POTENTIAL IMPLICATIONS OF THE NATIONAL HORTICULTURE POLICY ON THE GROWTH OF THE CUT FLOWERS EXPORT INDUSTRY IN KENYA

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SUMMER 2019
STUDENT DECLARATION
I declare that this is my original work and has not been presented to any other college, university or other institution of higher learning other than United States International University Africa

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ABSTRACT

This study sought to find out the potential implications of the National Horticulture Policy 2012 on the growth of the cut flowers export industry in Kenya. The non-implementation of the said policy presents the problem in this study with research questions seeking to find out factors contributing to this state of affairs. The study anchors on the Classical Economic Theory’s key concept of comparative advantage that brings out the aspect of sustenance of Kenya’s competitiveness in the cut flowers export industry. A mixed approach research design has been used to present, analyse and outline findings into the research questions. One of the key findings is that for Kenya to maintain its competitiveness in the cut flowers export industry, it will need to deviate attention from external actors and expedite implementation of the NHP 2012. This policy will contribute to the sustainability of the export performance of not only the cut flowers sector but the horticulture industry as a whole. The study recommends a review of the strategies outlined in the National Horticulture Policy 2012 in order to realize the full potential of the cut flowers export industry in Kenya.
ACKNOWLEDGEMENT

I would like to acknowledge the guidance of my supervisor Leonard Maumo whose support helped me organize my ideas into this thesis.
DEDICATION

I dedicate this thesis to my entire support system who all walked with me through this journey. God bless you.
LIST OF ABBREVIATIONS

ACPs  African Pacific and Caribbean Countries
AFA  Agriculture and Food Authority
AGOA  African Growth and Opportunity Act
CAP  Common Agricultural Policy
COMESA  Common Market for Eastern and Southern Africa
DBE  Development Bank of Ethiopia
EAL  Ethiopian Airlines
EBA  Everything but Arms
ECOWAS  Economic Community of Western African States
EHDA  Ethiopian Horticulture Development Agency
EHPEA  Ethiopian Horticulture Producers and Exporters Association
EPAs  Economic Partnership Agreements
ERCA  Ethiopian Revenue and Customs Authority
ETB  Ethiopian Birr
EU  European Union
FDI  Foreign Direct Investment
FPEAK  Fresh Produce Exporters Association of Kenya
GDP  Gross Domestic Product
GSP  Generalized System of Preferences
HCD  Horticulture Crops Directorate
KARI  Kenya Agricultural Research Institute
KEPHIS  Kenya Plant Health and Inspectorate Services
KFC  Kenya Flower Council
KHRC  Kenya Human Rights Commission
KQ  Kenya Airways
LDC  Least Developed Country
MoA  Ministry of Agriculture
<table>
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<tr>
<th>Abbreviation</th>
<th>Full Form</th>
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<tbody>
<tr>
<td>NBE</td>
<td>National Bank of Ethiopia</td>
</tr>
<tr>
<td>NECC</td>
<td>National Export Coordinating Council</td>
</tr>
<tr>
<td>NEMA</td>
<td>National Environmental Management Authority</td>
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<tr>
<td>RECs</td>
<td>Regional Economic Communities</td>
</tr>
<tr>
<td>SADC</td>
<td>Southern Africa Development Community</td>
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<tr>
<td>SAPs</td>
<td>Structural Adjustment Programs</td>
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<tr>
<td>SPS</td>
<td>Sanitary and phytosanitary</td>
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<tr>
<td>VAT</td>
<td>Value Added Tax</td>
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<tr>
<td>WTO</td>
<td>World Trade Organization</td>
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1.0 CHAPTER ONE: INTRODUCTION

A country’s domestic policy comprises of all administrative decisions that are directly related to all issues and activity within its borders. Domestic policies help to solve issues by putting forth plans, laws, or even programs to make improvements within society. One such policy is Kenya’s National Horticultural Policy (NHP) launched in 2012. Some of its main objectives include sustenance of the horticulture industry’s growth and development to enable it to compete favorably in the export market and earn more foreign exchange, generate increased incomes and employment for various sector players, and generally contribute to the broader economic goals as envisaged in Vision 2030.

Horticultural products are key in the country’s export industry with the value of its exports increasing by 33.3 percent from Ksh.115 billion in 2017 to Ksh.153.7 billion in 2018. Kenya’s horticulture industry now contributes 1.6 percent to the country’s overall GDP with 1.1 percent emanating from the floriculture industry alone. The substantial increase in horticultural exports has mainly been attributed to the cut-flower export industry which has enabled this bloom. In 2018, cut flowers accounted for 73.6 percent of the total value horticulture exports (Kenya National Bureau of Statistics, 2018).

At the time of drafting of the National Horticulture Policy 2012, negotiations on the Economic Partnership Agreements (EPAs) between African Pacific and Caribbean countries (ACP) and the European Union was also taking place in 2007 (Jesuit Hakimani Centre (JHC) Kenya, 2017). EPAs are trade and development agreements negotiated between the EU and African, Caribbean and Pacific regions engaged in a regional economic integration process. African countries showed a lot of resistance towards signing of these agreements due to some trade regulations prescribed that would interfere with their domestic
policies that support export capability. The NHP, therefore seemed like a great step towards securing the future of Kenya’s Horticulture Industry and hence boost its competitiveness in its important cut flower export industry.

After its launch in 2012, the NHP’s implementation process dragged on as the European Union (EU) put pressure on African countries to sign into the EPAs. This pressure emanated from the fact that the EU had threatened to block exports to its region, which would result in Kenya losing its biggest flower market and therefore huge losses in revenue. Kenya signed an interim of the EPA in February 2015, some months past the prescribed deadline of October 2014. By this time, the government had merely bowed to pressure from the flower firms who claimed losses of about Ksh 100 million per week during the deadline expiration period (Jesuit Hakimani Centre (JHC) Kenya, 2017). Even after this signing, the NHP had not been implemented and is still in its implementation stage to date.

1.1 Background of the study

Kenya has a vibrant export industry worth Ksh.423.8 billion that has contributed to its economic growth and development over the years. The country’s biggest export earners are dominated by five main products namely coffee, tea, horticultural products, clothing and apparel and titanium ores. In 2017, the total value of exports increased by 2.8 percent to Ksh.594.1 billion with Africa leading as Kenya’s main export destination accounting for 37.7 percent, while exports to Europe accounted for 24.7 percent with a majority of the exports being received by European Union (EU) countries (Kenya National Bureau of Statistics, 2018).

Cut flowers exports started in Kenya during the 1980s and have grown steadily since then. In 2016, Kenya cut flower exports amounted to a volume of nearly 134,000 tons and valued
at 708 million USD. The journey of Kenya’s Floriculture industry has however been tumultuous up to this moment with various policy initiatives being put in place to strengthen the sector. It is undeniable that these efforts have borne some fruit with the industry experiencing an increase in export volumes over the years. Floriculture now contributes to 1.1 percent of the country’s total GDP and is expected to grow further if all policies are fully implemented.

Table 1. 1Table Showing Value and Volume of Exports of Fresh Horticultural Produce from 2014-2018

<table>
<thead>
<tr>
<th>Year</th>
<th>Cut Flowers</th>
<th>Fruits</th>
<th>Vegetables</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Volume ‘000 Tonnes</td>
<td>Value Ksh. billion</td>
<td>Volume ‘000 Tonnes</td>
<td>Value Ksh. billion</td>
</tr>
<tr>
<td>2014</td>
<td>114.8</td>
<td>59.8</td>
<td>35.1</td>
<td>5.4</td>
</tr>
<tr>
<td>2015</td>
<td>122.8</td>
<td>62.9</td>
<td>46.2</td>
<td>6.6</td>
</tr>
<tr>
<td>2016</td>
<td>133.7</td>
<td>70.8</td>
<td>48.7</td>
<td>7.3</td>
</tr>
<tr>
<td>2017</td>
<td>160.0</td>
<td>82.2</td>
<td>56.9</td>
<td>9.0</td>
</tr>
<tr>
<td>2018</td>
<td>161.2</td>
<td>113.2</td>
<td>75.6</td>
<td>12.8</td>
</tr>
</tbody>
</table>

According to the Kenya Flower Council (KFC), roses, carnations, gypsohilia, lilies, alstromeria, eryngiums, hypericum, statice and arabicum are among the main cut flowers grown in Kenya. Kenya commands a 38 percent market share of the European Union (EU) as the lead exporter of roses to this region. The country is also the world’s fourth largest exporter of flowers after Netherlands, Colombia and Ecuador claiming a 7 percent market share. This can be attributed to the country’s compliance to most international requirements (Kenya Flower Council, 2019).

Between the year 2001 and 2010, Kenya’s horticulture sector exhibited an average annual growth of 15.9 percent per annum with cut flower exports contributing heavily to this advancement. The Ministry of Agriculture therefore sought to draft the National Horticulture Policy to enable sustainability of the horticulture industry’s growth by supporting its development towards attainment of food security, provision of raw materials for primary processing and supporting favorable competition in export markets so as to generate more foreign income (Ministry of Agriculture, 2012).

The making of the National Horticulture Policy 2012 dates back to 1999 when the Permanent Secretary at the Ministry of Agriculture constituted a committee to formulate the country’s horticulture policy. This led to the development of the Horticulture Bill 2001 that was drafted to cater for the rapid growth of the horticulture sector (Opondo M. , 2002). During its inception, the Horticulture Bill 2001 was to serve the purpose of strengthening the then Horticultural Crops Development Authority (HCDA), now currently known as the Horticulture Crops Directorate (HCD). HCD is a board in charge of promoting, developing and coordinating the production and marketing of horticultural produce. It oversees implementation of policies by Ministry of Agriculture.
One of the key aims of the bill was to give HCDA the mandate to ‘police’ the industry by providing it with legal support to control all issues related to the horticulture sub-sector. The proposed bill faced a lot of resistance from the private sector industry stakeholders like the Fresh Produce Exporters Association of Kenya (FPEAK) and the Kenya Flower Council (KFC). They pointed out that the functions envisaged in the new organ HCDA were already efficiently being carried out by the private sector and the bill would be a luxury the country couldn’t afford (Daily Nation, 2001). Private sector stakeholders yearned for a more hands-off approach from government in order to protect growers and exporters from excess fees that they feared would be imposed by HCDA. Needless to say, the bill was shelved for ten years until the National Horticulture Policy was launched in 2012.

The drafting of the National Horticulture Policy 2012 was clearly informed by the fact that despite horticulture industry’s high performance over the years without a guiding policy framework, it was no longer feasible to sustain such achievements. This policy was therefore drafted to spur growth while considering the dynamic nature of the horticulture industry (Ministry of Agriculture, 2012). It was centered on gearing efforts towards elevating the domestic market by increasing production and developing physical infrastructure. The policy document outlined government interventions to strengthen the industry through partnership with the private sector who had helped drive the industry’s agenda over the years.

The National Horticulture Policy 2012 (NHP 2012) objectives include sustenance of the industry’s growth and development to enable it to compete favorably in the export market and earn more foreign exchange, generate increased incomes and employment for various sector players, and generally contribute to the broader economic goals as envisaged in Vision 2030. The policy document offered interventions for production, support services and even
regional, international and local marketing of horticultural produce. The policy highlighted its main goal to be sustainability of the industry’s growth rate that had recorded a 15.9 percent annual growth rate over the past decade from 2001 to 2010 (Ministry of Agriculture, 2012).

The National Horticulture Policy 2012 addressed the shift from tariff to non-tariff barriers in international horticultural trade that necessitated more regulation of the horticulture industry to comply with the new market requirements. It acknowledged that activities of government agencies involved in regulating the industry were not harmonized which had led to delays and increased cost of complying with non-tariff barriers. To improve service delivery in this area, the Government would establish mechanisms for strengthening interagency coordination on regulation (Ministry of Agriculture, 2012).

Regulatory authorities like the Horticultural Crops Directorate (HCD) and Kenya Plant Health and Inspectorate Services (KEPHIS) were mandated with making sure these international requirements are met in order to facilitate entry into new and existing markets. However, to date, there still exist incoherent national laws and regulations that end up leading to double taxation of cut flowers. They also led to conflicting requirements between regulatory bodies, with some regulatory bodies not having the capacity to assist exporters to meet quality requirements imposed by another regulatory authority for compliance, before the products can be allowed to be exported (Ministry of Trade, Industry and Cooperation, 2018).

At the time of the policy launch in 2012, the main challenges to be addressed by the NHP 2012 included: multiple taxation regimes, low incentives in terms of local market prices, high costs of inputs as well as water, energy, and air freight, and a generally unregulated
environment leading to produce poaching and lack of quality control for local produce. It is worth noting that the horticulture industry is still facing the same challenges in 2019. The CEO of the Fresh Produce Consortium of Kenya, Okisegere Ojepat recently noted that the sector still faces rigorous and lengthy clearance processes, high energy costs, multiple taxes and levies and trade restrictions (Xinhua News Network, 2019).

The National Horticulture Task Force comprised of the Ministry of Agriculture (MoA) now Ministry of Agriculture, Livestock, Fisheries and Irrigation (MOALFI), the Horticultural Crops Development Authority (HCDA) now HCD, the Kenya Agricultural Research Institute (KARI) now the Kenya Agriculture and Livestock Research Organization (KALRO), the Kenya Plant Health Inspectorate Service (KEPHIS), the Kenya Flower Council (KFC), the Fresh Produce Exporters Association of Kenya (FPEAK), the Kenya National Federation of Agricultural Producers (KENFAP) now the Kenya National Farmers Federation (KENAFF), the Smallholder Horticulture Marketing Programme (SHoMaP) of MoA, and the Kenya Horticultural Competitiveness Programme (KHCP) of USAID is mandated with the task of steering forward the implementation process of the NHP 2012.

The National Horticulture Policy 2012 painted a clear picture of Kenya’s horticulture industry, outlining its challenges and the correspondent government interventions. The policy sought to exploit the potential carried by each subsector in the horticulture industry, more so, the cut-flower export sector. Among key acknowledgements in the policy was the fact that despite Kenya ranking among the highest exporters of cut flowers in the European market with a market share of 38 percent, the country does not adequately benefit due to existence of middlemen who auction flowers in these markets. These middlemen could be avoided if the country created its own direct auction in Nairobi. Development of an auction
in Nairobi is one of several strategies meant to ensure sustainable growth of Kenya’s cut flower export industry, outlined in the yet to be implemented National Horticultural Policy 2012.

1.2 Statement of the Problem

Formulation of the National Horticulture Policy 2012 outlined that it would focus on maintaining the industry’s annual growth rate of 15.9 percent which had been the trend for the decade from 2001 to 2010. However, according to the Horticulture Validated Report 2015- 2016 by the Agriculture and Food Authority (AFA) of Kenya, domestic value of horticulture production in 2016 amounted to Ksh216.37 Billion as compared to 207.73 Billion in 2015, equivalent to an annual increase of 4 percent. This depicts a decline in the sustainability of the industry’s growth rate.

The National Horticulture Policy 2012 acknowledged the need for better policy implementation measures that would spur growth in different horticultural sectors including the cut flower export industry. The policy is however yet to be implemented, depriving the sector players the legal authority to carry out all suggested government measures that would encourage sustainability and growth. An important question therefore emerges, as to whether the NHP’s promise of sustenance of the Horticulture Industry will deliver desired outcomes of retaining Kenya’s competitiveness in the cut flowers export industry. Is the signed EU EPA working better for the flower firm owners than the NHP 2012 would? This study seeks to find out the potential implications of the NHP 2012 policies on Kenya’s competitiveness in the cut flowers export industry, and whether its implementation process has been influenced by Kenya’s trade relations to the EU.
1.3 Objectives of the study

General Objective

The main objective of this study is to find out the potential implications of implementation of the National Horticulture Policy 2012 on Kenya’s competitiveness in the cut-flowers export industry

Specific Objectives

i. To find out potential implications of the NHP 2012 on Kenya’s competitiveness in the cut flowers export industry

ii. To examine how Kenya-EU trade relationship informed formation of the NHP 2012.

iii. To find out the challenges in implementation of the NHP 2012.

1.4 Research Questions

i. What are the potential implications of the NHP 2012 on Kenya’s competitiveness in the cut flowers export industry?

ii. How did the Kenya-EU trade relationship influence the formation of the NHP 2012?

iii. Why are there challenges in the implementation of the NHP 2012?

1.5 Significance of the study

This study aims to contribute to research on how Kenya’s competitiveness in the cut flowers export industry can be advanced when policies are effectively implemented. The comparative analysis of the National Horticulture Policy to the Ethiopia Horticulture policy, is instrumental in driving the point that when a government supports key policies great results can be achieved.
The study also recognizes that researchers have put their best foot forward in explaining how foreign policy affects the implementation of domestic policies. This study narrows it down to how Kenya’s trade relations with the European Union have shaped the implementation process of the National Horticulture Policy.

1.6 Chapter Summary

The first chapter of this study sought to provide background information on the main reasons behind the formation of the National Horticulture Policy and the value of the cut flowers export industry in Kenya. It also introduces the research problem which is pegged on the fact that the NHP 2012 is yet to be implemented. The rest of the study is organized as follows: Chapter two provides a vast range of literature issues ranging from policy implementation, how external relations influence a country’s domestic policy, authors’ views on the Kenya cut flowers industry and policies around it and a theoretical framework that the study will anchor on. Chapter Three provides the research methodology while Chapter Four embarks on provision of findings and analysis of the data collected. Finally, Chapter Five provides a summary, conclusions and recommendations, and calls for further study on how the NHP 2012 can be reviewed to sustain Kenya’s competitiveness in the cut flowers export industry.
2.0 CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter provides a critical review of scholarly works on areas directly related to the objectives of this study. It is systematically organized into three sections. The first section explores features of the policy process, including implementation, in order to create a clear picture of what it takes for a good policy to be successful. It then diversifies by looking into the influence of external actors on a country’s domestic policy. The second part provides an understanding of the Kenyan cut flowers export industry and sustainability of its competitiveness based on authors’ reviews on literature. The third part describes how successful implementation of a domestic policy leads to robust industry using the Ethiopia horticulture industry to describe such an instance. A theoretical framework is thereafter introduced in order to provide insight and guidance into the research problem.

2.2 The Policy Implementation Process

Various scholars have written extensively that the term public policy is relatively new and came about in the twentieth century. This was as a result of curiosity by rational politicians who sought to find a consensus in the conflict of interests exhibited in government (Potček, 2017). Although the definition of policy is still highly contested to date, authors like William Jenkins (1978) defined it as ‘a set of interrelated decisions taken by a particular actor regarding the setting of goals and the means of achieving them within a specified situation where those decisions should ideally, be within the power of those actors to achieve’ (Hill & Hupe, 2009, p. 6). Public policy is a set of actions by the government that includes, but is not limited to, making laws and is defined by a common goal and purpose (Cochran, Mayer, Carr, & McKenzie, 2010).
Upholding the fact that reaching a consensus on one definition for public policy is impossible, Birkland (2016) defines policy based on its key attributes. These key attributes point out that; policy is made in response to a problem, is oriented towards a goal, is ultimately made by governments even if ideas come from outside government and finally, that policy is interpreted and implemented by public and private actors who have different interpretations of problems, solutions and their own motivations. As a result, Birkland defines public policy as ‘as a statement by government of what it intends to do, such as a law, regulation, ruling, decision, order, or a combination of these’ (Birkland, 2016). The author also adds that the lack of such statements may also be an implicit statement of policy.

Anderson (2010) describes policy formulation as development of pertinent and acceptable proposed courses of action for dealing with a public problem. He then describes policy adoption as development of support for a specific proposal that a policy can be legitimized or authorized. This involves getting the government to accept a solution to the problem (Anderson, 2010).

Collectively, all these definitions have one thing in common: that a policy is formed by a government in order to provide a solution to a certain problem. This will be the working definition of a ‘policy’ throughout this study.

2.2.1 The Stages Model of Policy Formation

Policy formation refers to the total process of creating, adopting and implementing a policy. In the public policy discipline, this is simply the policy identification process. On the other hand, policy formulation refers to only the crafting of alternatives or options for dealing with a problem (Anderson, 2010). Policy formulation seeks to analyze as many areas of policy impact as possible in order to lessen the chances of unwanted outcomes.
During policy formation, the policy cycle tool is used to analyze the development of a policy item. This tool is also known as the ‘stagist’ approach or model and contains four standard stages of policy formation. This stages approach was first coined by Harold Lasswell together with Simon, Lindbolm and Wildavsky 1951. The stages are: Problem identification (Agenda setting); Policy formulation; Decision-making; Policy implementation (Potůček, 2017). A key stage that is being added to the policy formation process is Policy Evaluation which involves government efforts to determine whether the policy was effective and why or why not. (Anderson, 2010).

Figure 2. 1 Policy Cycle showing the policy formation process
Source: (Hill & Hupe, 2009)

The Problem Identification stage, also known as Agenda-Setting is a vital step in policy formation whereby a gap in a particular sector is identified. A series of strategies can be used to identify such problems including public participation and involvement of civil society.
Policy analysts engage in problem structuring, mapping the different aspects of an area and the perspectives from which it can be seen. Problem structuring enables the problem identification process to be conducted in a systematic manner involving relevant stakeholders. A policy analyst therefore sets the agenda when they succeed in formulating policy problems in the most brief, comprehensive and persuasive way possible (Potůček, 2017).

Problem Formulation involves development of pertinent and acceptable proposed courses for dealing with a public problem. This stage enables assessment of as many areas associated with the problem at hand as possible in order to best analyze the intended outcomes and prospect unintended outcomes (Barthwal & Sah, 2008).

The decision-making stage then follows whereby salient issues to be addressed pertaining to the identified problem are selected. In this stage, two models are used to determine the caliber of decisions that will be made and what influence they will have on the policy formation process. The first model is widely known as the rational comprehensive model which assumes that decision-makers have nearly all information about a problem, its causes, and its solutions at their disposal, whereupon many alternatives can be weighted and the best one selected. This model therefore assumes that society can be governed by reason building on the main assumption that a person’s reasoning ability is powerful and the decision this person makes is best for society (Birkland, 2016).

The second model that describes the decision-making stage is the bounded rationality and incrementalism model. Coined by Herbert Simon, this model posits that the making of rational decisions depends on the availability of information, choice in the way of thinking and time. Bounded rationality suggests that decision-makers seek to act as rationally as
possible but are bound by limitations of proper information, time and the limited ability to recognize every feature and pattern of every problem (Potůček, 2017). Incrementalism describes how decision-makers act on policies based on their preferences and shaped by social interactions between them. It suggests that policy change is accomplished through small incremental steps that allow decision-makers to adjust policies as they learn from their successes and failures (Birkland, 2016).

Although the rational-comprehensive and incrementalist models of decision-making are the most commonly used, Birkland points out that the ‘garbage can model’ was also coined to further explain this process. The garbage can model was developed by Cohen, March and Olsen, who argued that organizations are ‘organized anarchies’ and make decisions based on the flow of problems, solutions, and participants into choice opportunities they call ‘garbage cans’ (Birkland, 2016).

Policy implementation is the hallmark of the whole process as it determines if the identified solutions to the known problem are going to be acted upon. It is the process by which policies enacted by government are put into effect by the relevant agencies. It involves application of the initialized policy by government machinery (Anderson, 2010). The National Horticulture Policy 2012 is stuck at this very point, preventing the application of its provisions.

Policy implementation is the application of the policy by the government’s administrative machinery (Anderson, 2010). According to Cochran et al, policy implementation means money spent, laws enforced, employees hired, and plans of action formulated. Policy evaluation on the other hand involves efforts by the government to determine whether a policy was effective or not and the way forward from this (Anderson, 2010).
For a formulated policy to bear fruit, it must go through the implementation stage. This stage requires those charged with execution to cooperate toward achievement of the policy. In their article ‘Inter-organizational Policy Implementation: A Theoretical Perspective’, Lawrence O’Toole et al (1984) ask an important question: If implementation is essentially a problem of cooperation, what can propel individuals who are either in one or multiple agencies, to work together towards a common policy product?’ They argue that three reasons can induce individuals to work together: authority whereby cooperation is derived from a sense of duty; common interest whereby each participant values the goal; and exchange whereby cooperation leads to receiving in return something other than achievement of the goal (O’Toole, Jr., & Montjoy, 1984).

2.2.3 Policy Implementation Process of the National Horticulture Policy

In Kenya, the policy process is no different from the process described above. The Kenya Institute for Public Policy Research and Analysis (KIPPRA) describes the full policy process in Kenya detailing the steps it has to undergo, including parliament passing it as a bill first, before assentation. According to KIPPRA, problem identification can be done by government Ministries, agencies and departments, the Presidency, Cabinet, Academia and even citizens. Figure 2.2 below effectively illustrates the policy formulation process in Kenya (KIPPRA, 2018).
Figure 2. 2 Public Policy Formulation Process in Kenya
Source: The Kenya Institute for Public Policy Research and Analysis (KIPPPRA, 2018)

Policy implementation studies date back to the late 1960s when there was little research on what happens after a policy in enacted. Studies of the implementation process had already been conducted but had not narrowed down to a specific approach to policy implementation. Birkland suggests the top-down and bottom-up approaches which were first introduced by Carl Van Horn (1979) and Donald Van Meter (1976). He also builds up on Daniel Mazmanian and Paul Sabatier’s (1989) studies of factors that condition successful policy implementation (Birkland, 2016).
The top-down approach to policy implementation considers the goals of the highest-level policy designers and traces the design and implementation of the policy to the lowest-level implementers. In this approach, it is assumed the policy designers have good knowledge of the capacity and commitment of implementers. Capacity here refers to the availability of resources for an implementing organization including human and monetary resources, legal authority, power and knowledge needed to effectively implement a policy. Commitment here refers to the implementer’s desire and zeal to carry out goals brought forward by top-level policy designers. In essence, the top-level policy designers assume that the lowest-level implementer who may include teachers, police officers and various civil servants have the same goals and values as the designers of such policies (Birkland, 2016).

Based on the National Horticulture Policy 2012 document, the top-down approach was adopted for its implementation. Since the policy process from problem identification to the point of implementation had been done by top tier government officials, the government saw it fit that this same caliber of people steer forward the implementation process. This led to resources being set aside for the formation of the National Horticulture Task Force comprised of the various organizations mentioned in Chapter One, to carry out implementation of the goals in the NHP (Ministry of Agriculture, 2012).

The Task Force was to be comprised of averagely 15 to 20 selected individuals originating from member organizations who were set to meet quarterly to lead the implementation process. This arrangement agrees with Birkland’s suggestion of commitment implying that the government was intent on implementing the NHP 2012. Although there were various stakeholders in the horticulture sector and the cut flowers sector, often a forgotten
horticulture product, the government believed ensuring proper representation would enable brainstorming of ideas that would lead to fast policy implementation.

The bottom-up approach is the inverse of the top-down approach whereby policy design and implementation considers the abilities and motivations of the lowest level implementers, and tracks policy design from that level to the highest levels of government. According to Lipsky (1971), this approach was championed by Richard Elmore who referred to this approach as ‘Backward mapping’ whereby the implementation process and relevant relationships are mapped backwards. The main assumptions of this approach are that it recognizes that goals are ambiguous and may conflict with other goals in the same policy area while at the same time with norms and motivations of the street level bureaucrats (Birkland, 2016).

Another assumption in the bottom-up approach is that a policy can be thought of as a set of rules, practices and laws for example, ‘horticulture policy’ or ‘criminal procedure’ that shape ways in which government and stakeholders address these problems. As a result, implementation is viewed as an advancement of the conflicts and compromises that occur throughout the policy process as opposed to looking at these issues just at the point of enactment. This therefore makes the implementation process more realistic.

According to Pekka Kettunen, rather than arguing about whether the top down or bottom up approaches should be chosen for implementation, he suggests that it is more important to analyze how public aspirations can be turned into results. Implementation that takes place in one organization or within a hierarchical system of organizations is usually more straightforward than implementation that ranges over a series of organizations (Kettunen, 2012).
Thomas Klassen together with other scholars argue that a policy can successfully be implemented if it goes through a network-like process that entails:

- Existence of multiple organizations that are not related hierarchically, with a variety of actors including public, private and non-profit organizations. All these actors have to be mutually dependent in that no policy responsibility nor outcome can be separated.

- Collaboration between actors who have a common aim and in-turn share resources to achieve their goal.

- Establishment of a coordination body and applicable coordination strategies to drive policy implementation. Such a body would help bring together all the actors, hence facilitating grounds for mediation and arbitration in times of disagreement (Klassen, Cepiku, & Lah, 2017).

The final stage is the Policy Evaluation stage which involves collecting and analyzing information about the efficiency and effectiveness of a policy. The main goal here is to determine whether the set objectives of the policy have been achieved and if there exist room for improvement (Cochran, Mayer, Carr, & McKenzie, 2010).

It is therefore evident that public policy making is a complex process and depends on actualization of various stages in order to come into fruition. This actualization depends on consensus between each of the organizations mandated with formulation and implementation of these policies. The more complex the implementation process, the more likely that the intent of the policy becomes distorted or lost (Anderson, 2010).
Barthwal & Sah, 2008 point out that power is a key factor when it comes to public policy formulation and later its implementation. They therefore suggest that policymaking is a complex process whereby involved agencies, people and groups exert power and influence over each other. For the NHP, the long-spanning implementation process shows the complexity of this process which the study unveils later in the paper.

2.3 EPAs: Interplay Between External Actors and Domestic Policy

A country’s domestic policy aims to deal with issues and needs within its borders through plans and actions taken by the government (Longely, 2018). Such policies are created as a result of scoping the situation on the ground and formulating policies that will be solutions to the identified problems.

Christopher Hill (2003) describes Foreign Policy as the sum of external relations conducted officially by an independent actor, which in this case is the state, in international relations. Foreign Policy includes military action, international trade and humanitarian interactions. The main role of Foreign Policy is to achieve domestic agendas on the international arena, whereby domestic politics play an important role (Hill C., 2003).

Based on the above definitions, Domestic and Foreign policies are intertwined as they feed into each other. As Henry Kissinger (1966) puts it, foreign policy begins where domestic policy ends. Domestic policies can therefore shape a country’s decision-making as it advances its foreign policy. For example, the EU’s EPAs were guided by their internal policy known as the Common Agricultural Policy (CAP). This policy’s main goal is to tackle concerns relating to food security and stability of supplies of agricultural products including raw materials by developing the European Union’s agricultural sector.Attributing to the CAP’s goals which include: “increasing agricultural productivity, improve the standard of
living for EU’s agricultural community, stabilization of markets, ensuring the availability of supplies, and ensuring that supplies reach consumers at reasonable prices”, it is reasonable to conclude that the EPAs are EU’s foreign policy tool designed to protect its citizens from unfavourable market shocks.

Tariffs and non-tariff barriers such as quotas and guaranteed prices for the main agricultural products are the main instruments that the CAP utilizes to attain its goals. These shield the domestic EU producers from foreign competition while providing income support and safety net mechanisms for producers.

Both domestic and foreign policies can be affected by public opinion whereby a country bows down to pressure input by its citizens about a certain salient issue. For example, the Kenyan Government bowed down to pressure from the flower firms in 2014 by signing into EU’s EPA agreement. The flower firms had claimed a loss of Ksh.100 million per week during the period they had lost free access into the European Union market (Jesuit Hakimani Centre (JHC) Kenya, 2017).

By extension, the author also interprets this as a form of coercion by the European Union, based on the October 2014 ultimatum they gave to EAC countries. This ultimatum brings forth the concept of economic interdependence whereby both parties, Kenya and the European Union, depend on each other in order to benefit from the cut flowers exports. However, as it emerges in the concept, sometimes economic interdependence results into one party gaining more at the expense of the other.

Edward Carr (1980) explains in his book ‘The Effect of Economic Interdependence on Foreign Relations’, that one party in a given agreement can be more dependent on the
interaction than the other party. But whether the country that benefits more is also the more dependent one in the agreement is unclear. He explains that some scholars are of the opinion that the party that benefits more has more to lose hence more dependent. On the other hand, some contend that the more dependent countries are also benefiting the least from trade (Carr, 1980).

2.4 Challenges in the Kenyan Cut-Flower Industry

The Kenya Flower Council (KFC) is the key private sector organization that represents the interests of Kenya’s flower sector. This Council consists of members who are both exporters and growers and focuses on fostering safe-guarded growing of flowers with due consideration placed on laborers’ welfare and protection of the environment. KFC’s membership is comprised of 97 members involved in production of flowers and ornamentals and 71 associate member who supply various products to the industry.

KFC’s main mandate is to liaise with governments, development agencies, trade organizations, the civil society and various other partners on behalf of its members, in order to pursue an enabling environment for the cut flowers industry both locally and internationally.

Maintaining of a solid engagement with the Government of Kenya has enabled KFC to be represented in bilateral and multilateral trade negotiations for example the EPAs, AGOA, and COMESA through the Ministry of Foreign Affairs and International Trade. KFC is a key participant in the National Horticulture Task Force.

Over the years, literature on the Kenyan cut flowers export industry has emphasized on the labor rights of workers who work on these flower farms. Opondo points out that despite
workers being key stakeholders in the cut flower industry, issues concerning their labor rights and participation have not adequately been addressed in the policy. She further outlines that there have been very few mechanisms put in place to engender the trade policy process in Kenya to ensure the effective participation of female workers in the horticultural industry. Opondo emphasizes that key actors involved in formulation and implementation of key strategies are mainly male (Opondo M., 2002). Women are often engaged when it comes to jobs that require a lot of attention to detail and need for being meticulous. Women participate in all stages of the value chain but are concentrated in the packing segment (Opondo M., 2006).

In the same breath as (Opondo M., 2002), Morgante and Leipold (2013) suggest that for the development of the cut flower export industry to be sustainable, environmental impacts and social abuses must be addressed effectively. In a report, (Morgante & Leipold, 2013) outline that extremely low wages for laborers in this industry have created a negative image on it. In 2002, a coalition of non-governmental organizations led by the Kenya Human Rights Commission (KHRC) announced plans to conduct national and international campaigns that would highlight the exploitative labor conditions of workers in Kenya’s cut flower industry (Majtenyi, 2002).

In a policy brief, Gwademba (2017) highlights the significance of the cut flower export industry with figures between 2005 and 2015 showing that the sector employs about 500,000 people and impacts about 2 million livelihoods. This points towards a 65 percent increase in job creation attributed to the cut flower industry only. Outlining challenges like low labor productivity, weak contract governance and policy implications, the author suggests that enforcement of legal and regulatory frameworks addressing these challenges should be fast-
tracked. Strong norms and enforcement mechanisms have the potential to improve governance of contracts leading to increases in incomes, improvement in living standards of out-growers and creation of additional jobs in the economy (Gwademba, 2017).

Authors then embarked on relaying literature on the environmental degradation caused as a result of cut flower farming in the country. Over the years, the growing number of credible accreditation groups have continued to create emphasis on the importance of maintaining social and environmental standards of flower farms. However, the percentage of farms complying with accreditation standards may still be too low to ensure sustainability of the whole industry. Government incentives should encourage more farms to join accreditation bodies and Fairtrade schemes and as well as improved coordination with trade unions (Morgante & Leipold, 2013).

Since the cut-flowers industry produces inedible luxury goods, it has been scrutinized by environmentalists for utilizing scarce land and water resources in areas where inhabitants are food insecure (Kirigia, 2016). According to Bolo (2006) over 2,500 hectares of land is under cut-flower farms in Kenya with over 50 percent of these farms concentrated around Lake Naivasha. This is attributed to the fact that there’s availability of fresh water from the lake, presence of fertile soil for cultivation and Naivasha’s proximity to Jomo Kenyatta International Airport where the cut-flowers are dropped off in readiness for export (Bolo, 2006).

Curtis Abrahams joins other authors in pointing out that the cut flowers export industry has had an adverse effect on the environment. The pesticides and herbicides runoff into nearby water bodies are having a devastating environmental impact on Kenya’s Lake Naivasha which is the main supplier of water for the biggest flower farms in the country. Population
growth around the lake has also added to the amount of pollution adding to the toxic waste from the flower farms. This population growth is attributed to the job opportunities available at the flower farms that caused the number of people living within five kilometers of the lake to rise by 50,000 between 1980 and 2003 (Abraham, 2018).

As campaigns on labor rights intensified, literature on certifications schemes in the cut flower industry also emerged. These certification schemes are said to have reduced the labor rights infringement in the cut flowers industry by creating conditions for flower farms through prompting subscriptions to various codes of conduct and certifications in order to guarantee market access and build confidence in their production processes. The Kenya Flower Council (KFC), representing over 70 percent of Kenya’s cut flowers growers prompts its members to comply with its social and environmental criteria. Growers who fail to comply with such conditions are stripped of their accreditation and subsequently the KFC badge, voiding their access to international markets (Majtenyi, 2002).

Another paradigm of research later emerged in the late 2000s incorporating the role of smallholder farmers in the cut-flowers export industry in Kenya. Mwangi (2018) points out that Kenya is the only country that houses smallholder farmers who grow flowers for export. These flowers are known as ‘fillers’ or summer flowers and are used to add in floral arrangements for value addition. (Kirigia, 2016) outlines that smallholder farmers in Kenya grow cut-flowers mostly on inherited land. These flowers are known as ‘fillers’ or summer flowers and are used to add in floral arrangements for value addition. Majority of these smallholder farmers operate as out-growers of major flower companies like Wilmar Agro Limited (Mwangi, 2018).
Out-growers are a network of unorganized smallholder farmers who supply fillers to export companies which are responsible for the coordination of supply, logistics and marketing to the Dutch flower auction. This auction is a buyer’s market whereby the prices are determined by a buyer’s demand and is characterized by prices starting from the highest bid per stem towards the goal of matching the flowers with the highest demand to the best prices. This in essence means that producers have no bargaining power. This therefore means that producers have to ensure consistency and maintenance of a high reputation in order to stand out (Mwangi, 2018). However, through a research conducted, (Kirigia, 2016) showed that out-growers are able to earn more than laborers on the cut-flower farms. This practice, therefore, proved to be significant at the small-scale level.

Small-holder farmers who are out-growers in the cut-flowers export industry, through support from export firms, are able to access inputs and trainings which enable them to pass quality checks. However, in most instances their relationships with these export firms limit them from graduating from the production stage towards value-addition where more income is gained. This brings about an interesting paradigm of literature pertaining to the cut-flowers export industry as highlighted by Nungari Mwangi’s research on the expansion of capitalism in Africa through agriculture. Mwangi (2018) points out that capitalism in agriculture has led to increases in land prices and crises in peasant agriculture namely fragmentation, declining yields and reliance on off-farm income leading to the proletarianization of the rural labor force (Mwangi, 2018).

Capitalism in the cut-flower export industry occurs when export firms only integrate out-growers in the industry based on their terms. This brings about exploitation in the way smallholders earn a living. Referencing Samir Amin’s interview based off of his essay on ‘Social
Formations of Peripheral Capitalism’, (Mwangi, 2018) implores a retreat towards a strategic shift towards local and regional markets. Amin suggests delinking from these international markets based on his understanding that the center, in this case European markets, develop at the expense of proletariat markets like Kenya and other cut flowers producers like Ecuador. This is characterized by the moving of production from Netherlands to countries in the Global South in order to save on energy costs and the monopolization of auctions in European and western countries (Mwangi, 2018).

Milko Rikken outlines that the main task of public policy is to remove specific obstacles that are beyond the reach of individual firms, for example to ensure free access to land, or competitive air freight rates; to subsidize pioneering firms; to create opportunities for capability building; and reduce excessive and complicated bureaucracy (Rikken, 2011). As early as 1966, the government of Kenya recognized horticulture as an important aspect in the economy giving it ‘special crop’ status and hence according it top priority in the government agenda (Bolo, 2006). Under the Agriculture Act Chapter 318, the Horticulture Crop Directorate Authority (HCDA) was created to develop, promote, coordinate and facilitate the horticulture industry. Through HCDA, the government would issues licenses and collects cesses, characterizing a hands-off approach whereby the private sector dealt with the rest of the issues like marketing.

The National Horticulture Policy 2012 was formulated to ensure the subsectors in the horticulture industry attain sustainable growth. Some of the policies pertaining to the cut flower export industry included the government using its Kenyan embassies to aggressively promote the trade of end products; Government giving incentives to marketing bodies like FPEAK and KFC to play a more proactive role in marketing; strengthening the capacity of
institutions such as HCD and EPC to promote horticultural products in both domestic and export markets and the grand policy being establishing an auction in Nairobi which would help avoid middlemen at Dutch auctions (Ministry of Agriculture, 2012).

A report by CARE international observes that there is high government involvement in other agricultural commodities like sugar, coffee, tea and maize through provision of subsidies (including credit, extension services and bail-outs) and regulation. This is contrary to the horticultural sector where cut-flowers fall under, whereby the private sector is seen to provide these services at prevailing market rates (CARE International, 2016).

Referring to the National Horticultural Policy, the report by CARE international outlines that although HCD’s mandate is to impose levies, fees or charges on producers and dealers of all scheduled crops including cut-flowers, small-scale horticultural growers perceive HCD differently. They view the directorate as a ‘standards’ agency mostly concerned with ensuring compliance to standards for packaging, transporting, storing of horticultural produce - and not provision of extension services, credit, inputs or facilitating market access (CARE International, 2016).

Cynthia Olako outlines that in 2019, exporters are gradually reducing their business operations in the country due to poor policy implementation which has driven them to debt. They are blaming this on lack of actualization of policies formulated by government which has crippled their businesses. This failure in implementation of policies has been attributed to various factors with the major one being the lack of coordination between government regulatory bodies (The Star, 2019).
Inferring a tough question as to whether Kenya’s cut flower industry is dying a slow death, Christoper Makomere outlines that there is need for government to address the issue of government agencies overlapping mandates. Such overlaps bring about adverse effects like double taxation, stressful licensing processes and unnecessary bureaucracy. He gives an example of the National Environmental Management Authority (NEMA) and the Water Resources Authority who both require flower growers to obtain a license for the same water reservoir to be utilized. Such roles would clearly be demarcated once the National Horticulture Policy is implemented (Makomere, 2016).

2.5 Success of the Ethiopia Horticulture Policy and influence on cut flowers export sector

In order to effectively assess Kenya’s competitiveness in the cut flowers export industry, the research sought to identify a country with similar characteristics to Kenya in terms of: comparative advantage that entails; geopolitical position, weather conditions and most importantly, interest in cut flower export industry. Ethiopia was the country of choice given that it is Kenya’s direct neighbour, has similar weather conditions and has shown great interest in the cut flowers export industry enabling it to become the second biggest exporter from Africa to the EU after Kenya.

Unlike Kenya’s 40 years’ experience, Ethiopia’s cut flowers export industry is relatively young having started in the year 2004. The floriculture industry generated more than $1 billion in export earnings between 2004 and 2012 as represented in the graph below:
The Cut flowers sector in Ethiopia grew from 3 tons between 2004-2011 to over 50,000 tons by 2012, with export earnings growing from $0.32 million in 2012 to over $200 million. This translates to a ground-breaking annual growth of 400 percent per annum. The sector is also said to have directly employed an estimated 40,000 people. It commands an 83 percent share of the total horticulture earnings. Virtually all of Ethiopia’s flowers are reserved for the export market with Europe as the main recipients, with Netherlands as the key hub. For a cut flowers export industry that was close to non-influential before 2004, strides have been made to be able to achieve these substantial milestones (Equbay, 2015).

Just like Kenya, Ethiopia wanted to spur growth in its horticultural sector, which is the backbone of the country’s economy. Various explanations have been put across to explain this fast growth. Some scholars argue that Ethiopia’s success in this industry is due to private sector activism that engaged in a ‘discovery process’ of collective learning. This involved
benchmarking activities with countries like Kenya to learn best-practices from industry leaders. However, this argument was dismissed since the private sector had worked hand-in-hand with the state with establishment of the industrial association having partly been initiated and facilitated by the government. The process was therefore bilateral rather than unilateral (Equbay, 2015).

A second explanation argued that Ethiopia’s growth was as a result of patrimonialism whereby growth is as a result of clientelism advanced by a ruling government or party. Clientelism involves exchange of goods and services in exchange of political goodwill and fundamentally depends on relations of patronage (Omeje, 2013). However, research on the Ethiopian cut flower export industry has found that none of the lands used were owned by government or ruling party officials. Instead, all interested parties, including foreigners were invited to invest in the industry. Another explanation posits that the success is due to the role played by three external actors namely: FDI from the Dutch; Dutch’s development cooperation with Ethiopia and the Dutch market structure with the flower auctions as the highlight. This was however criticized by political economy analyst Arkebe Equbay who argues that this is not unique to Ethiopia and ignores internal structures and dynamics that played a key role to the sectors advancement (Equbay, 2015).

Equbay details the journey of the Ethiopian cut flowers export industry, arguing that government policies were critical in nurturing the expansion of the floriculture industry. Equbay further argues that comparative advantage is only one static aspect of success and might not have been the dominant factor of success. He highlights that Ethiopia’s Industrial Policy was instrumental in the development of the sector due to proper implementation processes that had been put in place (Equbay, 2015).
2.5.1 Ethiopia Horticulture Policies

According to Equbay, growth in the cut flowers export industry is depicted by indicators that include its export performance, employment patterns and productivity trends. These indicators are important as they contribute to job creation easing, to some extent, the high unemployment rate in Ethiopia. The fact that Ethiopia’s cut flowers export industry is mainly export-led and focuses on its sustainability determines its competitiveness in the global market.

The Industrial policy in Ethiopia employed various strategies to ensure sustained growth of the cut flowers export industry. These policy strategies are as outlined below:

2.5.1.1 Attractive Investment Promotion Policies

The Government of Ethiopia sought to attract as much foreign direct investment (FDI) and domestic investment to the cut flowers export industry as possible. This was made possible through provision of tax holidays of upto to 5 years and opportunities for loss rescheduling. Privileges like duty-free importation of capital goods and spare parts were also provided for industries that chose to invest in the industry. Ethiopia’s cooperation program with the Dutch government saw Dutch firms invest in Ethiopia. In 2004 Dutch government offered 60% capital to such firms which saw a rise in investment certificates in the cut flowers export industry increase. According to Equbay, reports have it that the investment incentives prescribed were straightforward and that there were no implementation hitches when it came to the profit-tax holiday. The table below shows the annual increase of investment certificates issued (Equbay, 2015).
Table 2. 1 Number of Investment Certificates issued in Ethiopia's Floriculture industry per year

<table>
<thead>
<tr>
<th>Period</th>
<th>Number</th>
<th>Share from total (%)</th>
<th>Average firms per year</th>
</tr>
</thead>
<tbody>
<tr>
<td>1992–2011</td>
<td>315</td>
<td>100</td>
<td>15.7</td>
</tr>
<tr>
<td>1992–2002</td>
<td>27</td>
<td>8.6</td>
<td>2.45</td>
</tr>
<tr>
<td>2003–2011</td>
<td>288</td>
<td>91.4</td>
<td>32</td>
</tr>
<tr>
<td>2003–2008</td>
<td>249</td>
<td>79.1</td>
<td>41.5</td>
</tr>
<tr>
<td>2009–2011</td>
<td>39</td>
<td>12.4</td>
<td>13</td>
</tr>
</tbody>
</table>

Source: Made in Africa: Ethiopia Industrial Policy (Equbay, 2015)

2.5.1.2 Currency Devaluation

The Government of Ethiopia applied a policy known as the exchange rate policy by devaluing the Ethiopian Birr (ETB) in order to maintain competitiveness of its export commodities. This non-cumbersome step enabled cut flower export industries to utilize their profits into expansion enabling the industry to expand further (Equbay, 2015).

2.5.1.3 Provision of Government Subsidies

Another strategy used by the Ethiopian government to support the cut flowers export industry is the long-term investment financing by the state-owned Development Bank of Ethiopia (DBE). DBE offered financing at subsidized rates and didn’t prescribe any collateral requirement despite the risks involved. About 1.2 billion ETB was given out to almost two-thirds of cut flower export firms with 84 percent of these loans reported to be good-performing in 2012. This strategy however faced some challenges whereby some of the firms faced foreclosure due to default of loans. This was blamed on the inadequate knowledge of such industries where some firms had over-invested in non-essential facilities that resulted into non-profit-making ventures. It is worth noting that some policy
implementation inadequacies were experienced on the side of DBE that was blamed on lack of decision-making capability and poor execution (Equbay, 2015).

2.5.1.4 Affordable land, infrastructure and logistics

Since land is publicly owned in Ethiopia, the government provided long-term leases for lands in close proximity to the Bole International Airport to investors. In 2008, the cost of land in Ethiopia was less than $10 per square meter compared to Kenya’s land rate of $30-$40 per square meter. This meant that the cost of leasing land was only a drop in the ocean of the total operations cost for firms. The lease terms are also favourable as the firms can pay on an annual basis over period of twenty to thirty years.

With most flower firms located near urban centres, the infrastructure aspect was taken care of. Roads leading to the Bole International Airport were paved with the airport being in very close proximity to these farms. This ensured that the cut flowers would be transported in good time since they are classified as perishable export products. A key inadequacy still being experienced, however, is the frequent blackouts that pose a challenge when it comes to controlling the greenhouse temperatures where the cut flowers are grown.

In the cut flowers export industry, logistics is the highest operational cost and obtaining a reliable transport method is key. Air transport and availability of facilities that maintain the freshness of these perishable export products is therefore fundamental. In Ethiopia, the government employed the use of state-owned Ethiopian Airlines (EAL) to develop its cargo capacity and enhance its cold chain storage facilities. This was a shot in the arm by government in support of the cut flowers export industry bearing in mind that fuel prices had significantly shot up in 2008-2009 due to the fuel crisis. The government made a bold move by giving a directive that treasury subsidizes a third of the fuel prices as EAL subsidizes the
other third. This enabled the sector to save all the employment and export earnings (African Development Bank, 2017).

2.5.1.5 Institutional support to the Industry

To enable sustainability and specialized attention to the cut flowers export industry, the Ethiopian government facilitated the establishment of two key organizations. The first organization is the Ethiopian Horticulture Development Agency (EHDA) whose main objective is ‘to ensure fast and sustainable growth of horticulture production and productivity’; to facilitate export of diversified horticulture products to meet international food safety standards and; to coordinate development of supporting services. In only six months the agency became functional and a director general was appointed (Equbay, 2015).

The second organization is the Ethiopian Horticulture Producers and Exporters Association (EHPEA) which is the overall of cut flowers export firms in Ethiopia. These two organizations joined forces to work around issues that would strengthen technological capabilities and market development Study tours to industry leaders like the Netherlands, Ecuador and Kenya have enabled collective learning that has significantly boosted the Ethiopian cut flowers industry market knowledge (Equbay, 2015).

2.5.1.6 Clear organization mandates and policy coherence

An outstanding characteristic of the Ethiopian cut flowers export industry is that each organization involved has clear mandates to enable smooth running of the industry. The National Export Coordinating Council (NECC) is the key coordinating institution in the extensive export sector. The NECC was established before the EHDA and had coordinated the export sector very successfully, making growth of the cut flowers export industry its key priority from 2004 -2011. When the EHDA became functional, it was made member of
NECC which provided a platform for identification of challenges facing the industry and securing timely government support. It is estimated that since 2004-2015, at least 365 issues have been discussed with key issues being investment and export incentives, land and infrastructure, industrial financing, capacity building and improvement of the cold chain logistics system (Equbay, 2015).

Other organizations include the DBE which is mandated with industrial financing, working hand in hand with the EAL which provides air transportation and air cargo facilities. The Ethiopian Revenue and Customs Authority (ERCA) and the National Bank of Ethiopia (NBE) are the regulatory bodies for regulation of the export industry and repatriation of foreign currency.

From the policy interventions discussed above, the author deduces that Ethiopia designed an elaborate industrial policy that shouldered the horticulture industry, moreso the cut flowers industry, to its bloom days. Proper coordination and government support enabled effective implementation of policies designed to spur this growth. Ethiopia started off by learning from Kenya through various benchmarking study tours which it continues to conduct to date.

Ethiopia’s industrial policy followed the policy cycle to the letter, ensuring all stages are undergone in order to leverage on this outstanding policy. Evaluation of this policy will therefore enable the country to uncover gaps that they may have been left by the policy, which will take Ethiopia’s cut flowers industry to greater heights. Kenya’s NHP will therefore need to get to a stage whereby implementation is done and evaluation commences to enable the country leverage on its horticulture policy.
Although Ethiopia’s cut flowers export industry is still second to Kenya’s in Africa, its fast rise as a key player in this industry brings out a situation whereby the teacher will soon turn into the student. Ethiopia’s consistency sets it apart and drives its competitiveness in the cut flowers export industry, ready to topple Kenya with its 40 years’ experience, as the number one exporter of cut flowers to the European market in a few years to come.

2.6 Theoretical Framework

Classical Economic Theory

The study has been anchored on the Classical Economic Theory developed in the 18th and 19th Centuries by top proponents that include political economists Adam Smith and David Riccardo. It states that all countries involved in trade are at least as well off as, if not better off than, they would be otherwise.

The gains from trade are most often explained by the doctrine of comparative costs. The doctrine posits that if trade is free, each country in the long-run tends to specialize in the production and export of those goods in whose production they enjoy comparative advantage in terms of real costs. Real cost simply refers to the cost of production of goods and services which includes the cost of all resources used. Each country imports those goods which could be produced at home only at a comparative disadvantage in terms of real costs. Specialization in this sense is the mutual advantage of each country whereby real costs differ between countries as a result of different endowment factors among them (Carr, 1980). The concept of comparative advantage that emerges is attributed to political economist David Riccardo (1817).
Given a two-country world, where each country produced goods at differing comparative cost ratios, then the two goods will be exchanged at a ratio that falls somewhere between the comparative cost ratios, depending on the relative magnitude of the two countries. If one country is much larger in economic terms than the other in this ‘two-goods’ world, then the terms of trade would probably settle at the comparative costs of the larger country. That is, the smaller country would get all the gain from the trade.

The theory further proposes that although there might not be dependence in the imperialistic sense, dependence still factors in in the sense that partners are still mutually dependent and interdependent. As a result, the economic interdependence can either be symmetric or asymmetric, meaning that the ‘loss’ incurred by each country during a break in a trade agreement can either be equal or unequal. Further, the magnitude of interaction can vary from high to low levels, whereby trading partners can have a lot or little to lose in the event of an interruption to trade regardless of the symmetry (Carr, 1980).

As a key concept under the Classical Economic Theory, Comparative advantage refers to a selected economy's ability to produce goods and services at a lower opportunity cost than that of its trade partners. A comparative advantage therefore allows an organization or country to sell goods and services at relatively lower asking price than their competitors hence enabling them maintain their importance in the market (Carr, 1980).

The concept of Comparative Advantage under the Classical Economic Theory was introduced by political economist David Riccardo in 1817. According to Riccardo, trade would still occur between nations even where one country has an absolute advantage in producing all the products traded. A country can be described to have a comparative advantage in producing goods that translate to lower opportunity costs than their
competitors. For example, Kenya can produce either one stem of the rose flower at $2 and gain free market access to the EU market or one stem of the rose flower but then losses free access to the EU market which leads to a 22% increase in tax causing production to shoot up to $4. If it chooses to produce a rose stem without free market access, it forgoes the opportunity to produce a rose stem at $2. The $2 production cost is therefore opportunity cost of free access to the European market. In this example, Kenya has a comparative advantage in the production of a rose stem at $2 with free access to the European market.

A key attribute that is worth noting under this concept is that even if one nation is able to produce all goods more cheaply than another nation can, both nations can still trade under mutually beneficial conditions.

This Comparative Advantage concept of the Classical Economic Theory forms the basis of this research whereby the author argues that despite their being some form of reciprocity between Kenya and the EU, the use of NTBs (Non-Tariff Barriers) in form of SPS (Sanitary and Phyto-sanitary Measures) and TBT (Technical barriers to Trade) put Kenyan agricultural exports at risk of losing out on free access to the EU market. The high costs of conforming to quality standards, new traceability regulations, adherence to various trade codes are less known by the majority of Kenyan agricultural producers and the costs of compliance with these new standards are especially prohibitive for small-scale farmers. This increasing use of TBT and SPS measures in the Organization for Economic Cooperation and Development (OECD) markets poses serious challenges that will undermine whatever tariff liberalization gains made.

The National Horticulture Policy had addressed such issues citing the government plans to employ plans to support flower farms to conform to such new rules. However, some of these
flower firms have had to shut down due to the high costs related to conforming to new standards. This begs the question, is Kenya benefiting from this comparative advantage? This theory will serve as a guideline in analysing Kenya’s competitiveness in the cut flower export industry which will paint a clear picture of its sustainability.

2.7 Conclusion

This chapter has provided a critical review of scholarly works on areas directly related to the objectives of this study. It has explored features of the policy process, including implementation, creating a clear picture of what it takes for a good policy to be successful. It then delved into providing an understanding of the influence of external actors on a country’s domestic policy. Information on the Kenyan cut flowers export industry and sustainability of its competitiveness was given based on authors’ reviews on literature. A theoretical framework based on the Classical Economic Theory, tapping into its Comparative Advantage concept was thereafter introduced in order to provide insight and guidance into the research problem.

It is therefore worth noting that while there exists a body of literature by Kenyan authors pertaining to the Kenyan cut flowers industry, most of it has focused on labor issues, inclusion of smallholder farmers and general challenges facing the industry in Kenya including double taxation. Few studies have been undertaken on the National Horticulture Policy which provides the legal framework for the code of conduct of this industry. The challenges in the implementation process of the NHP 2012 is a dismally researched area that plays an important role in the government’s quest to sustain Kenya’s horticulture sector. This is the gap in research which this study seeks to address.
3.0 CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents a detailed description of strategies and procedures that were utilized in the research study. Specifically, it focuses on the research design, population of the study, sampling technique, data collection procedure, sampling size, data collection instruments and data analysis techniques.

3.2 Research design

The study adopted a qualitative research design to be able to obtain crucial information to the research including intangible aspects like perceptions. Qualitative interviews were conducted on key interview informants to inform the study on the challenges facing the implementation process of the NHP 2012 and influence of external actors during this process. Secondary data was obtained from key Government of Kenya policy documents, publications including reports and newspaper articles and international trade indexes to inform the study on Kenya’s competitiveness in the cut flowers export industry.

3.3 Population and Sampling Design

The National Horticulture Task Force consists of 15 members who comprised of the study’s initial target population. The target population consisted of the task force members who originated from; Ministry of Agriculture (MoA) now Ministry of Agriculture, Livestock, Fisheries and Irrigation (MOALFI), the Horticultural Crops Development Authority (HCDA) now HCD, the Kenya Agricultural Research Institute (KARI) now the Kenya Agriculture and Livestock Research Organization (KALRO), the Kenya Plant Health Inspectorate Service (KEPHIS), the Kenya Flower Council (KFC), the Fresh Produce Exporters Association of Kenya (FPEAK), the Kenya National Federation of Agricultural
Producers (KENFAP) now the Kenya National Farmers Federation (KENAFF), the Smallholder Horticulture Marketing Programme (SHoMaP) of MoA, and the Kenya Horticultural Competitiveness Programme (KHCP) of USAID.

The study adopted purposive sampling which ensured respondents included only members of the National Horticulture Task Force. Due to the unavailability of 3 members who were away on work duties and 4 members who failed to meet the interview schedule, 8 members were engaged in primary data collection.

3.4 Data Collection

The research employed both primary and secondary data in the research.

3.4.1 Secondary data collection

Records and literature containing in-depth information gathered over time including the Lomè, Cotonou and European Union Economic Partnership Agreement documents were used to inform on Kenya’s trade relations with the EU during the making of the NHP 2012. Resources like the Global Competitive Index and a key resource, Arkebe Equbay’s book ‘Made in Africa: Industrial Policy in Ethiopia’ have been used to explain Kenya’s competitiveness in the cut flowers export industry.

3.4.2 Primary data collection

The research used in-depth interviews in obtaining its primary data collection. Interview guides containing three sections with semi-structured questions pertaining to the research’s objectives were designed. Face-to-face interviews characterized by open-ended questions were conducted on the sample frame. The first section sought to find out the potential implications of the NHP 2012 on Kenya’s competitiveness, the second section sought to find
out whether EU’s trade relationship with Kenya influenced the making and implementation of the NHP 2012 while the last section aimed at examining challenges facing the implementation of the NHP 2012. The interviewer collected data directly from the subject through in-depth interviews and telephone calls.

3.5 Data Analysis

Data collected has been analyzed using narrative analysis. This involves thematic and descriptive approaches where direct quotations and selected comments from informants have been used to explain trends set into different categories.

3.6 Ethical Issues

The researcher requested approval from the Institutional Review Board (IRB) before the field work begins. In order to receive informed consent of the respondents, the researcher explained the purpose, duration and potential use of the research results from the field beyond academic purposes; and any other research related information of interest to the respondents was duly clarified before data collection. Respondents were informed of their rights to disqualify themselves or withdraw at any stage of the study.

Anonymity, where requested and deemed right, was upheld throughout the study. This serves to protect the identity of individuals who participated in the study. Privacy was assured and observed. In the write up, pseudonyms rather than the real names of informants and respondents have been used to protect their identity. Confidentiality has been observed. The researcher will not release information in a way that permits linking specific individuals to specific responses.
### 3.7 Limitation in Methodology

While the information gathered sought to paint a clear picture on the potential implications of the NHP 2012 on the growth of the cut flowers export industry, a bias may have been a key determinant of the findings of the research. This is due to the National Horticulture Task Force being comprised of members from different organizations who may have answered the question in preference to maintaining a high profile for their organization’s image. The small sample frame obtained fails to supply this research with adequate answers.
4.0 CHAPTER FOUR: DATA PRESENTATION, ANALYSIS AND FINDINGS

4.1 Introduction

This chapter presents, analyses and outlines findings to its main objective: potential implications of implementation of the National Horticulture Policy on Kenya’s competitiveness in the cut-flowers export industry. These findings are reflective of the specific objectives of the study, presenting analysed data that provide answers to the research questions. The research objectives have been undertaken sequentially with the first objective exploring Kenya’s competitiveness in the cut flowers export industry through comparison to a country with similar comparative advantage. The second objective analyses EU’s trade relations with Kenya during the making of the NHP, with an attempt to make an inference as to whether these relations had an effect to the making or implementation process of the policy. The final objective examines the challenges faced during the NHP implementation process based on primary data.

Primary data under these objectives have been presented based on categories generated reflecting trends in answers given by the respondents. These categories have been used to show the salience of different responses and enable this research to paint a clear picture of the various reasons behind respondents’ perceptions.

4.2 Response Rate

The research targeted an initial sample frame of 15 people who members of the National Horticulture Task Force. However, due to the unavailability of 7 people whereby 3 were away on work duties while 4 failed to meet the interview schedule or had later declined to provide responses, the response rate turned out lower than expected. 8 responses in total were received and will inform the findings of this study. Moreover, the respondents are
highly qualified professionals who have worked in their respective organizations for over 8 years and therefore have in-depth knowledge of their organization’s background and more so, the NHP.

Table 4. 1 Table showing initial population sample vis a vis number of responses received

<table>
<thead>
<tr>
<th>Initial Population Sample</th>
<th>15</th>
<th>100%</th>
</tr>
</thead>
<tbody>
<tr>
<td>No. of Responses Received</td>
<td>8</td>
<td>53.33%</td>
</tr>
</tbody>
</table>

Source: Constructed by author based on findings

Below is a graph providing a clear comparison of the research’s initial sample frame with the number of responses that informed the findings of this study.

Figure 4. 1 Graph showing Initial population sample vis a vis number of responses received

Source: Constructed by author based on findings
4.3 Potential implications of the NHP 2012 on Kenya’s competitiveness in the cut flowers export industry

4.3.1 Analysis and findings on knowledge of the NHP and its importance

The first objective of this study sought to find out the potential implications of the NHP 2012 on Kenya’s competitiveness on the cut flowers export industry. The data presented and analysed under this objective was able to give an indication as to whether the NHP’s potential implications will sustain the industry. The data has been categorized based on the researcher’s targeted key phrases as uttered by respondents in order to provide in-depth findings.

The first question sought to find out the respondents’ understanding on the NHP. All the respondents (100%) believed that the NHP 2012 was launched in order to ensure the sustainable growth of the horticulture sector which plays a significant role in Kenya’s GDP. The respondents also associated the sustainability of the horticulture sector to be a step towards the attainability of Kenya’s Vision 2030. 5 of the respondents (62.5%) suggested that the horticulture sector is driven by the private sector and that the NHP 2012 would help them (private sector) propel the country towards a growth trajectory in the sector. 3 of the respondents (37.5%) felt that the NHP 2012 was based on demand owing to the fact that the horticulture sector, especially the cut flowers sector, was growing at a fast rate and needed a policy that would act as an anchor of support to this growth.

The categories derived based on the responses comprised key phrases such as ‘national development policy’, ‘private sector leadership’ and ‘demand-led’. Responses under each category are described as below:
i. National Development Policy

The responses under this category refer to Kenya’s journey towards the realization of its Vision 2030. This included aspects such as ‘sustainability’, ‘agriculture as Kenya’s mainstay to its GDP’, ‘horticulture as key in the agriculture sector’. The responses were positive in nature dwelling on the fact that having a policy that is specific to horticulture would enable the sustainability of this sector, that is one of main contributors to Kenya’s agriculture sector and hence the country’s overall GDP. More responses also included commending the Government of Kenya (GoK) for establishing the NHP 2012 implying that The GoK acknowledged the importance of the sector.

ii. Private Sector leadership

This category’s responses included acknowledgment of the private sector who have been the anchor to the growth of the horticulture sector way before the NHP 2012 was drafted. The responses described the policy as a ‘win’ to the horticulture sector and that the policy’s strategy should be led by the private sector like KFC who have been instrumental to its growth.

iii. Demand-led policy

The responses under this category described the NHP 2012 as one that was based on demand from its stakeholders. This implies that stakeholders had seen the fast pace this sector was
growing, more so the cut flowers sector, and sought to put in place policies that would support continual growth.

The table below shows the number of responses per category and also provides the resultant percentages based on the sample used as a whole.

Table 4. Table showing number of responses for Q2 based on various categories

<table>
<thead>
<tr>
<th>Categories</th>
<th>National Development Policy</th>
<th>Private Sector leadership</th>
<th>Demand-led policy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Responses</td>
<td>8</td>
<td>5</td>
<td>3</td>
</tr>
<tr>
<td>Percentages</td>
<td>100%</td>
<td>62.5%</td>
<td>37.5%</td>
</tr>
</tbody>
</table>

Source: Constructed by author based on findings

Although all respondents gave positive outlooks on the existence of a horticulture policy in Kenya, 2 of the respondents also gave a negative viewpoint owing to the fact this policy has not been implemented yet.

The second question inquired about institutions that were heavily involved in the making of the NHP 2012. It went further to explore whether those institutions were currently involved in its implementation and in what ways. Most responses (62.5%) indicated that there was heavy involvement of top tier government institutions in the making of the policy while the rest of the responses (32.5%) believed that the private sector was keenly involved in its making. The categorizations were based on responses which contained phrases like ‘government institutions’ and ‘private sector backing’. They are described as below:
i. **Government Institutions**

Responses under this category refer to aspects such as ‘government support’ due to participation of various government institutions during the making of the policy. This includes institutions like the Ministry of Agriculture, HCD and KARLO. Some responses also covered some negative attitudes towards government involvement describing it as ‘government’s way of intruding into the private-sector-led sector’.

ii. **Private sector backing**

Responses in this category mainly referred to the fact that private sector’s involvement in the making of the policy was instrumental in understanding the main challenges facing the horticulture sector on the ground. Without such information, the policy strategies wouldn’t have covered all aspects in form of challenges facing the sector.

The table below shows the number of responses per category and also provides the resultant percentages based on the sample used as a whole.

Table 4. 3 Table showing institutional involvement in the making of the National Horticulture Policy 2012

<table>
<thead>
<tr>
<th>Categories</th>
<th>Government Institutions</th>
<th>Private Sector Backing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Responses</td>
<td>5</td>
<td>3</td>
</tr>
<tr>
<td>Percentages</td>
<td>62.5%</td>
<td>32.5%</td>
</tr>
</tbody>
</table>

Source: Constructed by author based on findings

The chart below provides a visual comparison of the response categories based on number of responses:
Figure 4. Chart showing institutional involvement in the making of the National Horticulture Policy 2012

Source: Constructed by author from findings

b) Are all these institutions currently involved in its implementation?

If yes, how are they involved?

The table below shows that majority of the respondents (75%) outlined that the institutions that had been involved in the making of the NHP 2012 were also still involved in the implementation process. The rest of the respondents (25%) disagreed citing that institutional objectives had changed over time.

The table below shows the distribution of responses on institutions involved in the NHP 2012 implementation currently.

Table 4. Table showing respondents’ views on institutions involved in the NHP 2012 implementation currently

<table>
<thead>
<tr>
<th>Answer</th>
<th>Number of Responses</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>6</td>
<td>75%</td>
</tr>
<tr>
<td>No</td>
<td>2</td>
<td>25%</td>
</tr>
</tbody>
</table>
Majority of the respondents (75%) acknowledged involvement of their institutions in the implementation of the NHP 2012. Interestingly though, some interviewees mentioned that their institution was contributing to the NHP implementation process through other committees and not through the National Horticulture Task Force.

An interviewee said,

“The Task Force itself does not meet as often as it had intended to meet. I however make sure that I attend each meeting convened so that matters are discussed, and solutions are brainstormed.”
Another interviewee argued that a policy document is usually complicated and the implementation process is affected by transition in government. On the NHP 2012, the interviewee said,

“A policy document is a complicated document and may change with a new government. The policy was linked to Vision 2030; hence implementation is being spearheaded by MoALFI (department linked to Horticulture under Director Crops) and HCD who are the natural custodians of the policy. The MoALFI has in the past three years called for meetings to review the implementation plan that had been developed after the policy was launched by the former President Kibaki; while HCD has mentioned they will include review or evaluation of the policy progress in the next financial year 2019/2020. There is another committee for horticulture crops that is more active than us. They meet almost every month.”

An interviewee added,

“My organization has been involved since inception and still has a representative member in the National Horticulture Task Force to date. It has been challenging but we still believe it’s possible to implement it if all issues on the table are adequately dealt with.”

In view of the same, another interviewee said,

“When the policy was launched, I remember the Permanent Secretary then gave mandate to the National Horticulture Task Force to work on its implementation. My organization was a member during the drafting of the policy and still works with the rest of the team in this implementation process.”

Another interviewee said,
“Yes of course my organization is keenly involved in this implementation process although it has proved to be an uphill task. I believe the National Horticulture Task Force members are soon going to reach a consensus and adequately implement this policy to reflect the needs of the sector. It is important.”

Describing the question as interesting, an interviewee said,

“Each time the horticulture is faced with the same recurring challenges my organization tries to prompt the rest of the National Horticulture Task Force members to meet in order to discuss such challenges. This then gives incentive for us as a Task Force to discuss the steps left towards implementation of the policy.”

Of all the responses, 2 (25%) of the respondents said that their organization was not keenly involved in the implementation of the NHP 2012. They sighted other individual policies as priority over the NHP 2012 since it had taken so long to implement it. They believed that after all, the horticulture sector has been stable with or without the policy with 1 of the interviewees saying, ‘if it’s not broken, don’t try to fix it.”

Although there is no clear indication of the magnitude of input each organization provides towards implementation of the NHP 2012 as a member of the National Horticulture Task Force, it is evident that most of these institutions are still participating in the implementation process. The author was not able to verify whether there was an incentive behind this involvement other than that of achieving the goal of implementation of the NHP 2012. It was interesting to note that some organizations were not keenly involved in this implementation process due to the timeframe it had taken. This could be interpreted in two ways: either the respondents were not heavily involved in the making of the NHP 2012 hence
they lacked ownership leading to their dismal involvement; or that the policy was no longer beneficial to them as an organization.

The fourth question embarked on finding out whether the strategies in the NHP were adequate and if enough research had been conducted. Responses characterized phrases such as ‘adequate research done’, ‘based on best practice’ and ‘missing links’. These phrases form the basis for categorization of the responses and are analysed below:

Table 4. 5 Table showing opinions on the adequacy of the strategies in the NHP 2012

<table>
<thead>
<tr>
<th>Categories</th>
<th>Adequate Research Done</th>
<th>Based on best practice</th>
<th>Missing links</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of responses</td>
<td>4</td>
<td>3</td>
<td>1</td>
</tr>
<tr>
<td>Percentages</td>
<td>50%</td>
<td>37.5%</td>
<td>12.5%</td>
</tr>
</tbody>
</table>

Source: Constructed by author based on findings

The chart below is a visual representation of the interviewees’ responses based on the different categories derived:
Figure 4. Chart showing interviewee responses based on different categories

Source: Constructed by author based on findings

i. Adequate Research Done

Responses in this category refer to aspects such as ‘on-ground research’ whereby research was conducted and first-hand information on challenges facing the horticulture sector was gathered from the sector stakeholders. Other aspects referred to a ‘bottom-up’ approach being employed in the making of the strategy. This implies that information was gathered from stakeholders and presented to the policymakers who analysed and drafted the policy accordingly. The respondents here therefore considered the research as adequately done and therefore deeming the strategies in the NHP 2012 as adequate.

ii. Based on best practice

Responses in this category implied that the provisions and strategies in the NHP 2012 were based on benchmarks conducted and were therefore ‘best practice strategies’. Such strategies were emulated from countries like the Netherlands that had a successful horticulture sector pegged on their policies.
iii. Missing links

Responses in this category described the NHP 2012 strategies as not fully ‘solution-driven’. By this, the respondents meant that some of the strategies were very viable for the horticulture sector but then did not provide a precise solution to the respective challenge.

One of the interviewee’s argued,

“There are missing links in the NHP 2012 for example, the sector has continuously faced the challenge of double-taxation yet the policy doesn’t spell out the mandated authority for this particular exercise.”

Based on the analysis, the author agrees with most of the respondents that the NHP was adequately researched. This is because there was a multitude of stakeholders that put in ideas for this policy to be launched successfully. The NHP document outlines all members of the Task Force played an integral role in conducting research into the different problem areas so that customized solutions would be designed.

The fifth question sought to find out whether the NHP is important to the cut flowers export industry. The question read: ‘Do you think the NHP 2012 is important to the cut flowers export industry?’ If yes, why do you think so? The table below shows the distribution of responses.

Table 4. 6 Table showing the distribution of responses on the importance of the NHP 2012 to the cut flowers export sector

<table>
<thead>
<tr>
<th>Answer</th>
<th>Number of Responses</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>6</td>
<td>75%</td>
</tr>
</tbody>
</table>
The chart below provides a visual representation of the distribution of responses.

<table>
<thead>
<tr>
<th>No</th>
<th>2</th>
<th>25%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>8</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: Constructed by author based on findings

Majority of the respondents (75%) acknowledge the importance of the NHP 2012 based off its strategies. They referred to the cut flowers export industry as the most important in the horticulture sector and that the NHP 2012 should have done more to address its challenges. The categorization of responses was based on phrases such as ‘adherence to international standards’, ‘market-oriented’, ‘monitoring tool’ and ‘not timely’. They are analysed below:

i. **Adherence to international standards**
Responses in this category referred to aspects such as harmonisation of standards such as the Sanitary and phytosanitary standards and addressing the Technical Barriers to Trade. The respondents acknowledged that the NHP 2012 addressed capacity building enhancement for key horticultural exports that would enable the cut flowers export industry ‘meet international standards.’ Other responses under this category described the NHP 2012 importance to the cut-flowers as that of integrating this industry into the ‘international system’ enabling it to increase its market share even though very gradual.

ii. Market-Oriented

Responses in this category referred to aspects such as ‘market diversification’, ‘exploring new markets’ and ‘sustainable markets’. Generally respondents acknowledged the NHP 2012 had sought to address the issue that the cut flowers export industry had one major market which deemed the sector volatile in case of any mis-understanding that would arise with the destination market, Europe. Aspects such as the Dutch auctions came up with respondents mentioning the NHP 2012’s attempt to establish a Nairobi flower auction which would enable direct sales to target markets.

iii. Monitoring Tool

In this category, responses referred to aspects such as ‘sector regulation’ whereby some respondents pointed out that the NHP 2012 has informed the establishment of organizations such as HCD and KEPHIS who monitor and regulate the cut flowers sector together with other horticultural crops.

One of the respondents said, “The Horticulture Crop Directorate is like the police of the horticulture sector.”
iv. Not Timely

Responses under this category referred to aspects such as ‘new challenges’ and other ‘newer policies’ both external and internal that affect the Kenyan cut flowers performance not addressed in the NHP 2012. Policies such as those being address in the EPA between Kenya and the EU have heavily affected the industry even after the launch of the NHP 2012. Adhering to such policies have rendered Kenya more competitive more than following up on the implementation process of the NHP 2012. Respondents in this category suggested a re-alignment of the strategies for it to work in the current international market situation so as to retain Kenya’s comparative advantage.

An interviewee said,

“Where was the NHP 2012 when the EU shut their markets to cut flower exports from Kenya? If the NHP 2012 had fully addressed the issue of market diversification and implementation was complete, the industry would not have suffered losses. For now, we work with what serves our interest.”

Table 4. 7 Table showing the categorization of responses to question of importance of NHP to cut flowers

<table>
<thead>
<tr>
<th>Categories</th>
<th>Adherence to international standards</th>
<th>Market-oriented</th>
<th>Monitoring tool</th>
<th>Not timely</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number or Responses</td>
<td>3</td>
<td>3</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>---------------------</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td>Percentages</td>
<td>37.5%</td>
<td>37.5%</td>
<td>12.5%</td>
<td>12.5%</td>
</tr>
</tbody>
</table>

Source: Constructed by author based on findings

Based on the above responses above, more than half of the respondents believe the NHP 2012 is important to the cut flowers export industry. They base this on the fact that the NHP 2012 addressed key strategies that would lead to the sustainability of the industry including finding new markets for cut flowers, reducing overdependence on European markets. On the negative outlook, 1 respondent felt that the NHP 2012 only brought more institutions to regulate the cut flowers sector which brought more bureaucracy into the industry. Another respondent argued that the NHP 2012 was not timely anymore and should be redrafted to suit the current challenges the cut flowers export industry is facing especially ones threatening its comparative advantage.

4.3.2 Ethiopia’s horticulture policy vis a vis potential implication of Kenya’s NHP

In a news story on the Business Daily in 2014, some information on the Kenyan cut flowers export industry read in part “Kenya may lose its position as the world’s biggest horticultural exporter, in the wake of the rising cost of production and compliance bottlenecks linked to the tighter safety measures” (Business Daily, 2014). This was in reference to interception of illegal flower shipments to the European markets by local dealers. Based off a report from the European Food Safety Commission, the story said, about 41 illegal Kenyan consignments had been captured compared to Ethiopia’s 9 who are Kenya’s biggest competitors in the cut flowers export industry in Africa. The story further reported that there
had been concerns of importers shifting focus to Ethiopia and India who had cheaper-priced flowers than Kenya.

Chief Executive Officer of the Kenya Flower Council Clement Tulezi said in an interview in November 2018 that, “The long-term survival of the industry is at stake because we have a feeling that government does not care about the industry but cares only about the taxes it generates from it” (Daily Nation, 2018).

In an interview with Xinhua News Network in late March 2019, Fresh Produce Consortium CEO Okisegere Ojepat said, “The sector has been adversely hit by the imposition of the 16 percent VAT on pest control products, among other unfavorable conditions, which has made our products more expensive even in the East African region.”

In the same interview Ojepat added that Kenya’s fresh produce sector was facing very stringent and lengthy clearance processes, high energy costs, multiple taxations and levies and other trade restrictions that had made Kenyan horticultural products less competitive in the regional and international markets (Xinhua News Network, 2019).

The above stories are some of the headlines that have been hitting the Kenyan cut flowers export industry. All the stories have one thing in common: that Kenyan could lose its competitiveness as a lead exporter of cut flowers. A call by various sector holders to provide more favourable policies including Fresh Produce Consortium CEO Ojepat, who went a step further to launch the Fresh Produce Consortium Strategic Plan 2019-2014, are some of the few remedies the horticulture sector industry players are pursuing to sustain the industry.
Based on the analysis of the Ethiopian horticulture sector (Chapter 2) whose policies were successfully implemented and have propelled Ethiopia’s cut flowers export industry onto a growth trajectory, the author seeks to use Ethiopia as a best practice example towards implementation of the NHP 2012. This will enable the study to paint a clear picture on what implications the NHP 2012 would have on the Kenyan cut flowers export industry competitiveness. This section will compare Kenya’s key policy provisions to Ethiopia’s directly related policies in order to bring out the potential implications each strategy would have. The chart below shows the world’s largest cut flowers export countries from 2005 vs 2015:

![Graph showing the percentage share of the world's largest cut flower exporting countries from 2005 vs 2015](image)

Figure 4. 6 Graph showing the percentage share of the world's largest cut flower exporting countries from 2005 vs 2015

Source: UN Comtrade, 2016

It is clear from the graph that Ethiopia’s share of cut flower exports in the world was quite insignificant. The chart below however shows world’s largest flower exporting countries as of 2018 showing strides Ethiopia has made on its journey to be a key world exporter:
In Chapter 2, a lot of insight regarding policies that enabled the Ethiopian cut flowers industry to flourish was provided. This information included the different policies Ethiopia applied in order to move towards a growth trajectory. Each of these strategic decisions shall be compared to selected Kenya’s NHP 2012 strategies in order to understand implications.

i. **Promotion of a conducive investment environment**

To raise Ethiopia’s competitiveness in the cut flowers export industry, Government of Ethiopia took strategic policy steps including a conducive environment for inflow of FDIs. Through various partnerships with like the Dutch government, Ethiopia was able to gain strong investors who assisted in kick-starting the now very lucrative sector. Considering the volatile nature of international markets, Ethiopia’s government went a step ahead to devalue their currency to protect the cut flower exporters from making massive losses.

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**Figure 4.7 Chart showing the percentage share of the world’s largest cut flower exporting countries in 2018**

Source: Reconstructed by author based on data provided by World Top Exports (World's Top Exports, 2019)

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Netherlands 4.5 billion  
Colombia 1.5 billion  
Ecuador 851.9 million  
Kenya 750.7 million  
Ethiopia 212 million
Kenya’s cut flowers sector is however dependent on the magnitude of the private sector’s pursuit of government’s intervention in times of crises. Kenya’s inflation rate is currently at 8% with an imposition of a 16% VAT on pesticides which marginally increases costs of production for Kenyan cut flower farmers. Such an environment has proved to be overbearing to many investors who are now seeking new production locations like Ethiopia. The NHP 2012’s strategies address such challenges with provisions geared towards protecting horticulture sector farmers from incurring losses due to reasons stated above.

ii. Lobbying for subsidies for the horticulture sector

One of the key characteristics of the Kenyan horticulture sector is the lack of government’s provision of subsidies when the sector is undergoing challenges. Unlike other sectors like sugar, tea, coffee and maize which have continuously received subsidies in terms of credits, inputs, fertilizers and even bail-outs, the horticulture sector has been left to waddle through its challenges (CARE International, 2016). The NHP 2012 proposed introduction of subsidies to schedule horticulture commodities including cut flowers. Introduction of subsidies would encourage more participation by smallholder exporters who play a substantial role in the cut flowers sector as mentioned in literature (Chapter 2). In Ethiopia, the government’s subsidy characterized its national bank, DBE, offering loans to investors in the cut flowers industry at subsidized rates without prescribing any collateral. This strategy worked out positively for Ethiopia with about 84% of the loans being reported as good performing in 2012 (Equbay, 2015).

For the Government of Kenya to be able to provide subsidies to the horticulture sector, they would be required to set aside a considerable amount of the country’s budget towards agriculture. Unfortunately, despite Kenya being a signatory of the United Nations Malabo
Declaration that requires signatory governments to set aside at least 10% of their budget, the country has continued to underbudget for the agriculture sector (Standard Digital, 2018). It is also worth noting that in 2018’s World Bank Kenya Economic Update, World Bank Group warned against untargeted provision of subsidies, arguing that it was impoverishing small-holder farmers. In the report, World Bank suggested ‘targeted subsidy input programmes that would enable raising of smallholder crop productivity which would in turn raise the productivity of the overall agriculture sector. Considering the horticulture sector’s (especially cut flowers) contribution ($1.1 billion) to the country’s export revenue, this would be a targeted sector to anchor support.

Lack of provision of subsidies have deemed the small-holder farmers of cut flowers export in Kenya helpless despite them being majority : 398 small-holders vs 54 large-scale farmers (Mwase, 2015). Ethiopia is therefore proof that if Kenya implements the NHP 2012, targeted subsidies towards the horticulture industry and specifically the important cut flowers sector would support the sustainability of Kenya’s cut flowers exports industry.

iii. Provision of affordable land and enhancing logistics sector

Over the years, Kenya’s land policies have aroused various debates especially from investors targeting to start manufacturing companies in the country. Unlike in Ethiopia where land costs much less than in Kenya when it comes to leasing, Kenyan land is considered quite expensive compared to its neighbours. Land in Ethiopia cost $10 per square meter in 2008 compared to Kenya’s $30 to $40 per square meter. This has contributed to Kenya losing its comparative advantage to Ethiopia who are currently their main competitor in Africa, with many investors relocating to Ethiopia to save on costs (Equbay, 2015).
In November 2018 Kenya’s national carrier Kenya Airways (KQ) launched direct flights to the United States. This was surrounded with a lot of frenzy and excitement with cut flowers exporters being positioned to be one of the biggest beneficiaries. This also raised hope on the shifting of overdependence on the EU market by the cut flowers export industry, with the U.S. presenting itself as a key potential market. However, their excitement was short-lived as it was later revealed that KQ would prioritize passengers rather than cargo for their direct flights (Daily Nation, 2018).

On the other hand, Ethiopia’s national carrier EAL has been doing direct flights to the U.S. for several years and are able to access the America’s main flower import destination, Miami. Although the U.S. cut flowers market is not as big as the one being offered by the EU, it still contributes significantly in terms of market diversification. With Ethiopia putting in place plans to enhance its freight handling in terms of cold-chain facilities for this route, Kenya will have to play catch-up by the time KQ sets up direct cargo services to the U.S. market (Standard Digital, 2017). Once Kenya implements the direct flights strategy to new markets as prescribed in the NHP 2012, it would be a step closer towards achieving marketing diversification and exploration of new markets.

iv. **Strengthening of institutions to support the Industry**

In Kenya, the cut flowers export industry has always been private-sector driven. Through the years, as analysed in previous chapters, the government has been prioritizing other sectors, to include tea, coffee and sugar sectors. As provided in the NHP 2012, institutions such as HCD and KEPHIS were formed by government to support the horticulture sector. However, many stakeholders have expressed views that HCD are missing the point when it comes to support of the industry. These stakeholders have outlined that HCD has over the
years focused on levy Imposition and standards regulation rather than providing salient support like vouching for subsidies and extension services, and facilitating access (CARE International, 2016).

Conversely, Ethiopia’s government, through establishment of institutions like EHPEA and EHDA, is able to conduct collective learning through various study tours to market leaders like Netherlands, Ecuador and Kenya. This enabled them to significantly boost the market knowledge of the Ethiopian cut flowers export industry (Equbay, 2015). Based on the aspirations of Kenya’s NHP 2012, if institutional support is provided to the cut flowers export industry, then there will be successful public-private partnership which will propel the industry forward.

v. Coordination of institutions for policy implementation

One of the key aspects of successful policy implementation as outlined in Chapter 2 is proper coordination of implementing institutions. In Ethiopia, the National Export Coordinating Council (NECC) was established to ensure coordination among all sector-based organizations including EHDA and EHPEA. This was key in enabling Ethiopia implement various policies in the cut flowers export industry as mentioned above. This coordination also enabled industry players to access a platform where they could put across their challenges and these would be addressed by the government in a timely manner (Equbay, 2015). Kenya’s NHP 2012 has been in the process of implementation since 2012 due to poor coordination. Bearing in mind that the National Horticulture Task Force doesn’t have legal authority to conduct this coordination among institutions, implementation of the NHP 2012 becomes a continuous uphill task.
Without a coordinated approach to sustain the cut flowers export industry in Kenya, challenges will keep piling up as Ethiopia flourishes with its plausible implementation of policies in the same sector. Implementation of the NHP 2012 will give it full legal authority that will enable Task Force members to convene frequently, which will facilitate faster addressing of challenges.

4.4 EU’s trade relationship with Kenya during the making of the National Horticulture Policy 2012

4.4.1 Lomé Conventions
Kenya and EU trade relations date back to the Lomé Conventions between 1975 and 2000. The main goal was provision of a firm basis for trade between Africa, Caribbean and Pacific (ACP) states based on the principle of free access to the then European Community for products originating from these ACP countries, with special provisions given to agricultural products.

The Lomé Conventions had specific cooperation objectives that guided the free trade agreement. These objectives included:

- **Win-win partnership**- This implied that the EU would not interfere in the resource management for ACP countries. Instead, these countries would be responsible for their own development while the EU played a supportive role.

- **Aid and trading partner**- Under the Lomé cooperation, the EU set out to provide non-reciprocal trade benefits while at the same time administering aid flows that were predictable.

- **Stabilization of commodity exports**- Due to the unpredictable nature of the international trade, the Lomé cooperation designed schemes to stabilise export
recipients on their agricultural and mineral exports including cocoa, coffee, tea and groundnuts. This was to cushion these countries that were heavily reliant on such commodities and suffered export losses.

- **Specialized trading protocols** - These were designed to protect the ACP countries’ exports from suffering fluctuating global prices. For example, there was a Sugar Protocol whereby the EU bought a fixed sugar quota from ACP countries each year at guaranteed fixed prices that were higher than the world market price.

- **Mutual obligations and Joint Administration** - The Lomé cooperation agreement allowed for discussion of sensitive matters like human rights issues. It allowed for joint administration and dialogue between the EU and ACP countries enabling an avenue for feedback reporting (Cosgrove, 1994).

Preferences had been granted to countries with dismal performance in export of manufactured products. Substantial preferences were made available for certain agricultural products that did not compete with European ones. However, there were little preferential margins for those agricultural products that would potentially compete with European ones under the CAP category products (Kalle Laaksonen, 2005). These limited preferences for competing products, as argued by Laaksonen, Petri and Meri (2005) were inconsistent with the objective of promoting and diversifying ACP exports.

Whereas it has been argued that the incapacity of ACP economies to produce more, better and a greater diversity of products prevented them from taking advantage of this privileged access, ACP states had a counter argument. Many of these countries contended that the World Bank’s Structural Adjustment Programs (SAPs) had eroded their trade development initiatives. These programs restricted ACP governments’ powers, including Kenya, to
subsidize agriculture and allow protection of domestic industries by restricting importation (Cosgrove, 1994).

**4.4.2 Cotonou Partnership Agreement 2000- 2007**

Later came the the Cotonou Partnership Agreement signed on 23rd June 2000 that upheld the preferential treatment of agricultural exports by providing duty-free access into the European market. This partnership agreement had four main objectives namely:

- **Mutual exchange**- This meant that both parties, ACP Countries and the EU, had to both open up their markets to create a form of reciprocity. ACP Countries were therefore required to open up their markets to EU exports.

- **Diversification**- Unlike the Lomé whereby preferences were given to specific products from all ACP countries as a whole, the Cotonou Partnership Agreement had a provision that recognizes the varying needs and economic development levels of different states. This meant that each country was at liberty to decide when they were ready to give the EU market access.

- **Bloc Partnership**- The agreement focused on forming partnerships between the EU and Regional Economic Blocs including the EAC, ECOWAS and SADC.

- **Conformity to trade rules**- This agreement would conform to the World Trade Organization system, unlike the Lomé Convention Agreements that had sparked uproar over the non-reciprocity issue (The Kenya Human Rights Commission, 2014).

Just like the Lomé Conventions, the Cotonou Partnership Agreement was later considered non-reciprocal in the sense that although most exports from ACP countries enjoyed duty-free entry into the EU, EU imports into Kenya faced tariffs. This prompted further
negotiations at the World Trade Organization (WTO) Doha Development Agenda whereby win-win multilateral trade liberalization was discussed.

During the resultant period, the cut flowers export industry had grown from Ksh. 3.5 billion in 1995 to Ksh. 37 billion in 2009. In terms of proportion, the share of cut flowers exports had increased from 50.9% in 1999 to 62.4% in value; and from 37.4% in 1999 to 48.2% in 2009 in terms of volume.

Figure 4. 8 Value of exported cut-flower and foliage, fruits and vegetables in Ksh. Form 1995-2009

Source: Ministry of Agriculture 2010

Table 4. 8 Table showing percentage share of flower, vegetable and fruit to total Kenyan horticultural exports, 1999 to 2009

<table>
<thead>
<tr>
<th>Products</th>
<th>Year</th>
<th>Share of total Volume</th>
<th>Share of total Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Flowers</td>
<td>1999</td>
<td>37.4</td>
<td>50.9</td>
</tr>
<tr>
<td></td>
<td>2001</td>
<td>41.9</td>
<td>52.7</td>
</tr>
<tr>
<td></td>
<td>2003</td>
<td>45.8</td>
<td>57.2</td>
</tr>
<tr>
<td></td>
<td>2005</td>
<td>49.8</td>
<td>59.0</td>
</tr>
<tr>
<td></td>
<td>2007</td>
<td>47.0</td>
<td>64.0</td>
</tr>
<tr>
<td></td>
<td>2009</td>
<td>48.2</td>
<td>62.4</td>
</tr>
<tr>
<td>Vegetables</td>
<td>1999</td>
<td>46.9</td>
<td>52.7</td>
</tr>
<tr>
<td></td>
<td>2001</td>
<td>35.2</td>
<td>39.4</td>
</tr>
<tr>
<td></td>
<td>2003</td>
<td>36.5</td>
<td>36.7</td>
</tr>
<tr>
<td></td>
<td>2005</td>
<td>38.9</td>
<td>35.8</td>
</tr>
<tr>
<td></td>
<td>2007</td>
<td>44.0</td>
<td>33.0</td>
</tr>
<tr>
<td></td>
<td>2009</td>
<td>40.1</td>
<td>32.9</td>
</tr>
<tr>
<td>Fruits</td>
<td>1999</td>
<td>15.8</td>
<td>8.8</td>
</tr>
<tr>
<td></td>
<td>2001</td>
<td>22.9</td>
<td>7.8</td>
</tr>
<tr>
<td></td>
<td>2003</td>
<td>17.7</td>
<td>6.1</td>
</tr>
<tr>
<td></td>
<td>2005</td>
<td>11.3</td>
<td>5.3</td>
</tr>
<tr>
<td></td>
<td>2007</td>
<td>8.0</td>
<td>3.0</td>
</tr>
<tr>
<td></td>
<td>2009</td>
<td>11.7</td>
<td>4.6</td>
</tr>
</tbody>
</table>

Source: Computed from HCDA statistics for various years.
As the trade liberalization talks raged on, most least developed and developing countries including Kenya presumed that further trade liberalization would not be in their best of interest. As policy analysts John Omiti and Lydia Muraya put it, this would result into erosion of preferences that would reduce the benefits they rip from preferential access to developed country markets like the EU. They therefore suggested the need for Kenya to review the status of its comparative advantage so as to determine if it was still on track in its competitiveness in the industry (Nancy Laibuni*, 2012).

4.4.3 The European Union- East Africa Community Economic Partnership Agreement

Under the Cotonou Partnership Agreement’s provision that enables EU to enter into agreements with specific RECs among the ACP countries, negotiations were started between EU and the EAC. This provision was to enable compliance of the agreement to the WTO’s trade rules. At the time of these negotiations, the EAC Member States were only five namely: Kenya, Uganda, Tanzania, Rwanda and Burundi.

The EPA between the EU and EAC commenced in October 2007 and a framework that would require the five Partner States to harmonise their positions on key areas was developed. These areas included: Customs and Trade Facilitation; Fisheries, Economic and Development Cooperation, Rules of Origin, Sanitary and Phytosanitary measures and Agriculture. The full negotiations were to reach a consensus by October 2014. Due to its middle-income status, Kenya was considered to be a non- Least Developed Country (LDC) member, unlike the rest of the EAC states. This on the contrary, would turn out to be a thorn in the flesh of Kenya’s EPA negotiation journey. Given the October 2014 deadline prescribed by the EU, countries that would not have signed into the EPA would lose their
duty-free access into the EU market. It is however note-worthy that the LDC countries would still retain this duty-free access into the EU market under another LDC-specific agreement known as the everything but arms’ (EBA). This meant that Kenya would be the only EAC country on the losing end if the EAC didn’t reach an agreement. Kenya would have to pay high tariffs thereby decreasing its competitiveness on the cut flowers export market, as its competitors still benefit from duty-free access (Pichon, Economic Partnership Agreement with the East African Community, 2018).

As fate would have it, the EAC countries did not reach a consensus in time since Member States had raised concerns that are yet to be settled to date. Some of the concerns include the fact that the EU allowed for 100% duty-free access of exports into their market on condition that the EAC countries allow 82.4 % worth of imports into the EAC. Based on EU’s Comprehensive Agricultural Policy that allows for subsidies to their farmers, EAC countries feared that subsidized agricultural products from the EU would enter their market. This would completely distort trade in the trade bloc. Although the EU committed in the EPA’s Article 78 (2) not to subsidize agricultural products it exports to the EAC, this could change anytime and remains to be the main reason why countries like Tanzania and Uganda have not signed into it (Ochieng', 2015).

The dynamics of the unsigned EU EPA hit Kenya hard and most especially on the cut flowers export industry. When the EPA deadline elapsed in October 2014, Kenya was moved under a new trading regime known as the Generalized System of Preferences (GSP) causing its exports to the EU to attract import duties of between 5% to 22% (Pichon, Economic Partnership Agreement with the East African Community, 2018). The table and graph below show that the cut flowers export quantity declined by 8.1 % from 124,858.1 MT to 114,763.8
MT in 2014 (Agriculture Fisheries and Food Authority, 2014). This could be attributed to the fact that many exporters had grounded their business due to the toll the high taxes had taken on them, until a quick solution by the Government was generated.

Table 4.9 Table showing value of Kenyan flower exports against volumes from 2010 to 2017

<table>
<thead>
<tr>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Export Volumes (Metric Tonnes)</td>
<td>120,221</td>
<td>121,891</td>
<td>123,511</td>
<td>124,858</td>
<td>136,601</td>
<td>122,800</td>
<td>133,658</td>
<td>159,961</td>
</tr>
<tr>
<td>Value(Ksh Billions)</td>
<td>35.50</td>
<td>44.51</td>
<td>42.87</td>
<td>46.33</td>
<td>54.60</td>
<td>62.92</td>
<td>70.80</td>
<td>82.25</td>
</tr>
</tbody>
</table>

Source: Figures sourced from the Agriculture, Fisheries and Food Authority (Agriculture Fisheries and Food Authority, 2014)
The Government finally bowed down to pressure from the cut flowers export stakeholders who had suffered massive losses due to retraction of duty-free access into the EU market. According to KFC, exporters lost a whooping Ksh.100 million per week during the period October 2014 to December 2014 (Kenya Flower Council Flower, 2014). Several economic and political analysts termed this as ‘arm-twisting’ of Kenya by the European Union. Ska Keller, a German member of parliament then, described it as a situation whereby a gun was pointed on Kenya’s head. Liz Kay, who was the head of policy at a trading UK organisation known as Traidcraft, argued that the East African countries were at a loss in the EU-EAC EPAs. She further described the situation as most unfavourable to Kenya since the other Partner State already had duty-free access into the EU market under the EBA agreement. They were therefore not agreeable to new EPA terms they were not in favour of (The Guardian, 2015).

Figure 4. 9 Graph showing volume of Kenyan flower exports against values from 2010 to 2017

Source: (Agriculture Fisheries and Food Authority, 2014)
Andrew Mold, an economic analyst at the UN who now works at the Economic Commission for Africa added to Ska and Kays observations. Mold outlined that African economies could not compete with economies of the EU Member States. He added that free trade and EU imports endanger existing African industries while killing the dream of materializing new industries. Liz Kay compared Kenya’s situation to that of Namibia whereby Namibia had received all manner of aid from the EU including duty-free exports of their beef into the EU market. When Namibia failed to sign their EPA with the EU, they were threatened with high tariffs and a loss of the duty-free access (The Guardian, 2015).

The author’s findings based on the above secondary data points towards the fact that during the process of the formation of the NHP, EU’s foreign policy played a key role. The NHP’s objectives were based on the fact that Kenya sought to move away from overreliance on one major market, in this case the EU, for exports of their horticultural products. This is...
attributed to the unpredictable nature these trade partnerships between Kenya and the EU have proven to be over time. In the NHP, one of the strategies included strengthening of governing bodies to ensure fast implementation of trade protocols. This was to ensure that Kenya maximizes its benefits in terms of export revenue. Such trade protocols include the EU EPAs.

Under the EU EPA, new challenges in the form of non-tariff barriers had emerged. These barriers included conforming to Sanitary and phytosanitary (SPS) protocols as prescribed by international markets. This was captured in the NHP 2012 whereby the governing body for testing of standards, KEPHIS, was established. This would enable prevention of export of sub-standard products, ensuring Kenyan flowers and other agricultural exports are able to compete in international markets. It is notable, however, that in Article 121 of EU’s EPA that the EU commits to providing capacity-building support to EAC Partner States to enable SPS control, risk analysis, traceability, testing and certification in order to improve the standard of their domestic production.

In order to break away from over-dependence on the EU market, the NHP outlined that it would employ a new marketing strategy whereby Kenyan missions abroad would aggressively be engaged in seeking new markets for key Kenyan products. The authors views this as a plausible venture since on-ground lobbying is usually considered more effective and provide better grounds for market intelligence. Gaining new markets for the Kenyan cut flowers would also mean that Kenyan exporters would stop relying on the Dutch middlemen to sell their produce at the Dutch auction. In an ideal world, new markets also mean that Kenya would be able to achieve its goal of forming a Nairobi auction and thereby being in control of its own market.
4.5 Challenges in the implementation of the NHP 2012

The final objective of the research was to find out the challenges faced in the implementation process of the NHP. The data collected sought to analyse the hurdles faced during the implementation process and the frameworks that have been put across to counter these challenges.

All the respondents acknowledged that there have been challenges in the implementation of the NHP 2012. Some of the challenges were articulated by more than one respondent reflecting collective experiences. The challenges were categorized as below:

   i. Lack of Coordination

Despite existence of the National Horticulture Task Force and the fact that most respondents acknowledged their organization’s participation, all 8 respondents highlighted that there was a lack of coordination when it came to implementing the NHP 2012. This resonates with (Klassen, Cepiku, & Lah, 2017) who suggests that apart from forming a coordination body to implement a policy, this coordination body should have strategies that govern their coordination. The coordination strategy should also entail mediation and resolution tactics incase there is some disagreements in the implementation process.

An interviewee revealed that,

   “Having a Task Force is one thing but the real job is getting this Task Force to meet on a consistent basis to discuss key issues pertaining to the policy. Most members are always busy with other things until a crisis emerges in the sector.”

   ii. Policy Overlaps
Of the 8 respondents, 5 respondents sighted policy overlaps as one of the main challenges. They pointed out that several policies had been formulated in the agriculture sector whose strategies overlapped with those of the NHP 2012. This shifts focus from implementation of the NHP 2012 to the other policies based on a needs basis. Some of the overlapping policies are shown in the table below:

Table showing policy overlaps between the NHP 2012 and other policies in the agriculture sector

<table>
<thead>
<tr>
<th>Name of Policy</th>
<th>Policy Objectives</th>
</tr>
</thead>
<tbody>
<tr>
<td>National Horticulture Policy 2012</td>
<td>To promote sustainable growth and development of the horticultural sector. Specific policy objectives include: to promote value addition and increase domestic and external trade; increase production of high quality horticulture produce in Kenya</td>
</tr>
<tr>
<td>Agricultural Sector Development Strategy (ASDS) (2010 – 2020)</td>
<td>This has been fronted as the overall national strategy document for the agriculture sector as a whole that involves the sector’s ministries and stakeholders in Kenya. Main policy objective is: ‘to bring about a highly productive and efficient agribusiness sector</td>
</tr>
</tbody>
</table>
that is competitive both locally and internationally.

**Sustainability Strategy for Regional Development Authorities (2010)**

The objectives read in part…. ‘to enhance productivity and skills as well as firm competitiveness and expansion of export markets and diversification of export products.’

Source: (Embassy of the Kingdom of the Netherlands, 2017)

**iii. Lack of Ownership**

All respondents sighted lack of ownership of the NHP 2012 as one of the key challenges facing its implementation process. This refers to stakeholders not paying much attention to the objectives and the policy’s goals as a whole. The lack of ownership is however attributed to two main aspects as per the responses: 1) Lack of involvement and 2) Lack of interest.
Figure 4. Chart showing respondents' basis for lack of ownership

Source: Constructed based on author’s findings

Among the responses, 3 of the interviewees (37.5%) blamed the lack of ownership to the fact that most of the people in the various organizations in Task Force were not present during its making. Although they have background information on its objectives and goals, they give focus to newer policies that would make their individual organizations ‘shine’. This pulls the process of the implementation backwards.

The rest of the 5 interviewees (62.5%) viewed the lack of interest in the NHP 2012 provisions as a key challenge towards its implementation. The lack of interest was attributed to the fact that sectors like the cut flowers export industry has always been private-sector ridden and had survived without the policy hence there was growth without the NHP 2012. Some of the lack of interest was attributed to the fact that there are other policies overlapping the NHP 2012 objectives including the Kenya Trade Policy 2017 and the National Export Development and Promotion Strategy 2018 that adequately cover key aspects pertaining to
the cut flowers export industry. These include market diversification and value addition. This has propelled stakeholders to rush to implement these ‘fresh’ policies.

iv. Lack of adequate budget

Among the responses 3 interviewees sighted poor budget allocation to facilitate the implementation process of the NHP 2012 as another challenge. One of them said,

“In the implementation framework of the policy, a budget had been developed for every item in the policy; there have been inadequate funds to support all activities as envisaged in the policy.”

These responses had one thing in common: that there was a shift in focus into addressing challenges, especially in the cut flowers export industry based on demand. For example, when the VAT tax returns were not refunded on time, the HCD waited until the private sector’s uproar directed to the president so that it could act on the crisis.

v. External Influences

Majority of the respondents acknowledged the existence of external actors as a key factor proving to be a challenge in the implementation of the NHP 2012. Such external actors include the European Union and their EPAs. Responses included references to ‘external interference’, ‘external demands’ and ‘compliance to international standards’.

An interviewee argued that,
“Owing to the fact that our key export market is the EU, we have to move according to their pace. We might have a good policy as a country but we have to look at the bigger picture and that sometimes means complying to external demands.”

Another interviewee added that,

“The National Horticulture Policy is a very good policy. However, when it comes to the cut flowers exports industry, losses are profound if we do not meet external standards first. This reminds me of the crisis we faced in October 2014 when our duty-free access was revoked.”

This view was echoed by another interviewee who said that,

“The EU’s Economic Partnership Agreements have proved to be very instrumental for Kenyan exports especially the cut flowers. Our priority is to ensure that the industry thrives through continuous good relations with our main export markets.”

An interviewee suggested that,

“We have come a long way in the horticulture sector and have made several agreements backed by government to grow this industry. The cut flowers have proven to be very important and contribute a lot of revenue because of compliance to international standards.”

Describing government efforts in trying to balance between domestic policies and internal actors, an interviewee said,

“Every government strives to provide accommodative policies to its own industries but then sometimes the policies encounter interferences due to some external actors. When
this actors are so important as in the situation of the cut flower exports to the EU, all other policies are shelved and priority is given to the important one.”

This objective also sought to find out whether frameworks had been established to counter challenges faced in the implementation of the NHP 2012. Under this question, only 2 respondents provided articulate answers. The first interviewee referred to the newly formed strategy: the National Export Development and Promotion Strategy 2018 that was launched in late 2018 citing that it provides a framework for coordination of various organizations towards successful implementation of policies. The second interviewee suggested that due to new competitors rising in the cut flowers export sector, the Task Force members were now renewing their interest in discussing sustainability of the sector through more engagement on the NHP 2012.

4.5 Conclusion

This Chapter has presented, analysed and derived findings pertaining to all three research objectives. It first delved into finding out the potential implications of the National Horticulture Policy on Kenya’s cut flowers export industry. Based on findings, it was evident that this policy is considered important and had been made putting into consideration different problem areas that had been identified in order to provide solution-based strategies. Indeed, this is in line with the policymaking process of efficient polices as described by different authors in Chapter 2.

It was also clear that the making of the NHP was a joint effort between government and private sector institutions who sought collaboration in order to sustain the horticulture industry in Kenya. Applying Birkland’s (Chapter 2) top-down approach to policy implementation, the NHP was made with the highest qualified policymakers who work on
it’s implementation and then pass on decisions made to other implementers lower in the hierarchy for further implementation.

Comparing Ethiopia’s implemented horticulture policy strategies to Kenya’s NHP has painted a clear picture of anticipated outcomes Kenya could derive if its own policy is fully implemented. Ethiopia has continued to give Kenya a run for its money when it comes to the value of exports in cut flowers due to its comparative advantage. This reinforces the research’s theoretical framework and highlights with importance that the Kenyan policy makers learn from this and work towards hastening the implementation of the NHP. It is time for the teacher to become the student.

Of much interest was whether external actors have played a role in the delay in implementation of the NHP. Based on the findings, external actors to some extent influence how domestic policies are made and implemented. These has clearly been brought out through analysis of the Kenya’s trade relations with the EU. Indeed an external actor’s foreign policy can emerge as more important even in the case of economic interdependence.

Having explored what Kenya could gain once the NHP is implemented, it was important to analyse what challenges this implementation process had faced. Lawrence O’Toole et al and other authors in Chapter 2 highlighted that proper policy implementation in-turn required proper policy coordination. This interestingly emerged as one of the major challenges facing implementation of the NHP 2012 among others.
5.0 SUMMARY, CONCLUSION AND RECOMMENDATIONS

This chapter provides a summary of the study based on the key objectives, draw conclusions relevant to the study and provide recommendations.

5.1 Summary

The first chapter of this study sought to provide background information on the main reasons behind the formation of the National Horticulture Policy and the value of the cut flowers export industry in Kenya. It also introduced the research problem which is pegged on the fact that the NHP 2012 is yet to be implemented.

This second chapter provided a critical review of scholarly works on areas directly related to the objectives of this study. It explored features of the policy process, including implementation, creating a clear picture of what it takes for a good policy to be successful. It then delved into providing an understanding of the influence of external actors on a country’s domestic policy. Information on the Kenyan cut flowers export industry and sustainability of its competitiveness was given based on authors’ reviews on literature. A theoretical framework based on the Classical Economic Theory, tapping into its Comparative Advantage concept was thereafter introduced in order to provide insight and guidance into the research problem.

The study then presented, analysed and outlined findings to it’s main objective: potential implications of implementation of the National Horticulture Policy on Kenya’s competitiveness in the cut-flowers export industry. These findings are reflective of the specific objectives of the study, presenting analysed data that provide answers to the research questions. The research objectives were undertaken sequentially with the first objective exploring Kenya’s competitiveness in the cut flowers export industry through comparison to
a country with similar comparative advantage. The second objective analysed EU’s trade relations with Kenya during the making of the NHP, with an attempt to make an inference as to whether these relations had an effect to the making or implementation process of the policy.

The final objective presented the challenges faced during the NHP implementation process based on primary data. Primary data under this objective was presented based on categories generated reflecting trends in answers given by the respondents. These categories were used to show the salience of different responses and enable this research to paint a clear picture of the various reasons behind respondents’ perceptions. Conclusions on these findings tying back to the literature review were also outlined.

5.2 Conclusion

The National Horticulture Policy 2012 is a key domestic policy in Kenya geared towards sustenance of the horticulture industry’s growth and development to enable it maintain it’s competitiveness in the export market and broadly contribute to the country’s Vision 2030. Bearing in mind that the industry has experienced growth especially in the cut flowers sector which currently contributes 71.3% of the total revenue from horticultural exports valued at Ksh.117 billion in 2017, sustenance of the cut flower export industry is therefore important.

The NHP 2012 underwent the policy cycle that involves, consecutively : Problem identification, problem formulation, decision-making and is now stuck at the policy implementation stage. Although the policy was launched in 2012, this study finds that some challenges have continued to hinder its implementation. Such challenges include interference from external actors who are at the same time pursuing their own foreign policies. The EU has been a salient example of such an external actor through their
promotion of signing of the EPAs. Kenya’s cut flowers export industry therefore needs to diversify its markets further in order to avoid arm-twisting of its domestic policy in favour of external actor policies in a desperate quest to save its markets.

Policy implementation is a process that requires coordination and close follow-up as highlighted by various authors in this study including Lawrence O’Toole et al. This coordination requires buy-in from all parties for a successful implementation process. From the research conducted, the study finds that coordination has been another major challenge that has contributed to the non-implementation of the NHP 2012. Despite the existence of the National Horticulture Task Force, implementing institutions have been unable to seamlessly agree on all policy provisions, delaying the process by a whooping 7 years.

Other key challenges that have marred the implementation of the NHP 2012 include lack of adequate funding. This has strained the ability of the prescribed Task Force to be able to convene frequent meeting to be able to discuss timely issues that should be capture during implementation process. Another challenge as revealed by the study is the existence of policy overlaps whereby new policies are launched targeting similar policy strategies as those in the NHP 2012. This causes implementors to re-adjust their priority according to ‘fresh’ policies for the benefit of their individual institutions. Policy overlaps have also caused clashes when it comes to organizations mandated to oversee and undertake certain responsibilities. This has led to adverse effects in the cut flowers export industry including double taxation. Lack of ownership is also a challenge as review by the study whereby most current implementors were not involved in the initial drafting stages. This causes a lack of dis-interest in implementing the NHP 2012 with focus shifting to implementation of policies that directly influences their individual organization profiles.
Analysis of Ethiopia’s horticulture policy and the rapid growth exhibited by its cut flowers export industry has shown the importance of successful policy implementation. Basing its comparative advantage to Ethiopia, Kenya has a tough job in maintaining its reign as the lead flower exporter in Africa. Although Ethiopia has a lot of catching up to do, it’s unwaved performance has ensured them a spot in the world map of top flower exporters. The country has drawn attention from various international investors with some relocating from Kenya and setting up production firms in Ethiopia’s turf. Their favourable policies have exposed Kenya’s deteriorating competitiveness in the cut flowers export industry, with key stakeholders like KFC and FPEAK calling for action for the sake of sustainability of the lucrative industry.

The study therefore concludes that despite existence of other agreements that have been able to sustain the cut flowers export industry over the years, this is not a sustainable measure. This takes into account the volatility of the international market, the unpredictable nature of such agreements and most importantly the intrusive nature of external actors when it comes to implementation of domestic policies. It is important that a country implements its own policies tailor-made to its stakeholders and pursue careful negotiation when such domestic policies are directly influenced by its foreign policy. Minimizing external interference, as in Ethiopia, maintains the clear goal of the policy, enabling stakeholder engagement and coordination during the implementation process. Stakeholders should therefore restructure the coordination committee in order to implement the National Horticulture Policy 2012 in order to avert a looming crisis as per their predictions.

5.3 Recommendations

This study therefore recommends the following actions to be undertaken:
1) Re-organize the National Horticulture Task Force

This Task Force usually convenes sporadically to address challenges faced in the horticulture sector. However, things have changed since the NHP 2012 launch with new stakeholders and players entering the horticulture sector in Kenya. Restructuring of this Task Force to accommodate new key stakeholders will enable brainstorming of new ideas that can be applied to be able to successfully implement the policy.

2) Facilitate proper negotiation of trade agreements

Trade agreements are important to Kenya with the EPAs being one of the most important arrangements allowing for duty-free access to its main market, the EU. However, policymakers and legal practitioners should have coherent understanding of such agreements so as to be able to pick out any disputable issues before a crisis state is hit. Proper understanding of such provisions will also enable saving of time and more broadly, money.

3) Review of strategies in the NHP 2012

A lot has changed since the launch of the NHP 2012. Within that period of time to date (2019), Ethiopia has been able to swiftly catch up to Kenya’s cut flower export capability, with Ethiopia commanding a 9% market share while Kenya commands 11% of the world market share respectively. This means that Kenya needs to re-align its strategy towards these new developments. Accommodating issues such as the country’s current economy, review of the agriculture budget, new tax eras like introduction of the 16% VAT tax on pesticides and many more should be used to introduce new strategies that will help Kenya remain competitive in the industry. This will also enable fishing out of any policy overlaps in order to reduce confusion in the cut flowers export industry.
5.4 Further Research to be conducted

Bearing in mind that the nature of international trade is unpredictable and has various effects on every country’s exports, countries are constantly creating policies that will enable them protect their export revenue and markets. This study therefore recommends further research on how external actors affect a country’s domestic policy especially in instances of economic interdependence.
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APPENDIX 1: INTERVIEW GUIDE

TOPIC: POTENTIAL IMPLICATIONS OF THE NATIONAL HORTICULTURE POLICY ON THE GROWTH OF CUT FLOWERS EXPORTS IN KENYA

INTRODUCTION
My name is Inger Brenda Fedha a final year student at the United States International University. I am conducting a study on the potential implications of the National Horticulture Policy 2012 on the growth of the cut flowers export industry in Kenya. The research project is required as part of fulfilment for the award of a Master’s degree in International Relations.

Your involvement and participation is voluntary.

I pledge to treat the information you provide to me with confidentiality. The information will not be used for any other purpose other than the objectives of this study.

INFORMATION ABOUT RESPONDENT
Name:
Age:
Sex:
Level of education:
Name of Institution:
Position in the organization:
Duration in the:
i. Organization
ii. Current position

INTERVIEW GUIDE QUESTIONS
SECTION A
1. What is your understanding of the National Horticulture Policy 2012?
2. Which institutions were heavily involved in the making of the NHP 2012?
   b) Are all these institutions currently involved in its implementation?
   c) How are they involved in its ongoing implementation?

3. Do you think the strategies in the NHP 2012 are adequate? Please explain
   b) Was adequate research done during the problem identification phase or were they based
      on the key representative institution’s ideas?

4. Do you think the NHP 2012 is important to the cut flowers export industry? If Yes, why
do you think so?

**SECTION B**

5. Do you think EU’s trade relations with Kenya have an effect on the implementation
   process of the National Horticulture policy? Please explain.
   b. In your opinion, what are some of the key effects of external influences on this policy?

**SECTION C**

6. What are some of the challenges faced during the NHP 2012 implementation process?

7. What frameworks have been established to counter challenges faced in the
   implementation of the NHP 2012?