

## MSEs' Business Environment in Nairobi City 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 Nairobi City County (NCC).

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

1

Population is 4,397,073; Female, 50.1%  
Highest contributor to total GDP: Average 21.7% for the period 2013-2017  
Contributed 19.8% in 2017 to Gross Value Added

2

Sectors driving growth in economic activity: Manufacturing (25.1%); Agriculture (0.3%); and Services (40.0%)

### 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

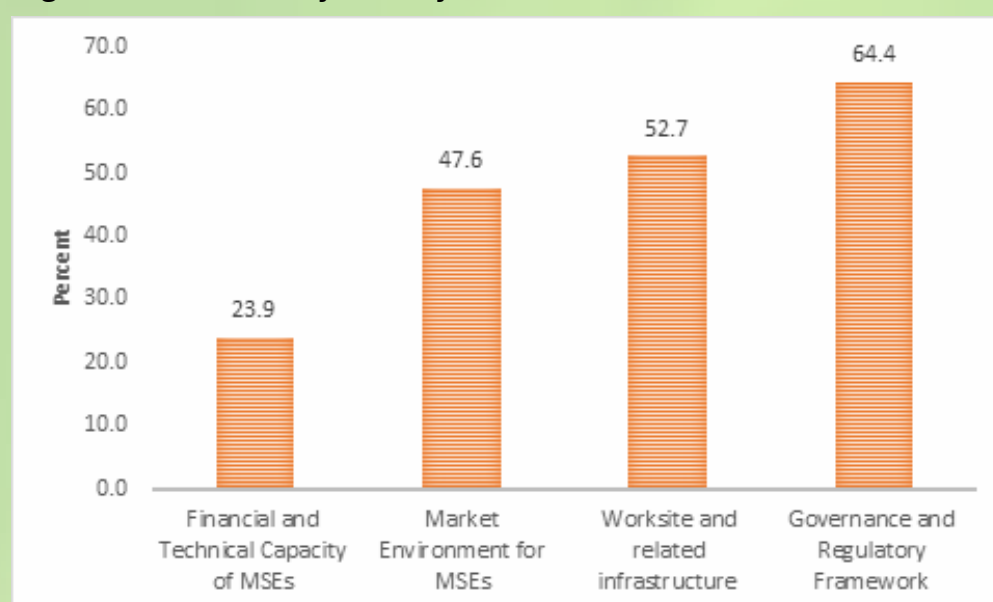
Informality

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). Nairobi City County scored a total of 45.2.

Figure 1: Nairobi City County scores



## Worksites and Infrastructure for MSEs

### Scores

- Access to worksites score : 81.7
- Electricity connection score: 79.9
- Water connection score: 56.0
- Access to common manufacturing facilities score: 45.4
- Availability of public toilets score: 45.0
- Waste management services score: 29.8

### Constraints

- High electricity and water connection costs
- Frequent power outages
- Pending electricity and water bills
- Poor drainage and sewerage system
- Insufficient public toilet facilities
- Inadequate designated areas for waste disposal
- Frequent disruptions of business activities through demolitions

## Market Environment for MSEs

### Scores

- Road infrastructure score: 70.9
- Access to physical markets score: 67.7
- Access to Government Procurement Opportunities (AGPO) score: 31.4
- Fair competition score: 20.4

### Constraints

- Unfair trade practises through: contract enforcement, counterfeiting, dumping (sub-standard goods) and misrepresentation (through weight, price, ingredient).
- Quality and standardization of products
- Low uptake of AGPO due to information asymmetry and informality

## Financial and Technical Capacity for MSEs

### Scores

- Training (capacity building) for MSEs score: 48.0
- Knowledge and skills mapping score: 32.1
- MSEs survival rate score: 25.0
- Access to digital finance score: 14.4
- Innovations score: (-)

### 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
- High costs of training
- 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 score: 84.6
- Self-regulation score: 81.0
- Crime and public security score: 56.6
- Corruption and governance issues score: 35.2

### Constraints

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

## Way Forward in Creating an Enabling Environment for MSEs

### a) Worksite and Adequacy of Infrastructure

- Partner with Micro & Small Enterprises Authority (MSEA) and other relevant institutions in providing permanent worksites to curb frequent disruptions of business activities through demolitions.
- Provide worksites with adequate waste disposal facilities.

### b) Market Environment for MSEs

Collaborate with MSEA, Kenya Bureau of Standards and other agencies to sensitize MSEs on quality of goods with acceptable standards for sale both locally and internationally.

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

### c) Financial and Technical Capacity for MSEs

- Collaborate with financial sector players including banks, SACCOs and micro finance institutions to target MSEs through financial innovations to increase penetration and deepen provision of financial services.
- Work with Kenya Industrial Research and Development Institute and Kenya Industrial Property Institute on mechanisms of subsidizing cost of innovations and patenting, respectively.

### d) Governance and Regulation Framework

- Enhance compliance with already established digital revenue collection platforms to root out corruption tendencies among revenue collection officers, and collaborate with Ethics and Anti-Corruption Commission to ensure prosecution of corrupt cases.

## 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.

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