



# Ten policy priorities for transforming manufacturing and creating jobs in Kenya





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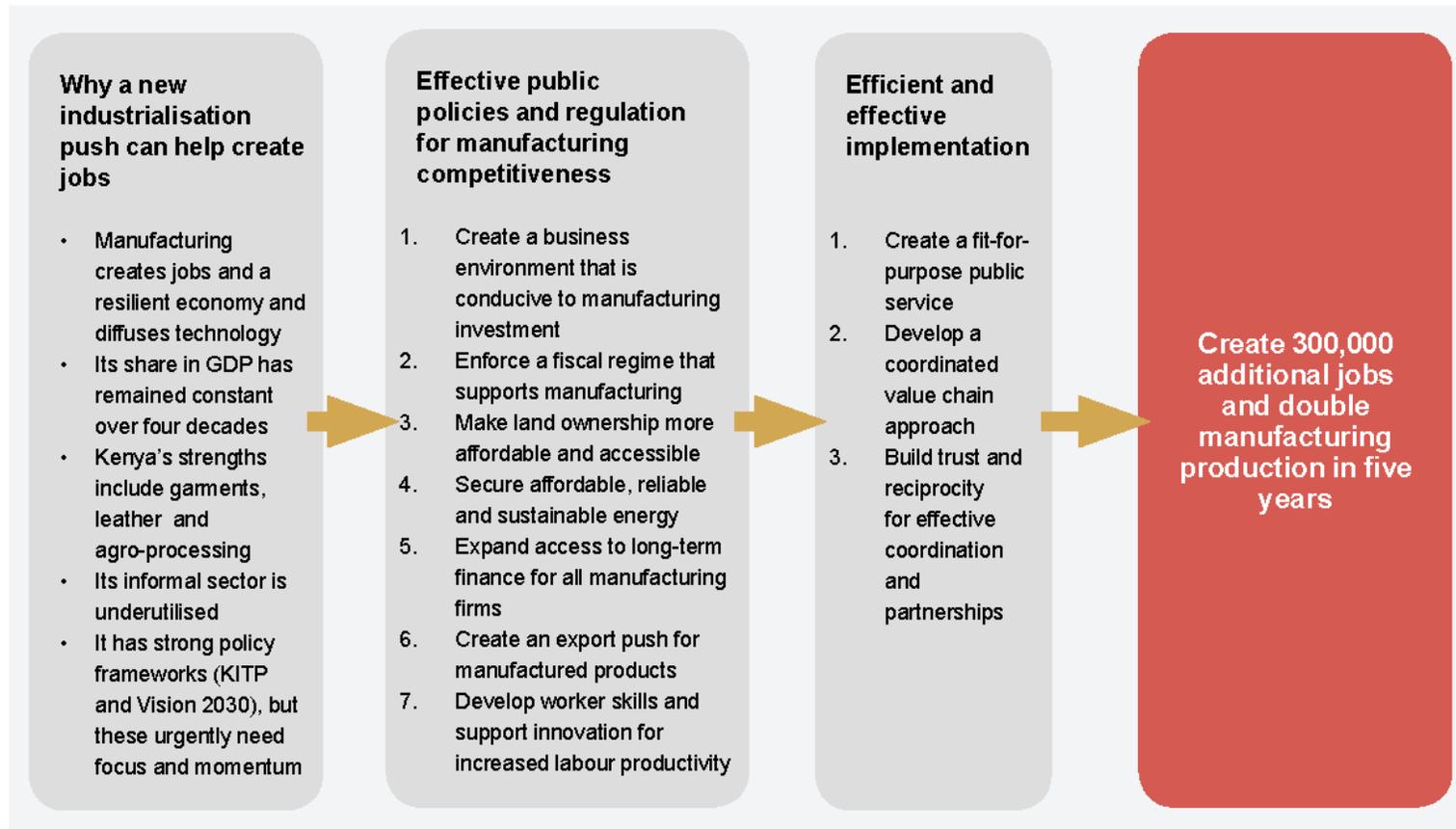


# WELCOME AND INTRODUCTION

- The **manufacturing sector can play a crucial role in Kenya's economic growth** by absorbing large numbers of workers, **creating many jobs indirectly through forward and backward linkages** to agriculture, **raising exports** and transforming the economy through **technological innovation**.
- Doubling Kenya's manufacturing output could create **300,000 jobs by 2022** but will require **strong leadership** from government and **effective collaboration between the public and private sectors**.
- This **10-point plan, offering policies for inclusive, sustainable growth in Kenya** and improving livelihoods, is a collaborative effort by the Supporting Economic Transformation (SET) programme at the Overseas Development Institute in London and the Kenya Association of Manufacturers.

# POLICY PRIORITIES TO KICK-START KENYAN MANUFACTURING

Political leadership is key to implement a number of technically sound policies and strategies that can develop the critical enablers of manufacturing



# 01

Create a business environment that is conducive to manufacturing investment

## How?

***Enact laws and regulations to attract and retain investment for all firms (including SMEs), allowing firms to focus on construction permits, paying taxes and registering property***



# 02

Enforce a fiscal regime that supports manufacturing

## How?

*Improve government payment systems and introduce discipline to revenue collection*

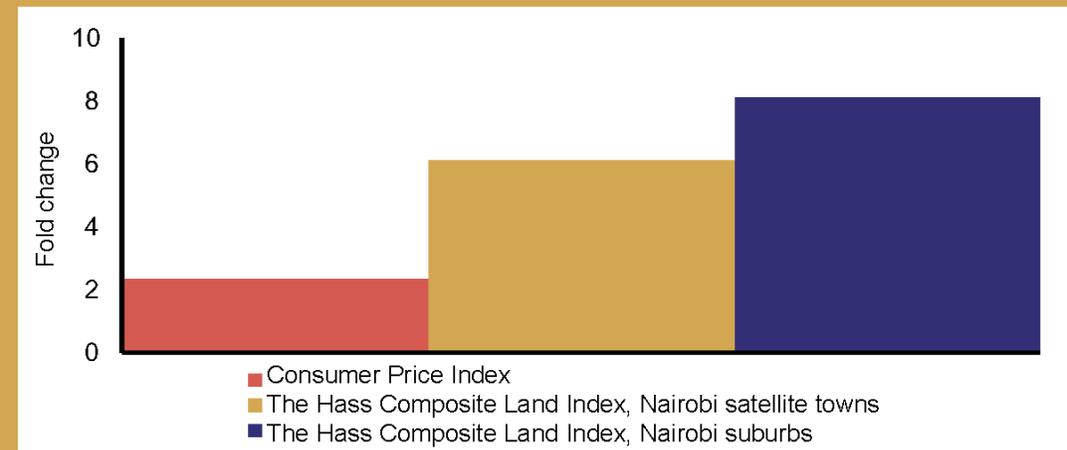
# 03

## Make land ownership more affordable and accessible

### How?

***Secure land for development of special economic zones and industrial parks before prices increase, as per KITP and Vision 2030***

Figure 6: Land price changes and Hass Composite Land Index for Nairobi suburbs and satellite towns, 2007 to 2017 Q1



Source: Hass Consult (2017); World Development Indicators.

# 04

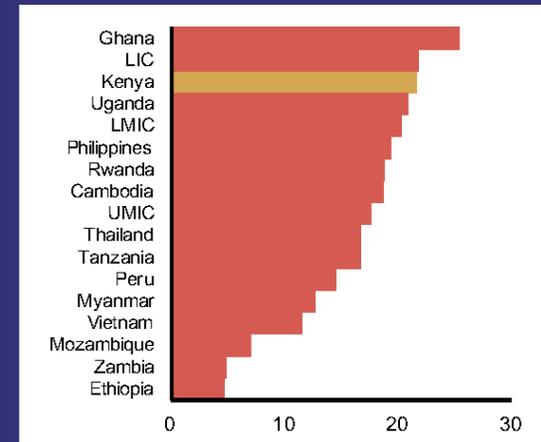
## Secure affordable, reliable and sustainable energy

### How?

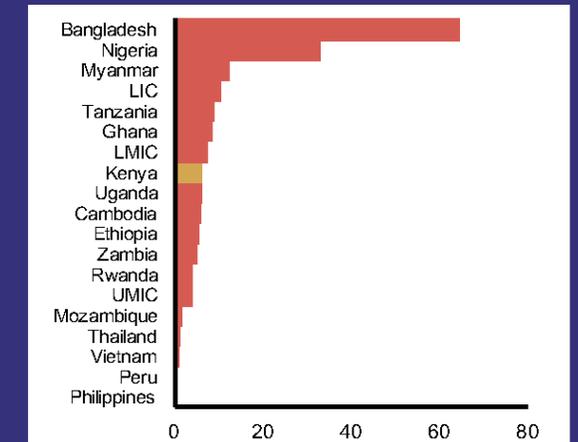
***Lower the cost of energy by removing all levies on power costs and apply appropriate tariffs for industrial usage***

Figure 7: Cost and reliability of electricity

Energy price, 2016 (US cents per kWh)



Number of electricity outages per month, 2013



Source: Balchin et al. (2016).

Note: In this figure, LIC stands for low-income countries, LMIC for lower-middle-income countries and UMIC for upper-middle-income countries.

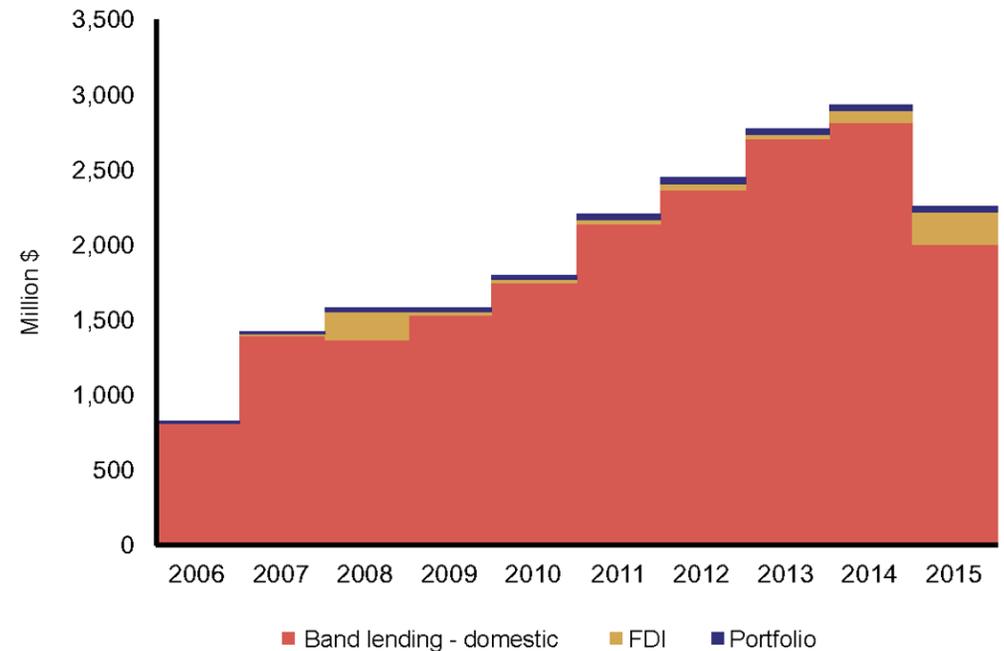
# 05

Expand access to long-term finance for all types of manufacturing firms

## How?

*Increase the availability of public funds to manufacturing and to SMEs in particular, solve private sector credit supply issues, and actively promote foreign direct investment*

Figure 8: Financing to Kenyan manufacturing, 2006-2015



Source: Tyson (2017).

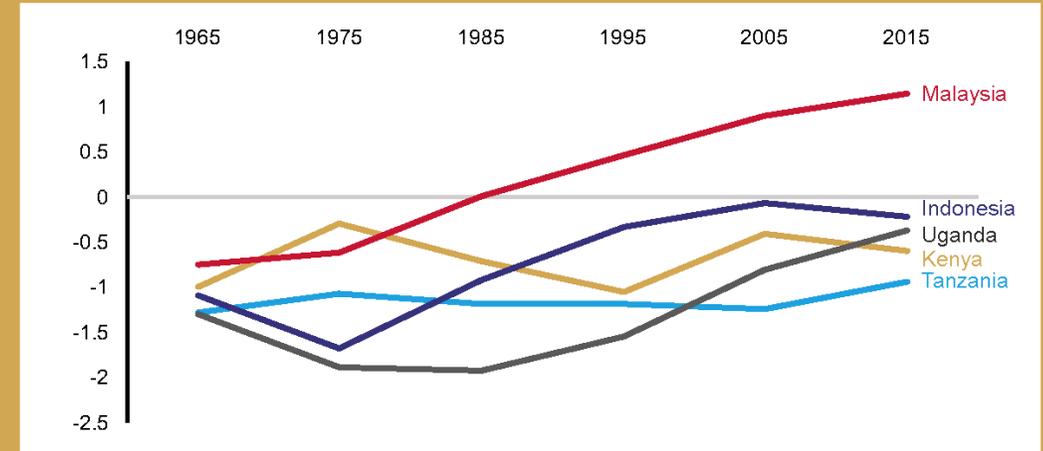
# 06

## Create an export push for manufactured products

### How?

*Undertake co-ordinated action to promote exports and secure market access for Kenyan goods and services, put more efforts into facilitating trade by streamlining customs and building trade-related infrastructure, and improve access to locally-produced inputs*

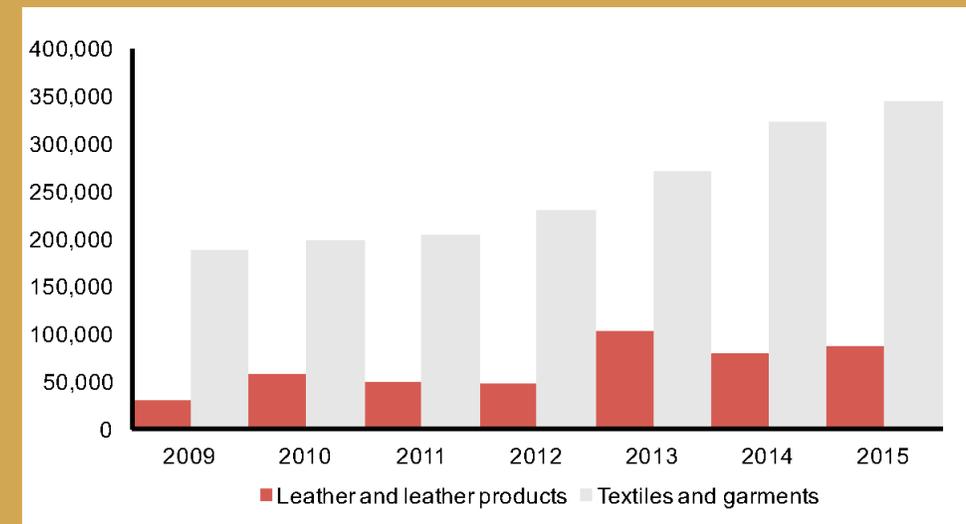
Figure 9: Economic complexity index, 1965-2015



Source: MIT Atlas.

Note: Complexity scores are based on export data.

Figure 10: Exports of selected manufactured goods from Kenya, 2006-2015 ('000 \$)



Source: Own elaboration using UNCTADStat data.

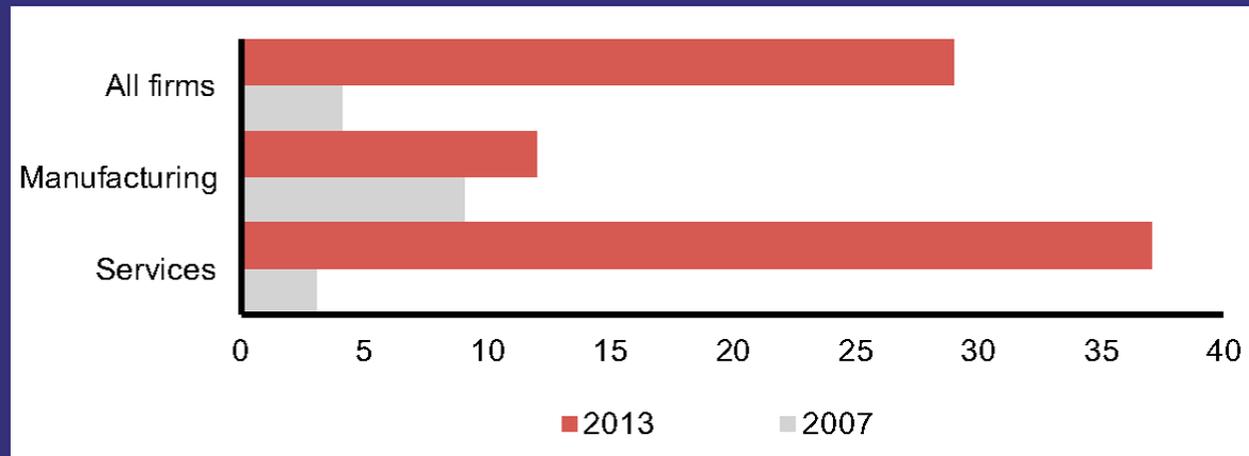
# 07

Develop worker skills and support innovation for increased labour productivity

## How?

*Develop a private-sector led programme of incentives for skill development and strengthen links between industry and educational institutes*

Figure 11: Inadequately educated workforce as a constraint (% of firms)



# 08

Create a fit-for-purpose public service

## How?

*Establish an industrial policy implementation unit that can coordinate interministerial activity on industrialisation and address issues of corruption decisively and comprehensively*

# 09

Develop a coordinated value chain approach

*How?*

*Facilitate collaboration between formal and informal manufacturers along value chains*

# 10

Build trust and reciprocity for effective coordination and partnerships

## How?

*Find a consensus among formal private-sector associations and government on key issues in manufacturing*

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The Supporting Economic Transformation (SET) is an ODI programme funded by UK DFID to support countries in their quest for economic transformation through data and policy analysis and convening. The views expressed are those of the researchers and do not necessarily represent the views of ODI or DFID.

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