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Policy Brief

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

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Introduction

The County Business Environment for MSEs (CBEM) framework monitors efforts to improve the business environment to support MSE growth and survival. The six 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 MSEs business environment in Siaya County, highlights the related constraints, and outlines the relevant policy interventions.

Figure 1: Siaya County demographics and output

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- County size 2,530.4 km^2
- Total county population, 993,183; female, 52.5% as of 2019
- Urban county population, 89,404 as of 2022
- Number of MSEs is 204,615 as of 2016
- Gross County Product was Ksh 92,149 million as of 2022
- Contribution to national Gross Value Added was 1.1% in 2018-2022

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- Contribution of key sectors to Gross County Product (2018-2022): agriculture, forestry and fishing (1.7%); manufacturing (0.4%); other industry activities excluding manufacturing (0.9%); service activities excluding financial intermediation services indirectly measured (0.9%)

MSEs Sector Across the Country

(i) County governments are mandated by the Constitution to promote MSE activities through trade development and regulation, including market and trade licences and fair-trading practices. County governments also play a role in physical planning and housing, public works and utilities, which directly affect MSEs' business environment.

(ii) The Sessional Paper No. 05 of 2020 on the Kenya Micro and Small Enterprises serves as the guiding policy for the sector.

(iii) The MSMEs sector is among the key pillars of Bottom-Up Economic Transformation (BETA), which is targeted at providing opportunities for socio-economic transformation by creating jobs and income opportunities.

(iv) BETA prioritizes enhancing value addition across most MSE operating sectors, including leather and leather products, textiles and apparel, dairy, edible oils (sunflower, canola, palm oil, coconut, soya), tea, rice, the blue economy, minerals, forestry, and construction and building materials.

(v) The Financial Inclusion Fund (Hustler Fund) was launched on 30th November 2022 to support digital financial inclusion and improve financial access for MSMEs.

(vi) The Credit Guarantee Scheme was launched on 8th December 2020 to facilitate MSEs' access to quality and affordable credit.

(vii) The MSME economy contributes about 24 per cent of GDP and accounts for approximately 90 per cent of private-sector enterprises.

(viii) The informal sector, comprising mostly MSMEs, accounted for 83.4 per cent of the total employment in 2022, which is about 15.97 million out of the 19.15 million workforce.

Challenges of MSEs Across the Country

(i) MSEs' activities are highly vulnerable to external risks, shocks, and hazards.

(ii) The MSEs sector faces weak coordination and implementation of policies and programmes.

(iii) The MSEs sector continues to have skills and technical capacity gaps.

(iv) MSEs have a weak culture in Research and Development (R&D).

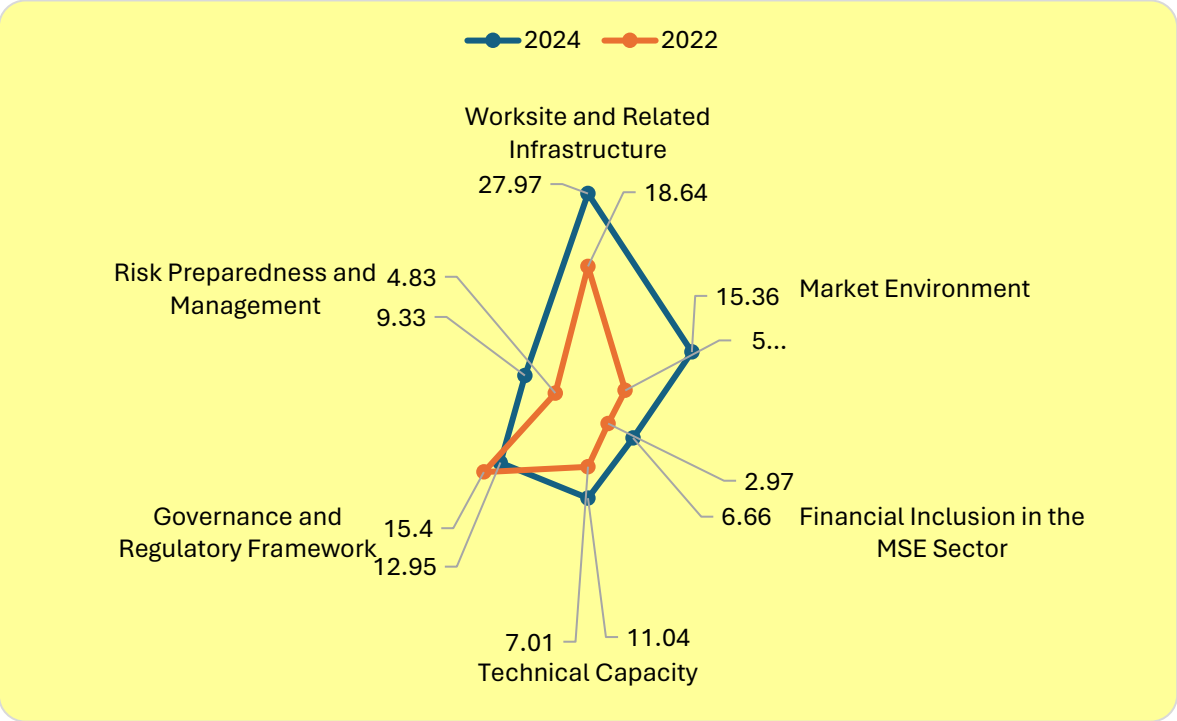
(v) MSEs have limited diversification of manufactured products.

MSEs County Business Environment

(i) The scores for MSEs' business environment are drawn from the CBEM 2024. The scores range from the lowest (0) to the highest (100).

(ii) Overall, Siaya County scored 15.62 across the six broad areas assessed, namely: worksites and related infrastructure, market environment, financial inclusion, technical capacity, governance and regulatory framework, and risk preparedness and management.

Figure 2: Siaya County scores



Worksites and related infrastructure

Scores

(i) Access to worksites: 37.60
(ii) Access to common manufacturing facilities: 24.14
(iii) Electricity connection: 32.35
(iv) Water connection: 29.72
(v) Public toilets: 21.26
(vi) Waste management: 40.46
(vii) Internet connection: *
(viii) Website: 10.29

Note: * *Denotes not assessed because respondents did not provide information on facilities/services.*

Constraints

(i) Inadequate access to common manufacturing facilities.
(ii) Limited access to water connection and toilet facilities at the worksites.

Market environment

Scores

(i) Access to Government Procurement Opportunities (AGPO): 21.67
(ii) Ease of access to road infrastructure: 27.06
(iii) Access to markets: 15.95
(iv) Unfair competition practices: 6.03
(v) Quality of support infrastructure in the market: 25.83
(vi) Trade participation: 4.27
(vii) Other form of infrastructure: 6.70
(viii) Certified manufactured products: *

Note: *A higher score on unfair competition practices indicates the existence of few such practices.*

Constraints

(i) Low level of awareness and uptake of AGPO.
(ii) Limited access to markets.
(iii) Manifestation of unfair competition practices.
(iv) Low trade participation persists due to the limited approaches used to promote local and international trade.
(v) Inadequate storage/cooling facilities.

Technical capacity

Scores

(i) Training (capacity building) for MSEs: 16.29
(ii) Innovation: *
(iii) Patenting: *
(iv) Coping with new technology: 8.69
(v) Knowledge and skills gap: 8.93
(vi) MSEs survival rates: 8.10
(vii) Access to incubation services: 13.17

Constraints

(i) Low number of MSEs trained in technical skills and other supporting skills, such as financial, managerial and entrepreneurial skills.
(ii) Low understanding of technological and innovation trends, and of the adaptation of new technology among MSEs.

(iii) Existence of technical skills gap among MSEs.
(iv) Inadequate incubation services.

Governance and regulatory framework

Scores

(i) Licensing and issuance of permits: 17.00
(ii) Corruption and governance: 0.91
(iii) Crime and public security: 22.06
(iv) Self-regulation: 19.31
(v) Participation in policy formulation: 5.49

Note: *A higher score on corruption manifestation indicates a lower level of perceived corruption.*

Constraints

(i) High number of licenses and permits.
(ii) Manifestation of corrupt practices within worksites.
(iii) Weak self-regulation of MSEs.
(iv) Low participation by MSEs in the formulation of policies and laws that affect them.

Financial inclusion

Scores

(i) Access to savings and credit facilities: 1.13
(ii) Financial innovation and fintech: 13.71
(iii) Credit Guarantee Scheme awareness and uptake: 5.49
(iv) Public funds awareness and uptake: 6.31

Constraints

(i) Low access to savings and credit facilities.
(ii) Continued limited awareness of the Credit Guarantee Scheme.
(iii) Low awareness of and uptake of public funds.

Risk preparedness and management

Scores

(i) Status of risk preparedness and management: 9.87
(ii) Knowledge and uptake of social security: 8.78

Constraint

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

Interventions for Creating an Enabling Environment for MSEs

(i) *Worksites and related infrastructure*: The county government to work with the Micro and Small Enterprises Authority (MSEA) and all other relevant government agencies to upgrade existing worksites and develop new ones for allocation to MSEs. These worksites need to be fully equipped with the necessary amenities, including common manufacturing facilities, water, and toilets. The establishment of industrial parks proposed in the County Integrated Development Plan (CIDP) 2023-27 will support these efforts.

(ii) *Market environment*: The county government, in collaboration with other government agencies like the MSEA, to continue popularizing AGPO in forums such as the public participation forums to enhance its awareness and uptake. Further, there is a need to ring-fence certain components of government contracts for MSEs contracting through AGPO.

(iii) The county government to enhance market access for MSEs by constructing the market infrastructure indicated in the CIDP 2023-27. This market infrastructure needs to provide quality services and be accessible at affordable levies.

(iv) The county government to enhance collaboration with other government agencies such as the Anti-Counterfeit Authority, the Kenya Revenue Authority and other relevant stakeholders to eradicate unfair trade practices.

(v) Enhance trade participation by increasing approaches to promote local and international trade.

(vi) The county government and MSEA to prioritize cooling plants targeted in the CIDP 2023-27 and to continue mapping requirements for warehouses or cooling facilities among MSEs to support the government initiative to enhance value addition in the county.

(vii) *Technical capacity*: The county government to enhance collaboration with government agencies such as the Kenya Industrial Research and Development Institute (KIRDI), the Kenya Industrial Property Institute (KIPI), the Kenya Industrial Estates (KIE) and MSEA, which are at the forefront in offering training to MSEs, to increase the number of MSEs receiving training in technical and other supporting skills, such as financial, managerial and entrepreneurial skills. This will help reduce the existing technical skills gap among MSEs and lessen the business skills constraints identified in the CIDP 2023-27. This collaboration will also support MSEs in coping with technological innovation trends by investing in technology upgrades and incubation services.

(viii) *Governance and regulatory*: The county government to enhance efforts to reduce and consolidate the existing permits and licenses to reduce the cost of doing business for MSEs.

(ix) The county government to work with MSEA to enhance governance, transparency and accountability at worksites through MSE associations.

(x) The county government to work with MSEA to enhance membership of MSEs' associations by reducing bureaucracy and joining costs.

(xi) The county government to enhance MSEs' participation in the formulation of policies and laws affecting them.

(xii) *Financial inclusion*: The county government to work with the Credit Guarantee Scheme and existing affirmative public funds to increase awareness and uptake among MSEs. Increased uptake will ease savings and credit constraints among MSEs.

(xiii) *Risk preparedness and management*: The county government, in collaboration with other relevant stakeholders to enhance efforts to build capacity and awareness among MSEs on risk preparedness and management and on 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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