● Public confidence ● Industry development ● Enabling operating environment for business growth	Red	● Collaborate and partner with county governments ● Provide technical assistance to farmers ● Availing of farm inputs such as certified seeds, fertilizer and other planting materials ● Provision of infrastructure to promote agricultural production and marketing
Sugar Directorate	● Publicity ● Collaboration ● Market Intelligence	● Conducive business environment ● Good corporate governance ● Access to up to date industry information	Red	● Provide relevant and timely information ● Monitor and manage published information and respond to it appropriately ● Collaboration
Sugar Research Institute	● Publicity ● Market intelligence ● Exchange of information	● News content ● Revenue through adverts ● Exchange of information and data	Red	● Collaborative research, knowledge generation and dissemination ● Developing and executing training programs ● Collaboration
Processors	● Agro-processing and value addition ● Product diversification	● Linkage to markets ● Access to finance ● Investment incentives ● Promote new technologies	Green	● Collaborate with financial institutions ● Promote investments in processing ● Link processors with markets ● Increase product diversification ● Adoption of appropriate technologies
Kenya Society of Sugarcane Technologists	● Ensure timely intervention in issues affecting sugar farmers in the sector	● Collaborate in policy and stakeholder functions	Amber	● Enhance markets for smallholder farmers ● Organize regular stakeholder meetings
Cane cutters & cane transporters	● Production of crops ● Delivery of quality products	● Advocate on market accessibility ● Good prices on produce	Amber	● Provision of good infrastructure ● Better wages and good prices for the sugar product
Other industry stakeholders	● Exchange of information ● Technical and financial support	● Exchange of information and data ● Conducive business environment ● Good corporate governance ● Access to up to date industry information	Green	● Collaborative research, knowledge generation and dissemination ● Developing and executing training programs

Effective management of the various stakeholders identified here is quintessential to the Sugar Subsector's ability to fully and successfully implement this Strategic Plan. Additionally, in realizing the goals and objectives contained in the Plan and effectively executing its mandate. All the three Strategic Plan core themes discussed in chapter four are heavily stakeholder-dependent hence, the need for the Subsector to highly prioritize the stakeholder management process

CHAPTER 5

STRATEGIC RISK ANALYSIS

CHAPTER FIVE

STRATEGIC RISK ANALYSIS

5.1 Strategic Risk Analysis

A proactive approach to strategic risk management is essential in anticipating and mitigating potential risks that could impede the realization of Sugar Subsector's plan and objectives. Strategic risk assessment is a systematic and continual process for assessing the most significant risks facing an enterprise. It is anchored and driven directly by the sector's core strategies. Linkage of top risks to core strategies helps pinpoint the most relevant information that might serve as an effective leading indicator of emerging risks.

The strategic risk analysis is aligned to the Subsector's strategic objectives and environment. It aims to inform a proactive approach to risk monitoring, mitigation and management. The risk management process and the resultant reporting shall reflect and support the Subsector's strategic objectives and environment. The Subsector strategic risks have been classified as operational, reputation, supervisory/compliance, strategic and financial, based on standard GARP risk classification.

Strategic risk

(including contagion and related party risk) is the prospective adverse impact on the business arising from poor strategic decisions, improper implementation of decisions or lack of responsiveness to changes in the operational environment. Strategic risk encompasses the risk of choosing and continuing to follow suboptimal strategies to meet objectives, not executing the strategies successfully and changing the business as usual from expected.

1

Operational risk

(includes people, compliance, information security risk, fraud risk, regulatory and legal risks). This is the risk of loss from inadequate or failed processes, people, systems or external events including, but not limited to, business continuity and disaster recovery, corporate governance, security, fraud and IT risks.

2

Reputation risk

which is the risk of damage to the corporate image.

3

Compliance risk

defined as exposure to legal penalties, financial forfeiture and material loss arising from a failure to act in accordance with industry laws and regulations, internal policies or prescribed best practices.

4

Financial risk

would emanate from a failure to either mobilize adequate funds or a lack of prudence in financial resource utilization. It encompasses:

i. **Credit risk:** The risk of loss from a counterparty not meeting their contractual obligations as they fall due.
ii. **Liquidity risk:** Risk of being unable to meet cash flow obligations as and when they fall.

5

For each risk, appropriate mitigation measures have been determined, and the mitigation measures have subsequently informed the implementation and the M & E framework. The risk analysis will also be an integral input in the subsequent development of a comprehensive risk management strategy to facilitate the successful implementation of the Strategic Plan.

Table 11: Risk Analysis

Classification	Anticipated Risk	Mitigation Measures
Strategic Risks	Failure to realize the Subsector's mandate	• Develop a strategic plan to guide the realization of the mandate • Aligning the vision, mission and strategic objectives to the mandate • Implement the strategic plan and put in place a monitoring and evaluation framework to ensure timely progress tracking
	Strategic scope creep	• Regularly review the strategic objectives to realign them to changes in the operational environment and performance
	Failure of staff and other stakeholders to buy into the vision and strategy	• Stakeholder inclusion and participation in the visioning and strategic planning process to ensure understanding and embracing of the vision and strategy
Operational Risks	Inaccurate data, data manipulation, mismatch of data, system/human errors, amongst others	• Install and update antivirus software, firewalls and other logical access controls • Set up a system for validating information collected from various sources
	Lack of stakeholder goodwill	• Comprehensive stakeholder analysis and mapping to inform targeted stakeholder management and enhance and sustain stakeholder goodwill • Effective and continuous stakeholder engagement
	System/technology failure	• Develop a business continuity plan (BCP) • Continuous acquisition and maintenance of new hardware to ensure it does not fail while in use
Reputation Risks	Releasing information to the wrong people or wrong information to stakeholders	• Observing due process in information dissemination. • Verifying validity and accuracy of all information and credibility of information sources
	Grand corruption or embezzlement	• Strengthen sector governance structures • Punish and prosecute offenders
	Website unavailability	• Establish and maintain a website
Compliance Risks	Submission of inaccurate, incorrect and/or untimely information	• Institute data validation policies and procedures • Develop and implement information dissemination policy
Financial Risks	Inadequate financial resources	• Proper budgeting and implementation of the resource mobilization strategy through initiatives such as diversification of income streams
	Inequitable resource allocation	• Prioritization of resource allocation based on the implementation matrix
	Low rates of absorption of allocated funds	• Proper planning of expenditure and implementation

CHAPTER 6

MONITORING AND EVALUATION FRAMEWORK

CHAPTER SIX

MONITORING AND EVALUATION FRAMEWORK

Monitoring can be defined as a continuing function that aims primarily to provide sector leadership and stakeholders with the early indication of progress in the achievement of results. The purpose of monitoring, evaluation and reporting is to ensure that the Strategic Plan implementation is according to schedule and in the event of any deviation, appropriate and timely action is taken. The Subsector has five years to fully implement the Plan. Monitoring and evaluation is, therefore, critical in ensuring that the strategic aspirations and intents of the Plan are realized efficiently, effectively and sustainably. The monitoring, evaluation and reporting process will be undertaken at the Secretariat level with requisite support from the entire Subsector. It will be used to critically assess the progress made in the second implementation phase of the Strategic Plan, with a view to either taking corrective measures or sustaining the positive trends in the implementation process.

6.1 Actors in Implementation of the Strategic Plan

The overall responsibility of implementing the strategy rests with the Secretariat. However, it is necessary to form a monitoring and evaluation team to carry out this responsibility to ensure the achievement of strategic objectives in a timely manner, and in line with the available resources. The team will periodically receive reports, provide feedback, coordinate and supervise the implementation of recommendations from other stakeholders. The implementation matrix forms the basis for monitoring and evaluation. The Monitoring and Evaluation Committee will also ensure:

i.	Total quality assurance standards and a continuous improvement process.
ii.	Culture of change and effective management of change.
iii.	Maintain healthy relations with all the stakeholders, taking stock and sharing success stories.
iv.	Resources are allocated to facilitate the implementation of the Strategic Plan.
v.	Review performance management, monitoring and evaluation mechanism.
vi.	Greater impact when carrying out various activities.

6.2 Resource Mobilization

This section seeks to inform and guide the Sugar Subsector's efforts towards sustainable financing of its programmes and operations. It proposes strategies for mobilizing resources, to support the implementation of the Strategic Plan and the ultimate fulfilment of the Sugar Subsector's Vision and Mission. The KESMA Secretariat, the Sugar Directorate and KAM will develop a targeted resource mobilization plan and campaign to ensure sufficient resources are available to fund this Strategic Plan and the attendant budgets/work plans. Financing needs assessment of the Subsector will be undertaken and a comprehensive resource mobilization strategy developed. Some of the sources of revenue for the Sugar Subsector during the plan period will include internally generated revenue, grants from National Government, funds from donors and development partners and partnerships with the private sector.

The strategic objectives will be achieved through various strategies and activities as outlined in the strategic model. The financial resources required for implementing the strategies and activities are outlined in the Implementation Matrix and are expected to be generated from internal and external sources over the same period, based on the projected cash inflows. In case of any resource gap, it will be filled through the implementation of appropriate resource mobilization strategies.

Table 6.2: Financial Resource Requirements

Strategic Themes/Key Results Areas	FY-2021/22	FY-2022/23	FY-2024/25
Sugar Subsector Policy and Advocacy			
Research and Innovation			
Value Chain and Subsector Development			
Personnel Emoluments			
TOTALS			

6.3 Monitoring and Evaluation

Evaluation is a selective exercise that attempts to systematically and objectively assess progress towards the achievement of an outcome. This is an important part of strategy implementation that involves taking a periodic look at how the plan is taking shape. This will help in aligning the Subsector's efforts to conform to the Plan, subsequently, accomplish its objectives. It allows objective re-evaluation and in case of deviation, raises red flags early enough to inform timely action that will ensure the realization of the Plan's objectives and the subsector aspirations.

Monitoring implementation of the Strategic Plan shall be done through continuous, systematic and SMART tracking of activities and actions to assess progress against the targets set in this Plan on a BSC framework for the implementation period. The KESMA Secretariat shall undertake a mid-term and terminal review of the Plan. The evaluation mechanism will entail:

i. Measuring actual performance against set target levels in terms of outputs and outcomes and establishing any variation(s) in performance

ii. Identifying and addressing the causal factors for variance

iii. Identifying and recommending appropriate remedial measures, including a review of objectives and/or strategies

Reporting is an integral part of monitoring and evaluation. Reporting is the systematic and timely provision of essential information at periodic intervals. M&E framework shall involve the development, of annual work plans, by the departments, in conformity with the objectives, strategies and activities as captured in the implementation matrix. Individual work plans will be informed by the respective departmental work plans, thereby closing any loop in the performance management system. The effectiveness of the M&E framework will be the measurement of results rather than outputs. The monitoring of results will be based on the result indicators given in the implementation plan. Data will be collected for each result indicator on a monthly and quarterly basis then aggregated into annual performance reports that will enable the KESMA Secretariat to assess the strategic plan implementation progress, over the planning period. Baseline data collected will be used as a benchmark for monitoring results. Result-based information will be an integral part of the governance and performance management of the Subsector. An outcomes-based summative evaluation of the Strategic Plan shall be conducted to determine the extent of execution using the evaluation tool (Table 12). The summative evaluation reports shall be presented to the Board for direction.

Table 1: Evaluation Tool

Strategic Theme	Strategic Objective	Strategy	Time Frame	Status of Strategy	Variance & Why	Responsibility	Improvement Program(s)
Sugar Subsector policy and advocacy	To develop an Energy Policy within the sector	Diversification and adoption of an Energy Policy	2023	5% Implemented	Consultations with other industry players on the modalities	KESMA Secretariat	Proactively manage the process through lobbying

6.4 Conclusion

Strategy evaluation and review (strategic control) provides continuous feedback for monitoring implementation and enhancing communication essential for successful strategy implementation. Strategy monitoring checks whether the results produced during the implementation of various activities are in line with the vision and mission of the Sugar Subsector. The departmental heads will play a key role in implementing the Plan by providing leadership and inspiration to the Subsector.

Good strategic plans are not rigid, they are flexible and ought to be periodically reviewed and adjusted to reflect emerging realities. This Strategic Plan shall be reviewed on an ongoing basis with the provision for a definite summative, terminal review to ensure it remains relevant and valuable to the Sugar Subsector. Collective ownership, responsibility of and total commitment to this Plan remain integral. All stakeholders are expected to understand what is expected of them and the role they play in not only implementing this Strategic Plan but also in the realizing the Sugar Subsector's vision. A strong performance management culture will be critical in ensuring that everyone delivers according to the expectations and the eventual successful implementation of the Plan.

APPENDIX

APPENDIX ONE: DATA COLLECTION TOOL

We invite you to take part in this survey to seek your views on the Sugar Subsector`s Strategic Plan, 2021 - 2025. The survey outcomes play an important role in developing and delivering the 2021-2025 Strategic Plan. It should take around 10 minutes to complete the survey. Please note that your response is private and confidential. Individual respondents will not be identified in any data or reports. Thank you for taking your valuable to participate in this survey.

1. **Vision and Mission:**

   Proposed Vision:

   Proposed Mission statement:

2. Which **Core Values** would you recommend for the Sector? Kindly explain each of your choices.

   a) _____

   _____

   b) _____

   _____

   c) _____

   _____

3. What key achievements do you feel that the Sector made in the last one year?

   a) _____

   _____

   b) _____

   _____

   c) _____

   _____

4. What key challenges do you feel that Sector faced in the last one year?

   a) _____

   _____

   b) _____

   _____

   c) _____

   _____

5. What are the top five areas of improvement you would recommend for better performance of the Sector in the next 5 years (2021-2025)?

   a) _____

   _____

   b) _____

   _____

   c) _____

   _____

6. Occurrences in the external environment of your operations have a bearing on its activities. What occurrences in the following external environment aspects do you feel have a bearing on the performance (now and in the future)? Use the table below:

Factor	Positive	Negative
Political	a) b)	a) b)
Economic	a) b)	a) b)
Socio-Cultural	a) b)	a) b)
Technological	a) b)	a) b)
Ecological	a) b)	a) b)
Legal	a) b)	a) b)

7. Briefly highlight Sector's Strengths, Weaknesses, Opportunities and Threats (SWOT).

Strengths (Internal)

a)

b)

Weaknesses (Internal)

a)

b)

Opportunities (External)

a)

b)

Threats (External)

a)

b)

8. Please identify the key stakeholders that you think would be interested in the operations of the activities within the Sector. Also state what these stakeholders may expect from the Sector and what the Sector should expect from them. Please use the table provided below:

Stakeholder	Stakeholders' expectations from the Sector	Sector`s expectations from stakeholders

9. In one sentence, describe the Sector that you wish to see in the next 5 years.

10. In 3 or 4 sentences, describe how you think that the Sector you described in 9 above shall be achieved.
    a) _____
    _____
    b) _____
    _____
    c) _____
    _____

11. *"The Sugar Subsector is a sleeping giant".* Discuss this statement in light of the Sector's potential

12. As the Sector charts its way forward, what would you like to see happen/done in the next five years in the following areas (Please be as specific as possible):
    a) Financial Stewardship; do the activities of the Sector improve livelihoods within the Sugar Belt Region?
    b) Customer perspective; how well does the Sector serve customers and other stakeholders.
    c) Internal business processes; what must the Sector do to excel?
    d) Learning and growth; how can Sector continue to improve, create value and innovate?

Kenya Association of Manufacturers
15 Mwanzi Road, Westlands
Box 30225 – 00100, Nairobi Kenya

Phone: +254 (020)2324817, (20)2166657
Fax: +254 (020)3200030
E-mail info@kam.co.ke; membershelpdesk@kam.co.ke

www.kam.co.ke
@KAM_kenya
Kenya Association of Manufacturers
Kenya Association of Manufacturers
@KAM_Kenya
Kenya Association of Manufacturers