

MSEs' Business Environment in Vihiga 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 Vihiga County.

Vihiga County Demographics and Outputⁱ

1

- Total population, 590,013; Female, 51.9%
- Contribution to total GDP: Average 0.8% for the period 2013-2017
- Contribution to Gross Value Added: 0.8% in 2017

2

- Sectors driving growth in economic activity: Manufacturing (0.6%); Agriculture (34%); and Services (55%)

Importance of MSEs and Challengesⁱⁱ

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 Add

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

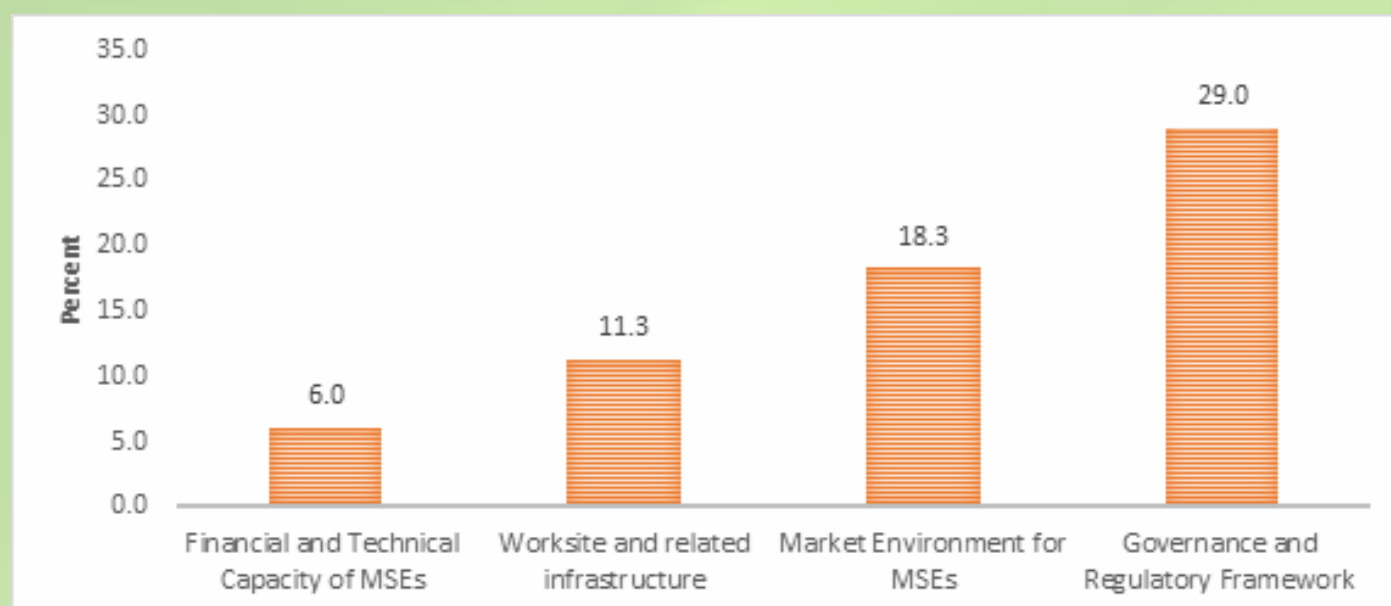
Informality

Low productivity

MSEs' Business Environment

All the scores for MSEs' business environment are drawn from the CBEM framework as constructed by 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). Vihiga County scored a total of 16.3.

Figure 1: Vihiga County scores



Worksites and Infrastructure for MSEs

Scores

- Access to worksites: 50.5
- Electricity connection: 4.3
- Water connection: 14.6
- Access to common manufacturing facilities: 4.5
- Availability of public toilets: 16.2
- Waste management services: 10.0

Constraints

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

Market Environment for MSEs

Scores

- Road infrastructure: 23.8
- Access to physical markets: 31.7
- Access to Government Procurement Opportunities (AGPO): 14.7
- Fair competition: 3.0

Constraints

- Poor road infrastructure
- Limited access to markets
- Unfair trade practises manifest through: contract enforcement, counterfeiting, dumping (substandard goods) and misrepresentation (through weight, price, ingredient)
- Low uptake of AGPO due to information asymmetry and informality

Financial and Technical Capacity for MSEs

Scores

- Training (capacity building) for MSEs: 9.1
- Knowledge and skills mapping: 18.6
- MSEs survival rate: 4.5
- Access to digital finance: 2.2
- Innovations: 1.4
- Patenting: 0.5

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
- Lack of training needs assessment for MSEs
- Low levels of innovation
- 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: 32.3
- Self-regulation: 49.5
- Crime and public security: 25.1
- Corruption and governance issues: 9.0

Constraints

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

Way Forward in Creating an Enabling Environment for MSEs

a) Worksite and adequacy of infrastructure

- Collaborate with Micro & Small enterprises Authority (MSEA) and other relevant agencies to facilitate access to common manufacturing facilities.
- Collaborate with Kenya Power and Lighting Company to connect worksites with adequate power supply (preferably three phase connections) to reduce on frequent outages, and ensure quick complaints resolution.
- 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.
- Collaborate with the AGPO secretariat to promote and enhance sensitization of MSEs on this affirmative action to increase uptake.

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 national institutions such as Kenya Industrial Research and Development Institute (KIRDI) and Kenya Industrial Property Institute (KIPI) to carry out sensitization to MSEs on innovations and patenting of their products. KIRDI and KIPI need to facilitate mechanisms of subsidizing cost of innovations 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

- Work with MSEA and Ethics and Anti-Corruption Commission to eliminate misallocation and exploitative tendencies within the worksites.
- Work alongside the National Government to enhance security in/around worksites to reduce on crime and create a safe business environment.

End notes ⁱ Gross County Product 2019 and Kenya Population and Housing Census, 2019

ⁱⁱ 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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