SET SUPPORTING ECONOMIC TRANSFORMATION

INTEGRATING KENYA'S SMALL FIRMS INTO LEATHER, TEXTILES AND GARMENTS VALUE CHAINS

Creating jobs under Kenya's Big Four agenda

Summary

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Acknowledgements

This is a summary of a report that has been prepared in close collaboration with the Executive Office of the President in Kenya. The full report is available upon request.

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We further thank the many stakeholders – including SMEs and SME representatives – we interviewed for this study, as well at the participants of various key workshops in Nairobi in July 2018. The report draws on interviews with SMEs and support organisations, mainly in Nairobi county, in the leather, textiles and garments sectors.

Finally, we thank participants at the final review workshop in Nairobi on 30 November 2018, which included officials from the Ministry of Industry (Betty Maina and Florence Kimata) and related institutions such as Kenya Industrial Estates and the Micro and Small Enterprise Authority, the Executive Office of the President and Nairobi county government. We are very grateful for the detailed policy suggestions received in February 2019 which are reflected in general terms in the text, boxes and tables.

INTRODUCTION

The Government of Kenya has developed a range of policies, strategies and measures to promote industrialisation as part of President Kenyatta's 'Big Four' agenda. However, this risks missing the opportunity for broad-based economic transformation if implementation of the strategies occurs without more focus on the role of small, local firms in the manufacturing sector. While past strategies led by the Kenyan government, such as Vision 2030 and the Kenya Industrial Transformation Programme (KITP), have shown strengths, they have also suffered from implementation failures, which have then hampered growth in micro, small and medium-sized enterprises (MSMEs). The Big Four agenda – coordinated by the Presidency and implemented by a range of ministries such as the Ministry of Industry, Trade and Cooperatives (MOITC) – aims to achieve industrialisation through a range of actions, including the expansion and creation of economic zones and industrial clusters. Successful integration of value chains and economic zones (such as industrial parks, export processing zones (EPZs) and special economic zones (SEZs)) with the local economy (specifically MSMEs) will be crucial to ensure zones help transform the whole economy, rather than becoming standalone enclaves.

This study aims to support Kenya's Executive Office of the President by suggesting ways to better integrate leather, textiles and garments MSMEs into value chains, economic zones and industrial parks. The research draws on secondary literature and in-depth primary interviews with more than 40 stakeholders across the leather, textiles and garments value chains, especially in Nairobi. These include CEOs and technical officers of MSMEs and large companies, national and county government officials and representatives of business associations, clusters and economic zones and international organisations. We also draw on perspectives obtained at three multi-stakeholder roundtables involving over 200 representatives, which discussed the challenges facing MSMEs in participating in value chains and entering EPZs, along with macro issues linked to industrial policy design, financing and trade barriers. Many stakeholders were nationwide, but in-depth interviewees were mostly from Nairobi, which limits the scope of the analysis and findings. The roundtable in July 2018 was one of the first stakeholder meetings to bring together participants across the value chain. Box 1 summarises the key findings of the research.

This summary:

1. discusses the role of MSMEs in Kenyan manufacturing and job creation
2. analyses pathways for integrating MSMEs into value chains and economic zones and strengthening clusters
3. develops a baseline of MSME capabilities, constraints and pathways of participation in leather, textiles and garments value chains and zones, using primary data
4. presents key policy measures crucial for supporting MSMEs and value chains and
5. highlights three practical steps forward.

MSMES ARE A KEY FACTOR BEHIND INDUSTRIALISATION AND EMPLOYMENT IN KENYA

MSMEs in the Kenyan economy

MSMEs are a crucial component of the Kenyan economy. They constitute approximately 80% of Kenyan businesses and together employ close to 14.9 million (78% of the labour force). Approximately 7.4 million MSMEs in Kenya collectively contribute about a third of the country's gross domestic product (GDP), and yet over 85% of them are unlicensed enterprises. Around 400,000 MSMEs fail annually, with almost 90% of start-ups operating for less than two years.

The manufacture of wearing apparel (41.6% of licensed MSMEs or 72,602 firms) and food production form the majority of manufacturing activities undertaken by MSMEs. Only around 1% of MSMEs are

involved in leather-related (1,786 firms) and textiles (2,734 firms) manufacture. Almost 90% of firms in textiles, wearing apparel and leather manufacture are categorised as 'micro', and only 10% of leather-producing firms are categorised as medium-sized.

Box 1: Key findings

- Kenya's industrialisation policies risk missing important opportunities for broad-based economic transformation if implementation of the strategies does not focus on the role of small, local firms in manufacturing.
- The Big Four agenda announced by President Kenyatta in 2017 aims to achieve industrialisation through the expansion and creation of economic zones and industrial clusters (parks, free trade zones, MSME clusters), but further work is required to define, design, coordinate and implement economic zones.
- Our interviews in the leather, textiles and garments sectors, conducted mainly in Nairobi county, suggest MSMEs are linked into value chains through seven linkages, ranging from backward and forward integration with large firms, supporting production of core products, to providing a range of intermediary services.
- Examples of MSMEs in the leather, textiles and garments sectors that illustrate such linkages are Dagoretti slaughterhouses, which have backward linkages providing raw hides and skin; Preca in the Limiru cluster, which has developed forward linkages with Bata, a major shoe manufacturer; Thika and Rivatex, Kenya's two largest milling companies in textile value chains that both buy from and sell to other MSMEs; the Uhuru Market textiles and garment cluster, which has the potential to provide forward linkages through fast fashion design and subcontracting for larger firms; and, finally, Tulip, one of the only MSMEs in garment manufacturing that has successfully relocated to an EPZ.
- More and better linkages can and should be promoted. Short- and long-term measures that can help MSMEs integrate into value chains include:
    - better provision of information along the value chain
    - safeguards against illicit trade
    - provision of economic fundamentals such as targeted infrastructure, skills and finance
    - promoting international market access
    - improving dedicated institutions.
- Many actors have a role to play, and the Presidency should coordinate a range of actions building on the activities of their main implementing partners, such as MOITC and agencies including Kenya Industrial Estates (KIE) and the Micro and Small Enterprise Authority (MSEA). Immediate priorities for the Executive Office of the President include:
    - restructuring MSME public and private institutional support structures, taking on board and feeding into current reviews by the Government of Kenya
    - introducing more and better-dedicated incubator and accelerator programmes for MSMEs by enhancing existing initiatives and filling gaps where needed
    - creating a level playing field for local firms in economic zones planned by Government.

Jobs and industrialisation challenges in the Big Four agenda

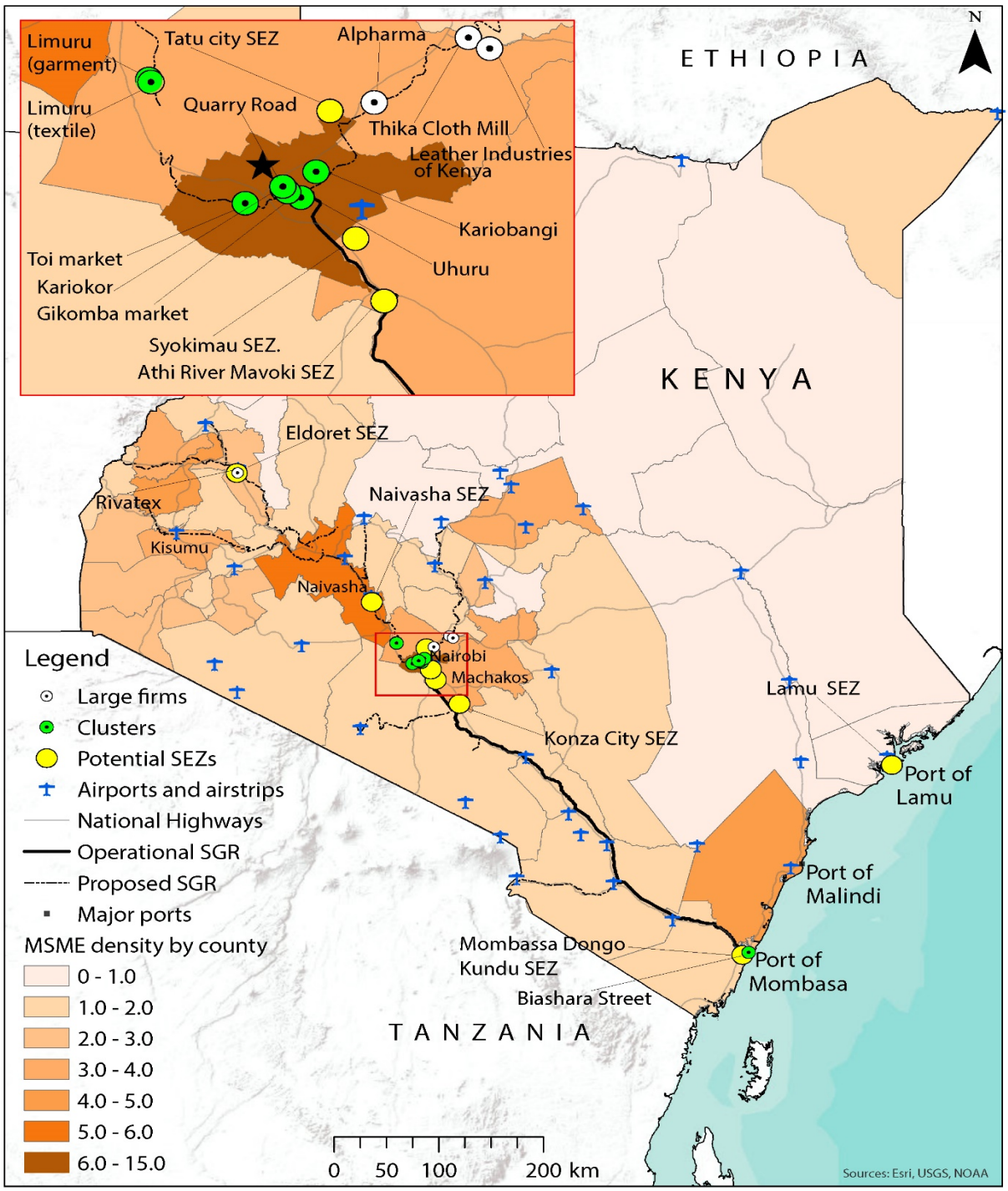
Approximately 3.9 million people will enter the labour market in the East African Community each year between 2015 and 2030, requiring an additional 2.6 million jobs annually, or 7,000 jobs each day. At the current rate of population and employment growth, 14 million people in Kenya may be unemployed by 2030. The aim of the manufacturing pillar of the Big Four agenda is to create at least 50,000 new jobs by 2022 and to generate revenues of $3.5 billion through the development of these zones and parks.

International experience from Ireland and East Asian economies such as Singapore (Jurong), Malaysia (Penang) and especially China suggests governments can promote local industrial capabilities over time by building linkages between clusters and local firms. These governments have fostered inclusive industrial clusters by concentrating investments in high-quality institutions, social services and infrastructure in a limited geographical area, such as an SEZ, and through a deliberate

strategy of promoting close linkages between within-zone firms and local firms through active linkage programmes, supplier development programmes and skills development.

Figure 1 presents a map of potential SEZs; leather and garment clusters (e.g. Kariokor, Uhuru, Limiru); selected large leather, textiles and garments firms in Kenya; density of MSMEs by county; and infrastructural facilities (standard gauge railways (SGR), national highways, airports, ports). Not surprisingly, the hub of development is around the capital Nairobi and its periphery, with MSMEs located in this region possibly having much more access to large firms and more opportunities to relocate into SEZs close by. The location of MSMEs further away (e.g. Kisumu) implies less access.

Figure 1: Map of economic zones, MSMEs and leather and garment clusters in Kenya



Source: Authors

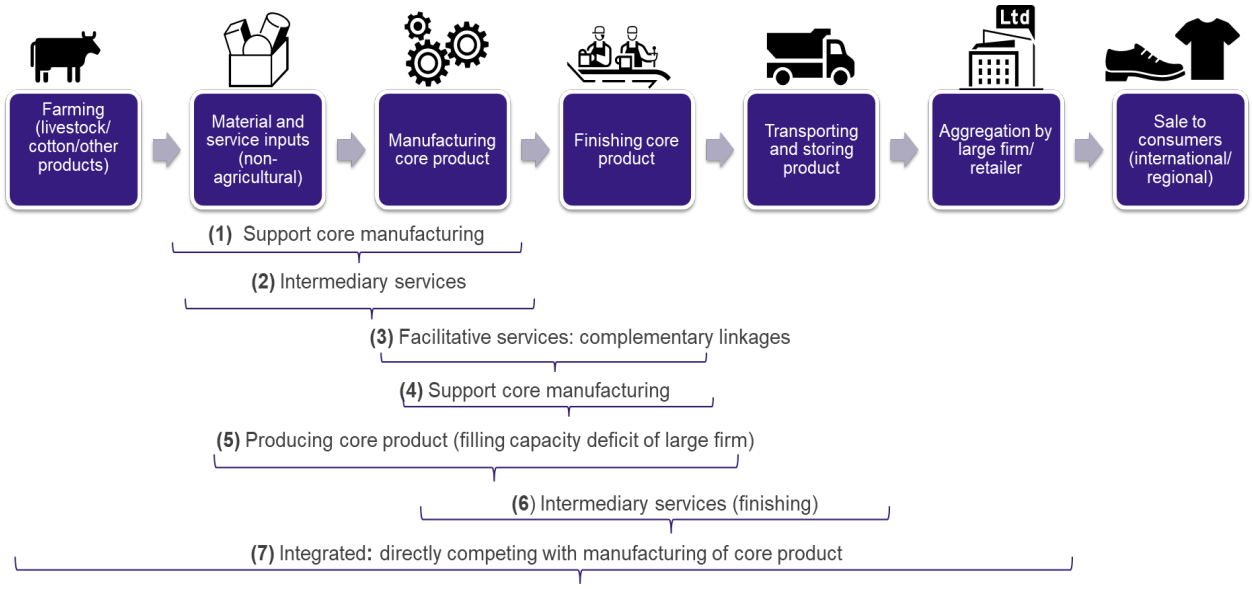
PATHWAYS FOR INTEGRATING MSMES INTO VALUE CHAINS

There are seven conceptual pathways through which MSMEs can link into value chains:

- *backward linkages* (supporting manufacturing of core parts required for intermediary products (1); providing intermediary services (2))
- *complementary linkages* (facilitating services not directly linked to manufacture of the product (3))
- *forward and logistical linkages* (manufacturing part of the final product (4); producing the core product (5); offering finishing services (6))
- *integrated linkages* (where MSMEs have relatively integrated backward and forward linkages and compete with large firms (7)).

Figure 2 provides illustrative examples of these pathways.

Figure 2: Pathways for MSME linkages into value chains



Sources: Authors' interviews and analysis

A review of the current capacity in value chains shows MSMEs in leather value chains participate through Pathways 1, 2, 3 and 6. These are generally low value-addition, require low- and semi-skilled technical capabilities, need low levels of mechanisation and are not complex tasks. Similarly, MSMEs in textile value chains participate through Pathways 1, 2 and 3, suggesting they are able to perform only peripheral tasks, as they have either old or none of the machinery required for performing high value-added tasks. MSMEs have greater opportunities to grow in garment value chains, as they perform tasks such as design, and to some extent branding or market services (Pathway 6), which increase the value capture of the product, and often subcontracting (Pathway 7). However, most MSMEs in garment value chains participate in pathways that do not require high skills. Table 1 summarises the main pathways of MSMEs in value chains.

CONSTRAINTS TO MSME INTEGRATION: EVIDENCE FROM INTERVIEWS WITH MSMES IN THE LEATHER, TEXTILES AND GARMENTS SECTOR

A crucial part of this study included interviewing various stakeholders and MSMEs within the leather, textiles and garments value chain and clusters/zones, predominantly in Nairobi county. The findings suggest there are a range of general constraints relating to MSME development and linkages. For

Table 1: Characteristics and existing pathways of MSMEs in value chains

Value chain	Characteristics of MSMEs in the value chain	Pathways of MSMEs in value chains
Leather	Most of the MSME capabilities range from low to medium as the focus is on backward linkages; tasks are not very complex and there are low levels of mechanisation.	1: Slaughtering and skinning 1: Tanning raw hides 2: Livestock brokers and agents for wet-blue 3: Performing cleaning services and providing food 4: Producing upper soles for shoes and stitching of shoes, and other accessories 6: Fast fashion design capabilities, for local, regional and international markets 7: Competition (e.g. with Kariokor cluster) 7: Producing and exporting leather
Textiles	MSMEs perform relatively low value-added and low-complexity work, and lack capacity to be subcontractors. They primarily perform tasks such as intermediary services (brokers, transport) and basic finishing work.	1: Cotton farming and coffee husk for boilers 1: Cotton input providers, such as of pesticides, seeds 2: Cotton brokers 2: Road transport and water supply services 3: Cleaning the factory floor and amenities 4: Dyes, chemicals for fabric finishing 4: Handlooms and embroidery 6: Supplying road transport
Garments	Tasks are low-capability and low-complexity, as MSMEs have limited capacity to design and brand products where more value-addition is possible.	2: Fabric import services 3: Cleaning the factory floor and amenities 4: Manufacturing local accessories 5: Subcontracting 6: Designing and branding for artisanal goods 6: Supplying road transport 7: Competition

Sources: Authors' interviews and analysis

instance, interviewees frequently cited lack of information, MSME support systems and finance as being the most challenging issues faced across all MSMEs. The constraints specific to value chains in the leather sector include poor quality of hides and skins, informality and lack of hygiene in slaughterhouses, high cost of power, low quality of raw products in tanneries, high import tariffs and dependence on old technology. For the textiles sector, they were low yields of cotton production, improper agronomic practices leading to environmental degradation, lack of irrigation and use of obsolete technologies in spinning and yarn formation. Finally, for the garments sector, the key constraints were the rise of cheap and illegal imports, lack of technology to carry out routine tasks such as cutting, lack of local capacity and skills to perform higher value-added work and an uneven playing field that supports the growth of large players while simultaneously disadvantaging MSME participation in garment manufacturing.

In addition, our analysis also suggests there are constraints specific to how economic zones are designed, including lack of understanding across stakeholders on the terminology or key facets of an economic zone; insufficient coordination across governmental agencies; and the deployment of a top-down approach to strategic zone development and implementation, which reduces the scope for involvement of county governments and local knowledge diffusion. Box 2 describes examples of major pathways through which MSMEs have integrated into value chains and EPZs.

POLICY MEASURES CRUCIAL FOR SUPPORTING MSMES AND VALUE CHAINS

We review current policies towards MSMEs (such as Vision 2030, KITP and the Big Four agenda, which will guide government strategy from 2018 to 2022), the MSE Act and MSEA, the SEZ Act, Biashara Bank and other initiatives.

Box 2: MSMEs in leather, textiles and garments value chains – insights from interviews

Interviews for this report uncovered a number of cases illustrating how MSMEs can be successfully integrated into value chains. For example, MSMEs perform slaughterhouse functions in leather value chains. The Dagoretti slaughterhouses are three MSMEs that directly employ approximately 250 employees and indirectly employ 60,000. They supply large volumes of raw leather and hides to larger enterprises, although, owing to a lack of extension services (health and safety, training in skinning), they are unable to increase productivity. In another part of the leather value chain, Preca, in Limiru cluster, is a three-year-old MSME with around 15–20 employees that has successfully developed backward linkages with the major shoe manufacturer Bata. Preca provides Bata with high-quality leather produced using mechanisation, allowing Bata to craft high-quality upper soles for shoes that meet the requisite international standards. Finally, Stealth Hides and Tanneries, located in Nairobi's Industrial Area, participates across the leather value chain. While Stealth has core competence in tanning and supplying semi-processed leather, the firm has expanded into manufacturing car upholstery, which is sold to local automobile manufacturers and also exported to Egypt.

Thika Textile and Rivatex are Kenya's two largest milling companies in the textiles value chain. These mills are important as they purchase cotton gin, dyes, chemicals and embroidery services from MSMEs, while also selling their final product to other MSMEs in garment manufacturing. However, these mills are not operating at full capacity, primarily because of lack of orders and high-quality cotton available to them from ginneries. Finally, the Uhuru Market textile and garment cluster has a membership of about 180 individuals and specialises in the development of thread and fabric for uniforms, which are currently in shortage across Kenya. If supported better, this cluster could substitute for imports of textiles, thereby reducing overall transaction costs for garments firms and increasing their competitiveness.

Tulip specialises in overalls, dust coats and t-shirts, and is an interesting example of a garment manufacturing SME that has successfully relocated to an EPZ. The firm has 200 sewing machines and employs 60 staff, and has successfully upgraded and improved the overall quality of its garments through technology transfer from Sri Lanka.

After taking stock of existing initiatives and agencies, including those implemented by MOITC such as KIE (Box 5), and assessing the needs of MSMEs that have not yet participated in existing initiatives, the main report discusses a range of policies that can help MSMEs integrate into value chains. These can be summarised as follows:

- provision of information along the value chain (business advisory, knowledge management support)
- strengthening clusters through improving access to finance, technology, business management skills and technical skills, by encouraging partnerships with incubator and accelerator programmes that better integrate them into value chains and economic zones
- safeguards against illicit trade
- provision of economic fundamentals such as infrastructure, skills and finance (e.g. through incubator and accelerator services, Biashara Bank-proposed support and others)
- promotion of market access
- enhancement of existing dedicated institutions such as KIE and MSEA

We suggest that MOITC remain responsible for implementation of the policy suggestions and the Executive Office of the President support the coordination of inter-ministerial activity to drive the cross-cutting interventions in MSME development, including supporting MOITC's priority areas of intervention to avoid duplication of roles and enhance collaboration.

Box 3: The crucial role of MOITC in strengthening the role of MSMEs in leather, textiles and garments value chains

MOITC's experience is that the greatest challenges in addressing the integration of MSMEs into value chains successfully are:

- inadequate capacity (financial and human) of the implementing agencies to execute the strategies identified in current and previous development plans, including under the Big Four Agenda Manufacturing Plan
- need to facilitate and strengthen the institutional framework established by Government to support MSMEs
- delayed operationalisation of the relevant legal frameworks such as the MSE Act, owing to funding constraints, to conclude regulations and operationalisation
- lack of alignment between MSME development priorities and budget allocation.

Illustrative actions by MOITC to strengthen MSMEs include the following:

- continue policy reviews and reforms to promote inclusivity of MSMEs
- establish the MSME digital portal, which will host a database of MSME profiles that will provide a basis for credit- and trust-rating to facilitate de-risking and improve access to funding. MOITC requires support in collating all relevant data and information on the value chains sought by MSMEs
- finalise the MSME financing policy, which seeks to establish a Credit Guarantee Scheme and to operationalise the MSE fund, which is provided for under the MSE Act
- strengthen institutions dealing with MSEs – that is, MSEA and KIE.

The implementation role of MOITC in each value chain is further detailed in Tables 2 and 3.

Box 4: The role of county government in supporting MSMEs – the example of Nairobi county

Under the devolved government structure, county governments have their own initiatives targeting MSMEs, which complement efforts by national government. It should be noted that county governments are fairly independent, and thus vary in terms of the extent of support deployed to MSMEs as well as the approach used.

In order to more effectively harness county capabilities towards MSME development, the following measures will be important:

- development of a framework by MOITC in consultation with county governments to ensure more effective coordination and complementarity in efforts to target MSMEs. This may include the development of a list of priority MSME value chains for each county, such as agro-processing
- better engagement by county governments on land under their ownership that could be assigned to county MSME initiatives
- a stronger role for counties in providing marketing opportunities, such as organising trade fairs for MSMEs.

Highlights from Nairobi county

The bulk of the research for this evaluation was conducted in and around Nairobi county, which already provides the following support for MSMEs:

- provision of space for MSMEs during trade fairs such as the Nairobi International Trade Fair and other regional exhibitions
- provision of land for the development of MSMEs
- capacity-building and training with a focus on entrepreneurship.

Other initiatives are also under development. For example, the Nairobi county government plans to launch the Nairobi MSE financial support board.

Box 5: The role of Kenya Industrial Estates in building clusters and supporting MSMEs

KIE is a government agency under MOITC and, among other services, offers incubation and accelerator support deployed via work sites and industrial parks, which is complemented by financial support and business advisory services. KIE has 37 industrial parks/incubators, which serve as work sites and accelerators to MSMEs in 37 of the 47 counties in Kenya. It hosts modern incubators in Nairobi Industrial Area, which could be replicated to meet the specific needs of individual clusters such as the Uhuru Market textile cluster. KIE focuses on the following sectors/value chains: textiles and apparel; leather and leather products; agro-processing; metal fabrication and furniture-making; and construction materials.

KIE has already financed and offered business advisory services to textiles and apparel customers in the Jogoo Road/Uhuru Market cluster as well as to leather MSMEs in the Kariokor cluster. In Nairobi, it has supported entrepreneurs in the textiles, leather and leather products, agro-processing, metal fabrication and furniture-making and construction materials sectors, as detailed below:

Sector	No. of MSMEs	Financial support (Kenyan shillings, Ksh)
Textiles and apparel	66	34,570,192
Leather and leather products	18	47,028,412
Agro-processing	124	62,688,972
Metal fabrication and furniture	28	35,409,750
Construction materials	26	16,901,286
Total	262	196,598,612

Projected targets for support in each cluster for the next two years are as follows:

Sector	No of MSMEs	Budget Ksh (millions)
Textiles and apparel	4,500	450
Leather and leather products	1,200	120
Agro-processing	8,000	800
Metal fabrication and furniture	1,800	180
Construction materials	1,700	170
Total	17,200	1,720

KIE lists under-capitalisation as a key challenge constraining its ability to deploy both financial and technical support to MSMEs. As such, we recommend that the Executive Office of the President enhance existing institutions such as KIE.

The short-term (Table 2) and long-term (Table 3) policy measures we propose for increasing MSMEs' participation in value chains and designing inclusive clusters and zones are explained below. The Presidency can play a useful coordinating role in ensuring these measure are implemented with a collaborative approach. MOITC will be the lead implementer, and during the course of the research provided a range of important ideas and examples of policy actions, many of which are reflected in the tables (some others are available upon request).

Table 2: Short-term policy suggestions to integrate MSMEs with value chains

Value chain	Key policy required	Key benefits	Main actors to involve
Leather	Provision of info on sector along the value chain: livestock census; quality and quantity of hides collected; environmental compliance of tanneries; trade information on the African Growth and Opportunity Act and countries with demand for leather goods	Comprehensive data and analysis of the entire value chain that are regularly updated and that inspire policy and strategy for government and non-state actors	Ministry of Livestock; MOITC; Kenya Leather Development Council; Ministry of Environment; relevant SMSE associations; Kenya Private Sector Alliance (KEPSA) Kenya Association of Manufacturers (KAM); Kenya National Chamber of Commerce and Industry (KNCCI); county governments
	Development of common manufacturing facilities for leather goods subsector MSMEs	High-quality leather goods and productivity for MSMEs	MOITC; MSME leather associations; fashion associations
Textiles	Provision of info on the sector along the value chain: updated data on cotton production, ginning activity and MSMEs active in textile manufacturing and weaving	Comprehensive data and analysis of the entire value chain that are regularly updated and that inspire policy and strategy for government and non-state actors	MOITC; Ministry of Agriculture;; Cotton Development Authority; relevant SMSE associations; KAM; county governments
	Commercialisation of seed varieties that have better yield to improve cotton production	Higher cotton yields for textile production	MOITC; Ministry of Agriculture; Cotton Development Authority
	Development of a strategy for the fashion subsector under the Creative Sector Policy	Stronger functional linkages between textiles production and fashion subsector	MOITC; KAM; KEPSA; KNCCI; fashion associations; handloom associations
	Development of a branding and marketing strategy for textiles and garments subsectors	Stronger investor and market interest in investment in and purchases from the subsectors	MOITC; KAM; KEPSA; KNCCI; fashion associations; handloom associations
Garments	Provision of information on MSME garment manufacturers and the fashion subsector	Comprehensive data and analysis of the entire value chain that are regularly updated and that inspire policy and strategy for government and non-state actors	MOITC; relevant MSME associations; KEPSA; KAM; KNCCI; county governments
	Linking EPZ companies with local manufacturers to support growth of MSMEs (e.g. using VAT exemptions)	Stronger functional linkages between EPZs and MSMEs	MOITC; EPZA; relevant MSME associations; KEPSA; KAM; KNCCI; county governments
	Development of common manufacturing facilities for fashion subsector MSMEs	High-quality garments and productivity for MSMEs	MOITC; MSME garment cluster associations; fashion associations; handloom associations

Value chain	Key policy required	Key benefits	Main actors to involve
	Development of market access opportunities for MSMEs to local, region and international markets	Increased market access for MSMEs	MOITC: Export Promotion Council; county governments; annual fashion event organisers
General: **Economic zone design, development and implementation**	Inform the task force concerned with economic zone development on the definition and legislation, ensuring a level playing field and opportunities for MSMEs	Clear definition, legislation and practices of economic zones that provide opportunities to MSMEs and SEZ development	MOITC (leather, textile and SME desks); economic zone development bodies (EPZA, SEZA); relevant MSME associations; all county governments, to develop a policy framework/strategy on industrialisation
	Coordinate economic zone design, development and implementation	Better government coordination of economic zone design, development and implementation internally and with non-state actors	MOITC; Economic Zone Task Force/Development Coordination Unit coordinated in the Presidency that supports MOITC economic zone financing and implementation of activities (work with and enhance SEZA)
	Enhance private sector participation, from both large companies and MSMEs	Private sector buy-in on zone design and development	MOITC; EPZA; SEZA; KAM; Kenya Private Sector Alliance; relevant MSME associations.
General	Provision of info on value chains, e.g. KIE, MSEA and county-level government; and funding opportunities for MSMEs through Biashara Bank and private equity support	Accurate and updated info on MSME sector to better inform policy and strategy; MSMEs able to better leverage funding opportunities	Kenya National Bureau of Statistics (KBS); MOITC, especially MSEA
	Creation of an MSME readiness tool that assesses MSME readiness for financing and economic zone integration	MSMEs ready for financing and economic zone integration	MOITC; Ministry of Livestock; Ministry of Agriculture; EPZA and SEZA
	Finance vehicles by Biashara Bank and selected banks that target MSMEs	Increased access to finance for MSMEs	MOITC; Biashara Bank and banks with an MSME focus
	Establish an MSME Credit Guarantee Scheme and operationalise the MSE fund	Increased access of financing for MSMEs	Various
	Coordinate MSME development	Better government coordination of MSME development internally and with non-state actors	MSME Development Coordination/Oversight Unit in Presidency, with clear links to implementers such as MOITC
	Implement counterfeit legislation building on recent successful activities (create awareness and uptake of intellectual property)	MSMEs protected from imports of illegal and substandard goods	MOITC; Multi-agency Taskforce on Illicit Trade; Kenya Anti-Counterfeit Agency; KBS

Table 3: Long-term suggestions to integrate MSMEs with value chains

Value chain	Key policy required	Key benefits	Main actors to involve
Leather	Value chain interventions for animal herders; abattoirs and slaughterhouses; hides and skins traders; tanneries and leather goods producers	Better-quality leather and leather goods	Ministry of Livestock; MOITC; Kenya Leather Development Council; relevant MSME associations; KAM
Textiles	Value chain interventions for cotton producers; ginneries; textile manufacturers	Better cotton production and textile manufacture	Ministry of Agriculture; MOITC; Cotton Development Authority; relevant MSME associations; KAM
Garments	Value chain interventions focused on MSME garment producers	Higher profitability for MSME garment producers	
	Develop an investment policy for economic zones with a focus on manufacturers of accessories, (trims, threads, zippers, buttons and lace)	Better garment input ecosystem for value-addition by MSMEs	MOITC; KenInvest; KAM; KEPSA; KNCCI
Economic zone coordination and implementation	Physical infrastructure development	Economic zone facilities that attract private sector and investors	Economic Zone Development Coordination Unit/Task Force
	Social infrastructure development	Facilities that attract and retain appropriate labour for economic zones	Economic Zone Development Coordination Unit/Task Force
General	Incubator for micro and small enterprises; accelerator programme for medium enterprises, drawing on those developed by KIE for example	Development of MSMEs ready for financing and economic zone integration	MOITC; MSEA, MSME associations
	Development of a united MSME body	United MSME representation led by MSMEs for coordination of sector	Relevant MSME associations
	Restructure and support MSEA	An MSEA that is supported by MSEs and is active and engaged in activities focused on MSMEs	MOITC; relevant MSME associations
	Cheap, reliable and accessible electricity	Affordable and high-quality electricity for MSMEs	Ministry of Energy; MOITC
	Skills development	Better-skilled, productive and profitable MSMEs	MOITC; Ministry of Education; Technical and Vocational Education and Training Authority

WHAT NEXT?

We suggest three priority actions for the Executive Office of the President:

1. *Restructure MSME support structures such as MSEA by feeding into current reviews by the Government of Kenya:* Institutions supporting MSME development are fragmented on both the public and the private sides, leading to the neglect of MSMEs' interests. The Executive Office of the President can coordinate government actions towards MSMEs, promote a change in the governance of MSEA, increase the transparency of MSME integration and create a hotline for MSMEs. There is some value in central coordination, but clearly any restructuring needs to take into account existing reviews and, when appropriate, enhance the activities already implemented by line ministries such as MOITC.

2. *Introduce more and better-dedicated incubator and accelerator programmes:* Many MSMEs are not ready for linkages, but some are, or can be prepared with support. An incubator programme could start with promising MSMEs such as those in the Kariokor leather cluster and Uhuru garment cluster. It will be important to be informed by and/or support existing government structures in this area, such as incubator and accelerator programmes provided by KIE.

3. *Involve county governments*: Develop a framework for engagement with and by county governments in coordination with MOITC and private sector actors.