

## MSEs' Business Environment in Tharaka Nithi County 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 Tharaka Nithi County.

### Tharaka Nithi County Demographics and Output<sup>i</sup>

1

- Total population: 393,177; Female, 50.7%
- Contribution to total GDP: Average 0.8% for the period 2013-2017
- Contribution to Gross Value Add: 0.9% in 2017

2

- Sectors driving growth in economic activity: Manufacturing (0.2%); Agriculture (57%); and Services (33%)

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

#### IMPORTANCE

1999

Employed 50% of working population  
Contributed 18.9% of GDP

2016

Employed 81% of working population.  
Contributed 24.7% of National output and 23.6%  
Gross Value Added

#### CHALLENGES

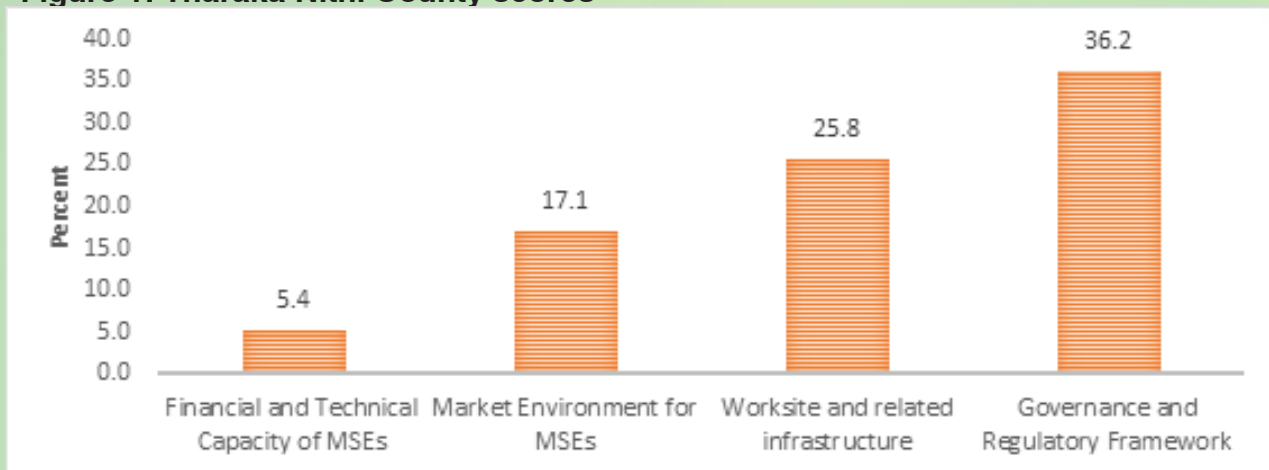
Due to poor business environment MSEs in Kenya are faced with the following challenges:

- 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). Tharaka Nithi County scored a total of 18.5.

Figure 1: Tharaka Nithi County scores



## Worksites and Infrastructure for MSEs

### Scores

- Access to worksites: 27.6
- Electricity connection: 34.2
- Water connection: 32.5
- Access to common manufacturing facilities: 11.1
- Availability of public toilets: 16.4
- Waste management services: 20

### Constraints

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

## Market Environment for MSEs

### Scores

- Road infrastructure: 25.3
- Access to physical markets: 15.5
- Access to Government Procurement Opportunities (AGPO): (-)
- Fair competition: 10.6

### Constraints

- Poor road infrastructure
- Unfair trade practises manifest through; counterfeiting, dumping (substandard goods) and misrepresentation (through weight, price, ingredient)

## Financial and Technical Capacity for MSEs

### Scores

- Training (capacity building) for MSEs: 10.2
- Knowledge and skills mapping: 34
- MSEs survival rate: 5.6
- Access to digital finance: 0.4
- Innovations: 0.6
- Patenting: 0.1

### Constraints

- Fragmentation due to multiplicity of players who offer training and capacity building
- 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
- Low uptake of digital finance

## Governance and Regulatory Framework for MSEs

### Scores

- Licensing and issuance of permits: 32.8
- Self-regulation: 56.8
- Crime and public security: 25.6
- Corruption and governance issues: 29.4

### Constraints

- Multiple licences and permits
- Corruption
- Insecurity

## Way Forward in Creating an Enabling Environment for MSEs

### a) Worksite and Adequacy of Infrastructure

- Partner with Micro and Small Enterprises Authority, Kenya Industrial Estates and other relevant stakeholders to develop adequately equipped worksites with common manufacturing facilities and adequate power connection.
- Enhance provision of water supply, sanitation and waste disposal facilities in/around worksites.

### b) Market Environment for MSEs

- Create an enabling road infrastructure to facilitate trade. Efforts to fund some of the road infrastructure projects through Public-Private Partnerships is critical.
- Partner with the National government in levelling the playing field for MSEs to address competition and unfair trade practices among MSEs, and collaborate with the Anti-Counterfeit Agency (ACA) and Kenya Revenue Authority (KRA) to sensitize MSEs on issues of counterfeits and dumping of goods.

### c) Financial and Technical Capacity for MSEs

- Collaborate 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 .
- Collaborate with national institutions such as Kenya Industrial Research and Development Institute (KIRDI) and Kenya Industrial Property Institute (KIPI) to carry out sensitization to MSEs on innovation and patenting of their products. KIRDI and KIPI need to facilitate mechanisms of subsidizing cost of innovation and patenting respectively.
- 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 Ethics and Anti-Corruption Commission (EACC) in rooting out corruption tendencies among revenue collection officers.
- Work alongside the National government to enhance security in/around worksites to reduce crime and create a safe 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.

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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