

## MSEs' Business Environment in Kitui 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 Kitui County.

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

**1**

Total population 1,136,187; Female, 51.7%  
Contribution to total GDP: Average 1.4% for the period 2013-2017  
Contributed 1.3% in 2017 to Gross Value Added

**2**

Sectors driving growth in economic activity: Manufacturing (0.1%); Agriculture (41%); and Services (63%)

### 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 Added

#### 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

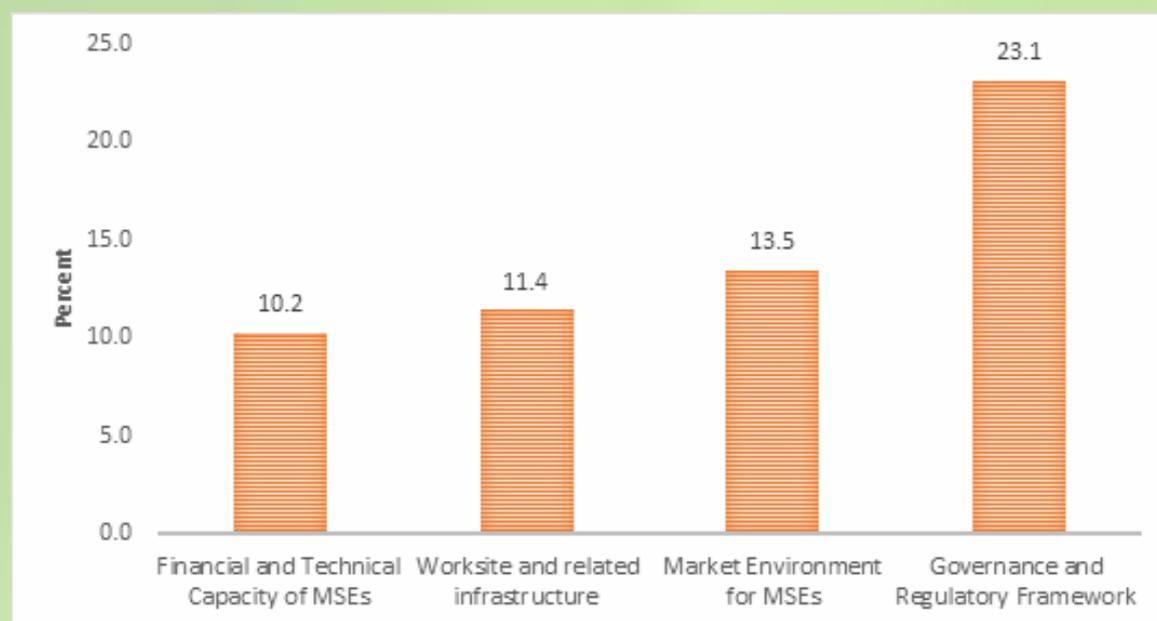
Informality

Low productivity

## MSEs' Business Environment

All the scores for MSEs' business environment are drawn from the CBEM 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). Kitui County scored a total of 9.1.

Figure 1: Kitui County scores



## Worksites and Infrastructure for MSEs

### Scores

- Access to worksites score: 11.3
- Electricity connection score: 12.7
- Water connection score: 5.6
- Access to common manufacturing facilities score: Not scored
- Availability of public toilets score: 16.3
- Waste management services score: 10.9

### Constraints

- Insufficient worksites
- Frequent water shortages
- Lack of adequate tools, machinery and equipment
- Frequent power outages
- Inadequate designated areas for waste disposal
- Inadequate common manufacturing facilities

## Market Environment for MSEs

### Scores

- Road infrastructure score: 18.7
- Access to physical markets score: 19.3
- Access to Government Procurement Opportunities (AGPO) score: 2.5
- Fair competition score: not scored

### Constraints

- Poor road infrastructure
- Unfair trade practises manifest through exploitation by middlemen
- Quality and standardization of products
- Low uptake of AGPO due to information asymmetry and informality
- Limited access to markets

## Financial and Technical Capacity for MSEs

### Scores

- Training (capacity building) for MSEs score: Not scored
- Knowledge and skills mapping score: 19.4
- MSEs survival rate score: 8.6
- Access to digital finance score: 2.4
- Innovations score: 0.4
- Patenting score: Not scored

### Constraints

- Lack of a training and apprenticeship programme for artisans
- Lack of information on entrepreneurship
- High cost of doing business
- Low uptake of digital finance

## Governance and Regulatory Framework for MSEs

### Scores

- Licensing and issuance of permits score: 25.6
- Self-regulation score: 29.9
- Crime and public security score: 13.9
- Corruption and governance issues score: Not scored

### Constraints

- Multiple licences and permits
- Corruption

## Way Forward in Creating an Enabling Environment for MSEs

### a) Worksite and Adequacy of Infrastructure

- Collaborate with Micro & Small Enterprises Authority and Kenya Industrial Estates to facilitate development of equipped worksites for MSEs. Through Public-Private Partnerships (PPP's) frameworks, partner also with private sector to invest in worksite constructions alongside other related infrastructures.
- Provide worksites and market centres with adequate water supply and waste disposal facilities.

### b) Market Environment for MSEs

- Facilitate trade through provision of an enabling road infrastructure.
- 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 institutions such as Kenya Industrial Research and Development Institute (KIRDI) and Kenya Industrial Property Institute (KIPI) to sensitize MSEs on innovation and patenting of their products. KIRDI and KIPI to facilitate mechanisms of subsidizing cost of innovations and patenting, respectively.
- Enhance collaborations with training institutions such as Kenya Institute of Business Training and National Industrial Training Authority including private sector players to provide capacity building to MSEs.

### d) Governance and Regulation Framework

- Partner with law enforcement agencies to enhance security in/around worksites to reduce on crime and create a peaceful business environment.

## 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