

MSEs' Business Environment in Machakos 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 Machakos County.

Machakos County Demographics and Outputⁱ

1

Total population, 1,421,932; Female, 50%

Contribution to total GDP: Average 3.2% for the period 2013-2017

Contributed 3.1% in 2017 to Gross Value Added

2

Sectors driving growth in economic activity: Manufacturing (17%); Agriculture (24%); and Services (42%)

Importance of MSEs and Challengesⁱⁱ

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 challenges of:

Low survival rate of MSEs

Limited skills

Capital and workspaces

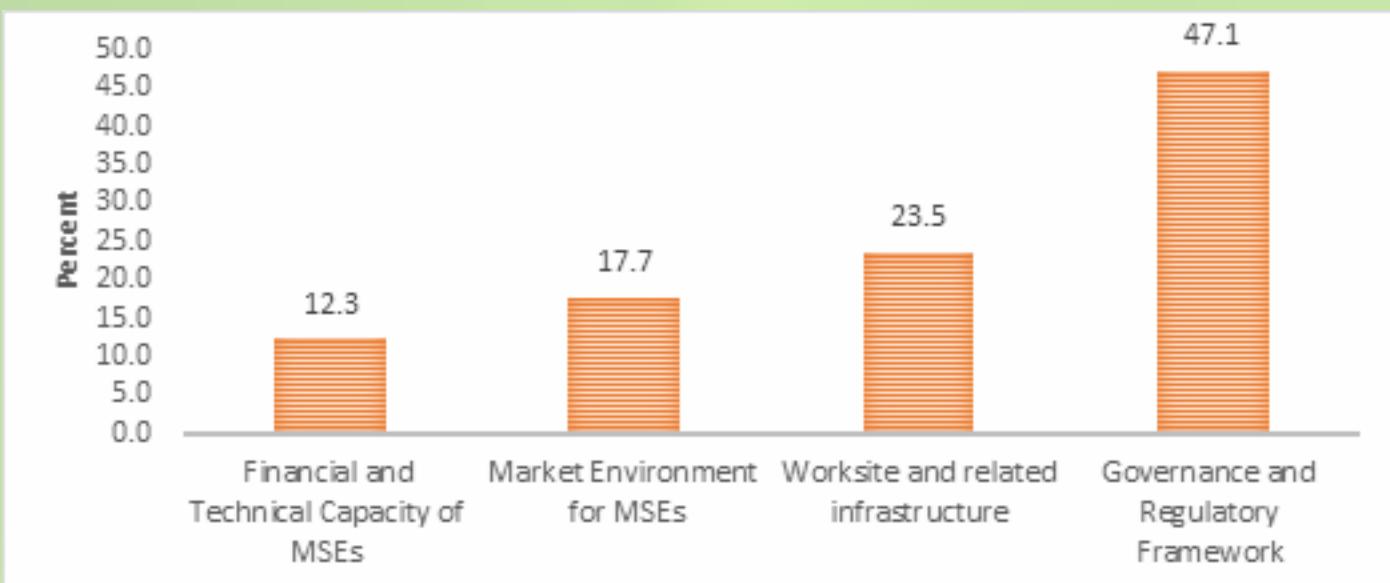
Informality

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). Machakos County scored a total of 26.0.

Figure 1: Machakos County scores



Worksites and Infrastructure for MSEs

Scores	Constraints
Access to worksites score: 77.4	
Electricity connection score: 48.7	
Water connection score: 16.4	
Access to common manufacturing facilities score: 16.1	
Availability of public toilets score: 15.9	
Waste management services score: 12.9	
	<ul style="list-style-type: none">High electricity and water connection costsInsufficient worksitesFrequent power outagesInsufficient public toilet facilitiesInadequate designated areas for waste disposalInadequate common manufacturing facilities

Market Environment for MSEs

Scores	Constraints
<ul style="list-style-type: none">Road infrastructure score: 27.2Access to physical markets score: 19.9Access to Government Procurement Opportunities(AGPO) score: 14.0Fair competition score: 9.5	<ul style="list-style-type: none">Poor road infrastructureQuality and standardization of productsLow uptake of AGPO due to information asymmetry and informalityLimited access to markets

Financial and Technical Capacity for MSEs

Scores	Constraints
<ul style="list-style-type: none">Training (capacity building) for MSEs score: 37.5Knowledge and skills mapping score: 18.4MSEs survival rate score : 10.0Access to digital finance score: 6.4Innovations score: 1.2Patenting score: 0.02	<ul style="list-style-type: none">Fragmentation due to multiplicity of players who offer training and capacity buildingLack of a training and apprenticeship programme for artisansHigh costs of trainingLack of training needs assessment for MSEsLack of monitoring and evaluation of training programmesHigh cost of doing business

Governance and Regulatory Framework for MSEs

Scores	Constraints
<ul style="list-style-type: none">Licensing and issuance of permits score: 48.1Self-regulation score: 72.9Crime and public security score: 29.4Corruption and governance issues score: 38.0	<ul style="list-style-type: none">Multiple licences and permitsCorruptionInsecurity

Way Forward in Creating an Enabling Environment for MSEs

a) Worksite and Adequacy of Infrastructure

- Collaborate with Kenya Power and Lighting Company to reduce frequency of outages and hasten complaints resolution; Collaborate with private sector in harnessing alternative sources of energy such as solar.
- Provide worksites and market centres with adequate waste disposal and toilet facilities.

b) Market Environment for MSEs

- Collaborate with Anti-Counterfeit Agency and Kenya Revenue Authority to curb counterfeits and dumping of goods to eliminate unfair competition.

c) Financial and Technical Capacity for MSEs

- Collaborate with institutions such as Kenya Institute of Business Training and National Industrial Training Authority to offer capacity building to MSEs.

d) Governance and regulation framework

- Work with the National Government to enhance security to reduce on crime in/around worksites.

End notes

ⁱGross County Product 2019 and Kenya Population and Housing Census, 2019

ⁱⁱKNBS, 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.

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