

MSEs' Business Environment in Kakamega 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 Kakamega County.

Kakamega County Demographics and Outputⁱ

1

- Total Population, 1,867,579; Female, 52%
- Contribution to total GDP, average 2.4% for the period 2013-2017
- Contribution to Gross Value Added: 2.4% in 2017

2

- Sectors driving growth in economic activity: Manufacturing (4.4%); Agriculture (52.1%) and Services (40%)

Importance of MSEs and Challengesⁱⁱ

IMPORTANCE

1999

Employed 50% of working population

Contributed 18.9% of GDP

2016

Employed 81.0% 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 the challenge of:

Low survival rate of MSEs

Limited skills

Capital and workspaces

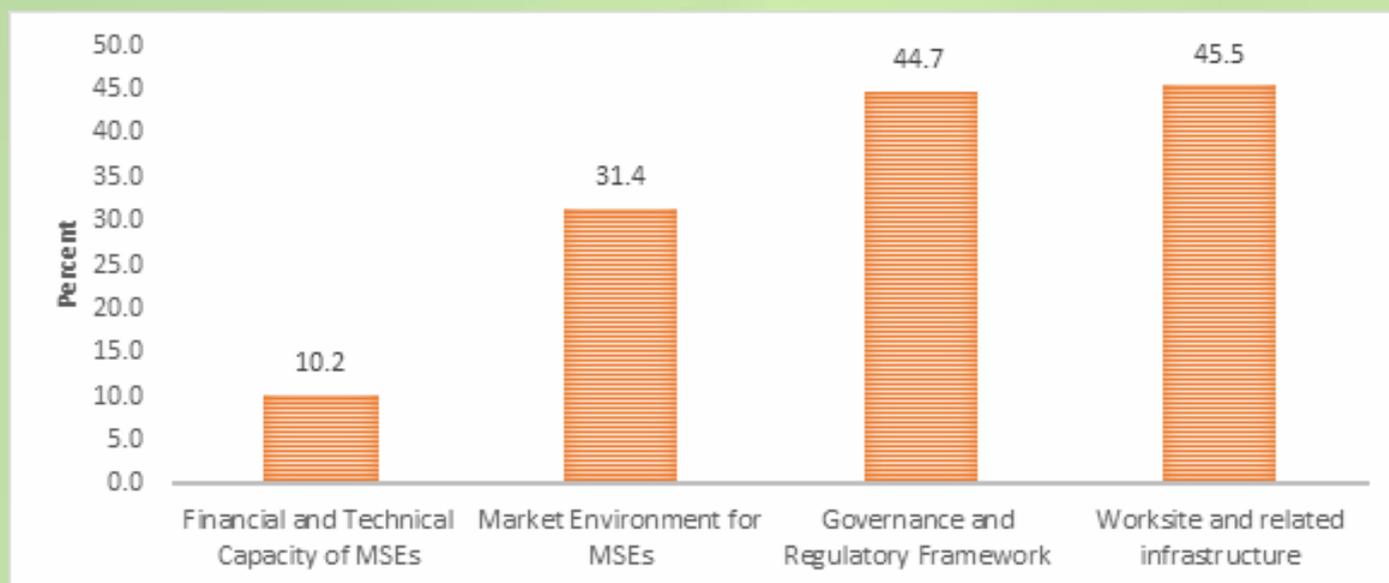
Informality

Low productivity

MSEs' Business Environment

All the scores for MSEs' business environment are drawn from the CBEM (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). Kakamega county scored a total of 32.8.

Figure 1: Kakamega County scores



Worksites and Infrastructure for MSEs

Scores

- Access to worksites: 79.0
- Electricity connection 66.2
- Water connection: 65.3
- Access to common manufacturing facilities: 29.1
- Availability of public toilets: 37.1
- Waste management services: 13.3

Constraints

- Inadequate designated areas for waste disposal
- Insufficient worksites
- Lack of adequate tools, machinery and equipment
- High electricity and water connection costs
- Frequent power outages
- Pending electricity bills
- Inadequate common manufacturing facilities

Market Environment for MSEs

Scores

- Road infrastructure: 65.3
- Access to physical markets: 31.7
- Access to Government Procurement Opportunities (AGPO): 7.4
- Fair competition: 21.2

Constraints

- Unfair trade practises manifest through: contract enforcement, counterfeiting, dumping (sub-standard goods) and misrepresentation (through weight, price, ingredient)
- Low uptake of AGPO due to information asymmetry and informality
- Inadequate common manufacturing facilities

Financial and Technical Capacity for MSEs

Scores

- Training (capacity building) for MSEs: 27.8
- Knowledge and skills mapping: 19.4
- MSEs survival rate: 8.6
- Access to digital finance: 4.5
- Innovations: 0.9
- Patenting: 0.2

Constraints

- Fragmentation due to multiplicity of players who offer training and capacity building
- Low uptake of digital finance
- Lack of a training and apprenticeship programme for artisans
- Lack of training needs assessment for MSEs
- Lack of monitoring and evaluation of training programmes
- High cost of doing business

Governance and Regulatory Framework for MSEs

Scores

- Licensing and issuance of permits: 47.4
- Self-regulation: 54.5
- Crime and public security: 58.8
- Corruption and governance issues: 18.3

Constraints

- Multiple licences and permits
- Corruption
- Misallocation and exploitative tendencies within the worksites
- Insecurity

Way Forward in Creating an Enabling Environment for MSEs

a) Worksite and adequacy of infrastructure

- Work with MSEA and other agencies in facilitating access to common manufacturing facilities.
- Provide worksites and market centres with adequate waste disposal facilities.

b) Market Environment for MSEs

- Collaborate with the AGPO secretariat to promote and enhance sensitization of MSEs on the affirmative action to increase uptake.

c) Financial and Technical Capacity for MSEs

- Collaborate with training institutions such as Kenya Institute of Business Training and National Industrial Training Authority in Knowledge and skills mapping to provide relevant entrepreneurial training and technical training, apprenticeship and certification programmes to MSEs.

d) Governance and Regulation Framework

- Collaborate with Micro & Small Enterprises Authority to curb misallocation and exploitative tendencies within worksites. Collaboration with Ethics and Anti-Corruption Commission (EACC) is necessary to ensure prosecution of officials involved.

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.

KIPPRA acknowledges generous support from the Government of Kenya, and development partners who have continued to support the Institute's activities over the years.

For More Information Contact:

Kenya Institute for Public Policy Research and Analysis
Bishops Road, Bishops Garden Towers
P.O. Box 56445-00200, Nairobi
Tel: 2719933/4
Cell: 0736712724, 0724256078
Email: admin@kippra.or.ke
Website: <http://www.kippra.org>
Twitter: @kipprakenya