THE ROLE OF ISO STANDARDS IN KENYA'S ECONOMY

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1.0 Introduction

In the year 2009, Kenya launched an ambitious economic blueprint dubbed "Vision 2030", which aims to transform Kenya as a globally competitive and prosperous country, with a high quality of life, by the year 2030. By then, Kenya would have acquired a new status, a newly industrialized nation with a middle income economy. Hopefully, the lovers of acronyms will coin another one for the group of emerging markets with the letter K denoting Kenya after the latest catchy acronyms like B.R.I.Cs [Brazil, Russia, India and China] and C.I.V.E.T.S [Colombia, Indonesia, Vietnam, Egypt, Turkey and South Africa].

The economic blueprint is based on three main pillars, namely: political pillars, the social pillar and the economic pillar. Under the economic pillar, six key sectors have been identified to enhance Kenyans' global competiveness in order to achieve a double-digit economic growth rate per annum. These sectors are: tourism, agriculture, manufacturing, business process outsourcing, financial services, wholesale and retailing.

The recent World Bank report on the state of Kenya's economy, the fifth edition published in December 2011, projects that the Kenyan economy will grow at a rate of 5.0 percent in 2012 increasing up to 5.5 percent in the year 2013. The report further notes that the ongoing economic crisis underscores Kenya's structural challenges, especially weak exports, which are the primary cause of Kenya's recent macroeconomic instability, and contributor to the sharp decline in the Kenya shilling. This indicates that Kenya's economy is not yet out of the woods. The million-dollar question is what role do ISO standards play in this perspective?

2.0 What ISO International Standards hold for Kenya's Economy

Trade is a crucial driver of growth (Stern, 2003). For Kenya to achieve the double-digit economic growth envisaged in Vision 2030, Kenya must be able to respond to local and global market demands. Kenya, just like many African countries, is confronted by a myriad of challenges in improving its capacity to meet production and quality standards which are obligatory to access foreign markets, especially the European Union which is one of Kenya's biggest trading partners. Nicholas Stern, the former World Bank chief economist and senior vice president, notes that without addressing market access and international standards compliance issues, African firms and farmers will be unable to take full advantage of market opening initiatives such as the U.S.'s African Growth and Opportunity Act [AGOA] and the European Union's Everything but Arms initiative.

In his address to the 29th ISO general assembly in 2006, Pascal Lamy, the Director General of the World Trade Organization, noted that the absence of international standards can be a serious impediment to trade. Kenya stands to spur its economic growth to a double-digit figure through participating in standards development, adopting and complying with ISO international standards.

ISO international standards offer Kenya convenient solutions that will not only respond to the local and global market demands, but also be a panacea to the technological problems that it encounters. By progressively and consistently implementing these standards, Kenya benefits in the following ways:

- Conformity assessment has become part and parcel of world trade. Many products require testing and subsequent compliance to respective standards or regulations before getting access to certain markets. With cross-border trade between trading blocks, country to country, an independent third party will be required to access the production processes, carry out testing, and certify products or systems. Use of ISO standards like ISO 17025, ISO 17020 and ISO Guide 65 represent international consensus and their use helps in consistency and coherence of conformity assessment worldwide and so facilitates cross-border trade.

- No country can successfully develop without addressing the critical issue of demand and supply on energy. The recent population census held in Kenya in 2010 shows that the Kenyan population has been increasing on average by one million per year. Currently, Kenya is grappling to supply the ever rising energy demands to its ever increasing population.

  However, the issue of prudent use of meager resources of energy is not being adequately addressed by implementation of ISO 50001:2011 (Energy Management Systems). Kenya will be able to use its available energy sources efficiently and use data to better understand and make decisions concerning energy. It is estimated that the standard could influence up to 60 % of the world's energy use!

- Two incidences have shaken Kenya's economy: the Icelandic volcano and the recent terrorist attacks. The Kenyan vegetable and flower industry employs tens of thousands of workers; it is one of largest contributors to the Gross Domestic Product and largest foreign currency earners. During the volcano ash eruption, Kenya was losing approximately three million US dollars per day. The recent spate of terrorist attacks in Kenya has had a negative impact on tourism leading to the cancellation of hotel bookings and scaring investors. The publication of the ISO standard on risk management (ISO 31000:2009) presents Kenya (both the government and the business community) with an opportunity to focus on all potential risks to avert future crises if this standard is implemented. ISO 31000 is a must-have solution for all organizations and the whole of society (Wright K.W, 2011).

- It is in no doubt that ISO standards offer practical solutions to technological problems. The active participation and interest of every developed country in ISO's work means that international standards represent international consensus on optimum technological solutions to standardization problems (U.N.I.D.O., 2006). This is achieved by making each activity within the overall process such as design, development, manufacturing and supply, more effective and efficient.

Kenya’s export market heavily relies on agricultural commodities namely: horticulture, tea, coffee, fish and meat. A critical understanding of the link between trade, international standards and export competitiveness will be key to unlocking Kenya’s potential for economic growth. Stern,

N. (2003) notes that addressing the effect of product standards both as barriers to trade and opportunities to expand market access is likely to be one area where action will have a high rate of return.

3.0 The Kenyan Scenario

3.1 Market Access

3.1.1 European Union

The European Union is one of biggest trading partners of Kenya, with the exports from Kenya ranging from agricultural commodities to fish and beef cuts. All consignments of fresh fruits, vegetables and nuts must meet European Union directive 1148/2001 where a certificate of conformity must be issued to all consignments. These products are subject to EU marketing standards before release to the EU market. The conformity criterion for these requirements is based on inspection standards, technical competence, inspection infrastructure and points of inspection, among others. ISO standards on sampling, grading and inspection offer an option of efficient processing of agricultural commodities here in Kenya and an effective marketing tool in foreign markets.

Kenya also relies on the export of meat and fish. Between the years 1997 to 1999, fish exports to the EU market were banned because of poor hygiene and sanitation standards at fishing landing beaches, and the lack of the technical capacity to examine and certify the quality of fish for the export market. The ban was lifted after certain conditions were met. Nevertheless, increased attention is being given to ISO 22000 and the H.A.C.C.P. system. These systems earlier on were industry driven, but recently some regulatory measures have made them compulsory in order to safeguard aspects of health and safety.

3.1.2 East African Community

The East African community (EAC) comprises five nations, namely: Kenya, Uganda, Tanzania, Rwanda and Burundi. With a total population of about 126 million, this is the second largest trading block for Kenya's commodities. Conscious of trade as a catalyst for growth, the five member states signed a custom union protocol with an aim of ensuring development to all member states. Among crucial areas the protocol addresses are: trade facilitation, anti-dumping measures, tariff removal and Non-Tariff Barriers (NTB), among others. By the protocol coming into effect, intra East African trade improved immensely.

Declining trends in trade among East African countries was noted in the early 2000s partly due to Non-Tariff Barriers. Article 13 of the protocol provides the legal structure in (NTB) elimination. This was done by signing an East African Standard Quality Assurance Metrology and Testing Act (EAC SQMT Act). One of the aims of the act is to ensure that standardization, quality assurance, metrology and testing of products produced or traded within the East African Community facilitates development and trade. Section 24(2) of the EAC SQMT Act, allows the provision for member states to have quality marks and recognize them as equal to their own. The Kenya Bureau of Standards undertakes product certification and issues quality marks for locally produced commodities based on ISO Guide 65. With mutual recognition of quality marks within the East Africa Community region, this has had immense benefits for Kenya: it has provided small and medium-sized companies with an opportunity to obtain third-party certification for their products, a marketing edge and a level playing field for small companies to effectively compete with large companies in both local and East African markets.

With mutual recognition of the marks, a significant platform for reducing costs of doing business and trading across borders (East African partner states) by allowing products that have been tested in the exporting country to be accepted by an importing country with minimal testing or certification.

3.2 Pre-shipment Verification of Conformity

The Kenya Bureau of Standards, the custodian of Kenya's national quality assurance system, introduced a pre-shipment inspection on certain imported products, toys, foodstuffs, electrical items. This is to guard against factors that affect the health and safety of consumers. These products are subjected to inspection, sampling and subsequent testing. ISO standards for inspection, sampling and testing methods are used. By so doing, the health and safety of Kenyan citizens are protected. This boosts confidence with consumers that necessary precautions have been undertaken. Moreover, the World Trade Organization agreement on pre-shipment inspection provides for a particular country conducting pre-shipment inspection for the quality and quantity of the product, standards agreed between the buyer and the seller or, in their absence, international standards should be used.

3.3 Systems Certification: The New Normal

System certification to both private companies and government agencies in Kenya, which was previously rare, has become increasingly common. With certification (to systems), it means that any institution's credibility is demonstrated. The most popular certifications in Kenya are ISO 9001 certification for Quality Management Systems and ISO 22000 certification for food safety systems.

Cognizant of the importance of system certification (especially ISO 9001:2008), the government of Kenya issued a directive (in 2010) that all public agencies should begin the process of ISO 9001:2008 certification and ensure that they are fully certified by 2012. When Kenya's Ministry of State for Planning, National Development and Vision 2030 were certified to ISO 9001:2008, Kenya's Prime Minister noted that the government of Kenya sees the process of ISO certification to Quality Management Systems as central to enhancing the performance of public servants and restoring public confidence in the civil service. He further noted that standards are a useful intervention for tackling shortcomings in the public service delivery that have, in the past, constrained Kenya's quest for development. He compares ISO 9001:2008 certification to a mustard seed that will mushroom into a culture of quality and efficiency in government business.

4.0 Constraints in Implementation of ISO Standards

For Kenya to fully utilize the immense practical solutions to economic and technological problems that ISO standards offer in terms of responding to local and global market demands, securing access to world markets which, in turn, contribute to economic growth, certain specific challenges and constraints need to be addressed:

Kenya has to actively participate in all standard setting forums. This will enhance its capacity to challenge and defend country positions. The inability of African countries to participate in these meetings has turned most of the African nations into standard takers. This is a serious bottleneck which got the attention of leaders of the G8 countries. Through the African Action Plan meeting, held in Kananaskis (2002), the G8 leaders pledged their support to provide technical assistance to help African countries engage in international negotiations and standard setting systems. This help is crucial and African countries need to play their full part in the relevant international standard setting systems.

Financial constraints coupled with limited capacity to provide credible information based on research needed to articulate and defend Kenya's interests, has made Kenya vulnerable to changes especially when these changes have protectionist intentions.

Cost of compliance. Most of the Kenyan industries are small and medium-sized enterprises, compliance to certain standards, for example ISO 22000, H.A.C.C.P. etc., has a heavy cost implication and complying with international standards can undermine the S.M.E.s in Kenya in their access to foreign markets. Moreover, compliance may accompany further upgrading of production processes and equipment which complicates the whole state of affairs.

5.0 Conclusion

To participate effectively in global trade, African countries must develop the capacity to meet international standards. This, in itself, is a formidable challenge (Wilson J.S. and Abiola V.O., 2003). Kenya has to surmount this challenge in order to achieve sustainable double-digit growth in its economy as envisaged in the economic blueprint (Kenya Vision 2030).

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