

## 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 Output<sup>i</sup>

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 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

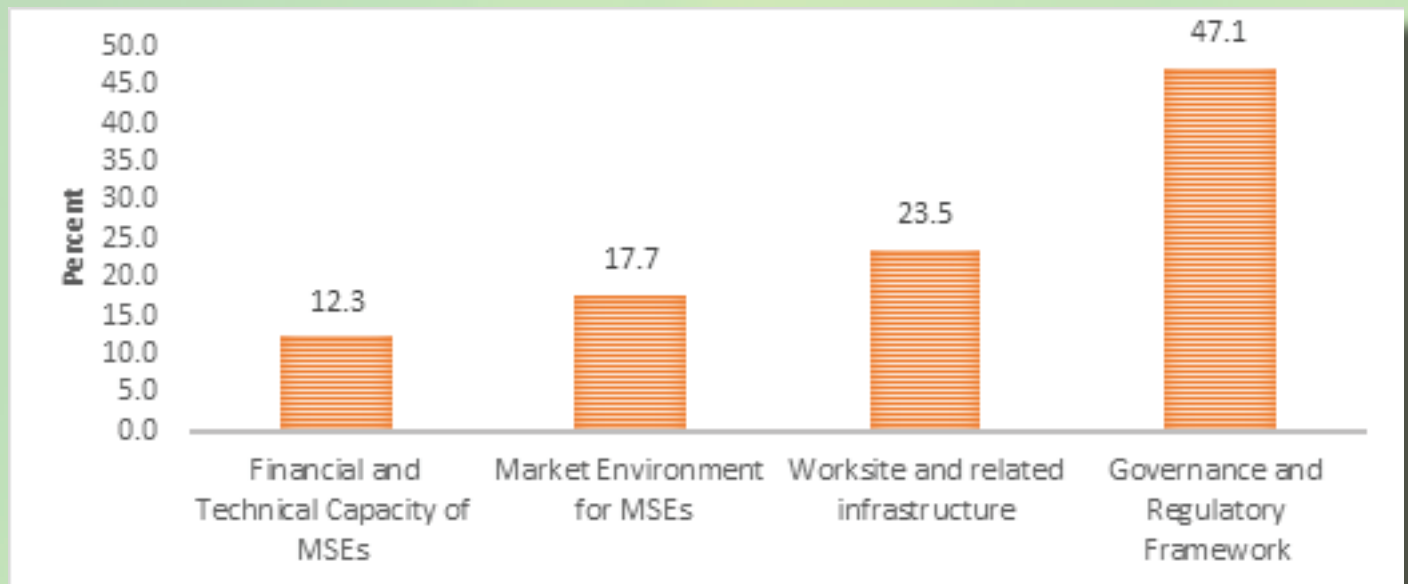
Due to poor business environment MSEs in Kenya are faced with challenges of:

- 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

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

### Constraints

- High electricity and water connection costs
- Insufficient worksites
- Frequent power outages
- Insufficient public toilet facilities
- Inadequate designated areas for waste disposal
- Inadequate common manufacturing facilities

## Market Environment for MSEs

### Scores

- Road infrastructure score: 27.2
- Access to physical markets score: 19.9
- Access to Government Procurement Opportunities (AGPO) score: 14.0
- Fair competition score: 9.5

### Constraints

- Poor road infrastructure
- 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: 37.5
- Knowledge and skills mapping score: 18.4
- MSEs survival rate score : 10.0
- Access to digital finance score: 6.4
- Innovations score: 1.2
- Patenting score: 0.02

### Constraints

- Fragmentation due to multiplicity of players who offer training and capacity building
- 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: 48.1
- Self-regulation score: 72.9
- Crime and public security score: 29.4
- Corruption and governance issues score: 38.0

### Constraints

- Multiple licences and permits
- Corruption
- Insecurity

## 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

<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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### 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