

Micro and Small Enterprises (MSEs) Business Environment (2024) in Laikipia County

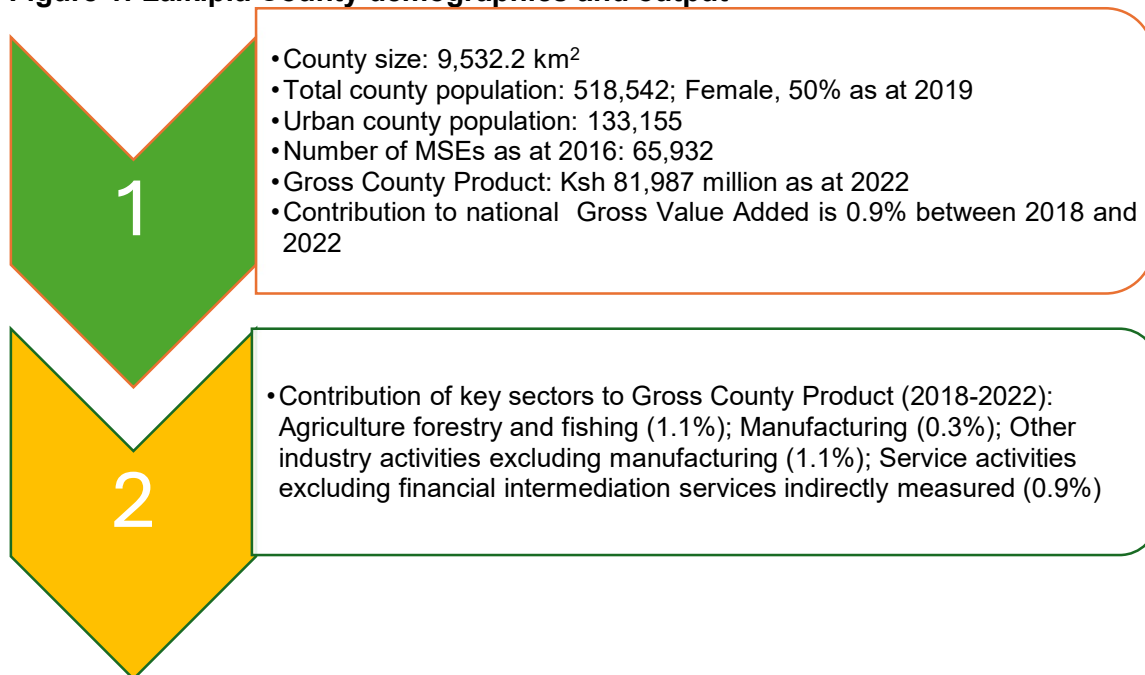
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Introduction

The County Business Environment for MSEs (CBEM) framework monitors the process of improving business environment for growth and survival of MSEs. The six (6) areas of focus in CBEM 2024 were **Worksites and Related Infrastructure, Market Environment, Financial Inclusion, Technical Capacity, Governance and Regulatory Framework, and Risk Preparedness and Management.**

This policy brief summarizes the business environment of MSEs in Laikipia County, spotlights the related constraints, and highlights the relevant policy interventions.

Figure 1: Laikipia County demographics and output



MSEs Sector across the country

- County Governments are mandated under the constitution to promote MSEs activities through trade development and regulation. Also, County Governments have a role in physical planning and housing, public works and utilities, which have direct effect on the business environment of MSEs.
- The Sessional Paper No. 5 of 2020 on the Kenya Micro and Small Enterprises is the guiding policy for the sector.
- The MSMEs sector is among the key pillars underpinning the Bottom-Up Economic Transformation Agenda (BETA) targeted to provide opportunities for socio-economic transformation by providing jobs and income opportunities.
- BETA prioritizes to enhance value addition in most sectors of MSEs, including leather and leather products, textile and apparel, dairy, edible oils (sunflower, canola, palm oil, coconut, soya), tea, rice, blue economy, minerals including forestry; and construction/building materials.
- The Financial Inclusion Fund (Hustler Fund) was launched on 30th November 2022 to support digital financial inclusion and improve financial access to MSMEs.
- A Credit Guarantee Scheme was launched on 8th December 2020 to facilitate access by MSEs to quality and affordable credit.
- The MSMEs economy contributes about 24 per cent of GDP, with approximately 90 per cent of private sector enterprises.
- The informal sector comprising mostly MSMEs, accounted for 83.4 per cent of total employment in 2022, which is about 15.97 million out of the 19.15 million workforce.

Challenges of MSEs across the Country

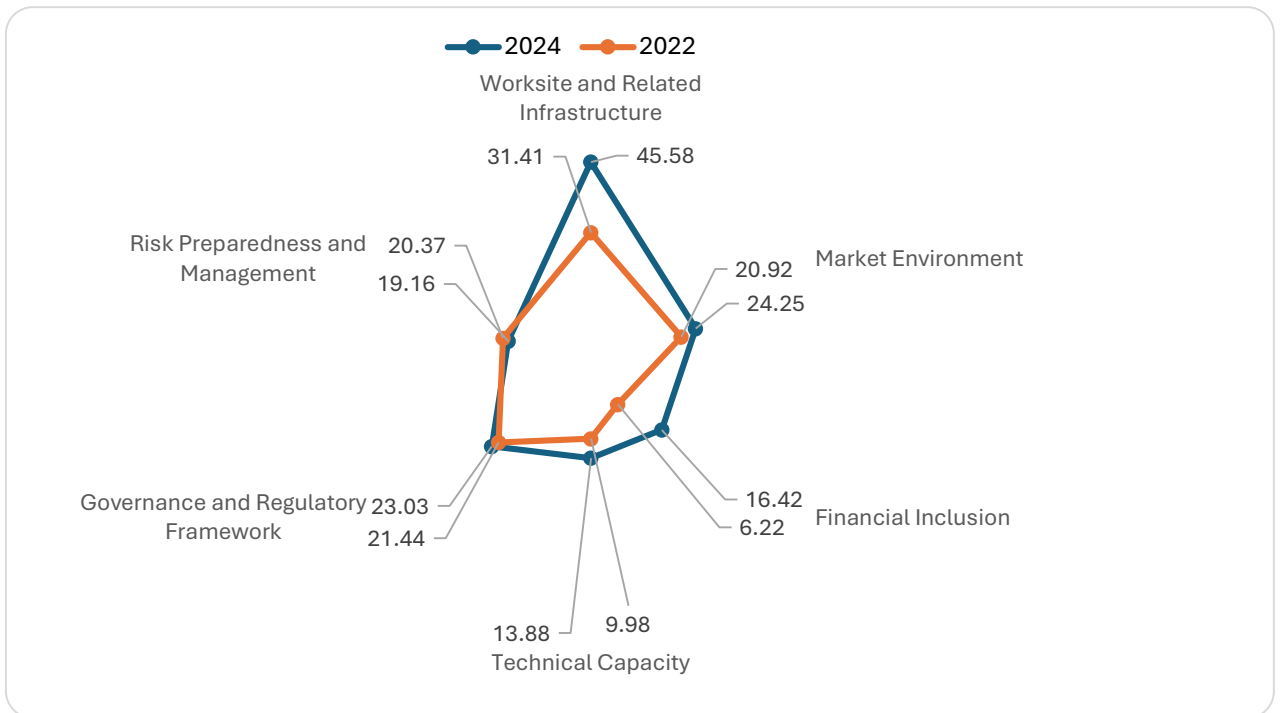
- The activities of MSEs are highly vulnerable to external risks, shocks, and hazards.
- The sector faces weak coordination and implementation of policies and programmes.
- The sector experiences skills and technical capacity gaps
- MSEs have a weak culture in terms of Research and Development (R&D).
- MSEs have limited diversification of manufactured products.

MSEs County Business Environment

The scores for business environment of MSEs are drawn from the CBEM 2024. The scores range between lowest (0) and highest (100).

Overall, Laikipia County scored a total of **26.17** in the six broad areas assessed of Worksites and Related Infrastructure, Market Environment, Financial Inclusion, Technical Capacity, Governance and Regulatory Framework, and Risk Preparedness and Management.

Figure 2: Laikipia County scores



Worksites and Related Infrastructure

Scores:

- Access to worksite: **64.31**
- Access to common manufacturing facilities: **28.49**
- Electricity connection: **58.35**
- Water connection: **59.01**
- Public toilets: **31.79**
- Waste management: **59.88**
- Internet connection: **17.24**
- Website: *

Constraints:

- Inadequate access to common manufacturing facilities
- Limited access to toilet facilities in the worksites
- Low Internet connectivity due to high costs.

Market Environment

Scores:

- Access to Government Procurement Opportunities (AGPO): **26.60**
- Ease of access to road infrastructure: **47.68**
- Access to markets: **36.02**
- Unfair competition practices: **10.97**
- Quality of support infrastructure in the market: **54.63**
- Trade participation: **5.00**
- Other form of infrastructure: **5.18**
- Certified manufactured products: **7.95**

Constraints:

- Low level of awareness and uptake of AGPO.
- Manifestation of unfair competition practices.
- Low trade participation persists due to few approaches used in promoting local and international trade.
- Inadequate storage/cooling facilities.
- Low levels of certified manufactured products

Technical Capacity

Scores:

- Training (capacity building) for MSEs: **30.57**
- Innovation: *
- Patenting: **2.29**
- Copying with new technology: **12.57**
- Knowledge and skills gap: **10.42**
- MSEs survival rates: **13.55**
- Access to incubation services: *

Constraints:

- Low levels of patenting

- Low understanding of technological and innovation trends, and adaptation of new technology among MSEs
- Existence of technical skills gap among MSEs

Governance and Regulatory Framework

Scores:

- Licensing and issuance of permits: **38.49**
- Corruption and governance: **1.07**
- Crime and public security: **34.56**
- Self-regulation: **27.84**
- Participation in policy formulation: **13.17**

Constraints:

- Manifestation of corruption practices within worksites
- Weak self-regulation of MSEs
- Low participation of MSEs in formulation of policies and laws affecting them

Financial Inclusion

Scores:

- Access to savings and credit facilities: **6.25**
- Financial innovation and fintech: **25.60**
- Credit Guarantee Scheme awareness and uptake: *
- Public funds awareness and uptake: **17.42**

Constraints:

- Low access to savings and credit facilities
- Low awareness and uptake of public funds

Risk Preparedness and Management

Scores:

- Status of risk preparedness and management: **16.00**
- Knowledge and uptake of social security: **22.31**

Constraints:

- Inadequate risk preparedness and management and low knowledge and uptake of social security including health and business insurance.

Note

1. * *Denotes not assessed because respondents did not provide information on facilities/services.*
2. *A higher score on unfair competition practices indicates the existence of few such practices.*
3. *A higher score on corruption manifestation indicates a lower level of perceived corruption.*

Interventions for Creating an Enabling Environment for MSEs

- **Worksites and related infrastructure:** County Government to work with Micro and Small Enterprises Authority (MSEA) and other relevant government agencies to upgrade existing worksites and develop new ones for allocation to MSEs. These worksites need to be fully equipped with necessary amenities, including common manufacturing facilities, affordable Internet connection and toilet facilities. The establishment of industrial parks proposed in the CIDP 2023-27 will support these interventions.
- **Market environment:** County Government in corroboration with other government agencies such as MSEA to continue popularizing the Access to Government Procurement Opportunities (AGPO) in forums such as the public participation forums to enhance its awareness and uptake. Further, there is need to ring-fence certain components of government contracts for MSEs contracting through AGPO.
- County Government to enhance corroboration with other government agencies such as Anticounterfeit Agency, the Kenya Revenue Authority (KRA) and other relevant stakeholders to eradicate unfair trade practices.
- Enhance trade participation by increasing approaches to promote local and international trade. Participation of businesses in exhibitions and trade fairs earmarked in the CIDP 2023-27 is therefore crucial.
- County Government and MSEA to prioritize and continue mapping requirements for warehouses or cooling facilities among MSEs to support the government initiative of enhancing value addition in the county. Therefore, there is need to prioritize the installation and operationalization of targeted milk coolers in the CIDP 2023-27.
- County Government in collaboration with Kenya Bureau of Standards (KEBS) and MSEA to support certification of products of MSEs to enable them access local, regional, and international markets.
- **Technical capacity:** County Government to enhance corroboration with government agencies such as Kenya Industrial Research and Development Institute (KIRDI), MSEA and Kenya Industrial Estates (KIE) to reduce the existing technical skills gap noted in the CIDP 2023-27 among MSEs and support them to cope with technological innovation trends by investing in technology upgrade. These efforts will increase the innovation and patenting levels among MSEs.

- **Governance and regulatory:** County Government to work with MSEA to enhance governance, transparency and accountability in worksites through MSEs' associations.
- County Government to work with MSEA to enhance membership of MSEs' associations through reduced bureaucracies and joining costs.
- County Government to enhance participation of MSEs in formulation of policies and laws affecting them.
- **Financial inclusion:** County Government to work with existing affirmative public funds to increase awareness and uptake among MSEs. Increased uptake will ease savings and credit constraints among MSEs.
- **Risk preparedness and management:** County Government in collaboration with other relevant stakeholders to enhance their efforts in building capacity and awareness of MSEs on risk preparedness and management and social security uptake.

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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