

## MSEs' Business Environment in Kisumu 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 Kisumu County.

### Kisumu County Demographics and Output<sup>i</sup>

**1**

Total population, 1,155,574; Female, 51.5%  
Contribution to total GDP: Average 2.9% for the period 2013-2017  
Contribution to Gross Value Added: 2.6% in 2017

**2**

Sectors driving growth in economic activity: Manufacturing (12%); Agriculture (27%); and Services (50%).

### Importance of MSEs and Challenges<sup>ii</sup>

#### IMPORTANCE

**1999**

Employed 50.0% 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 Add

#### CHALLENGES

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

Low survival rate of MSEs

Limited skills

Capital and workspaces

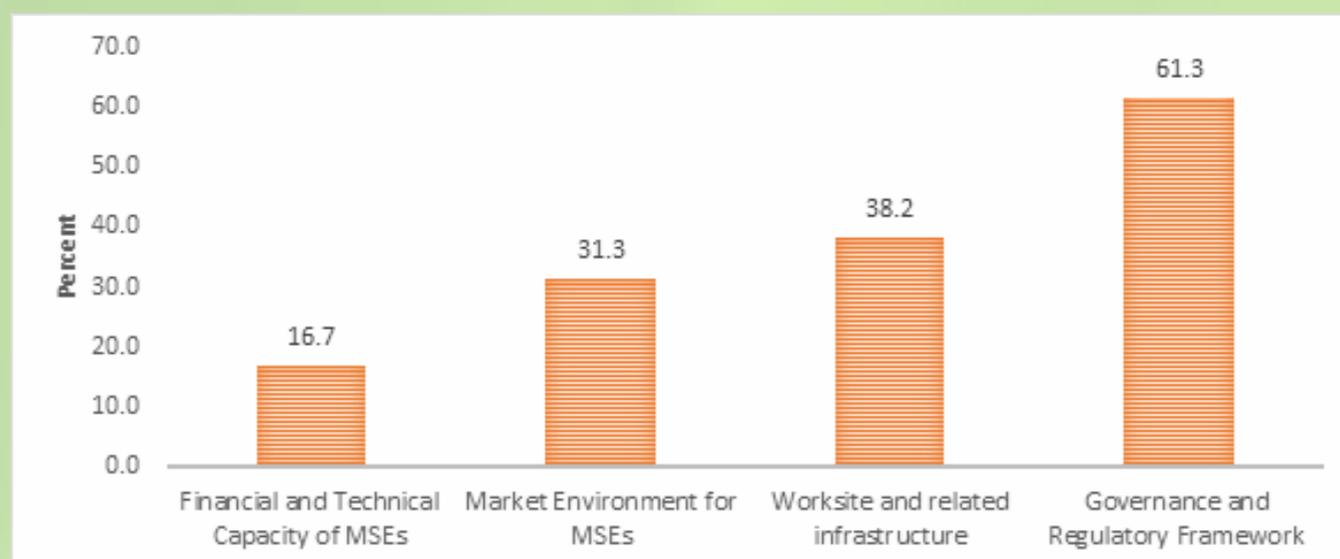
Informality

Low productivity

## MSEs' Business Environment

All the scores for MSEs' business environment are drawn from the CBEM (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). Kisumu County scored a total of 35.02.

Figure 1: Kisumu County scores



## Worksites and Infrastructure for MSEs

### Scores

- Access to worksites: 66.8
- Electricity connection 80.0
- Water connection: 19.8
- Access to common manufacturing facilities: 10.1
- Availability of public toilets: 48.4
- Waste management services: 4.4

### Constraints

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

## Market Environment for MSEs

### Scores

- Road infrastructure: 51.6
- Access to physical markets: 41.5
- Access to Government Procurement Opportunities (AGPO): 11.6
- Fair competition: 20.4

### Constraints

- Unfair trade practises manifest through; contract enforcement, counterfeiting, dumping (substandard goods) and misrepresentation (through weight, price, ingredient).
- Low uptake of AGPO due to information asymmetry and informality

## Financial and Technical Capacity for MSEs

### Scores

- Training (capacity building) for MSEs: 56.3
- Knowledge and skills mapping: 28.3
- MSEs survival rate: 9.0
- Access to digital finance: 6.0
- Innovations: 0.6
- 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: 72.2
- Self-regulation: 64.4
- Crime and public security: 76.8
- Corruption and governance issues: 32.0

### 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 Micro & Small Enterprises Authority (MSEA) and Kenya Industrial Estates to facilitate development of adequately well-equipped worksites with workshops and showrooms for artisans.
- Provide worksites with adequate water supply, ensure quick complaint resolution, and provide adequate waste management facilities.

### b) Market Environment for MSEs

- Collaborate with the Anti-Counterfeit Agency, Kenya Revenue Authority and other agencies to curb counterfeits and dumping of goods.
- Collaborate with the AGPO secretariat to promote and enhance sensitization of MSEs on this 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.
- Collaborate with financial sector players such as banks, SACCOs and micro finance institutions in targeting MSEs through financial innovations with an opportunity to penetrate and deepen financial services.

### d) Governance and Regulation Framework

- Collaborate with MSEA in curbing misallocation and exploitative tendencies within the worksites, and with Ethics and Anti-Corruption Commission (EACC) to ensure prosecutions of officials involved.

## End notes

<sup>i</sup> Gross County Product 2019 and Kenya Population and Housing Census, 2019

<sup>ii</sup> 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