



Promoting industrialisation, manufacturing and job creation in Kenya

Impact case study

SUMMARY

The Supporting Economic Transformation (SET) programme has worked in Kenya since 2016. SET work in Kenya has spanned government departments and agencies, DFID Kenya and other donors, private sector actors and civil society, and successfully contributed to the promotion of the manufacturing agenda both ahead of and after the 2017 Kenyan presidential elections. SET has additionally succeeded in influencing the plans and priorities of both government and the private sector. The programme's key activities and contributions are summarised as follows:

- Convening over 30 senior figures from the Ministry of Industry, Trade and Co-operatives (MITC), DFID Kenya, private associations including the Kenya Association of Manufacturers (KAM), TradeMark East Africa and others, to discuss constraints to and opportunities for manufacturing in Kenya and build a consensus on the role of the sector in the country's industrialisation plans.
- Partnering with KAM to develop a comprehensive 10-point policy plan to promote manufacturing and create jobs during the election period, influencing the manifesto development process within political parties and, at the high-profile launch event, securing a ceremonial commitment from politicians to implement the plan if elected as well as significant media coverage.
- Supporting the Export Promotion Council (EPC) during the review of Kenya's exports strategy with analysis of Kenya-UK trade and investment trends and offering recommendations to reverse the decline and increase Kenya's share of the UK market. A high-profile launch hosted by the EPC resulted in widespread media coverage and pick-up of the key messages at the highest levels.
- Working closely with the MITC to facilitate discussion and relationship-building between small garment, leather and textile firms and Kenyan banks, to ease financing constraints on growth of the manufacturing sector.
- Supporting the MITC and Executive Office of the Presidency (EOP) with the implementation of the manufacturing 'pillar' of President Kenyatta's flagship 'Big Four' agenda by analysing the role of MSMEs in value chains, helping to build a credible framework for reform.

THE POLICY CHALLENGE

Industrialisation is a crucial factor for job creation and successful economic transformation, but the share of manufacturing in Kenya's GDP has been in decline for over a decade. There is currently an open window of opportunity for African manufacturing; rising wages in much of Asia, rebalancing in China, strong regional growth and steadily improving policies and institutions across Africa are creating positive conditions for growth in the sector. However, Africa's window of opportunity is closing fast, and may only last the next 20 to 30 years, due to increasing digitalisation in global manufacturing. Intense competition from Asian countries (such as Vietnam, Cambodia, Bangladesh) which have lower wages, higher productivity, better infrastructure, more skilled labour forces, and higher levels of integration into GVCs than African countries is also a major challenge. In order to take advantage of the current opportunity, Kenya needs to act fast to develop its manufacturing sector, as other African countries will be looking to do the same.

Over the period of SET's work in Kenya, and in part *due to* SET (for more on which see section on impact below), manufacturing has moved to the top of the policy agenda. It featured prominently in the presidential election campaign in 2017, and now constitutes one of the 'pillars' of President Kenyatta's flagship 'Big Four' agenda. However, much remains to be done to ensure the successful implementation of this agenda; problems remain in securing the involvement of micro-, small- and medium-sized enterprises (MSMEs) (which employ up to 90% of the Kenyan workforce), improving skills and increasing firms' access to finance.



From l-r: Neil Balchin, ODI; Oduor Ong'wen, Executive Director, ODM, National Super Alliance (NASA), Phyllis Wakiaga, KAM; Flora Mutahi, KAM; Ekuru Aukot, Party Leader, Third Way Alliance Kenya.

WHAT SET DID

In-country work on the manufacturing agenda commenced in August 2016 with the organisation of a [roundtable event](#) in Nairobi, for which three scoping studies were commissioned from Kenyan economist Anzette Were, John Page from the Brookings Institute and ODI's macroeconomics lead Phyllis Papadavid.

From the roundtable, attended by policymakers from the Ministry of Industry, the office of the UK Department of International Development (DFID) in Kenya and the Kenya Association of Manufacturers (KAM) amongst others, came a partnership between ODI and KAM to promote manufacturing further up the policy agenda. Leading SET programme researchers, KAM consultant Gituro Wainaina and Anzette Were worked closely to develop a [10-point policy plan booklet](#) for Kenyan manufacturing, with a foreword from the CEO and Chairperson of KAM. The policy plan covered issues including land accessibility and ownership, energy, value chains, public-private sector collaboration and labour market skills, and for each, tailored policy solutions were offered. In order to be as comprehensive as possible, the content was developed with active

inputs from the Office of the President of Kenya, the State Department for the Environment, the State Department for Trade, Kenya Industrial Estates, IDB Capital Kenya, Kenyan Private Sector Association (KEPSA), the Micro and Small Enterprise Authority (MSEA), TradeMark East Africa (TMEA), ICDC and the KAM Board.

The booklet was launched in July 2017 during the presidential election campaign period, firstly at an invite-only event for KAM member organisations, and secondly at a [high-profile public event](#) attended by representatives from two major political parties and range of media outlets. At the event, the Executive Director of ODM (NASA party) and the leader (and presidential candidate) of Thirdway Alliance signed a ceremonial commitment to the ODI-KAM policy plan.

"We remain greatly indebted to you for the support. We now have a document that has clearly and concisely elaborated the manufacturing priorities, and which has so far been very well- received by the main political parties we have engaged."

Dalmas Okendo, Head of Operations, KAM

After the election and the announcement of the Big Four policy agenda, SET worked with senior figures in the Executive Office of the Presidency (EOP) to support the implementation of the manufacturing pillar, and specifically work on the MSME agenda within it. This work centred around a piece of in-depth analysis, based on interviews with textile, leather and garment MSMEs and accompanying desk research, on the role of MSMEs in value chains and their place within Kenya's policymaking for industrialisation, and also involved organising and contributing to meetings and workshops that brought together small firms with senior policymakers in the EOP and Ministry of Industry, Trade and Co-operatives. Alongside this, SET hosted a [workshop on the financing of garment manufacturing](#), with facilitated discussion and relationship-building between Kenyan manufacturing firms and domestic financiers such as Barclays and Co-operative Bank.

Over this period, SET also worked with the Export Promotion Council (EPC) on a study of [Kenya-UK trade and investment relations](#), which was launched at a breakfast meeting ahead of Kenya Trade Week in July 2018, with speakers including the Permanent Secretary for Trade, Dr Chris Kiptoo and Peter Biwott, CEO of EPC.

IMPACT

SET's activities had demonstrable success towards two of the core aims of the programme: supporting the policies and plans of (i) private sector actors and (ii) the government to become more transformational. We consider the impact of the SET programme's work in Kenya across four broad types [as outlined by DFID-ESRC Growth Research Programme \(DEGRP\)](#): **conceptual impacts** (changing perceptions or approaches), **instrumental impacts** (tangible changes in either policy or practice), **capacity-building impacts**, and **improvements to connectivity** across different actors.

Conceptual impacts

Broadly, SET's work in Kenya had conceptual impact by increasing the understanding of the importance of and factors for success in manufacturing for the country's industrialisation and job creation objectives. Firstly, SET contributed to the knowledge base on Kenyan manufacturing through the publication and discussion of its three [detailed scoping studies](#) at a [closed roundtable](#) with representatives from African Development Bank, World Bank, TMEA, JICA, DFID Kenya, Government of Kenya, KAM, ACET, private sector and others. The meeting secured a consensus amongst those in attendance that manufacturing and industry needed to be the focus of the next administration, signalling a shift away from a focus on services.

Evidence of further conceptual impact can be taken from the extensive media coverage (including in [Business Daily Africa](#), [the Star](#), [KBC Channel](#) and [the East African](#)) of the launch of the ODI-KAM 10-point policy plan for Kenyan manufacturing, which gave high visibility and prominence to

both the SET programme and the plan’s suggested policy priorities. The work also had an impact on the policy debate space through engagement with political parties ahead of the launch, and the attendance of those politicians at the launch itself.

Finally, further tangible conceptual impact was secured through the Kenya-UK trade analysis undertaken for the EPC. The central picture painted by the analysis, of Kenya’s exports to the UK in decline and facing growing competition from regional rivals in some of its key export products,

“Recent analysis shows that Kenya’s share of the UK market has been declining since 2008... it is mainly due to competition from Kenya’s peers”

Susie Kitchens, UK Deputy High Commissioner to Kenya

was seen within the EPC and wider trade and industry policy environment to be a significant wakeup call. The core messaging and recommendations in the report also received widespread media coverage in Kenyan media, and articles were also published in Rwandan and Tanzanian outlets. That the message successfully reached the highest levels was shown when the UK’s Deputy High Commissioner referred to the research in a key speech shortly after launch (see quote, left).

Instrumental impacts

Firstly, KAM’s engagement with political parties on the topic of the ODI-KAM 10-point plan for manufacturing, as well as the subsequent high-profile launch, had a significant impact on the policy development process during the election campaign. A comparative analysis of election manifesto commitments on industrialisation and manufacturing showed that a number of ODI-KAM policy recommendations were taken on board and incorporated in parties’ policy promises. Recommendations that achieved pickup in manifestos included those on public fiscal management, the role of special economic zones (SEZs) and the importance of improved access to reliable and sustainable energy.

Evidence of instrumental impact from the 10-point plan was strongest at the launch event, where representatives from two political parties signed a ceremonial commitment to the policy priority agenda, pledging to incorporate them into a potential future administration. The politicians specified the industrial agenda as central to Kenya’s economic transformation in general terms; NASA emphasised innovative initiatives, MSMEs and the informal sector, and Jubilee and the Third Way



Signing commitment to the 10-point plan on 5 July 2017 (from l-r): Flora Mutahi, Chairperson, KAM, Oduor Ong’wen, Executive Director, ODM, National Super Alliance (NASA), Phyllis Wakiaga, CEO, KAM.

Alliance were more specific about industry-related policies. The work was also influential on KAM’s policy advocacy work, as it was presented to KAM’s member organisations at their Annual General Meeting, which ensured the exposure of a wide range of private sector firms to research and policy analysis on the manufacturing sector.

“You have advanced the SME discourse in a significant way by inter alia providing a credible framework for a reform process and theory of change as well as a baseline from which to take off”

Ruth Kagia, Deputy Chief of Staff,
Executive Office of the Presidency

SET’s later work with the EOP also achieved instrumental impact on the policy-forming process within government by providing a thorough analysis of the status of MSMEs in value chains from which policymakers could work and facilitating direct engagement between them and small firms. This analysis and engagement has been instrumental for the ongoing reform process. President Kenyatta’s ongoing interest in this agenda continues to be evident, for example in his involvement in the high-profile small and medium enterprise (SME) roundtables initiative.

Finally, SET’s Kenya-UK trade work had an instrumental impact on the EPC’s export promotion strategy, currently under review. The in-depth analysis of the potential of various export products to increase Kenya’s exports to and market share in the UK sparked interest in the EPC to commission a series of such studies for Kenya’s other important trade partners, such as the United States.

Capacity building impacts

SET’s work in Kenya has provided KAM with a significant amount of support to think through and prioritise policies to advocate for in its engagement with government actors. The work on the 10-point policy plan booklet also gave KAM a base from which to develop its own policy briefings with which to engage policymakers and other stakeholder groups at the county level. Digital copies of reports and briefings produced as part of the ODI-KAM partnership are both hosted on the SET programme’s website and the KAM website, demonstrating genuine joint ownership of the project’s outputs and key messages.

“What an impactful study that has really reawaken critical thoughts in the trade relations between Kenya and UK. The study raised the profile of EPC and has triggered interests to undertake such studies for other key economies such as the USA”

Peter Biwott, CEO, Export Promotion Council

This demonstrates the sustainability of the work SET has done in Kenya; strong local actors, such as KAM, but also economist Anzette Were and Professor Gituro Wainaina, will take forward this work and continue to build on the transformation agenda as government policy processes continue. One example of this in action is Anzette Were’s [article in Business Daily Africa](#), covering a major investment by East Africa Breweries Limited’s (EABL), which aligns with the core messages of SET’s work (namely that investment in manufacturing is crucial for Kenya’s economic transformation objectives).

Connectivity impacts

This work has strengthened networks of stakeholders and facilitated relationship- and trust-building between different stakeholder groups both in the development and dissemination of SET’s research. Initial evidence of this was in the convening of a range of over 30 senior figures from donor organisations such as DFID, government, civil society/research organisations such as TMEA and ACET, and the private sector at the scoping roundtable event in August 2016, at which a consensus was reached regarding the crucial importance of manufacturing for the achievement of Kenya’s industrialisation goals.

The production of, and subsequent public launch event for the ODI-KAM collaborative 10-point policy plan was another example of successful convening of different actors. The development process for the plan facilitated the engagement of KAM with key policy actors during the political manifesto development process, and the launch event strengthened links between these senior political figures and KAM’s leaders and Board. Finally, this project also strengthened links

between KAM and DFID Kenya as they engaged over the relative weight that should be given to different policy options.

The last stage of SET's work in Kenya was successful in facilitating new engagement between both small firms and the government, and small firms and Kenyan banks. The workshop on financing for garment manufacturing not only facilitated dialogue on constraints for both firms and banks, but resulted in a meaningful connection being forged between garment manufacturing firm Hela Clothing and the Co-operative Bank, which was taken forward after the event. The workshop hosted by SET in partnership with the EOP, where MSMEs were invited to speak and put forward their perspectives on past government policy and proposed reforms, marked the first time that small firms had connected with the government on the plans under the Big Four agenda in a meaningful way (a trend which is now continuing in the form of President Kenyatta's SME Forum initiative).

WHAT SET LEARNED

SET's engagement on the manufacturing agenda in Kenya highlights the successes of working collaboratively with local partners, private and analytical, to translate research into actionable, concise policy recommendations, and then communicating these to government through influential local (private sector) organisations with strong, established networks.

The importance of timing is also a positive lesson learned; by targeting and meeting with political parties ahead of national elections, there was a strong incentive for politicians to engage with the core messages and policy recommendations in the 10-point policy plan. The positive result of a well-thought communications plan was evident in this project – a 10-point, easy-to-digest booklet and a high-profile public launch helped to communicate the messages to both government and media, attracting attention and influencing the thinking of a wide audience.

The ability to be flexible and respond to needs of government departments and actors is also important. SET was able to respond quickly to a request for support from the EOP on the MSMEs agenda, which has resulted in some tangible instrumental and connectivity impacts.

USEFUL LINKS

- Background paper | [Manufacturing in Kenya: features, opportunities and challenges – Anzette Were](#)
- Background paper | [The role of finance in Kenyan manufacturing – Phyllis Papadavid](#)
- Background paper | [Transforming Kenyan industry – John Page](#)
- Workshop report | [Supporting manufacturing in Kenya: scoping new opportunities](#)
- Policy plan booklet | [10 policy priorities for transforming manufacturing and creating jobs in Kenya](#)
- Event report | [Launch: 10 policy priorities for manufacturing](#)
- Report | [Kenya-UK trade and investment relations: taking stock and promoting exports to the UK](#)
- Briefing | [Kenya-UK trade and investment relations](#)
- Event report | [Launch: Kenya-UK trade and investment relations](#)
- Event report | [Financing garment manufacturing in Kenya](#)
- Report | [How to grow manufacturing and create jobs in a digital economy: 10 policy priorities for Kenya](#)
- Event report | [Digital transformation and job creation in Kenyan manufacturing](#)