

MSEs' Business Environment in Kajiado County

Introduction

The County Business Environment for MSEs (CBEM) framework has been developed to monitor key issues that require policy interventions in creating an enabling environment for the Micro and Small Enterprises (MSEs) sector in the counties. The framework covers four key areas affecting the operations of MSEs: Worksites and adequacy of their infrastructure; Market environment; Financial and technical capacity; and Governance and regulatory framework. This brief indicates the business environment for MSEs in Kajiado County.

Kajiado County Demographics and Outputⁱ

1

- Total population 1,117,840; Female 50.2%
- Contribution to total GDP: Average 1.5% for the period 2013-2017
- Contribution to Gross Value Added: 1.4% in 2017

2

- Sectors driving growth in economic activity: Agriculture (15%), Manufacturing (5%) and Services (63%)

Importance of MSEs and Challengesⁱⁱ

IMPORTANCE

1999

Employed 50% of working population
Contributed 18.9% of GDP

2016

Employed 81% of working population
Contributed 24.7% of National output and
23.6% Gross Value Added

CHALLENGES

Due to poor business environment MSEs in Kenya are faced with challenges of:

Low survival rate of MSEs

Limited skills

Capital and workspaces

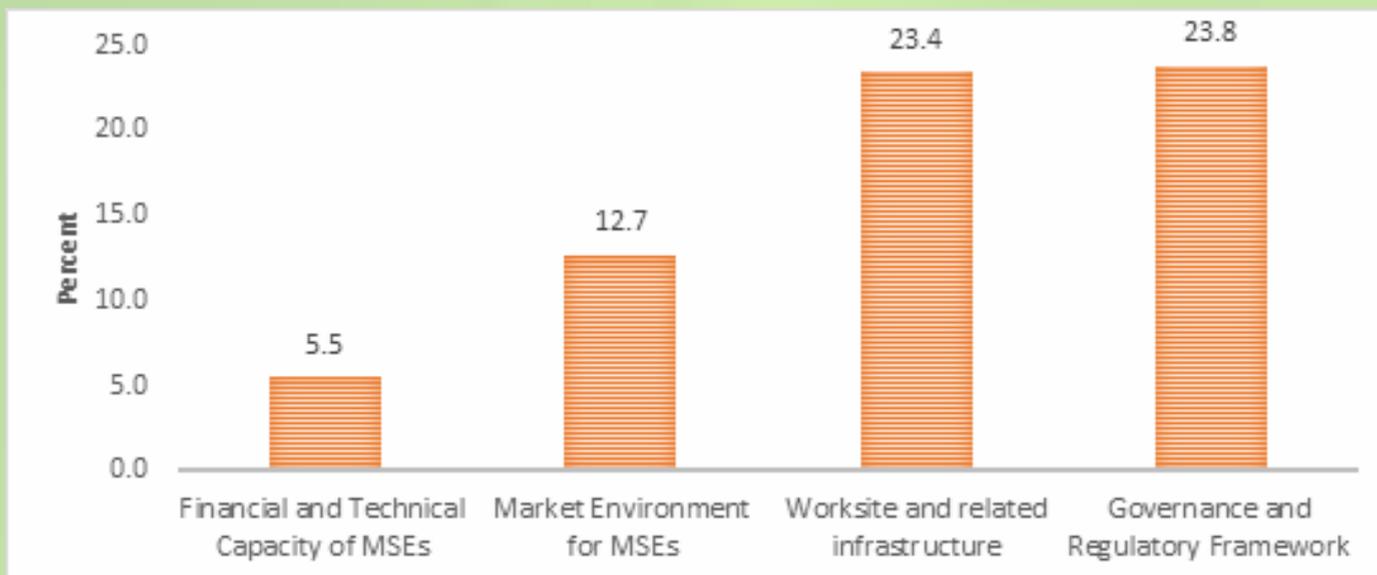
Informality

Low productivity

MSEs' Business Environment

All the scores for MSEs' business environment are drawn from the CBEM framework (KIPPRA, 2019). The MSEs' business environment is measured using the following: Worksite and related infrastructure; Market environment; Financial and technical capacity; and Governance and regulatory framework. The scores range between lowest (0) and highest (100). Kajiado county scored 15.7..

Figure 1: Kajiado County scores



Worksites and Infrastructure for MSEs

Scores

- Access to worksites score: 32.1
- Electricity connection score: 31.2
- Water connection score: 27.5
- Access to common manufacturing facilities score: 13.9
- Availability of public toilets score: 19.0
- Waste management services score: 16.0

Constraints

- Insufficient worksites
- Lack of adequate tools, machinery and equipment
- Frequent power outages
- Poor drainage and sewerage system
- Insufficient public toilet facilities
- Lack of designated areas for waste disposal
- Inadequate common manufacturing facilities

Market Environment for MSEs

Scores

- Road infrastructure: 19.4
- Access to physical markets: 19.7
- Access to Government Procurement Opportunities (AGPO): 6.9
- Fair competition: 4.9

Constraints

- Poor road infrastructure
- Poor quality and lack of standardization of products
- Low uptake of AGPO due to information asymmetry and informality
- Higher levies in form of permits and licenses

Financial and Technical Capacity for MSEs

Scores

- Training (capacity building) for MSEs: 7.9
- Knowledge and skills mapping : 14.8
- MSEs survival rate: 2.5
- Access to digital finance: 2.3
- Innovations: 0.07
- Patenting: Not scored

Constraints

- Fragmentation due to multiplicity of players who offer training and capacity building
- Low uptake of digital finance
- High cost of doing business
- Low levels of innovation and patenting

Governance and Regulatory Framework for MSEs

Scores

- Licensing and issuance of permits: 29.4
- Self-regulation: 41.6
- Crime and public security: 16.3
- Corruption and governance issues: 7.9

Constraints

- Multiple licences and permits
- Corruption

Way forward in Creating an Enabling Environment for MSEs

a) Worksite and Adequacy of Infrastructure

- Partner with Micro & Small Enterprises Authority, Kenya Industrial Estates and other relevant stakeholders to develop adequately equipped worksites.
- Collaborate with Kenya Power Company to reduce power outages and also enhance quick complaint resolution.
- Provide market centres with adequate waste disposal facilities.

b) Market Environment for MSEs

- Create an enabling road infrastructure to facilitate trade. Efforts to fund some of the road infrastructure projects through Public-Private Partnerships is critical.
- Partner with National Government in levelling the playing field for MSEs to address competition and unfair trade practices activities among MSEs

c) Financial and Technical Capacity for MSEs

- Collaborate with institutions such as Kenya Institute of Business Training and National Industrial Training Authority including private sector players to provide capacity building to MSEs.
- Collaborate with national institutions such as Kenya Industrial Research and Development Institute (KIRDI) and Kenya Industrial Property Institute (KIPI) to carry out sensitization to MSEs on innovation and patenting of their products. KIRDI and KIPI need to facilitate mechanisms of subsidizing cost of innovation and patenting respectively.

d) Governance and Regulation Framework

- Work alongside the National Government to enhance security in/around worksites to reduce on crime and create a peaceful business environment.

End notes ⁱ Gross County Product 2019 and Kenya Population and Housing Census, 2019

ⁱⁱ KNBS, Various

About KIPPRA Policy Briefs

KIPPRA Policy Briefs are aimed at a wide dissemination of the Institute's policy research findings. The findings are expected to stimulate discussion and also build capacity in the public policy making process in Kenya.

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