## Thinking Policy Together

**Policy Brief** 

No. 28/2019-2020

# **MSEs' Business Environment in Mombasa County**

#### Introduction

The KENYA INSTITUTE for PUBLIC POLICY RESEARCH and ANALYSIS

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 Mombasa County.

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



- Total population, 1,208,333; Female, 49.5%
- Contribution to total GDP: Average 4.7% for the period 2013-2017
- Contribution to Gross Value Added: 4.4% in 2017
- Sectors driving growth in economic activity: Manufacturing (14%); Agriculture (0.4%); and Services (70%)

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

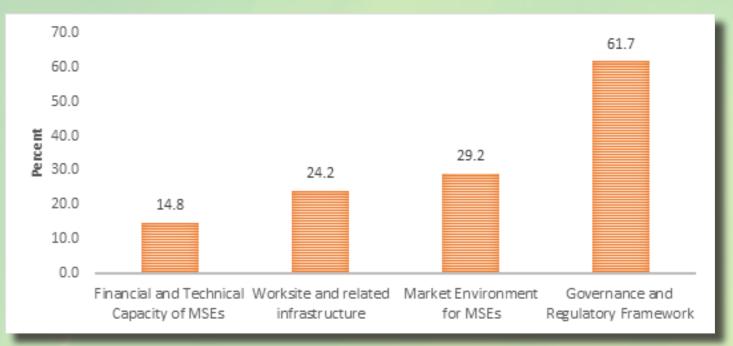
Capital and workspaces

Informality

Low productivity

## **MSEs' Business Environment**

All the scores for MSEs' business environment are drawn from the CBEM (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). Mombasa County scored a total of 31.8.



#### Figure 1: Mombasa County scores

#### Worksites and Infrastructure for MSEs

#### Scores

- Access to worksites: 78.2
- Electricity connection 47.1
- Water connection: 30.0
- Access to common manufacturing facilities: 9.0
- Availability of public toilets: 10.0
- Waste management services : 9.5

#### Constraints

- Inadequate designated areas for waste disposal
- Insufficient worksites
- Lack of adequate tools, machinery and equipment
- High electricity and water connection costs
- Frequent power outages
- Pending electricity and water bills
- Insufficient public toilet facilities
- Inadequate common manufacturing facilities

## **Market Environment for MSEs**

#### Scores

Road infrastructure: 25.7

Access to physical markets: 42.5

Access to Government Procurement Opportunities (AGPO): 34.5

Fair competition: 14.1

#### Constraints

- Unfair trade practises

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

**Constraints** 

- Poor road infrastructure
- Limited access to markets

## **Financial and Technical Capacity for MSEs**

#### Scores

- Training (capacity building) for MSEs: 43.4
- Knowledge and skills mapping: 27.9
- MSEs survival rate: 11.0
- Access to digital finance: 5.5
- Innovations: 1.0
- Patenting: (-)

- 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

Constraints
<ul> <li>Multiple licences and permits</li> <li>Corruption</li> <li>Misallocation and exploitative tendencies within the worksites</li> <li>Insecurity</li> </ul>

•

# Way Forward in Creating an Enabling Environment for MSEs

#### a) Worksite and Adequacy of Infrastructure

- Work with Micro & Small Enterprise Authority (MSEA) and other agencies to facilitate access of common manufacturing facilities.
- Provide worksites and market centres with adequate sanitation and waste disposal facilities

## b) Market Environment for MSEs

- Prioritize road infrastructure development especially the county roads while collaborating with the private sector through Public-Private Partnerships to get financing of the projects.
- Collaborate with the Anti-Counterfeit Agency and Kenya Revenue Authority to sensitize MSEs on issues of counterfeits and dumping of goods.

## c) Financial and Technical Capacity for MSEs

- Collaborate with relevant 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 and Ethics and Anti-Corruption Commission to curb misallocation and exploitative tendencies within the worksites.

#### End notes

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

"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