

07.01(4)



NATIONAL DOCUMENTATION
SERVICE (NDS)
ACC. NO. 2013-321
CLASS NO. GP 331.125 KEN

REPUBLIC OF KENYA
SESSIONAL PAPER

ON

**DEVELOPMENT OF MICRO AND SMALL ENTERPRISES FOR
EMPLOYMENT CREATION AND POVERTY REDUCTION**

NATIONAL DOCUMENTATION
SERVICE (NDS)
ACC. NO. 2013-321
CLASS NO. GP 331.125 KEN

December 2001

TABLE OF CONTENTS

FOREWORD	iv
CHAPTER ONE: INTRODUCTION	1
CHAPTER TWO: LEGAL AND REGULATORY FRAMEWORK	4
CHAPTER THREE: MARKETS AND MARKETING	7
CHAPTER FOUR: CREDIT AND FINANCE	11
CHAPTER FIVE: PHYSICAL INFRASTRUCTURE	14
CHAPTER SIX: TECHNOLOGY DEVELOPMENT.....	17
CHAPTER SEVEN: ENTREPRENEURSHIP.....	21
CHAPTER EIGHT: BUSINESS DEVELOPMENT SERVICES	24
CHAPTER NINE: GENDER MAINSTREAMING	26
CHAPTER TEN: ENVIRONMENTAL MANAGEMENT	29
CHAPTER ELEVEN: INFORMATION MANAGEMENT	32
CHAPTER TWELVE: INSTITUTIONAL FRAMEWORK FOR MSE SECTOR COORDINATION	34
CHAPTER THIRTEEN: IMPLEMENTATION FRAMEWORK.....	37

LIST OF ABBREVIATIONS

ACEG	African Centre for Economic Growth
AG's	Attorney General's
AMFI	Association of Micro Finance Institutions
ASAL	Arid and Semi-Arid Lands
BDS	Business Development Services
CBK	Central Bank of Kenya
CBS	Central Bureau of Statistics
CCK	Communications Commission of Kenya
CLT	Community Land Trust
COMESA	Common Market for Eastern and Southern Africa
COTU	Central Organisation of Trade Unions
CRT	Centre for Research and Training
CTB	Central Tender Board
DMSED	Department of Micro and Small Enterprises Development
DPM	Directorate of Personnel Management
EAC	East African Community
EIA	Environmental Impact Assessment
EMCA	Environmental Management and Coordination Act
EPC	Export Promotion Council
EPZA	Export Processing Zone Authority
ERB	Electricity Regulatory Board
ETIs	Entrepreneurship Training Institutions
FKE	Federation of Kenya Employers
GDP	Gross Domestic Product
HIV	Human Immunodeficiency Virus
ICIPE	International Centre for Insect Physiology and Ecology
IPC	Investment Promotion Council
ITDF	Industrial Technology Development Fund
K- MAP	Kenya Management Assistance Programme
KAM	Kenya Association of Manufacturers
KBA	Kenya Bankers Association
KCFB	Kenya college of Finance and Banking
KIPO	Kenya Industrial Property Office
KIPPRA	Kenya Institute for Public Policy Research and Analysis
KIRDI	Kenya Industrial Research and Development Institute
KLGP	Kenya Local Government Reform Programme
KNCPC	Kenya National Cleaner Production Centre
KNFJKA	Kenya National Federation of <i>Jua Kali</i> Association
KOSME	Kenya Organisation of Small and Medium Enterprises
KPLC	Kenya Power and Lighting Company
KRA	Kenya Revenue Authority
KRB	Kenya Roads Board
K-REP	Kenya Rural Enterprise Programme
KSMS	Kenya School of Monetary Studies
KUSCO	Kenya Union of Savings and Credit Organizations
LAs	Local Authorities

LECs	Local Enterprise Centres
MARD	Ministry of Agriculture and Rural Development
MENR	Ministry of Environment and Natural Resources
MEST	Ministry of Education, Science and Technology
MFA&IC	Ministry of Foreign Affairs and International Co-operation
MFI	Micro Finance Institutions
MITC	Ministry of Information, Transport and Communication
MLG	Ministry of Local Government
MLHRD	Ministry of Labour and Human Resource Development
MoE	Ministry of Energy
MoFP	Ministry of Finance and Planning
MOL&S	Ministry of Lands and Settlement
MPWH	Ministry of Public Works and Housing
MSECF	Micro and Small Enterprises Consultative Forum
MSE	Micro and Small Enterprise
MSEs	Micro and Small Enterprises
MTTI	Ministry of Tourism, Trade and Industry
NCST	National Council of Science and Technology
NDP	National Development Plan
NEMA	National Environment Management Authority
NGOs	Non-Governmental Organisations
NIDC	National Industrial Development Council
NPEP	National Poverty Eradication Plan
OP	Office of the President
OVP&MH&NH	Office of the Vice President and Ministry of Home Affairs and National Heritage
PLI	Public Law Institute
PRSP	Poverty Reduction Strategy Paper
ROSCAS	Rotating Savings and Credit Associations
SACCOS	Savings and Credit Cooperative Societies
SDD	Social Dimensions of Development
SEDA	Small Enterprise Development Authority
SEP	Self-Employment Promotion
SMEDO	Small and Micro Enterprise Development Organisation
TOLs	Temporary Occupation Licences
TTIs	Technical Training Institutes
UNDP	United Nations Development Programme
UNIDO	United National Industrial Development Organisation
VTIs	Vocational Training Institutions

FOREWORD

In order to enhance the capacity of micro and small enterprises (MSEs) to create jobs and reduce poverty, the Government has reviewed the policies and strategies outlined in Sessional Paper No.2 of 1992, and adopted a new policy framework for the MSE sector that this Sessional Paper embodies. The new policy framework provides a more balanced policy focus, in line with national goals to foster *employment creation, poverty alleviation, income distribution and industrialisation*.

Important strategic objectives underlying the new MSE policy framework include stimulation of economic growth; facilitation of greater equalization of income and economic opportunities; strengthening of inter-firm linkages; levelling of the playing field for all businesses; enhancement of MSEs access to credit and finance; upgrading of the skills level of MSE operators; increasing the use of appropriate modern technologies by MSEs; bolstering the capacity of MSEs to create durable and well paying jobs; and strengthening collaboration and co-ordination of players in the MSE sector. All these are core to the realization of national goals of eradicating poverty and achieving an industrialized country status as stipulated in the PRSP and the Sessional Paper on Industrial Transformation respectively.

The Sessional Paper is divided into thirteen chapters. Chapter One presents the overall approach. Chapters Two and Three document the new policies and measures to be implemented with a view to improving the legal and regulatory environment; and increasing MSE access to markets and marketing. Chapters Four to Eight discuss ways of improving MSEs' access to credit and finance, physical infrastructure, technology, entrepreneurship, and, business development services. Policies for gender mainstreaming, environmental management, and information management are covered in Chapters Nine to Eleven. Chapter Twelve talks about institutional framework for coordination of activities in the MSE sector. The framework for implementation is presented in Chapter Thirteen.

Each of the chapters presents an assessment of the obstacles affecting MSEs in the specific policy area and proceeds to highlight implementation steps that will be taken to address the constraints facing MSEs. The emphasis is on rectifying the policy biases and weaknesses that have been a hindrance to growth and development of MSEs. A common thread in the chapters is a sense of urgency. Much time has been lost with very little accomplishment in the way of implementing the MSE policy framework adopted in 1992. Weaknesses in policy implementation and duplication of efforts must therefore be addressed forthrightly this time round if Kenya is to tap the full potential and dynamism of the MSE sector, achieve sustainable economic growth and increase economic opportunities in all sectors of the economy.

CHAPTER ONE: INTRODUCTION

1.1 Micro and small enterprises (MSEs) comprising off-farm business activities of upto 50 workers, constitute an important vehicle for employment creation and poverty alleviation. Findings from the 1999 MSE Baseline Survey show that there are a total of 1.3 million enterprises employing 2.4 million people and contributing over 75% of all new jobs created in the country. In terms of contribution to GDP, MSEs account for at least 18.4% of the country's total output. However, the support and attention accorded to MSEs has not been commensurate with their critical importance in national development. The new policy and strategy framework embodied in this Sessional Paper is designed to redress the existing policy imbalances and foster a dynamic and growth oriented micro and small enterprise sector.

1.2 The overall goal and objectives of the new MSE policy and strategy framework is to create durable employment opportunities, stimulate economic growth, reduce economic disparities, strengthen linkages between firms, diversify the domestic production structure and industrial base, level the playing field between MSEs and the larger enterprises, improve MSE sector funding and enhance institutional collaboration and coordination of interventions in the MSE sector.

1.3 Stable macroeconomic policies are an important factor in creating the necessary pre-conditions for growth and development of MSEs. Equally, institutions are important in directing the flow of incentives and resources into the MSE sector. The Government will promote macroeconomic environment and market conditions that are conducive to the stimulation of MSE businesses. Existing MSE support institutions will be expected to facilitate the flow of resources and market information to MSEs.

1.4 Since the propensity of most MSEs to grow and prosper depends to a large extent on the performance of agriculture, the Government will promote policies geared towards raising agricultural productivity, improving rural road networks, widening MSE access to physical infrastructure, rectifying imbalances in market opportunities, increasing access to technology, removing regulations that have been unfavourable to MSEs, and enhancing access of MSEs to state procurement, big business purchases and export markets.

1.5 Under the new MSE policy, greater equalisation of income and increased income opportunities will be achieved through strengthening of the labour-absorptive process in the micro-enterprise and survivalist segments of the MSE sector, redressing discrimination with respect to women's access to economic opportunities, and facilitating growth of small enterprises in rural areas.

1.6 A differentiated, sector-focused and growth-oriented small enterprise-support strategy will be put in place to help fragmented micro and small enterprises within specific sectors, industries, sub-regions or other localities to network more effectively in order to jointly address obstacles to development, take up opportunities, build

collective efficiency and become competitive through the adoption of new and more efficient technologies.

1.7 The new MSE policy will be implemented with mainly private sector driven programmes. The Government's role will be to provide an enabling policy environment, including maintenance of essential infrastructure, investment in human resource development and basic welfare, and when necessary, guarding against human exploitation and environmental degradation.

1.8 Large enterprises in the private sector will be expected to assist micro and small enterprises to become competitive through a variety of support services and linkages, such as marketing, research and development, skills acquisition, sub-contracting, partnerships, joint ventures and franchises, as well as other forms of networking. Through such cooperation, small firms will be expected to achieve economies-of-scale benefits that large firms enjoy. The Government will encourage MSE stakeholders to develop and implement private sector-driven programmes across the country.

1.9 The Government recognises that the HIV/AIDS pandemic poses a serious threat to the performance and future prospects of the MSE sector as it, indeed, does to the whole economy. In response to this challenge, the HIV/AIDS Coordination Unit established in the National Employment Division of the Directorate of Human Resource Development will expand its work to target MSEs and mitigate the impact of HIV/AIDS among MSE operators. In addition, the Ministry of Labour and Human Resource Development will commission research to determine the specific impact of the HIV/AIDS pandemic on MSEs and identify any measures that may be required to counter the spread and effects of this pandemic in the MSE sector.

1.10 The new MSE policy emphasises the importance of alternative funding, the leveraging of public funds, the effective use of foreign donor funds and technical assistance, the introduction of fiscal incentives to change private-sector attitudes, and self-help or local community efforts to support small enterprises. To avoid duplication of effort and misallocation of resources, the Government will establish guidelines, which set standards for both channelling and monitoring the performance and impact of all MSE programmes and projects in key policy areas. All funding towards MSE support programs and projects will be secured on the basis of priority setting, preference being given to the programs and projects which strengthen MSE access to resources which have the greatest impact and likely to enhance sustainability of established and emergent enterprises.

1.11 Donors and multilateral aid, as well as technical assistance agencies, play an influential role in the promotion of MSE development. In future, it will be important that donor support fits into the national strategy and is effectively integrated with local efforts. Duplication of programs to suit donor preferences will be discouraged, particularly where the discontinuation of foreign support is likely to create new demands on the public sector.

1.12 Considering the importance of the collaboration between relevant stakeholders in the MSE sector, the Government will establish an all-inclusive autonomous institution, the Small Enterprise Development Authority (SEDA), to steer

MSE support activities taking into account Kenya's national development goals of creating employment and alleviating poverty. In addition, an MSE stakeholder forum to be known as the Micro and Small Enterprise Consultative Forum (MSECF) - comprising of representatives from MSE associations, MSE support programs, the donor community, Permanent Secretaries (Ministries of Finance and Planning, Trade and Industry, Education Science and Technology, Labour and Human Resource Development) and Office of the President - will be formed to play an advisory role in the promotion of MSE sector activities and support programs. SEDA, jointly with the Department of Micro and Small Enterprises Development (DMSED), will oversee the establishment of Local Enterprise Centres (LECs), which will constitute a national grid for providing MSE support services at the local level throughout the country.

CHAPTER TWO: LEGAL AND REGULATORY FRAMEWORK

2.1 The Government has taken a number of measures to improve the legal and regulatory environment for the development of the MSE sector since it published Sessional Paper No.2 of 1992 on *Small Enterprise and Jua Kali Development*. Among the measures are the trade licensing reform that introduced the Single Business Permit, the amendment of the Trade Licensing Act (Cap 497) that discontinued the collection of trade licensing fees, the repeal of the Vagrancy Act (Cap 58), which prohibits hawking, and the amendment of the Chief's Authority Act (Cap 128) and the Public Order Act (Cap 57). The formation of task forces to examine and recommend legal reforms on health, land, agriculture complements these measures.

2.2 Despite the success achieved in reforming the legal and regulatory framework, a number of existing laws and regulations are cumbersome, out of step with current realities and hostile to the growth of MSE activities. Specifically, the bylaws applied by many local authorities are not standardised and appear, in most cases, punitive as opposed to their ideal role of being facilitative. At the same time, the Provincial Administration tends to overlap and conflict with local authorities (LAs) over the enforcement of regulations, as well as on jurisdiction over land and utilities. Finally, the process of transacting business with Government agencies eats into the management time of MSE operators, as the process is bureaucratic and lengthy. These factors divert scarce financial and management resources from productive investment.

2.3 Recently, trade licensing has become the principal means of generating revenue for local authorities, leading to a duplication of activities, cumbersome approval procedures, and inconsistent application and enforcement of laws and regulations and creating opportunities for corruption. The centralisation of business registration in Nairobi poses problems to MSEs located outside the capital city. Moreover, the requirement that an applicant should provide the address and physical location of the MSE operation poses a major problem to MSE operators who may not have permanent physical locations. All this translates into a high implicit cost of registration of business. The result is that most MSEs operate informally having chosen not to register their businesses. The overall effect is the creation of an uncertain business environment that interrupts the smooth operation of MSEs and violates property rights.

2.4 Most MSEs have no legal titles for the sites on which they operate. The absence of security of tenure denies them access to credit. Policies regulating the provision of power, roads and water, coupled with stringent building standards, compound their insecurity. The lack of legal titles leads to harassment by the local authorities; in turn, the harassment acts as a disincentive for development of and investment in the work sites. At the level of MSE associations, the current policy is that titles are issued in favour of MLHRD and the Permanent Secretary, Treasury as trustee on behalf of the association. This arrangement is however, interim pending successful implementation efforts to assist MSEs associations become legal entities able to own land in their cooperate names.

2.4 The PRSP has identified the high cost of credit brought about by high interest rates and transaction costs as the primary impediment to investment in and growth of the MSE sector. Operations of financial institutions are tailored to offer credit services to formally incorporated agencies which meet set bankable and operational criteria, such as keeping proper books of accounts and verifiable asset base, which most MSEs lack.

2.5 The new legal and regulatory policy setting is designed to create a stable and conducive environment for the growth and development of MSEs. The new policy framework is in line with the requirements in the National Poverty Eradication Plan (NPEP) which calls for accelerated dismantling of the obstacles of bureaucracy and regulations that restrict the free participation of the poor in business and the PRSP process which stresses that local authorities, being the focus for most MSE operations and locations, be the most direct point of reference to the MSE sector. The objectives of the new legal and regulatory policy framework will be achieved through the consolidation and harmonisation of trade licensing and regulation services with the ultimate goal of enacting a standard MSE legislation that will repeal restrictive laws and regulations. A consultative approach in all public sector business will allow for factoring in the true interests, views and aspirations of MSE stakeholders in all development initiatives. All this will infuse relevance into and lead to acceptance and ownership of intervention programmes.

2.6 By and large, local authorities marginalize MSEs. Over the years, however, local authorities have had to put up with serious financial and operational bottlenecks, which have compromised their capacity to provide services to MSEs. Some of the proposed interventions that will directly or indirectly promote the performance of MSEs include implementing the Kenya Local Government Reform Programme (KLGP), improving the fiscal relationship between the central government and the local authorities by resolving mutual indebtedness and interests in development and through upgrading of informal settlements in urban areas. In order to enhance accountability, the Government will promote the establishment of local authorities oversight boards to complement councils' resourcefulness in articulating interests of citizens and provide external monitoring of the performance of the councils. In an endeavour to address the problem of inadequate information, the Government and relevant stakeholders will put in place mechanisms to sensitise law enforcement officers and stakeholders on relevant information and design the packaging of information for dissemination to MSEs.

2.7 In order to facilitate business registration, the Government will decentralise and computerise the registration of businesses to provincial headquarters with a long-term objective of making these services available at the district level.

2.8 As required in both the Sessional Paper No. 2 of 1997 on *Industrialisation* and the 8th National Development Plan, local authorities will set aside sufficient land for industrial parks to minimise locational costs for investors, as well as MSE operators. Besides, the review of the Local Government Act will harmonise the often-conflicting roles and mandates of the central Government and LAs over land. In addition, MSE inter-ministerial committee will provide a forum for resolving any conflict that may arise in the course of implementing various government policies that affect MSEs.

2.9 To overcome the insecurity of tenure and the consequent harassment of the MSEs by local authority officials, the Government, in collaboration with the local authorities, will allow a longer period for Temporary Occupation Licenses (TOLs) with specified occupation period held by MSEs, coupled with issuance of short term leases to those who qualify to minimise fear of harassment by law-enforcement agencies. In addition, all land earmarked for use by MSEs will be registered and titles issued in the name of appropriate associations and in the interim held in trust by the Ministry of Labour and Human Resource Development. As a long-term measure however, MSE associations will be assisted to become strong legal entities able to hold land in their own corporate names. This will be achieved through amending the Registration of Titles Act Cap 101. Whenever necessary, written warrants duly authorised by a full council will back, and appropriate press notices will be issued before, the demolition of MSEs by local authorities.

2.10 The Government will establish small claims courts to deal with small but non-trivial claims. In addition, it will form a taskforce to collate views on harmonising the powers of the Ministry of Local Government on the one hand and the local authorities on the other, in conformity with the new efficiency concepts of value for money in services rendered by the agencies. This will include measures for recognition and reinforcement of informal property rights, quicker processing of applications for licenses and permits, and simplification of the tax structures for the MSEs. Further, the Government will amend the Local Authority Act (Cap 265) to reflect limited and essential regulatory powers by local authorities to ensure that compliance with standards relating to security, public health, public safety and the environment are preserved. On their part, urban councils—in collaboration with traders and relevant stakeholders will develop clear guidelines on enforcing these measures.

2.11 To give the sector legislative recognition and provide an appropriate legal framework supportive to its growth, the Government will formulate and enact an MSE specific legislation. Among other things, the Act will provide for the establishment of a Small Enterprise Development Authority (SEDA) to steer the development of MSE sector taking into account Kenya's national development goals of creating employment and elevating poverty.

CHAPTER THREE: MARKETS AND MARKETING

3.1 The 1999 MSE Baseline Survey found that 34% of MSEs cited market access as the most severe constraint facing the sector. Equally the PRSP consultation process prioritised poor markets, credit and infrastructure as the primary constraints to the sector. Overall demand is low, markets are saturated, and in many cases, markets do not function well due to lack of information, high transaction costs and economies of scale. Competition in some products is unfair, with imported goods finding their way into the market without paying statutory duties. Many MSEs are ill prepared to compete in liberalised markets. Very few are capable of venturing into export markets and even fewer are able to tap the new frontiers of electronic commerce. As a result, most are confined to very narrow local markets where intense competition drives prices down, resulting in very low profit margins. In many cases, the institutions that might deal with these problems are missing or weak.

3.2 The present level of demand for many MSE goods and services is too low due to limited purchasing power. Their low capital base and limited technological sophistication confine MSEs to products and services of low value, while their low and non-standardised output rates limit their participation in the increasingly mass marketing outlets departmental stores provide in the towns. Present conditions in many MSE clusters make them unattractive or insecure to potential customers. Others lack the infrastructure needed to enable them to make quality products and to communicate with customers.

3.3 Public sector purchasing practices, whose pre-qualification standards demand wide experience, high volume supplies and proof of substantial financial resource base lock out MSEs from the large public sector market. While the Government has made serious efforts to liberalise financial and product markets over the past decade, significant barriers to entry into certain markets and high unit transit costs for small volumes—due to their underlying low economies of scale—still remain.

3.4 The flow of information on markets has improved, but many small firms still do not know where or how to access existing and relevant information. As a result, the only source of information on markets for most businesses is informal feedback from customers. At the same time, most MSEs produce a narrow range of goods and services and less than 10% are involved in subcontracting. In theory, MSEs can overcome problems of the low demand for their products and services by aiming at non-traditional markets; however, few of them have been able to access these markets due to lack of relevant information on, and owing to competitiveness relative to, product quality, packaging, advertising, and distribution.

3.5 MSEs need new skills to enable them to maintain their existing market and enter new ones. The size of most operations of MSEs however precludes a capacity to hire specialised talent, such as marketing personnel, because their owners take on virtually all business operations in an attempt to be cost effective. Under these circumstances, few owners can individually address the full range of marketing constraints encountered.

3.6 Institutions facilitating the operation of MSE businesses are weak or missing, for enforcing property rights and commercial contracts. This hiatus forces MSE businesses, which frequently lack access to information, to confine their market transactions to persons they know and can trust. This reasonable strategy for reducing exposure to business risks however narrows a firm's market reach and, in the process, reduces its profits.

3.7 The propensity of the MSE sector to grow depends on an expanding economy, as well as increasing per capita incomes that are the ultimate source of demand for goods and services. In Kenya, where the agricultural sector is the primary source of this expansion, the Government will seek to raise rural incomes through restructuring and privatisation of ailing industries especially those based on agricultural commodities such as cotton, textile, leather & leather products, sugar and cashew nuts. The revival of the rural sector, through upgrading existing MSE clusters and building new ones, will contribute to a healthy rural-urban balance.

3.8 Government-initiated programme interventions will provide procurement incentives, information on markets and training in marketing skills. The interventions also will promote use of under-utilised public facilities and a level playing field for MSE exports and subcontracts. On top of this, MSEs will be both fully represented in the proposed forum for articulating special needs of entrepreneurs, the National Industrial Development Council (NIDC), and allowed access to Government contracts as suppliers and contractors through the lowering of pre-qualification criteria or breaking down tenders where feasible.

3.9 The primary source of consumer demand for MSE products and services is to raise rural incomes through prudent agricultural policy, which will aim at boosting production of food and cash crops, restoring or replacing non-functioning marketing systems, and upgrading rural infrastructure. Through industrial policy, the Government will put in place effective incentives to encourage entrepreneurs to locate industries in small and medium-sized towns; in this way, the policy will create income and opportunities for employment for rural households. Further, the Government will promote MSE sales directly by purchasing their products, and indirectly by offering tax incentives to encourage institutions and people to do so. This will be done in close consultation with the Kenya Bureau of Standards (KBS) to ensure quality products. To facilitate Government procurement of MSE products, the Department of Micro and Small Enterprise Development (DMSED) will conduct an annual review of products from the MSE sector and produce a listing of those to be procured from the sector by the Government.

3.10 In a bid to increase Government procurement of MSE products and services, the Ministry of Finance and Planning will simplify tendering procedures to promote MSE participation. In cases of large tenders, the Government will encourage the formation of MSE consortia capable of registering group bids and will grant tax incentives to companies which purchase products from or which enter into subcontracting arrangements with members of registered MSE associations. Government institutions will not only attempt to lower pre-qualification criteria but also base such requirements on the potential of the MSE or the entrepreneur rather than past financial or resource strengths.

3.11 The Government will encourage MSE stakeholders to use their information systems to gather and disseminate information on markets about items MSEs most commonly produce or trade in. On its part, the Government, through its Export Promotion offices, will publicize information on available opportunities in external markets through exhibitions, catalogues of goods produced, workshops, the media, and posters in District Central Bureau of Statistics (CBS) offices. Tax incentives to the corporate sector will enhance its support for marketing MSEs; the sector's participation and sponsorship of local special exhibitions exemplifies the support. At the same time, the corporate sector will be encouraged to include products from local MSEs in their packages for exhibitions in international fora.

3.12 The Government will require institutions that will support MSEs to put emphasis on training in marketing skills as well as in the expansion and diversification of local and international markets. The PRSP has targeted 8,500 entrepreneurs and 30 MSE association officials for training on marketing skills annually. In the meantime, the Government will incorporate marketing in the curricula of all Government-sponsored training programmes in technical fields, commerce, management and entrepreneurship and encourage the development of short courses in marketing to assist MSEs enter non-traditional markets such as wholesaling, export markets, production and trade in high quality goods, professional services and electronic commerce.

3.13 The Government will implement the 8th NDP that calls on local authorities to set aside sufficient land for industrial parks. In addition, the Government will encourage the major stakeholders to develop and implement plans for upgrading existing MSE clusters and encouraging formation of new ones. The Nairobi City Council is evaluating the option of open market streets, despite a conflict of jurisdiction between the Council and the Provincial Administration. The Government, however, will allow and encourage local authorities to try out creative approaches to MSE marketing such as Sunday markets in public parks, evening markets and temporary closure of streets. To this end, the relevant bylaws will be reviewed and amended to reflect these approaches. Meanwhile, the Government will encourage private sector associations to use public roads, parks and vacant land, on a temporary basis, for vending activities. In addition, it will provide incentives to private sector investors to purchase land in commercially viable locations in order to establish and operate MSE clusters on a commercial basis.

3.14 Through the 2001/02 Budget, the Government offered incentives—such as low rates for some raw materials as well as capital and essential goods—to local business entities and tightened import restrictions in a bid to prevent unfair competition from imported substitutes. The Government will periodically review terms on which goods enter the domestic market and the implication they have for the MSE sector with a view to reviewing tariffs in concert with changing domestic and global circumstances.

3.15 In relation to MSE associations, the Government will encourage the associations to organise low-cost visits to familiarise potential exporters with foreign markets and review and streamline bureaucratic procedures that hold back cross-border trade by Kenyan MSEs. It also will encourage large exporting firms to sub-

contract to MSEs, support MSE consortia capable of export trade and include MSE representatives in relevant trade missions.

3.16 In order to facilitate entry of MSE products in the international market, the Government will encourage improvements in product design and development, commission market research, and support the design and packaging of goods and services that respond to the needs and desires of potential customers.

CHAPTER FOUR: CREDIT AND FINANCE

4.1 The PRSP consultative process ranks lack of access to affordable credit as the primary constraining problem to the growth of the MSE sector. Formal financial institutions perceive MSEs as high risk and commercially unviable entities, while MSE operators lack both sufficient and relevant information on providers of credit and experience in dealing with formal credit institutions. As a result of these factors, only 5.7% of the MSEs have accessed credit from formal financial institutions in the country.

4.2 The issues and problems limiting MSE acquisition of financial services can be grouped into two broad categories: lack of tangible security coupled with an inappropriate legal and regulatory framework that does not recognise innovative ways of lending to MSEs and the limited access to formal finance due to poor and insufficient institutional capacity to deliver financial services to MSEs.

4.3 Policies and strategies designed to boost credit and finance to the MSE sector have been formulated in the absence of reliable information on "best practices" methodologies, data on the magnitude of the MSE sector, characteristics of MSE operators, or factors influencing the growth and dynamics of the sector. The dearth of information translates into high credit transaction costs, to both the operator and financial institutions, because of the cumbersome ways of collecting and verifying available information, mainly on the creditworthiness of MSE borrowers.

4.4 The legal and policy framework for financial services is less supportive to small than to big borrowers because requirements for commercial banking are outside the scope and operational realities of MSEs. In this regard, the Banking Act prohibits micro finance institutions (MFIs) from taking deposits, the Post Office Act prohibits the Post Bank from lending, and the Co-operative Act does not provide for effective supervision of Savings and Credit Cooperative Societies (SACCOS). On their part, MFIs have neither structures for governance and ownership nor standards for performance. There exists no appropriate legal and regulatory framework to govern them, accounting for their licensing under eight different acts.

4.5 Despite the increasing number of MFIs, the outreach has remained severely constrained, especially in the rural areas, because of their limited resource base and lack of legal capacity to provide a wide range of financial services. Most of these institutions suffer from poor governance, inadequate managerial experience and weak operational systems. At present, MFI outreach is basically through group schemes, which have limited absorptive capacity for financial resources.

4.6 Lending to MSEs by the formal financial sector had risen from 3.4% to 5.7% by 1999; but this share is low given the magnitude of the needs of the MSE sector. One explanation for this state of affairs is the absence of structured mechanisms to facilitate the flow of financial resources from the formal financial sector through MFIs to the MSEs. Further, MSEs fail to get adequate credit because of the nature of commercial banks and MFIs. On the one hand, commercial banks have a strong

resource base but lack the expertise and “best practices” of MFIs for lending to the MSE sector. On the other hand, MFIs have developed expertise for lending to the sector, but their resource base limits their lending capacity.

4.7 The new policy on credit and finance will focus on measures to reduce the cost of credit through the application of prudent monetary and fiscal policy as well as the facilitation of establishment of appropriate credit institutions for this purpose. Given the status of the MSE sector today, and taking into account what has so far been achieved, the new credit and finance policy will aim at putting accent on integrating micro finance into the country's financial system by reviewing the existing legal and regulatory framework to permit and facilitate the development of the sector. The policy will focus on developing innovative methodology for delivering financial services to the sector through the promotion of networks in the sector and the coordination and proper management of the micro finance sector. The new policy framework will provide the necessary legal machinery in a bid to minimise the cost of enforcing loan repayment because defaults partly account for banks' reluctance to lend to the MSE sector. In addition, the government will continue with its efforts to restructure the operations of institutions set up to provide credit to Small and Medium Enterprises as effective sources of funding for graduating MSEs.

4.8 The Government will commission a study to determine an appropriate risk classification system for bad or doubtful debts and for inspection programmes to manage risks of micro finance. In an endeavour to promote the span of micro finance throughout the country, the Government will amend acts to allow organizations that mobilise key savings in the country to provide credit to micro and small enterprises, as well as accept deposits from them. In the process, it will put into operation a tier system, which takes into account different market segments, institutions, and lending and delivery mechanisms for enhanced lending to the MSE sector.

4.9 Recognising that human capital, labour skills and social capital are assets that the poor possess, the Government will offer incentives to financial institutions as a way of encouraging them to consider these factors in designing credit schemes for the poor and for micro and small enterprises. To this end, it plans to encourage commercial banks to develop an appropriate risk classification system governing loan collateral, documentation and inspection programmes to manage risks for the MSE sector. In this respect, it will encourage them to use peer pressure to minimise default on credit, one's character and business cash flows as the basis for lending to MSEs. Further, it proposes to enact legislation that will permit micro finance institutions to accept deposits and, in a bid to make them sustainable, encourage the institutions to operate commercially.

4.10 On its part, the Central Bank of Kenya (CBK) will develop appropriate standards that recognise the special nature of micro finance institutions. In line with this undertaking, the Government will strengthen the CBK's Micro-Finance Unit through a micro-finance act intended to harmonise the operations of micro finance institutions, incorporate micro finance into the country's financial system and synchronise operations of the institutions with the operations of mainstream financial establishments.

4.11 The Government recognises special financial needs and interests, especially venture capital, that the new credit and finance policy might not adequately cater for. To this end, it will establish a micro finance trust fund from which micro finance institutions can borrow if they have the institutional capacity and meet requirements spelt out in the proposed legislation for micro finance. Here, the approach will be to borrow from relevant experiences—such as the Bremen banking model of Pakistan—in developing countries concepts of group lending and use of peer pressure to minimise default on credit. Workers’ SACCO concepts and their applicability to the non-salaried small business economy also will be studied. An insurance scheme will be explored and established to underwrite risks of the revitalised micro-finance institutions and the banking system dealing with the MSE sector. In addition, the Government will require SEDA to put in place suitable mechanisms for strengthening capacities of institutions providing financial services to MSEs.

4.12 In order to improve networking, coordination and management of micro finance the Government will reform disclosure laws to facilitate sharing of information among various players in the financial sector. At the same time, it will establish a mechanism through which stakeholders can closely interact with the Government in the design and review of laws related to micro finance. Consistent with new business dimensions of MSEs, the requisite specialised course on micro finance at the Kenya School of Monetary Studies (KSMS) will be expanded to reach all bankers.

CHAPTER FIVE: PHYSICAL INFRASTRUCTURE

5.1 The stock and state of infrastructure defines the environment in which entrepreneurs pursue their business interests, and partly determines the levels of optimal resource use, productivity and achievable profitability. Efforts expended in ensuring adequate access to efficient physical infrastructure by MSEs is likely to have a high pay-off in the generation of employment, creation of wealth and reduction of poverty because of the dominance of MSEs in the economy.

5.2 The most visible evidence of attempts to meet infrastructure needs of MSEs include the small collections of *Jua Kali* sheds that have been put up by the Government, donor organisations and the private sector in selected towns. Unfortunately, these programmes are insufficient and tend to emphasise individual, freestanding “enclave projects” that face serious sustainability problems. The renewed policy for MSEs is intended to give greater role to the private sector in the provision of physical infrastructure.

5.3 The inadequacy of physical infrastructure is a principal cause of low levels of investment and unsatisfactory performance of economic enterprises. The PRSP has identified poor infrastructure as an important factor that influences doing business in Kenya. The poor state of the country’s road network, for instance, adds to the cost of producing and marketing goods and services, thereby rendering them less competitive than imported substitutes. In relation to infrastructure, MSEs face a number of problems: inaccessibility to land, workspace, feeder roads and utilities, as well as incoherent local planning structures that inhibit the evolution of development nodes and, as a result, limit the potential for growth of MSEs.

5.4 The Government has provided some land, electrical power, water supply, access roads and ablution amenities to MSEs and funds for the construction of their sheds. In spite of the provision problems persist, especially because unavailability of suitably located and affordable land remains a significant constraint to the growth and development of MSEs. Further, most facilities and utilities lack basic services, are poorly developed, are incomplete, or are owned and managed by the Government. Moreover, the local authorities on the whole do not recognise MSE rights of tenure to land or suitable business sites; this forces MSEs to locate their businesses on residual or rejected urban land that is remote from lucrative centres of business. This location compounds disadvantages of MSEs because their workstations simultaneously serve as primary marketing outlets for MSE goods and services. The lack of clear-cut plans for supplying MSEs with access to water, sanitary amenities and telecommunication services give rise to dependency on ad hoc and piecemeal interventions. What is more, even where services are available, they are not only inefficient but also do not recognise the heterogeneity of MSEs evident, for instance, in enterprises that need their own business phone or fax machines and internet services and in others that need a common phone call box.

5.5 The new policy for the development of infrastructure for MSEs focuses on enhancing MSEs access to water, sanitation, electricity, telecommunication and suitably located land. It also emphasises on a greater involvement of the private

sector in the development of infrastructure. Consistent with the policy, the Government will increase funding for rural infrastructure, especially the rehabilitation and maintenance of minor roads, enlist participation of local communities in building their feeder roads and accelerate the implementation of the Roads 2000 programme to reduce the backlog of rehabilitation schemes of infrastructure damaged by the El Nino rains of 1997-1998.

5.6 The Government, in collaboration with relevant stakeholders, will encourage more participation by the private sector in the development of market sheds and workspaces for MSEs through both leasing land to developers at concessionary rates and granting tax incentives to developers. Simultaneously, it will introduce measures to privatise existing sheds in order to facilitate their efficient utilisation. To this end, it will survey major urban centres where there is heavy concentration of MSEs in order to identify suitable public and private land for purchase by the MSE operators along with changes in requisite physical development plans for each centre.

5.7 Local authorities will be required to set aside markets for street traders and allocate market spaces, as well as let out vacant spaces and public halls or close some streets on some days, for temporary business by micro and small enterprises and for multiple uses such as business and entertainment. In the meantime, MSE associations will be encouraged to adopt a community land trust (CLT) model, through which the creation of an organisation facilitates holding land in trust for the benefit of a community. This will reinforce the property rights of MSEs through issuing MSE associations with title deeds and temporary occupational licences (TOL) and short-term leases.

5.8 In order to bolster MSE activities and address both the unnecessary losses and the apparent high costs of management that are passed on to consumers, local authorities will privatise, albeit on a limited scale, sanitary services and the maintenance and billing of water distribution. The privatisation of these services would be especially successful where MSE activities are concentrated. On the disposal and management of waste from MSE-related activities, a collaborative approach between private sector agents, MSE associations, local authorities and public health agencies will be given priority and expanded to support the privatisation of services to dispose waste.

5.9 The development and provision of transport services will be enhanced, particularly at the lower levels of the road transport system that provides important links between MSEs and markets. The Kenya Roads Board (KRB) will oversee the development and maintenance of the nation's road network that links MSEs to markets. Meanwhile, the Government will encourage MSEs operating business in areas with limited access to road transport services to form co-operative societies or community groups that would manage the access roads as well as operate non-motorised modes of transport. The Government will support the development of such modes of transport where there is a concentration of MSE activities. Further, it will encourage labour-intensive road maintenance, which creates jobs and utilises local resources and talents. Subcontracting maintenance of feeder roads to community groups will complement Government efforts.

5.10 In a bid to incorporate broad measures that address MSE access to energy in the rural and urban centres, a thorough study of the Rural Electrification Programme (REP) will take place. In this regard, the Government will design an area-specific rural electrification plan based on priority, make changes in power legislation to allow third-party sales of locally produced electricity and pursue endeavours to diversify sources of energy—such as wind and solar energy—suitable for far-flung small rural market centres and communities. Concurrently, it will encourage institutions that support the MSE sector to shore up ventures that allow MSEs to both exploit alternative sources of energy and adopt energy-saving technology. These measures will invigorate MSEs in the rural areas, and curb artisans' rural-urban relocation.

5.11 Taking cognisance of the needs of MSEs for telecommunication and aware of how telecommunication is essential in the growth of MSEs, the Government will implement a telecommunication policy that will widen the scope of privatising telecommunication.

CHAPTER SIX: TECHNOLOGY DEVELOPMENT

6.1 Low technology, embodied in simple equipment and limited skills, characterises the MSE sector in Kenya. Consequently, the sector continues to produce a limited range of few and low quality goods and services; the result is that its products are not quite competitive. In the circumstance, a key challenge facing the sector is the development of new products that are based on improved design and that utilise readily available raw materials and resources in the country.

6.2 Technological advancement in any sector depends on the level of efforts made towards finding new products and processes. This is either through research and development or adoption of technology available elsewhere. A lack of capacity to identify, seek and use appropriate technology constrains the MSE sector. The sector also lacks access to the limited technical services available, as well as outputs and innovations in research. MSEs suffer from a weak enabling environment that hampers transfer and coordination of appropriate technology.

6.3 Low levels of education and technical training of its operators, inadequate financial capacity to acquire available technology and infrastructure—specifically electricity—typify the MSE sector. With respect to education and training, over 67% of the operators in the MSE sector have primary level education or no formal education at all, while only 8.3% of them have had any technical training. These levels of education and training indicate that the range of technology that the operators can adopt is limited. In regard to finance, MSEs usually make low profits, which limit the funds available for reinvestment; where available, funds are invested in working capital. In relation to infrastructure, lack of access to electricity limits the capacity of MSEs to adopt types of technology that require utilities and power, while most MSE operational sites, lacking necessary services for performing basic quality control tests, produce goods whose quality is not assured.

6.4 The institutions expected to provide technical services are weak and lack specialised capacity to meet the needs of MSEs; where the capacity exists, there exist poor links between MSEs and the institutions. In this respect, the 41 Government technical institutes, the four public universities with technology centres and several non-governmental organisations (NGOs) with technology programmes do not adequately provide MSE entrepreneurs with the necessary technological information because there are no information networks between MSE operators and experts in technology who would interpret the vast amount of already available information. On their part, NGOs that are dependent on donor funding—which neither reaches a wide spectrum of MSEs nor is sustainable in the long term—provide limited technical services to MSEs.

6.5 The constraints limiting the availability and accessibility of relevant technology to MSEs include low investment in research, development and adoption of new technology and products. Significant efforts have been made to overcome the constraints, but the efforts have been insufficient because of poor links between MSEs and providers of technology. The Ministry of Science and Technology, which is responsible for the development of technology, expends inadequate resources on

technology development, and the National Council of Science and Technology (NCST), which is poorly funded, has a bias for elite and high-tech components of technology development and dissemination. The country does not have explicit laws governing technology transfer, but when requested, the Kenya Industrial Property Office (KIPO) can protect technology that MSEs and their supportive institutions develop. Patenting, however, is time-consuming and expensive; as a result, the process discourages entrepreneurs' initiatives to develop or adopt relevant technology.

6.6 The new technology policy framework for MSEs seeks to enhance their capacity to absorb technology, improve the capacity of institutions that support the MSE sector to adopt, and increase overall access to information on technology. The recently enacted Industrial Property Bill provides for the importation of technology and protects domestic innovations and inventions. Now, focus will be on strengthening mechanisms for research, innovation, transfer and coordination of existing programmes on technology.

6.7 New Government interventions for the development of technology will support entrepreneurs' current knowledge and resourcefulness as well as focus on technology that adds value to resources available in the country. The interventions will factor in the financial capacity of MSEs, and take into account the availability or scarcity of complementary utilities, such as electricity, power, water, and worksites.

6.8 In a bid to improve capacity utilisation in technological support institutions, the Government will strengthen links between MSEs and technical research bodies, create awareness on available scientific and technological support services and strengthen technical training institutions that provide technology management capacity and link them with a wide range of MSEs.

6.9 The funding of research and development in the country is very low, however. Towards the improvement of this situation, the Government will create an industrial technology development fund (ITDF), under the administration of the Kenya Industrial Research and Development Institute (KIRDI), to finance technological innovation in public and private institutions. Through an infusion of adequate funds and a provision of relevant support amenities, it will strengthen NCST so as to enable it effectively regulate and coordinate technology in the country. In addition, it will establish sustainable financial mechanisms to enable a higher number of graduates to join the MSE sector and create a liaison office in the relevant universities, in research institutions or at the national level. The liaison office will create links between researchers and users of research findings, and encourage collaborative programmes and projects to commercialise scientific and technological research output.

6.10 The Government will promote sustainable subcontracting and franchising initiatives, as important vehicles in the development and transfer of technology, between large firms and MSEs. The introduction of tax rebates to large firms will persuade them to sub-contract production of some of their intermediate inputs to MSEs after identifying areas of co-operation between MSEs and the firms. Further, it will re-orient the focus of existing institutions that develop technology to the needs

of the MSE sector, endeavour to equip the institutions with management and financial resources required to fully utilise the existing capacity.

6.11 In order to promote access to information on technology, the Government will strengthen the human and physical capacity of MSE sectoral associations and support a reorganisation of the MSE sector through the establishment of MSE sectoral associations based on professional lines; this arrangement is better than the current clustering of MSE associations on regional and geographical basis. Further, it will establish networks for sharing information between the associations and private sector agencies—such as ApproTec and Technoserve—and MSE extension officers. The proposed national grid of LECs will identify needs on technology that warrant subsidised research and provide a good channel for filtering information on technology to individual enterprises from research institutions. In far as possible, the focus of these activities will be sectoral so as to give special attention to specific economic structures and specialisations of sectors in each LEC neighbourhood. In the process, rural LECs need to lay emphasis on the development of products and the introduction of low-cost technology.

6.12 In an endeavour to overcome weak mechanisms for the transfer of technology, the Government will review current modes of acquiring and transferring technology into the country and, at the same time, regulate and promote local and international transfer of technology, encourage partnerships through sub-contracting, franchising and licensing, and sift through imported technology in order to discourage dumping of obsolete or dangerous technology into the country. In addition, it will encourage institutions dealing with the design and development of products in the private sector to establish product design units in their organisations so as to assist MSEs improve the quality and range of their products.

6.13 The fusion of communications and computing, especially through the Internet has tremendously addressed the constraints of cost, time and distance in business. Telephones, e-mail, fax and Internet give small businesses access to markets as well as savings in cost and time. Workers in MSES often waste up to a half of their working time traveling on errands that can easily be transacted using new IT. Elite MSEs around the globe are exploiting the concept of e-commerce in making business contacts, checking prices, displaying goods and entering into contracts. In addition the Internet is providing the most extensive means of networking among various stakeholders, while keeping them informed on current state and trends in markets, technology and consumer preferences.

6.14 The Government policy on the knowledge based information technology will emphasize two fundamental factors: address connectivity, which involves setting up telecommunications and computer networks; and community approach that focuses on group access, unlike individual ownership. The policy will also stress capacity building for enhancing human skills, and enrich the content of information by putting local views, news and commerce in the web. High-profile technology projects risk overshadowing basic priorities of MSEs, such as provision of water, sanitation, roads and health services. Equally the resource limitations of most MSEs call for innovative ways of funding the knowledge sector. Capacity building will start right from the

NATIONAL DOCUMENTATION
SERVICE (NDS)

ACC. NO. 2013-321

basic education level, which involve extending access to computers in schools, workplaces, and homes, as well as building networks and software.

6.15 Technology Access Community Centres (TACCs) approach pioneered by the UNDP in developing countries will be adapted for use in Kenya. Multi-media telecentres will be created in towns and community halls, and post offices of towns with higher concentration of MSEs. In remote rural towns not served with telephones and electricity, standing solar powered computers will be used, updated daily from the main internet service providers.

CHAPTER SEVEN: ENTREPRENEURSHIP

7.1 The key features of the policy development for MSEs emphasise the integration of entrepreneurial training into the education system, the exposure of potential MSE entrepreneurs to business practice and the creation of an environment that permits MSE businesses to emerge and flourish. Despite efforts made to implement the programmes for the development of entrepreneurship, the enterprise culture in the MSE sector is still weak.

7.2 Networking or interaction between potential and successful entrepreneurs has not been fully exploited and current entrepreneurial programmes are not fully integrated into the education system. A lack of information on available and potential business opportunities, as well as the lack of financial, physical and human resources to implement the programmes, compounds these problems. In the circumstance, coordination between training institutions is missing or poor while focus on self-employment in training approaches is absent.

7.3 Entrepreneurial training for MSEs in the country involves an expansion of vocational and technical training institutions. The training is poorly coordinated, however, leading to a duplication of activities, a sub-optimal use of available resources and reduced synergies and effectiveness of the programmes.

7.4 The absence of focus on self-employment implies that training programmes fail to appreciate emerging and changing needs of entrepreneurs. Assuming that graduates will be able to join the formal job market, entrepreneurial training programmes, in many cases, have focused attention on the provision of employable attitudes and skills. Besides, there exists no appraisal of programmes at business start-up, survival and growth stages to establish the extent to which the programmes are demand-driven and value adding.

7.5 Many of the institutions providing entrepreneurial development training suffer from inadequate capacity, such as inadequate physical facilities and equipment, limited funding, low enrolment and limitations in staffing. The institutions are unable to offer training in a wide range of trades. In relation to staffing, for instance, there is high turnover and poor retention of staff in most public institutions because remuneration is uncompetitive. Owing to lack of specific schemes of service for them, instructors are grouped with the regular academic teaching profession, which has different career needs.

7.6 In order to effectively address the constraints in entrepreneurial development, the new policy proposes the creation of an efficient physical and institutional infrastructure, coordinated and complementary entrepreneurial programmes, and increased cost effectiveness and focus on rural entrepreneurs' needs. In this respect, the Government proposes to support youth polytechnics and institutes of technology as the ultimate source of qualified labour and entrepreneurs in the country. In effect, it will encourage providers of business development services to support entrepreneurial apprentice systems, ensure that institutions providing entrepreneurial training are sustainable, assist potential entrepreneurs to start

business, create a widespread enterprise culture, improve the coordination of entrepreneurial development, address entrepreneurs' specific needs, and carry out research and follow-up studies.

7.7 The basic strategy for strengthening entrepreneurship will involve upgrading skills, buttressing the technical and managerial capabilities of MSEs to produce new products and develop new markets. Training opportunities in existing institutions will be expanded in order to provide the micro and small enterprise operator with necessary but modern skills in line with the following operational realities of the MSE sector.

- Affordability and relevance to trainees' needs.
- Short and synchronised with trainees' convenient time, for example, evenings and non-market days.
- Well conceived and with demonstrated direct benefits to trainees.
- Designed to augment the knowledge base of the entrepreneur.
- Neutral to the basic characteristics of trainees' primary business, that is, not radically demanding change of occupation and orientation.

7.8 The Government will establish centres—which, among other things, will design demand-driven programmes and develop self-instruction materials—for the development of enterprise in public universities in an endeavour to address an entrepreneur's specific needs. The graduates of the institutions will augment the "missing middle" category programmes, where businesses employ more than 10 workers. Further, the Government will explore modalities for establishing a special venture fund for newly emerging and potential entrepreneurs including graduates who wish to start their own businesses.

7.9 In a bid to provide self-employment skills for apprenticing graduates from polytechnics, the Government will require universities, polytechnics and technical institutions to establish innovative apprenticing systems for self-employment and encourage MSE support institutions in the private sector to develop certified courses, covering entrepreneurial development from pre-start up through start-up and maintenance to growth stages, on apprenticeship. To ensure that institutions offering entrepreneurial training are sustainable in the long term, the Government will encourage them to reduce reliance on donor support by requiring students to pay nominal fees.

7.10 In order to develop a widespread enterprise culture, the Government will introduce entrepreneurial development programmes in schools and training institutions, and put in place measures to adjust the focus of the curriculum for entrepreneurial development so as to reach more trainees in the MSE sector. The re-orientation of the curriculum will take one of these three strategic options:

- Self-employment promotion (SEP) through the core curriculum only.
- SEP through the core curriculum as well as through additional work-oriented subjects in the curriculum.
- SEP through core and special subjects, with a further provision of extra-oriented subjects in the curriculum.

7.11 Each option will be worked out as a broad orientation to work, including self-employment, or as a more specific or focused preparation for business but adjusted to meet the needs of different target groups, such as pupils, youth and participants in adult programmes. The Government will encourage retrenched officers with technical background to train people in the development of enterprise.

7.12 The Government will establish an MSE stakeholders' consultative forum (MSECF) to play an advisory role in promotion of entrepreneurship development programmes in order to avoid a duplication of effort or wastage of resources. The forum will comprise representatives from NGOs, donors, the Government, and organisations in the private sector. Mobilising resources and monitoring and evaluating the performance of MSE programmes will be some of the forum's activities. As a follow-up activity, the Government will encourage research institutions to carry out action-oriented research and tracer studies to identify specialised areas of training in entrepreneurial development and to determine the effects of entrepreneurial training on vocational and technical graduates' career aspirations, job satisfaction and career choices.

CHAPTER EIGHT: BUSINESS DEVELOPMENT SERVICES

8.1 Significant progress has been made in offering business development services (BDS) to entrepreneurs in the MSE sector. Despite this progress, the design of BDS programmes and services is generally conceptualised and determined on the basis of the developed and sophisticated economies. Further, most providers of BDS lack adequate resources and a business-like approach in the provision of services. Many BDS providers are “cost ineffective,” concentrate on the upper scale of technology and services and tend to focus attention on entrepreneurs in urban rather than in rural areas where the bulk of MSEs are.

8.2 The number of BDS providers has been growing in the country, but most of the services they provide are based on neither a national diagnostic appraisal of MSE needs nor a coherent training policy. Further more, their programs are generic in nature and not able to address industry specific needs. One result is that there continues to exist both considerable differences in approaches used to deliver the services and lack of complementary programmes BDS providers offer.

8.3 By and large, providers of BDS do not have comprehensive training policies, formal programmes for promoting inter-industry links, demand-driven programmes that cater for MSE entrepreneurs, and training programmes that enhance MSE access to appropriate technology and markets. At the same time, most of the providers depend a great deal on donor support and, therefore have difficulties in ensuring sustainability of initiatives. Further, the private sector’s participation in business development services is limited to the few facets—such as advertising, sales promotion, accounting, management services, insurance and export-import trade, and capital mobilisation—that are amenable to commercialisation and most of which are relevant only to up-market corporate clients

8.4 Many organisations offering BDS are unsustainable, are poorly coordinated, have weak networking arrangements. Further, most BDS providers lack adequate resources, links with private sector organisations and business-like approaches in the provision of services. In the end, their sub-optimal operations utilise scarce resources poorly and, as a result, the impact they would have had on the MSE sector is reduced. This impact is evident in cases where MSEs for the most part focus attention on the domestic market. In such cases, only to a limited extent do they rely on networks of associates, customers, suppliers, and counterparts for information on business opportunities.

8.5 Given the important role BDS can play, the new policy framework will promote cost-efficient BDS programmes and ensure that the programmes are tailor-made for specific needs of a range of MSE entrepreneurs and business sectors. The policy framework emphasises the importance of basic business training techniques and enhanced opportunities for MSE marketing, product development and quality while seeking to impart business management skills, extension, counselling and consultation with respect to information on the business environment. The policy framework will encourage provision of market-led business development services,

the formation of an umbrella association of BDS providers for self regulation and the use of existing government establishment within the district.

8.6 In the design of BDS programmes, the implementation of the policy framework will take into account the limited operations of MSEs. The Government will establish an inter-ministerial committee, as well as a stakeholders' consultative forum, on MSE activities, and, in consultation with key stakeholders, will adopt action plans for implementing each BDS strategy. Subsidies for delivery of BDS will be minimised and, as a result, MSEs will pay direct costs of the services. The Government however will institute measures to encourage both partnerships between large organisations and BDS providers and public providers of BDS services in order to commercialise their programmes and address their internal limitations.

8.7 The Government will assist MSE associations whose capacity of human resources and management systems is weak to source for technical support in a bid to develop them. Moreover, it will encourage both support from donors and large companies for funding short-term technical back up, procuring equipment and physical facilities, and establishing guidelines defining requirements for accountability. Hand in hand with this, it will support the associations to develop programmes designed to promote inter-industry links, as it provides tax incentives to persuade large companies to work with MSE entrepreneurs and develop supply or market links with MSEs.

8.8 In order to both promote a sharing of information and experience on the one hand and ease accessibility of MSE literature on the other, the Government will harmonise the cataloguing system of MSE databases and encourage BDS providers to employ electronic and print media and sector-specific bulletins and newsletters on role models in the MSE sector. In order to enhance MSE access to appropriate technology and export markets, it also will encourage BDS providers to adopt training programmes designed to assist MSEs to improve their products, access information on opportunities in international markets and improve their marketing strategies.

8.9 In the meantime, it will facilitate the adoption and transfer of appropriate research and technology to BDS providers, whom it will assist to procure and offer MSEs the technology they need. As an immediate measure, however, the Government will reconstitute the Inter-University Link Committee to ensure that universities and BDS providers share information on technology, as it takes upon itself a national needs assessment to facilitate the development of a long-term training strategy that promotes cost-efficient and market-driven BDS programmes that address MSE entrepreneurs' specific training needs.

CHAPTER NINE: GENDER MAINSTREAMING

9.1 An important finding from PRSP consultations was that a nation that is committed to pursuing rapid economic growth and poverty reduction must utilise socio-economic and political activities and programmes that involve the two genders. In this country, however, discrimination is manifest relative to women's access to economic resources and participation in decisions affecting their status and advancement. Such gender imbalance in ownership and control of productive resources is a key in breeding poverty in the country.

9.2 Evident in connection to the gender imbalance is the pattern of land ownership, which is responsible for rampant poverty in agriculture, and women's limited educational opportunities, which perpetuate their ignorance and vulnerability in the face of unjust family and property laws. Concerted efforts are in place to correct these gender anomalies, however, because removing the constraints would offer women opportunities to realise their potential role in socio-economic development.

9.3 Women constitute 53% of the labour force, but they bear a disproportionate share of the burden of poverty in this country. In the industrial and private sector, the majority of women work in unskilled and semi-skilled categories. At the same time, women earn less income in their economic activities in comparison to men, in cases where they undertake the same commercial activities. Legal constraints, inadequate access to credit, education and training in technical skills, as well as the multiplicity of roles for women, cause the disparity. Further, few ministries and agencies in the Government have gender units capable of promoting gender-specific interventions. This hiatus has a negative impact on planning for women as it hampers measures that would promote women entrepreneurs' full participation in MSEs, yet information on women entrepreneurs is a pre-requisite to promoting gender sensitive policies.

9.4 The national constitution however enshrines gender equality, but inadequate efforts have been made to gender concerns in the national legislation and social practices operative. In most cases, family land and property are registered in the names of husbands, who also are registered members of co-operative societies, yet wives, in reality, till the land. Further, under customary law and norms in many African societies, marriage confirms neither the wife's permanency in the patriarchal family nor the durability of her interests on property rights and obligations. Consequently, women have little claim to family property as collateral for accessing credit not to mention that most financial institutions and credit facilities are located in urban areas while the majority of women live in rural areas. Consequently, institutional banking, as well as credit systems, is alien to most women—to whom only their own revolving funds are familiar. This alienation frustrates the expansion of their businesses, though they service debts well.

9.5 Some traditional cultural practices and norms stand in the way of the advancement of girls and women in a modern economy. In this respect, compared to 40% of men, only 25% of women are engaged in formal employment. Further,

while labour is a crucial factor in business, women spend less time than men working in their businesses because a major constraint to their participation in MSE activities is lack of time due to their multiple roles—childcare, providing food and generally maintaining the homestead. The need to stay near home and to care for children while at work not only limits women's choice of occupation and the time they have to attend to their businesses but also reduces their earnings. This might shed light on why 75% of MSEs owned by women are in trade—essentially a traditional business.

9.6 Nevertheless, the Government has supported women's education and training, though the 1999 National MSEs Baseline Survey reveals that 13.7% of the women—compared to 6.8% of the men—have no formal education. The gender differences in education are mainly due to socio-cultural practices, which discourage investment in girls' education and that assign a greater share of household work to girls than to boys due to the traditional division of labour. Thus, women suffer high school dropout rates due to pregnancy, forced marriages, or parents' failure to pay school fees.

9.7 The policy framework will galvanise the creative and productive potential of women, who constitute 53% of the country's human resources. The policy mix addressing MSE development will be not only sensitive to gender and but also responsive to poverty. In an effort to put the accent on gender, the Government will pursue policies that give power to women, increase their access to credit, build institutional capacity for gender integration and promote access to technological entrepreneurship, and education.

9.8 The socio-economic development framework will embrace issues on gender. In a bid to redress gender discrimination and implement laws that put a stop to discrimination and criminalize gender violence, the Government will pass appropriate legislation. As part of affirmative action needing immediate and decisive intervention, the PRSP recognises the need to enact all pending legislation such as the Children's Bill and the National Gender Development Bill and the establish of a national gender commission. For now, in a bid to give power to women, the Government will revise all laws--in particular those relating to access to and control of resources—that discriminate against women and amend sections in the Employment Act that discriminate against women, on grounds other than safety.

9.9 In an endeavour to place emphasis on gender in policy formulation, the Government will strengthen the gender units in its ministries and departments and empower existing gender advocacy programmes to ensure that women and men participate as equal partners in development. Further, it will provide gender-desegregated data, which it will make available to development implementing agencies, for effective promotion of women's issues in planning and programming. In order to improve women's access to formal credit, it will encourage commercial banks to adopt new lending methods that do not require collateral and that have the capacity to reach large numbers of women. It also will encourage successful women groups and rotating savings and credit associations (ROSCAS) in rural areas to form savings and credit corporative societies (SACCOS) for enhancing the mobilisation of savings and networking with formal banks and MFIs.

9.10 With regard to technology and entrepreneurship, the Government will encourage MSE support institutions to increase women's access to technology, technical skills and entrepreneurship through an orientation of women's activities from traditional products to marketable and remunerative products. As part of a broad programme, the Centre for Research and Training (CRT) in Karen will be revitalised and strengthened to offer upgrading courses to women trainers on overall facets of management, entrepreneurship and marketing. With respect to access to education, the Government will put in place strategies that endeavour to eradicate stereotypes in the educational system that demean and demoralise the girls at the critical formative age. To this end, it will take action to boost gender equality in access to all levels of education through enhancing the involvement of girls in education and training. In addition, and together with relevant actors, it will consider increasing facilities needed to enhance the involvement of female students in science, mathematics and technical courses at all levels. Meanwhile, the relevant ministry will develop gender-sensitive curricula and education materials.

CHAPTER TEN: ENVIRONMENTAL MANAGEMENT

10.1 It is necessary to integrate environmental concerns into the planning process for the development of the MSE sector. The PRSP and contemporary Government policy documents have identified a strong correlation between poverty on the one hand and environmental degradation on the other hand. In this respect, the poor not only basically depend on natural resources for their livelihood but also usually have a propensity to settle in marginal lands (ASAL) and residual urban land. In relation to the MSE sector in the country, there are two major areas of environmental concern: adverse effects of the sector's activities and lack of environmental considerations in pursuit of growth of the sector.

10.2 The MSE sector has a significant impact on the environment. This impact is as much of concern as are the impact of large formal enterprises and similar agents of development on the environment. The main issues and problems facing the country with regard to MSE environmental considerations are: poor institutional coordination, weak legal environmental provisions, inefficient waste disposal infrastructure and management, poor planning in local authorities as well as failure to apply an institutionalised environmental impact assessment (EIA) and information.

10.3 Very little is known about how MSEs can adopt operational processes that are in harmony with goals of environmental management. Significant steps have been made towards the coordination of environmental matters through the enactment of an Environmental Management and Coordination Act (EMCA), but structures expected to improve the coordination are in their formative stages. Environmental issues relevant to circumstances facing MSEs are not adequately addressed, however. A major reason MSEs do not adopt environment-friendly practices is that they are unaware of benefits of, and the range of mechanisms appropriate for, environmental control.

10.4 As provided for under EMCA, Environmental Impact Assessments aim at identifying negative and positive impacts of development activities on people, property and environment, but this concern has not been extended to cover MSE activities. Similarly, there exists a lack of property rights, which are important in offering incentives to entrepreneurs to improve their premises and adopt production processes that are environment-friendly. Since most MSEs operate on sites that do not have adequate infrastructure this reduces their commitment to long-term investment to improve their environment in which they operate.

10.5 The Government recognises the potential and actual conflict between promoting the growth of MSEs and the requirement that MSEs maintain a clean environment on the one hand and conflicting and powerful business interests and graft on the other. The new policy framework for growth and development of MSEs seeks to put emphasis on environmental concerns in the operation of MSE businesses. Under the policy, the National Environment Management Authority (NEMA) will ensure that MSE operations minimise waste in place of "end-of-pipe" approaches of cleaning up and to incorporate environmental issues as core areas of

research requiring urgent attention. In addition, the Kenya National Cleaner Production Centre (KNCPC) set up at KIRDI in July 2000 will expand its work of facilitating increased application of the concept of cleaner production in the industry to cover MSEs.

10.6 The new policy will also promote the coordination of relevant institutions, strengthen legal provisions for environmental control, and improve infrastructure, management and physical planning of waste disposal in local authorities. It also will expand coverage of the EIA to take account of MSEs, enhance the flow of information on environmental management and protection, and promote commercialisation and privatisation of environmental management. In the meantime, women will be a focus of training as environmental managers or as receivers and carriers of environmental messages because they are a key constituency in environmental matters in MSEs.

10.7 The immediate challenges facing NEMA, whose work the media will be sensitised to support and highlight, include capacity for institutional coordination and formation of various technical departments and committees as provided for in the Environmental Management and Coordination Act (EMCA). The Government will both strengthen NEMA in order for it to realize its mandate and put in place institutional arrangements for initiating, monitoring and enforcing environmental standards that will include the environmental impact assessment. In the process of implementing EMCA, the Government will ensure that minimum standards are met for the protection and conservation of environment by MSEs while avoiding unnecessary and costly measures that bar MSEs from compliance with environmental control. It also will fully equip NEMA to enable it to fight against entrenched interests.

10.8 Local authorities impose charges and rates payable by MSE operators, but they do not give in return improve infrastructure. The local authorities will address this matter urgently in order to ensure that they give value for money and, in conjunction with public health officers and *Jua Kali* associations, will ensure that the requisite infrastructure is in place in all MSE operational areas. The infrastructure will be provided through an innovative combination of public, private and NGO support, which recognises the role of incentives. Through tax and similar incentives to firms, the Government will encourage and promote the private sector's involvement in the disposal of waste, while local authorities ensure that MSEs are located in areas that facilitate environmentally friendly ways of disposing waste. To cater for high and rising demand, the Government will increase availability of water in urban and rural centres taking into account areas of MSE concentration.

10.9 In the near future, MSE projects will be subject to environmental impact assessment as provided for in EMCA. The process will be simplified to avoid red tape, however, while the enforcement measures for EIA studies will be simplified and minimised to ensure compliance with environmental needs. MSEs will be located only after an EIA study has been done and the infrastructure has been fully planned and put in place.

10.10 On the whole, the Government recognises that the adoption of good environmental practices presents opportunities for good business in terms of producers' provision of services and improved efficiency. This in turn will enhance

opportunities for the commercialisation and privatisation of environmental services— which will be promoted as part and parcel of the new policy on the growth and development of MSEs. Meanwhile, NEMA will link up with relevant institutions to work out strategies for developing this business potential and draw up a catalogue of potential businesses that can be taken up by entrepreneurs, as well as those in MSEs, in this area.

CHAPTER ELEVEN: INFORMATION MANAGEMENT

11.1 Efforts made to address constraints on information facing MSEs can be grouped into three: creating the required information, increasing users' capacity to absorb the necessary information, and organising and disseminating the appropriate information. In spite of these efforts, knowledge on information availability and limited access to available information remains a major constraint to the sustainable growth and development of MSEs. Without access to timely, simplified, reliable and relevant information on market opportunities, production technology and government regulations, MSEs are unable to survive and grow in the fast-changing and increasingly "globalised" and competitive world.

11.2 The need for information for MSEs exists on two levels: enterprise and support institutions. At the level of enterprise, MSEs need information on production technology, markets, support services and the regulatory environment under which they operate. At the level of support institutions, information is required on appropriate technology for supporting MSEs, characteristics and needs of the MSE sector and activities of relevant players in the sector.

11.3 The major problems facing MSEs in relation to access to information are the acquisition, absorption and dissemination of information. In this regard, dissemination of information on legal and regulatory issues to the public and MSEs is poor, while no major efforts have been taken to sensitise key players on their roles in the formulation and implementation of policies. At the same time, MSEs have been inadequately sensitised on their obligations and rights; this makes it difficult for them to factor in guidelines on policy into their decision-making process. A result of all these shortcomings has been the continued harassment of the MSEs by the law-enforcement agencies.

11.4 Past efforts to acquire information have focused on research and development geared towards increasing the development of technology, products and markets in the MSE sector. The efforts have contributed to increased knowledge and information on new products and production processes for MSEs, but institutions involved in the acquisition of information not only are few and inadequately funded but also have limited capacity to address the enormous problems facing the sector. As a consequence, compared to the formal sector, very little is known about the MSE sector with regard to products, prices, needs, constraints, opportunities and ways of dealing with the myriad issues affecting the sector.

11.5 Given that people with little education operate most MSEs and that mechanisms biased towards literacy disseminate available information on MSEs, the MSE sector's capacity to absorb the little available but critical information is limited. At the level of support institutions, the absorption of information is limited by an absence of structures to receive and utilise available information. What is more, dissemination of information, as well as access to telecommunications, is poor in the rural areas where over 75% of MSEs are to be found.

11.6 Policy on information management for MSEs seeks to improve the gathering, processing and packaging of information in line with the needs of specific MSEs. In this connection, the Government will encourage investment in information centres for MSEs and support stakeholders' initiatives targeting more dissemination of information generated within the MSE sector through the establishment of an MSE information-clearing house. Further, it will support periodic baseline surveys of the MSE sector and enhance the role of sectoral organisations in the dissemination of information. In collaboration with other stakeholders, it also will strengthen existing institutions and documentation centres that specialise in MSE-related information.

11.7 An MSE Information Clearing House will be established to facilitate investment in improved institutional and infrastructure mechanisms for the storage of, research in and training on information for MSEs. It will ensure that relevant information about the MSE sector in the country is collected, organised, processed and disseminated in appropriate formats and according to the needs of different stakeholders and sub-sectors. This information will also facilitate identification of opportunities for sub-contracting between large and small enterprises. The Clearing House will closely liaise with both the data centre within the Department of Micro and Small Enterprises Development (DMSED) and the private sector-driven information centres.

11.8 The DMSED will establish databases on programmes, projects, experts and researchers in, as well as business opportunity profiles on, the MSE sector. It also will collaborate with relevant institutions such as the Central Bureau of Statistics (CBS) to conduct surveys and gather information on MSE operations, taking into account users' needs. The DMSED will work closely with CBS and an independent private sector research institute to conduct periodic baseline surveys of the MSE sector in order to generate, review and update, preferably once every two years, statistical information on the sector. In this regard, CBS will establish an MSE data division—as a first step towards institutionalising MSE baseline surveys in its calendar—and act as the custodian of the national MSE database.

11.9 The Sessional Paper No. 2 of 1992 recommended the formation of MSE sectoral associations as vehicles for articulating entrepreneurs' needs as well as for disseminating MSE-related information; the information needs to be provided in a form understandable to the wide range of entrepreneurs. To date, some MSE associations have been formed, but not much has been accomplished in their disseminating MSE-related information. MSE sectoral associations will be encouraged to become effective tools in disseminating information and providing relevant advisory services to its member entrepreneurs.

11.10 Private sector MSE information centres, which perform intermediary roles, will be required to establish links with practitioners, researchers, policy makers and documentalists and, above all, the MSE Information Clearing House. They will be expected to promote dialogue and share information between stakeholders in order to raise the status of documentation on the MSE Sector. The local enterprise centres (LECs) will be equipped with ICT to effectively provide and disseminate business information and advice to MSEs.

CHAPTER TWELVE: INSTITUTIONAL FRAMEWORK FOR MSE SECTOR COORDINATION

12.1 The Sessional Paper No.2 of 1992 did not establish a clear institutional structure for identifying gaps and weaknesses in the MSE policy, resolving conflicts in policy and overseeing the implementation of policies, projects and programmes in the sector. In the absence of an institutional structure for effective coordination of MSE activities, the responsibility for supporting the sector still is spread over government departments, private sector organisations, several NGOs, micro enterprise associations, community-based organisations and donor agencies. The MSE sector suffers from inadequate sensitisation of policies of the central government, local authorities and MSE support institutions.

12.2 The 1999 reorganisation of the Government improved the coordination of the MSE sector through the consolidation of MSE activities into one department currently within the Ministry of Labour and Human Resources Development. The Ministry has since established the Department of MSEs Development whose responsibility is to co-ordinate the implementation of MSE policies, projects and programmes. The improvements notwithstanding, many activities affecting the MSE sector are still spread over government ministries and departments. At the operational level, poor coordination within the Government of Kenya has led to duplication of policy initiatives and sub-optimal utilisation of scarce resources. Similarly, poor coordination among MSE support institutions has resulted in duplication of activities and reduced impact. The weak capacity of MSE member organisations has also reduced the ability of MSEs to contribute substantially to the national goals of employment creation and poverty reduction.

12.3 The Government will establish the national industrial development council (NIDC) to serve as the highest forum for dialogue with the Government in articulating the investors' and the business community's needs. The MSE sector will be well represented in the forum in order to factor in their special needs. The Government will strengthen DMSED and establish a more effective institutional structure for the coordination of the MSE sector, comprising an autonomous private sector-driven Small Enterprise Development Authority (SEDA), an MSE stakeholders' forum, and a national grid of Local Enterprise Centres (LECs). An MSE inter-ministerial committee will take responsibility for resolving MSE policy conflicts.

12.4 DMSED will oversee the implementation of MSE policies and coordinate MSE interventions in the following areas:

- Legal and Regulatory Framework
- Markets and Marketing
- Credit and Finance
- Physical Infrastructure
- Technology Development

- Entrepreneurship
- Business Development Services
- Gender Mainstreaming
- Environmental Management; and
- Information Management.

12.5 Given the wide variety of support agencies, business associations and public sector bodies involved in the support of and assistance for micro and small enterprises, and taking into account the complexity of the micro and small business sector, SEDA will coordinate and steer MSE business support activities. It also will be responsible for co-ordinating the implementation of national small enterprise-support programmes and become an effective mouthpiece of national micro and small business interests and concerns. Based on the principle of stakeholders' representation, SEDA will be consultative, operating in close interaction with relevant authority bodies. To this end, it will consist of representatives from MSE umbrella organisations, MSE support programmes, micro financial institutions, the Government, donor agencies and relevant stakeholders.

12.6 SEDA's Board of Trustees, in close consultation with stakeholders, will work out the SEDA's specific terms of reference, but SEDA will be expected to prepare an annual small enterprise bulletin to be tabled before the SEDA General Meeting and in Parliament. This document, among others, will assess the progress made during the year by all MSE support programmes and in different MSE activities. Each SEDA activity will be funded separately, in line with the nature of the activity. The principle of differentiated funding and autonomy will be maintained as much as possible, with only basic overheads being financed through SEDA core funds. In this way, the full range of financial resources for each of the activities in a programme shall be explored independently; consequently, each activity in a programme will be adjusted according to the available financial means. Further, SEDA will establish criteria for approval of projects and programmes and maintain strict monitoring of organisations receiving or channelling funds for supporting MSEs from public and private sectors and donors. Recipients of financial support will be obliged to utilise the funds within the framework of the respective programmes. On an annual basis, DMSED or an appointed agency will monitor and evaluate, on an input/output basis, the funds furnished.

12.7 The success of the implementation of MSE sector policies, projects and programmes will depend on the support given to the sector by stakeholders, as well as the micro enterprise associations, the Government, the donors, NGOs and private sector institutions. A broad-based Micro and Small Enterprise Consultative Forum (MSECF), whose members will be drawn from existing stakeholders and whose secretariat DMSED will provide, will be established to provide advice to the inter-ministerial committee with respect to requirements for changes or implementation of policy. The Forum will follow up the implementation of MSE policies, projects and programmes, advise on the mobilisation of resources for the MSE sector and meet on a quarterly basis—or as need arises—to advise the Government on appropriate

courses of action to be taken when change is required with regard to MSE policies, projects and programmes. The Forum also will lobby on behalf of MSEs and to play the leading role in the growth and development of MSEs.

12.8 There are two umbrella organisations representing MSE associations in the country: the Kenya Organisation of Micro, Small and Medium Enterprises (KOSME) and the Kenya National Federation for *Jua Kali* Associations (KNFJKA). The organisations are expected to co-ordinate the interests of MSEs and foster the development of MSEs through training, developing skills, adopting appropriate technology, gathering and disseminating information, and marketing in the form of trade promotions, exhibitions, trade fairs, and showrooms. The Government will provide an enabling policy environment for MSEs, maintain essential infrastructure for them, and invest in their human resources development, while SEDA is expected to assist MSE umbrella associations to deliver services to their members and enhance their role in decision-making through regular participation in the activities of the MSECF.

12.9 A national grid for providing support services for MSEs through autonomous LECs will be established in each location in the country to provide information and advisory services to micro and small enterprises. The LECs will systematically expand their services to encompass training, monitoring, business plan preparation, marketing, bulk purchases and sub-contracting, and dissemination of technology in the MSE sector. In order to make good quality support services available to MSEs at the local level, the Government will encourage LECs to enter into franchise-type relationships with private-sector business organisations and NGOs to make information on business available and, in as far as possible, seeking the support of the Government and donors to implement their programmes. On their part, LECs will encourage groups of micro and small enterprises operating in the same sector or sub-sector to strengthen their co-operation within individual sectors, industrial niches or geographic regions by forming clusters of enterprises.

12.10 Compared to policy areas forming part of the national strategy, the establishment, maintenance and gradual expansion of a national grid of LECs will constitute the most important vehicle for micro and small business support in the future. The Government, through SEDA, will intensify efforts to attract the necessary funding for the LECs programme, which will help to integrate services available for micro and small enterprises at the local level.

12.11 The need to increase the efficiency and effectiveness of MSE development assistance demands the coordination of donor assistance, which can be strengthened through the support for coherent sector strategies with joint implementation and follow-up arrangements and focused efforts to build national implementation capacities necessary to improve the overall impact of donor assistance to the MSE sector. In order to strengthen, and further consolidate support for the MSE sector, donors will strive to direct their assistance to programmes and projects that build local implementation capacities, avoid over-taxing the already limited local capacity sector coordination and ensure that their efforts are complementary.

CHAPTER THIRTEEN: IMPLEMENTATION FRAMEWORK

13.1 One of the reasons MSEs continue to experience significant constraints in their operations, even when the causes and necessary ways of addressing these are known, is a weak implementation framework for prescribed policies. While it is important to correctly identify the issues and problems facing the MSE sector and coherently set out the appropriate policies and actions required to overcome the issues and problems, the efforts come to nought unless they are effectively translated into tangible results on the ground. The new policy framework identifies this failure as a major area of policy focus and, as a consequence, puts premium weight on the urgency with which action needs to be taken in the commencement of the implementation of the identified policies.

13.2 Set within the context of a long-term perspective, the new policy framework recognises the need for periodic reviews to incorporate demands that the fast-evolving socio-economic environment may have on the sector and, consequently on the policy framework, for its development. This will be achieved through biannual reviews of the progress made and the continued relevance and effectiveness of the set policies. The DMSED will spearhead this process and put in place measures to ensure that results of the reviews are continually infused into the annual action plans of the different implementing partner organisations.

13.3 As emphasised throughout the chapters, the private sector, as well as MSEs, will play the lead role in the implementation of the new policy framework for the development of the MSE sector. The implementation matrices presented in this chapter do not exhaustively identify all the specific private sector and relevant stakeholder institutions responsible for the implementation of the policy framework. An important role of the Government therefore will be to identify and bring on board all relevant private sector, donor, NGO and other stakeholder groups to take responsibility over, and own, the process of the implementation of the policies laid down in this Sessional Paper.

13.4 The first major responsibility of each identified lead agency in the implementation matrices will be to work in consultation with relevant stakeholders to develop detailed annual action plans that identify the range of implementation partners and the roles each will play. DMSED will be responsible for overall compilation and review of the various agency-specific annual action plans to ensure a unified drive forward and will ensure that each action plan sets out clear benchmarks on the basis of which the performance of each implementing agency will be assessed. Appropriate rewards and sanctions for performance will be used to ensure efficiency and effectiveness in the implementation of the policy framework.

13.5 The following tables provide a checklist of actions required to implement the new policy and strategy framework for the MSE sector.

FRAMEWORK FOR IMPLEMENTATION

1 LEGAL AND REGULATORY ENVIRONMENT

Strategies	Action Plans	Institution(s) Responsible for Implementation	Time Frame
Decentralise registration of business names	1.1 Carry out a feasibility study to establish the financial requirements necessary to implement the process	MLHRD, AG, ICEG	1 year
	1.2 Decentralise business registration to provincial headquarters	AG's Office	3 years
	1.3 Computerise the process to avoid duplication	AG's Office	3 years
	1.4 Decentralise further business registration to district level	AG's Office	5 years
2 Consolidate and harmonise trade licensing	2.1 Implement proposals made on trade licensing reforms at Central Government level on all acts identified as being obtrusive to the growth of the MSE sector	MLHRD, MTI, AG's Office, MLG, LAs, OP, KNCCI, KAM, MSE Support institutions, JKAs	1 year
3 Harmonise and rationalise implementation of the SBP	3.1 Develop guidelines on the implementation of the SBP system	MLG, MLHRD, LAs, JKAs	6 months
	3.2 Sensitise LAs and Government administration on the application of the SBP system	MLG, MLHRD, LAs, Provincial Administration	Continuous
	3.3 Ensure complete elimination of multiple licensing at LA level to pave way for effective implementation of the SBP system	MLHRD, MTI, MLG	1 year
4 Enhance access to workspace and security of tenure	4.1 Introduce legislative changes to ensure security of tenure for MSEs	MLHRD, MOL&S, MLG, LAs, OP, AG's Office, KOSME, KNFJKA, SMEDO, KIE	2 years
	4.2 Review, simplify and harmonise the land legislation	MOL&S, MLG, AG	2 years
	4.3 MLHRD to continue holding Jua Kali land in trust as a short term measure while in the long term, MSEs to be assisted to become legal entities to hold land in their own corporate names.	MOL&S, AG	2 years

Strategies	Action Plans	Institution(s) Responsible for Implementation	Time Frame
	<p>4.4 Land to be acquired, planned and given MSEs.</p> <p>4.5 Jua Kali fund to be improved to acquire land for MSEs.</p> <p>4.6 Revision/Amendments of the physical development plans be undertaken to incorporate MSE activities.</p> <p>4.7 Issuance of long term and time specified TOLs</p> <p>4.8 Issuance of short term lease</p> <p>4.9 Incorporate the requirements of MSEs in the longer term planning of urban areas</p> <p>4.10 Amend physical planning in LAs to accommodate MSE activities</p>	<p>MOL&S, LAs</p> <p>LAs, MLG</p> <p>MOL&S, LAs</p>	<p>1 year</p> <p>Continuous</p> <p>2 years</p>
<p>5 Review labour laws and regulatory framework to broaden access to finance</p>	<p>5.1 Amend redundancy regulations and remove wage guidelines to improve efficiency in the labour market</p> <p>5.2 Review and amend the Employment Act to remove sections discriminatory to the employment of women</p> <p>5.3 Amend the Banking Act to allow for MFIs to fully integrate their operations into the country's financial system</p>	<p>MLHRD, AG's Office, FKE, COTU, KPBWC, FIDA</p> <p>MLHRD, AG's Office, FKE, COTU, KPBWC, FIDA</p> <p>MLHRD, CBK, MFP, Financial institutions, AG's Office, AMFI, KUSCO, KBA</p>	<p>2 years</p> <p>1 year</p>
<p>6 Relax business regulations by local authorities</p>	<p>6.1 Amend the Local Government Act CAP 265 to reflect limited and essential regulatory powers by local authorities</p>	<p>MLG, AG's Office, LAs, street traders and hawkers' associations, Provincial Administration and MLHRD</p>	<p>2 years</p>

Strategies	Action Plans	Institution(s) Responsible for Implementation	Time Frame
	<p>6.2 Amend Local Authority by-laws to allow for:</p> <ul style="list-style-type: none"> • Closure of some streets during certain hours to allow MSEs to trade • Use car parks and playgrounds as markets at off-peak utilisation times • Temporary use of vacant urban plots <p>6.3 Assigning traders to secondary streets in an orderly manner to minimize the conflict over land</p>	MLG, AG's Office, LAs, street traders and hawkers' associations, Provincial Administration and MLHRD	1 year
7 Improve information on legal and regulatory issues	<p>7.1 Sensitise regulation-enforcement officers</p> <p>7.2 Design packaging methodologies of information for dissemination to entrepreneurs</p>	MLHRD, MLG, LAs, MIT, OP, AG's Office, MLHRD, MSE Associations, PLI, NGOs, KIPPRA, IPAR, MSE associations	Continuous
8 Enact MSE-specific legislation	8.1 Formulate and enact an MSE act to give the sector legislative recognition and include appropriate legal framework supportive for its growth	MLHRD; AG's office, MLG, LAs, MFP, MSE support institutions	3 years

13.5.2 MARKETS AND MARKETING

Strategies	Action Plans	Institution(s) Responsible for Implementation	Time Frame
1 Raise rural incomes	1.1 Strengthen the management of agricultural cooperatives, commercialise NCPB and other marketing boards; and provide sufficient funds for agricultural extension services	MARD, farmers' associations, marketing boards, MFP,	3 years
	1.2 Use appropriate tax incentives to encourage medium and large-scale industries to locate in rural areas and smaller towns	MTI, MFP, KRA, KIPPRA, IPAR	3 years
	1.3 Allocate land for seven serviced industrial parks in or near smaller towns (one in each province except Nairobi)	MTI, MLS, MLG, LAs, MSE support institutions, JKAs	2 years

Strategies	Action Plans	Institution(s) Responsible for Implementation	Time Frame
	<p>4.2 Disseminate market information in print and electronic forms</p> <p>4.3 Establish an MSE export website containing market information and information on export regulations and procedures</p>	<p>MLHRD, MIT, NGOs, MSE associations, journalists' associations</p> <p>MLHRD, EPC, MTTI, NGOs</p>	<p>Continuous after one year</p> <p>6 months</p>
5 Training in marketing	<p>5.1 Introduce marketing into the curricula of all government-sponsored training programmes in technical fields, commerce, management, and entrepreneurship</p> <p>5.2 Encourage private-sector trainers to offer appropriate short courses in marketing to MSE operators</p>	<p>MLHRD, MEST, MTI, universities</p> <p>MLHRD, BDS providers</p>	<p>2 years</p> <p>2 years</p>
6 Use of public facilities	<p>6.1 Develop mechanisms that would permit public facilities at all levels to be used on a cost-reimbursement basis for MSE exhibitions, trade fairs, and relevant market-related activities</p> <p>6.2 Review LA Act and encourage all local authorities to update their by-laws to ensure adequate provision for street vendors</p>	<p>MLHRD, OP, LAs, MoFP, MSE associations</p> <p>MLHRD, MLG, LAs, street vendors associations, KNCCI</p>	<p>1 year</p> <p>2 years</p>
7 Charge applicable duties	<p>7.1 Ensure that applicable duties are assessed on all goods imported into Kenya</p> <p>7.2 Work with the KAM and others to develop appropriate minimum duties for second-hand goods</p>	<p>MoFP, KRA, KAM</p> <p>MLHRD, MTI, and MFP</p>	<p>1 year</p> <p>1 year</p>
8 Promote MSE exports and sub-contracting	<p>8.1 Review travel and trade restrictions to ensure that they do not unduly hamper export of MSE-produced goods and services to neighbouring countries</p> <p>8.2 Collect market information on trade opportunities in neighbouring countries and make this information available to MSEs in print and electronic forms</p>	<p>MTI, OP, MLHRD, KNCCI, KAM, MSE associations</p> <p>MTI, MLHRD, EPC, EPZA, COMESA, EAC, MSE associations</p>	<p>2 years</p> <p>1 year</p>

Strategies	Action Plans	Institution(s) Responsible for Implementation	Time Frame
	8.3 Provide incentives for large and medium-scale exporting firms to subcontract to MSEs	MTI, MoFP, MLHRD, KAM, FKE, KNCCI, MSE associations	2 years
	8.4 Include MSE representatives in Kenyan trade missions whenever appropriate	MLHRD, MTI, MFA&IC, EPC, MSE associations	1 year

13.5.3 CREDIT AND FINANCE

Strategies	Action Plans	Institution(s) Responsible for Implementation	Time Frame
1 Mobilise resources for MSEs	1.1 Review banking laws to allow deposit-taking by MFIs	MoFP, CBK	1 year
	1.2 Set minimum standards for loan-loss reserves, equity, accounting and percentage of deposits that should be lent by MFIs	AMFI, KUSCO	1 year
	1.3 Encourage commercial banks to establish and expand micro finance programmes and to lend using innovative techniques and "best practices" which encompass use of non conventional security and application of simplified loan application procedures.	MLHRD, CBK, KBA, commercial banks	1 year
	1.4 Promote outreach of micro finance throughout the country	MoFP, MLHRD, CBK, AMFI, KUSCO, MSE associations	2 years
	1.5 Create wholesale on-lending fund from which NGOs can borrow to on-lend to the MSE sector	MoFP, CBK, AMFI, KUSCO, donors	2 years
	1.6 Review the law to provide legal machinery to minimise the cost of enforcing loan repayments	MoFP, CBK, AG, AMFI, KBA, KUSCO	2 years
	1.7 Continue with efforts to restructure the operations of institutions set up to provide credit to graduating MSEs	MoT&I, KIE, MLHRD, MoF&P, CBK	

Strategies	Action Plans	Institution(s) Responsible for Implementation	Time Frame
2 Enhance the role of commercial banks in micro finance provision	2.1 Recruit specialised staff to manage micro finance programmes	Commercial banks	12 months
	2.2 Encourage commercial banks to adopt innovative methodologies for channelling credit and finance to MSEs	MoFP, MLHRD, CBK, AMFI, KUSCO	1 year
	2.3 Establish a forum for sharing information among various players in the financial sector	MLHRD, MoFP, CBK, KBA, AMFI, KUSCO	12 months
	2.4 Carry out research on risks associated with MSE borrowers	MLHRD, CBK, AMFI, KUSCO, MSE associations	2 years
	2.5 Develop a risk-classification system for weighting and providing requirements to manage risks of micro finance lending	CBK, AMFI, KUSCO	2 years
3 Increase linkage banking	3.1 Encourage banks and MFIs to undertake wholesale lending arrangements with development agencies	MoFP, CBK, MFIs, donors	1 year
4 Commercialise micro finance	4.1 Review banking law to allow deposit taking by micro finance	MoFP, CBK	1 year
	4.2 Require MSE entrepreneurs to bear the full cost of financial services they receive from MFIs	MFIs	
5 Legislate micro leasing	5.1 Revise banking laws to incorporate the special requirements of micro leasing	MoFP, CBK	1 year
6 Design orientation courses and training	6.1 Develop and oversee implementation of banking courses relevant for MSE lending	KSMS, KCFB	2 years

13.5.4 PHYSICAL INFRASTRUCTURE

Strategy	Action Plans	Institution(s) Responsible for Implementation	Time Frame
1 Issue land titles and	1.1 Establish SEDA to address physical infrastructure constraints	MLHRD	1 year

Strategy	Action Plans	Institution(s) Responsible for Implementation	Time Frame
temporary occupation licences	1.2 Regularise TOL to MSEs for a longer period	MLHRD, ML&S, MLG	1 year
	1.3 Apply Community Land Trust model	MLHRD, MSE associations	2 years
	1.4 Issue titles in favour of SEDA and other MSE organisation	MLG, MLHRD, ML&S, AG	2 years
	1.5 Reform existing by-laws to improve security of tenure	MLG, LAs, AG	2 years
	1.6 Block specific streets on certain days to allow MSEs to display and sell their products	MLG, LAs, MLHRD, street traders and hawkers' associations	1 year
	1.7 Use car parks and play grounds as markets at off-peak utilisation times	MLG, LAs, MLHRD, street traders and hawkers' associations	1 year
	1.8 Temporary use of vacant urban plots	MLG, LAs, MLHRD, street traders and hawkers' associations	1 year
	1.9 Assign traders to secondary streets in an orderly manner to minimise the conflict of land	MLG, LAs, MLHRD, street traders and hawkers' associations	1 year
	2 Privatised existing sheds	2.1 Lease or sell Rural Trade and Production Centres and <i>Jua Kali</i> sheds	MLHRD, MoFP, MLG, LAs, MFIs, MSE associations
2.2 Survey major concentration of MSEs to identify suitable lands		MLG, LAs, MLHRD, MSE associations	2 years
3 Privatised distribution and maintenance of water booths	3.1 Micro privatise water distribution	MENR, MSE associations	3 years
	3.2 Encourage the development of water booths in areas with a concentration of MSEs	MLHRD, LAs	3 years
4 Continue micro-privatisation of waste disposal services	4.1 Ensure adequate access to waste disposal services in MSE areas	LAs, MLG	3 years
	4.2 Privatised waste disposal services	LAs, MLG, DMSD	3 years
5 Incorporate MSEs into road maintenance	5.1 Initiate formation of co-operative and community groups to facilitate participation in road maintenance	MLHRD, OVP&MHA&NH, MPW, LAs	2 years
	5.2 Extend road maintenance contracts to small construction firms	LLG, LAs	Continuous
	5.3 Encourage development of non-motorised transport	MPW, MLG, LAs, MLHRD, NGOs	Continuous

Strategy	Action Plans	Institution(s) Responsible for Implementation	Time Frame
6 Improve access to electricity in rural centres	6.1 Design an area-specific rural electrification plan, prioritising areas with high concentration of MSEs	MoE, KPLC, KenGen	2 years
	6.2 Allow sale and distribution of locally generated power to third parties	MoE, ERB	2 years
	6.3 Allow MSEs to exploit alternative sources of energy adopt energy saving technology	MoE, ERB	2 years
7 Enhance access to telecommunication	7.1 Encourage private agents to provide telecommunication to MSEs	MITC, CCK, MLHRD	18 months
	7.2 Privatised telephone call-boxes	MITC, CCK	18 months
	7.3 Encourage MSEs to form clusters in order to improve access to services to their members	MLHRD	2 years
8 Establish arbitration and conflict resolution mechanisms	8.1 Ensure there is no demolition of MSEs structures unless written warrants, gazetted and widely publicised, back the anticipated demolition	MLG, LAs, AG, MLHRD, OP, MSE associations	1 year
	8.2 Ensure that agreed-upon contracts are enforceable	Judiciary, MLHRD, MSE associations	2 years
	8.3 Encourage consultations between MSE associations and local authorities	MLHRD, SEDA, LAs, MLG	18 months
	8.4 Establish a small claims court to deal with minor but non-trivial cases	AG, Judiciary	3 years

13.5.6 TECHNOLOGY DEVELOPMENT

Strategies	Action Plans	Institution(s) responsible for taking action	Time Frame
1 Enhance technological capacity of the MSE sector	1.1 Upgrade skills of existing MSE operators through training	MLHRD, MEST, KIRDI, universities, DIT, TTIs	5 years
	1.2 Attach graduates and MSE operators to existing businesses and industries	MLHRD, MEST, K-Map, FKE, universities & MoT&I, TTIs, KAM	Continuous
	1.3 Provide utilities such as power on MSE sites	MOE, MLG, MHRD, KPLC	5 years

Strategies	Action Plans	Institution(s) responsible for taking action	Time Frame
	1.4 Identify sustainable financial support mechanisms 1.5 Review former KCB graduate credit-guarantee scheme and develop mechanisms for the introduction of schemes with similar objectives	MLHRD, banks, MFIs, NGOs, donors MLHRD, universities, MFIs, banks, NGOs, MSE associations	1 year 1 year
2 Strengthen links between MSEs and existing technology support institutions	2.1 Conduct an assessment of MSEs technology needs 2.2 Create awareness on science and technology institutions and support available 2.3 Develop and channel relevant technical support services to MSEs 2.4 Initiate study to identify possible areas of collaboration modalities 2.5 Identify fiscal and monetary incentives to encourage sub-contracting 2.6 Revive the Sub-Contracting Exchange initiative	MLHRD, MTI, KIRDI, LECs, MSEs MLHRD, MTI, KIRDI, Relevant NGOs, LECs MLHRD, MTI, KIRDI, NGOs, private sector MLHRD, universities, K-MAP, TTIs, private sector MLHRD, MF&P, KRA MTI, MSEs, K-MAP, KAM	1 year 1 year 2 years 1 year 1 year 1 year
3 Improve access to technological information	3.1 Strengthen MSE sectoral associations through building human and physical capacity 3.2 Establish networks between MSEs and technology institutions 3.3 Publish research documents showing existing technology programmes 3.4 Publish booklet on the best technological practices for MSE operators 3.5 Initiate an annual technology award scheme for MSEs practising the said technology	MLHRD, LECs, MSEs MoTI MLHRD, SEDA, KIRDI, NCST, MoTI MLHRD, KIRDI, public universities, MoTI MLHRD, KIRDI, public universities, MoTI MLHRD, MTI, NGOs, KIPO	Continuous 2 years 2 years 1 year 2 years
4 Review current modes of technological	4.1 Enact an MSE legislation and review the relevant legislation to facilitate technological transfer	MLHRD, AG, MTI	2 years

Strategies	Action Plans	Institution(s) responsible for taking action	Time Frame
acquisition and transfer	4.2 Provide steady sources of technology through importing relevant technology from middle income economies such as India	MLHRD, MTI, KIRDI, NCST	Continuous
	4.3 Establish model MSE entrepreneurs' technology parks with the basic facilities such as water and electricity	MLHRD, MSEs, SEDA, LEC, Others	Continuous
	4.4 Integrate product development and marketing	MLHRD, NGOs	Continuous
	4.5 Strengthen product design units within organisations providing product design and development services	NGOs	2 years
	4.6 Provide product design services to MSEs as a mechanism for improving the quality of MSE products	KIRDI, KITI, & technical institutions	3 years
5 Establish measures for the commercialisation of technology	5.1 Establish a liaison office to act as an intermediary between technological researchers and users	MLHRD, KIRDI, research bodies, NCST	1 year
	5.2 Design collaborative programmes and projects	MLHRD, KIRDI, research bodies, NCST	1 year
6 Improve technological research and diffusion	6.1 Build capacity of KIRDI to undertake research and development	MLHRD	2 years
	6.2 Encourage establishment of machine tool firms	MLHRD, MTI	Continuous
	6.3 Commercialise KIRDI	MTI, MLHRD	3 years
	6.4 Establish LECs for channelling research findings to MSEs	MLHRD, research bodies	2 years
	6.5 Create an ITDF for funding research and provide tax incentives for importation of research and development equipment and consumables	MOF&P, KRA, MTI	2 years
	6.6 Conduct a technology needs assessment for MSEs	MLHRD, KIRDI, NCST	1 year
	6.7 Complete existing technological projects and register existing blue prints	KIPO, KIRDI	2 years

Strategies	Action Plans	Institution(s) responsible for taking action	Time Frame
	6.8 Reduce the patenting period of products or processes	KIPO	1 year
7 Establish technology regulatory framework	7.1 Provide adequate funding and relevant support facilities to enable NCST to effectively play its regulating and coordinating role	MLHRD, MEST, NSCT, KIRDI	2 years
	7.2 Set up a technological consultative forum	MTI, NCST, KIRDI MLHRD, private sector	2 years

13.5.7 ENTREPRENEURSHIP DEVELOPMENT

Strategies	Action Plans	Institution (s) Responsible for Implementation	Time Frame
1 Establish innovative entrepreneurial apprentice systems	1.1 Require universities, polytechnics and other technical training institutions to establish innovative entrepreneurial systems	MLHRD, MEST, TTIs, VTIs, polytechnics, universities	2 years
	1.2 Encourage MSE support institutions in the private sector to develop entrepreneurial apprentice certificate courses covering six months or less	MLHRD, NGOs, MSE associations, private sector	3 years
2 Enhance sustainability of institutions providing entrepreneurial training	2.1 Require payment of nominal fees by beneficiaries of entrepreneurial training	MLHRD, MTI, ETIs, donors	2 years
3 Assist potential entrepreneurs to start businesses	3.1 Provide incentives to potential entrepreneurs seeking to start their businesses	MLHRD, VTIs, universities MoTI	Continuous
	3.2 Design short courses on self employment		
	3.3 Conduct awareness campaigns to potential entrepreneurs in the districts		
	3.4 Identify opportunities for new businesses		

Strategies	Action Plans	Institution (s) Responsible for Implementation	Time Frame
4 Create widespread enterprise culture	4.1 Introduce entrepreneurial training courses in secondary schools	MEST, MLHRD	2 years
5 Improve coordination among entrepreneurial development institutions	5.1 Establish a stakeholders' consultative forum to oversee and coordinate entrepreneurial development programmes	MLHRD, ETIs, NGOs	1 year
6 Address specific needs of entrepreneurs	6.1 Require public universities to design demand-driven entrepreneurial training programmes	MLHRD, ETIs	2 years
	6.2 Encourage other institutions offering entrepreneurial-training programmes to provide demand-driven entrepreneurship training to graduates from universities and technical institutions	MLHRD, ETIs	2 years
7 Conduct research and follow-up studies	7.1 Encourage research institutions to undertake action-oriented research and tracer studies	MLHRD, KIRDI, other research institutions	Continuous

13.5.8 BUSINESS DEVELOPMENT SERVICES

Strategies	Action Plans	Institution(s) Responsible for Implementation	Time Frame
1 Strengthen co-ordination between institutions offering business development services	1.1 Establish an inter-ministerial committee of permanent secretaries of ministries involved in MSE activities	MLHRD, DPM, MoTI	1 year
	1.2 Establish a Stakeholders' Consultative Forum on MSE activities	MLHRD, NGOs, BDS providers, MSE associations, MoTI	1 year
	1.3 Strengthen the capacity of DMSED within MLHRD	MLHRD, DPM, donors	2 years
2 Promote sustainability of BDS programmes	2.1 Encourage private sector organisations to support BDS providers	MLHRD	2 years

Strategies	Action Plans	Institution(s) Responsible for Implementation	Time Frame
	2.2 Allow public institutions providing BDS to operate autonomously	MLHRD, DPM, MoTI	3 years
	2.3 Require MSE beneficiaries to start paying for delivery of BDS services	BDS providers	2 years
3 Strengthen capacity for networking among stakeholders	3.1 Assist BDS providers with weak capacity to access technical support to develop their management systems	MLHRD, donors, private sector	Continuous
	3.2 Provide incentives for large companies to subcontract and create market links with MSEs	MoFP, MLHRD, KRA	2 years
	3.3 Establish harmonised databases on MSE information	MLHRD, NGOs, MSE associations	3 years
4 Increase MSE access to technology and market information	4.1 Undertake research on appropriate technology for MSEs	MLHRD, research & technology institutions	Continuous
	4.2 Reconstitute Inter universities-Industry Link Committee to ensure technology sharing between universities and BDS providers	MLHRD, FKE, universities, BDS providers	1 year
	4.3 Assist BDS providers to procure and offer required technology to MSEs	MLHRD, MTI, NCST, BDS providers	2 years
	4.4 Publicise information on role model programmes and successful MSEs	MLHRD, MSE associations	2 years
5 Formulate policy on BDS	5.1 Develop and adopt a long-term training strategy for the provision of sector-specific, cost-efficient, market-driven BDS	MLHRD	3 years

GENDER SPECIFIC ISSUES

Issues	Action Plans	Institution(s) Responsible for Implementation	Time Frame
e punitive to enhance power of en	1.1 Publish and disseminate recommendations of the 1993 task force on women's rights and enact the recommendations to give women more power	AG's Office, Women's Bureau	1 year
	1.2 Review the Employment Act (CAP 226) and other laws that continue to discriminate against women	MLHRD, AG's Office	2 years
	1.3 Encourage stakeholder groups to educate and sensitise women on their legal rights	Public Law Institute, Women's Bureau, MLHRD, MYWO, FIDA, UNIFEM, churches, local opinion leaders	Continuous
	1.4 Ratify Article 13 of the Convention on Elimination on all Forms of Discrimination against Women	AG's Office	1 year
ationalise er concerns tional lopment y	2.1 Finalize, adopt and implement the 1998 draft National Policy on Gender Equity and Sustainable Development	Women's Bureau, Parliament	1 year
	2.2 Accelerate the implementation of gender-sensitive policies in all socio-economic sectors	MLHRD, OVP & MHANH & S, MEST, NGOs, private sector	Continuous
	2.3 Design gender-sensitive programmes to promote women's access to and control of resources	MLHRD, OVP & MHANH, NGOs, donors	2 years
ase n's access dit	3.1 Encourage commercial banks to adopt new lending methodologies that do not require collateral and have capacity to reach large numbers of women	MLHRD, MOF&P, MFIs, Commercial banks, SACCOs, women's groups	2 years
	3.2 Support initiatives for increasing accessibility to financial services in rural areas particularly those targeting women	MLHRD, MOF&P, MFIs, commercial banks, SACCOs, women's groups	Continuous
ional y for reaming"	4.1 Carry out capacity and impact assessment of Government Departments and MSE support institutions	OVP & MHANH, MOF&P, MLHRD	2 years
	4.2 Establish and strengthen gender desks in government ministries	OVP&MHANH, MLHRD, MoFP	2 years

Strategies	Action Plans	Institution(s) Responsible for Implementation	Time Frame
	<p>4.3 Provide gender-desegregated data as a basis for planning and policy formulation</p> <p>4.4 Analyse, publish and disseminate existing data on women</p> <p>4.5 Undertake studies to ascertain the level of women involvement in MSE activities, including their successes and constraints so that appropriate support can be developed</p> <p>4.6 Encourage the organization of women into groups to facilitate channelling of intervention measures</p>	<p>OVP&MHANH, MLHRD, CBS, NGOs, private sector</p> <p>Women's Bureau, CBS</p> <p>MLHRD, Women's Bureau</p> <p>OVP & MHANH, AG, OP, MLHRD</p>	<p>Continuous</p> <p>1 year</p> <p>2 years</p> <p>2 years</p>
5 Promote women's accessibility to technological development	<p>5.1 Introduce appropriate technology for women</p> <p>5.2 Conduct research to determine gender-sensitive and -responsive technology and those that are responsive to the needs of women</p> <p>5.3 Introduce an award scheme to women adopting modern, appropriate technology</p>	<p>MLHRD, MoEd, Approtec, institutes of technology, KIRDI, FIT resources, UNIDO, other institutions</p> <p>MLHRD, MoEd, Approtec, institutes of technology, KIRDI, FIT resources, UNIDO, other institutions</p> <p>MLHRD</p>	<p>Continuous</p> <p>1 year</p> <p>1 year</p>
6 Promote Women's access to entrepreneurial development	<p>6.1 Develop programmes that promote the diversification of women's entrepreneurial activities</p> <p>6.2 Encourage organisations dealing with entrepreneurial programmes to devote more resources in the development of entrepreneurial programmes for women</p>	<p>MLHRD, ETIs, NGOs, universities, MEST</p> <p>MLHRD, CRT, ETIs, NGOs</p>	<p>2 years</p> <p>Continuous</p>
7 Enhance gender equality at all levels of education	7.1 Increase the enrolment and completion rates of girls and boys at all levels of education	MEST, MLHRD	Continuous

Strategies	Action Plans	Institution(s) Responsible for Implementation	Time Frame
	7.2 Expand facilities available to girls to pursue science-based subjects to enhance their ability to venture in more diverse range of MSE activities	MEST, MLHRD	Continuous
	7.3 Review the existing adult education programme to ensure that it has capacity to reach more women and include entrepreneurial related training	MEST, MLHRD	2 years
	7.4 Adopt gender-sensitive curricula and education materials that are responsive to the special needs of women	MEST, MLHRD	2 years
	7.5 Support programmes to ensure that women and girls benefit from advanced specialised training in scientific and technical areas through the award of scholarships	MLHRD, MEST, OP, NGOs, & donors	Continuous

D ENVIRONMENTAL MANAGEMENT

Strategies	Action Plans	Institution(s) Responsible for Implementation	Time Frame
Strengthen institutional coordination on environmental protection	1.1 Expedite the establishment of NEMA and technical departments for environmental matters and the establishment of the various committees as provided for in EMCA	MENR	1 year
Strengthen legal environmental provisions	2.1 Take measures to ensure that in the process of implementation of EMCA, minimum standards are met for the protection and conservation of the environment by MSEs while avoiding unnecessary and costly measures that bar MSEs from compliance	MENR, MLHRD, MSE associations	1 year
	2.2 Staff NEMA with officers of highest integrity, as the fight against entrenched interests will not be an easy one	NEMA	1 year

Strategies	Action Plans	Institution(s) Responsible for Implementation	Time Frame
	2.3 Sensitise the media on the need to support and highlight NEMA's work	MLHRD, MITC, MENR, NEMA, MSE associations	Continuous
3 Enhance waste disposal arrangements	3.1 Enhance transparency and accountability in the collection and use of revenues by LAs 3.2 Promote and enhance the involvement of private sector and NGOs in waste disposal on a commercial basis	MF&P, MLG, Controller & Auditor General MF&P, MLG, LAs, MSE associations, private sector	2 years 2 years
4 Control illegal tapping of water by MSEs to prevent contamination	4.1 Encourage MSE operators to form groups around water points and provide legal water outlets for the groups' use	MLG, LAs, MSE associations	2 years
5 Give financial backing to environmental issues	5.1 Increase public budget for environmental protection 5.2 Conduct study on appropriate economic and tax incentives to achieve more private sector involvement in environmental protection 5.3 Provide credit specifically for environmental mitigation efforts	MF&P, MENR MENR, NEMA, MF&P Financial institutions	2 years 2 years 3 years
6 Enhance training and public awareness on environmental issues among MSEs	6.1 Incorporate environmental awareness in the activities of NEMA and the lead agencies on environmental management 6.2 Co-opt the media in creating public awareness on environmental issues	MENR, NEMA, MLHRD, MTI, MARD, MITC, LAs NEMA, MITC, MLHRD	1 year Continuous
7 Develop and disseminate low-cost environmental technology	7.1 Support research by KIRDI and relevant programmes in other research institutes on low-cost environmental technology	MLHRD, MTI, KIRDI, other ministries responsible for (KCPC) research, research institutes such as ICIPE	2 years
8 Focus on women in environmental management	8.1 Ensure that environmental messages are gender-sensitive and target women as a core group in environmental management	NEMA, OVP & MOHANH, MLHRD, NGOs	1 year

Issues	Action Plans	Institution(s) Responsible for Implementation	Time Frame
<p>Make MSEs in that ate onmentally dly ices</p>	<p>9.1 Make industrial location policy to be sensitive to this requirement</p>	<p>MLA, MTI, LAs, NEMA</p>	<p>2 years</p>
<p>and onmental ct ssment to porate projects</p>	<p>10.1 Introduce environmental IAs as provided for in EMCA</p> <p>10.2 Ensure that MSEs are sited only after an environmental impact study has been done and the physical infrastructure has been fully planned and put in place</p>	<p>MENR, NEMA, MLG, LAs</p> <p>MENR, NEMA, MLG, LAs</p>	<p>1 year</p> <p>2 years</p>
<p>stream onmental cerns into itutional agement tems, uding ate firms' agement tems</p>	<p>11.1 Introduce corporate culture of rewarding environmentally friendly practices such as national award schemes and financial incentives</p>	<p>MENR, MTI, MLHRD, MITC, NEMA</p>	<p>2 years</p>
<p>Commercialise onmental agement ivities</p>	<p>12.1 Work out strategies for commercialisation and privatisation of environmental management such as garbage collection, cleaning services, provision of ablution facilities, manufacture of chemicals for waste treatment, manufacture and installation of gadgets for pollution control, landscaping services, and the recycling of materials</p>	<p>MENR, NEMA, MLHRD, MTTI, MSE associations</p>	<p>3 years</p>

1.1 INFORMATION MANAGEMENT AND DISSEMINATION

Strategies	Action Plans	Institution(s) responsible for taking action	Time Frame
Improve institutional and infrastructure mechanisms for MSE information management and dissemination.	<p>1.1 Establish an MSE information-clearing house to facilitate collection, processing and disseminating information on MSEs</p> <p>1.2 Strengthen the Data Centre within DMSED in the MLHRD</p> <p>1.3 Create links between the various MSE information centres</p>	<p>MLHRD, DPM, donors, MSECF, MoTI</p> <p>MF&P, MLHRD, donors</p> <p>MLHRD, MSECF, NGOs, private sector</p>	<p>2 years</p> <p>2 years</p> <p>2 years</p>
Improve dissemination of relevant information on the MSE sector	<p>2.1 Increase electronic and print coverage of programmes tailored to address MSE specific information needs</p> <p>2.2 Encourage local NGOs and groups to actively participate in the dissemination of information on MSEs</p>	<p>MLHRD, MITC, MSECF, media houses, K-REP, ICEG, universities, MSE associations</p> <p>MLHRD, NGOs, MSE associations</p>	<p>1 year</p> <p>1 year</p>
Establish rural enterprise centres as information points	<p>3.1 Review the role of District Information Centres in creation of resource centres</p> <p>3.2 Establish a national grid of LECs to disseminate MSE information</p>	<p>MLHRD, MF&P, MSECF</p> <p>MLHRD, MSE associations</p>	<p>1 year</p> <p>2 years</p>
Enhance the role of sectoral organisations in the wider dissemination of MSE information.	<p>4.1 Encourage MSE sectoral associations to become effective tools in providing and disseminating information and other relevant advisory services to its member entrepreneurs</p>	<p>MLHRD, MSE associations</p>	<p>2 years</p>
Conduct periodic baseline surveys	<p>5.1 Strengthen the capacity of CBS to conduct MSE baseline surveys regularly</p> <p>5.2 Establish within CBS an MSE data division as a first step towards institutionalising MSE baseline surveys in its calendar and act as the custodian of the national MSE database</p>	<p>MF&P, CBS, MLHRD, DPM, MSE associations</p> <p>MF&P, CBS, DPM, MLHRD</p>	<p>2 years</p> <p>1 year</p>

3.5.12 SECTOR COORDINATION

Strategies	Action Plans	Institution(s) responsible for Implementation	Time Frame
1 Improve MSE co-ordination within the Government	1.1 Strengthen the newly established DMSED 1.2 Establish an inter-ministerial coordination committee chaired by the PS, MLHRD 1.3 Establish an autonomous private sector driven SEDA to coordinate and steer MSE business support activities	MLHRD, DPM, donors MLHRD, OP MLHRD, AG's Office, donors, private sector	2 years 1 year 1 year
2 Establish an institutional structure for coordination of MSE activities among support institutions	2.1 Establish MSECf, drawing its membership from all MSE stakeholder groups 2.2 Create close links between the MSECf and SEDA to avoid duplication of efforts 2.3 Encourage the establishment of sector-based umbrella associations of MSE support institutions along the lines of AMFI	MLHRD, Private sector MLHDR, MSECf, SEDA MLHRD, MSECf, MSE associations	1 year Continuous 2 years
3 Improve the effectiveness of MSE associations	3.1 Strengthen and streamline the activities of MSE associations to ensure effective representation and coordination of MSE interests as well as efficient delivery of services falling under the associations' mandate 3.2 Support the establishment of Local Enterprise Centres in each location throughout the country 3.3 Promote the creation of close links between LECs established to form a national grid for information dissemination	MLHRD, MSCF, donors MLHRD, MSECf, MSE associations MLHRD, MSECf, MSE associations	2 years 2 years 2 years
4 Improve coordination of MSE Donor support	4.1 Revitalize and strengthen existing MSE Donor Coordination Forum 4.2 Develop appropriate guidelines for MSE donor support	UNDP, donors SEDA, MLHRD, donors	1 year 1 year