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**MINISTRY OF INDUSTRIALIZATION, TRADE AND
ENTERPRISE DEVELOPMENT**

State Department for Industrialization



Kenya Micro and Small Enterprises Policy

***Promoting Micro and Small Enterprises (MSEs) for Wealth and
Employment Creation***

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| THE NATIONAL ASSEMBLY | |
| PARLIAMENTARY | |
| DATE: ^{10th} 05 OCT 2020 | DAY. |
| TABLED BY: | Leader of Majority |
| CLERK-AT THE TABLE: | Rene Oando |

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Foreword

Micro and Small Enterprises (MSEs) provide enormous opportunities for socio-economic transformation of Kenya's economy. While the Sector has received policy attention since 1965, it is yet to fully achieve its full potential.

Development of this Sector therefore, is central to realization of national development goals anchored in the Kenya Vision 2030 and the country's Big Four Agenda. The Sector is particularly important for providing job and income opportunities for economically excluded segments of the population including youth, women, persons with disabilities and low-skilled persons, who experience disproportionately high unemployment.

The formulation of this policy utilized extensive review of literature, relevant surveys and critical review of past and existing policies. The reviews were guided by the aspirations and provisions articulated in the Kenya Vision 2030, the Constitution of Kenya and other regional and global development Agenda.

Despite past policy interventions, there are some persistent challenges and emerging issues impeding development of the Sector. These include access to affordable finance, access to markets, obsolete technology, lacuna focusing on the ecosystems for start-ups, regulatory environment and institutional coordination. Despite these challenges, the devolved governance structure under the Constitution presents development opportunities of decentralization of public services and roles of the county governments in development of infrastructure, enterprises and trade. There are also new sector-level national policies that provide opportunities for development of MSEs. In this regard, there is need to mainstream emerging issues and developments at the regional and global levels. The East African Community (EAC) Vision 2050 recognizes role of MSEs in regional industrial development agenda, underscoring the need for enhanced competitiveness through innovation and value addition to tap into intra and inter-regional trade opportunities. The AU Agenda 2063 aims to transform and grow the industrial base of the African Continent through value addition of natural resources and sectoral productivity growth, focusing on MSEs and agri-business. At the global level, the SDGs recognize broader socio-economic significance of MSEs and prioritizes development of the Sector through enhanced innovation and competitiveness.

The Policy's goal is to provide an integrated enabling business environment for the growth and development of productive MSEs in Kenya that make significant socio-economic contributions to the economy through provision of decent jobs and source of quality products. The objectives of the Policy are anchored on ten (10) challenges that emerged from critical review of literature and past policies, as well as extensive stakeholder consultations across the country targeting MSEs, policy implementing institutions, development partners and private sector representatives. The ten (10) objectives include: - (i) Entrenchment of entrepreneurial culture; (ii) Skills and capacity development; (iii) Access to domestic and export markets (iv) Access to a diversified and affordable range of financial products and services; (v) Access to decent and affordable infrastructure; (vi) Facilitation of start-ups; (vii) Promotion of formalization; (viii) Enhanced coordination and implementation of support programmes targeting development of the Sector; (ix) Conducive regulatory environment at the national and county levels; and (x) Mitigation of business external risks including those that are emerging and cross-cutting in nature.

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The Policy interventions therefore are aligned to these objectives and seek to enhance competitiveness, productivity and sustainability of MSEs in supporting the economy through provision of quality goods and services, decent jobs, incomes and wealth creation.

Ms. Betty C. Maina, CBS

Cabinet Secretary

Ministry of Industrialization, Trade and Enterprise Development

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Preface and Acknowledgments

The Kenya Micro and Small Enterprise Policy on “**Promoting Micro and Small Enterprises (MSEs) for Wealth and Employment Creation**” outlines the direction that the Ministry of Industrialization, Trade and Enterprise Development is taking to make the MSE sector competitive and productive in realizing the Country’s vision 2030 and the Big Four Agenda.

In preparing this policy, the State Department for Industrialization constituted a Multi-Agency technical team and contracted Kenya Institute of Public Policy Research and Analysis (KIPPRA) to provide consultancy services. The team adopted a participatory approach as required by the Constitution where views and comments by key actors and stakeholders from private and public sector, Development Partners, MSE Leaders and Operators were sort at regional and National levels. This involved several stakeholders’ regional forums and National breakfast meetings and validation workshop.

KIPPRA conducted a situational analysis that entailed the MSE sector development policies in the National, Regional and Global contexts. The consultant took stock of the sector’s internal strength, opportunities, weaknesses and threats. Thereafter, KIPPRA prepared tools of engagement which guided the stakeholders’ participation and contribution to the issues and proposed interventions used in the policy review. This helped in redefining of Micro and Small Enterprises, Vision and Mission, policy statement, guiding principles and Values, policy goal and Strategic objectives.

The policy details interventions and activities that will be implemented to deliver specific objectives in a coordinated implementation framework. In this regard, the various policy issues will require coordination and collaboration with other actors that have been identified in the framework. In addition, a monitoring and Evaluation framework for effective and efficient tracking of implementation of the MSE policy have been developed.

I wish to express my deep gratitude and appreciation to the MSE policy technical team that participated and contributed throughout the review process, KIPPRA team that provided consultancy and all those who participated in the preparation of the policy. I am confident that this policy serves as the MSE sector framework for decision making, planning, resource mobilization and utilization, monitoring and evaluation for the next five years. It is my hope that we will together turn the MSE sector and make Kenya an industrialized, globally competitive within the period and beyond.

Thank you and God bless you.

Dr. F. O. Owino, PhD, CBS
Principal Secretary
State Department for Industrialization

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ABBREVIATIONS AND ACRONYMS

| | |
|------------------|---|
| ACA | Anticounterfeit Authority |
| AfCFTA | African Continental Free Trade Area |
| AGOA | African Growth and Opportunity Act |
| AGPO | Access to Government Procurement Opportunities |
| AU | African Union |
| CoG | Council of Governors |
| CRB | Credit Reference Bureau |
| CUE | Commission for University Education |
| DVS | Directorate of Veterinary Services |
| EAC | East African Community |
| GDP | Gross Domestic Product |
| ICDC | Industrial and Commercial Development Corporation |
| ICT | Information and Communications Technology |
| IP | Intellectual Property |
| IPR | Intellectual Property Right |
| KEBS | Kenya Bureau of Standards |
| KECOBO | Kenya Copyright Board |
| KENIA | Kenya National Innovation Agency |
| KenInvest | Kenya Investment Authority |
| KEPHIS | Kenya Plant Health Inspectorate Service |
| KEPROBA | Kenya Export Promotion and Branding Agency |
| KIBT | Kenya Institute of Business Training |
| KICD | Kenya Institute of Curriculum Development |
| KIE | Kenya Industrial Estates |
| KIHBS | Kenya Integrated Household Budget Survey |
| KIPI | Kenya Industrial Property Institute |
| KIPPRA | Kenya Institute for Public Policy Research and Analysis |
| KIRDI | Kenya Industrial Research and Development Institute |
| KNBS | Kenya National Bureau of Statistics |
| KRA | Kenya Revenue Authority |
| MDA | Ministries, Departments and Agencies |

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|----------------|--|
| M&E | Monitoring and Evaluation |
| MFA | Ministry of Foreign Affairs |
| MOITED | Ministry of Industry, Trade and Enterprise Development |
| MOU: | Memorandum of Understanding |
| MSEA | Micro and Small Enterprises Authority |
| MSEs | Micro and Small Enterprises |
| MSMEs | Micro, Small and Medium Enterprises |
| NACOSTI | National Commission for Science, Technology and Innovation |
| NEMA | National Environment Management Authority |
| NGOs | Non-Governmental Organizations |
| NMC | Numerical Machining Complex |
| NCPWD | National Council for Persons with Disabilities |
| PPB | Pharmacy & Poisons Board |
| PPRA | Public Procurement Regulatory Authority |
| PWDs | Persons with Disabilities |
| R&D | Research and Development |
| RIA | Regulatory Impact Assessment |
| SASRA | SACCO Societies Regulatory Authority |
| SDGs | Sustainable Development Goals |
| SDT | State Department for Trade |
| ToT | Training of Trainers |
| TVC | Technical Vocational Centers |
| TVET | Technical and Vocational Education and Training |
| TVETA | Technical and Vocational Education and Training Authority |

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KEY POLICY DEFINITIONS

Micro enterprise means a business activity whose annual turnover is below KShs. 1 million and meets any of the following criteria;

- a) Employs less than 10 people; or
- b) Has total assets as shall be determined from time to time by the Cabinet Secretary (Responsible for matters relating to MSEs).

Small enterprise means a business activity whose annual turnover ranges between Kshs. 1 million and KShs. 5 million and meets any of the following criteria;

- a) Employs between 10-50 people;
- b) Has total assets as shall be determined from time to time by the Cabinet Secretary (Responsible for matters relating to MSEs).

MSE Associations means grouping of MSEs who come together under a common objective through a membership criterion for the common benefit of their members.

MSE Support Institutions means public or private institutions that are engaged in providing varied support services to MSEs.

EXECUTIVE SUMMARY

Significance of the MSEs Sector

The Micro and Small Enterprises (MSEs) account for a larger share of private sector enterprises across various sectors of the economy. The sector accounts for 24% of GDP, over 90% of private sector enterprises and 93% of total labour force in the economy. Development of this sector is therefore central to realization of national development goals anchored in the Kenya Vision 2030 and the Big Four Agenda. The sector is particularly important for providing job and income opportunities for economically excluded segments of the population including youth, women, persons with disabilities and low-skilled persons, who experience disproportionately high unemployment. The development of the sector also offers opportunities for progress towards realization of the regional and global policy commitments including the East African Community (EAC) Vision 2050, African Union (AU) Agenda 2063 and the Sustainable Development Goals (SDGs) of the United Nations. At the core of this regional and global policy commitments is the need for inclusive and sustainable development anchored on industrialization agenda.

Policy Formulation Process

The formulation of this policy utilized extensive review of literature, relevant surveys and critical review of past and existing policies. The reviews were guided by the aspirations and provisions articulated in the Kenya Vision 2030, the Constitution of Kenya and other regional and global development agenda. These reviews enriched insights on the Sector's policy evolution, policy gaps and the persistent constraints eroding potential of the sector. Inputs from a technical committee drawing membership from key institutions involved in development of the sector provided in-depth insights into opportunities and challenges relevant to the sector. Extensive consultations were held across the counties and the national level; first to elicit their views on challenges and opportunities in the sector, and second to validate the proposed policy interventions.

Rationale of the Policy

The rationale for formulating this policy on MSEs is three-fold. First, despite past and existing policy interventions, there are some persistent challenges and emerging issues impeding development of the sector. These challenges include those related to skills, access to affordable finance, access to markets, obsolete technology, policy lacuna focusing on the ecosystems for start-ups, regulatory environment and institutional coordination. Second, there is need to accommodate emerging issues and developments in the country. The Kenya Vision 2030 developed in 2008 emphasizes industrialization and equitable development as policy priorities. Additionally, the devolved governance structure under the Constitution of Kenya presents development opportunities in terms of decentralization of public services and roles of the county governments in development of infrastructure, enterprises and trade. There are also new sector-level national policies that provide opportunities for development of MSEs. These include the National Industrialization Policy 2012, the National Trade Policy 2017, the Kenya Investment Policy 2019 and the Kenya Youth Development Policy 2019. Given that activities of MSEs cut across all sectors of the economy, it is imperative to develop a new MSEs policy to reflect current situation and create policy implementation synergies across the sectors. Third, there is need to mainstream emerging issues and developments at the regional and global levels. The East African Community (EAC) Vision 2050 recognizes role of MSEs in regional industrial development agenda, underscoring the need for enhanced

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competitiveness through innovation and value addition to tap into intra-regional and inter-regional trade opportunities. The AU Agenda 2063 aims to transform and grow the industrial base of the African Continent through value addition of natural resources and sectoral productivity growth, focusing on MSEs and agri-business. At global level, the SDGs recognize broader socio-economic significance of MSEs and prioritizes development of the sector through enhanced innovation and competitiveness.

Goals and Objectives of the Policy

The policy's goal is to provide an integrated enabling business environment for the growth and development of productive MSEs in Kenya that make significant socio-economic contributions to the economy through provision of decent jobs and source of quality products. The objectives of the policy are anchored on ten (10) challenges that emerged from critical review of literature and past policies, as well as extensive stakeholder consultations across the country targeting MSEs, policy implementing institutions, development partners and private sector representatives. The ten (10) objectives include: - **(i)** Entrenchment of entrepreneur culture; **(ii)** Skills and capacity development; **(iii)** Access to domestic and export markets **(iv)** Access to a diversified and affordable range of financial products and services; **(v)** Access to decent and affordable infrastructure; **(vi)** Facilitation of start-ups; **(vii)** Promotion of formalization; **(viii)** Enhanced coordination and implementation of support programmes targeting development of the sector; **(ix)** Conducive regulatory environment at the national and county levels; and **(x)** Mitigation of business external risks including those that are emerging and cross-cutting in nature. The policy interventions are aligned to these objectives, seek to enhance competitiveness, productivity and sustainability of MSEs in supporting the economy through provision of quality goods and services, decent jobs, incomes and wealth creation.

Guiding Principles and Values of the Policy

The implementation of these policy is guided by twelve (12) guiding principles and values drawn from the National Values and Principle of Governance enshrined in the Constitution of Kenya and aspirations of sustainable development. The guiding principles and values reflect on the critical challenges facing the sector and are therefore embedded in formulation of the policy statements and activities to realize the policy statements. These include **(i)** Patriotism in promoting use and consumption of locally produced goods and services; **(ii)** Human dignity in ensuring business environment and practices take into account individuals' social and economic rights; **(iii)** Inclusiveness in ensuring participation and sharing of gains for all, including youth, women and persons with disabilities; **(iv)** Equality in access to opportunities and services; **(v)** Good governance to ensure accountability and transparency both on the part of MSEs and MSEs support institutions; **(vi)** Sustainable development, focusing on responsible business practices; **(vii)** 'Start-small grow-big' to ensure micro enterprises gradually grow into small and large enterprises; **(viii)** Economic diversification to tap into local, regional and international markets; **(ix)** Productivity and competitiveness through enabling environment (Infrastructure, legal and regulatory framework), skills, innovation and technology; **(x)** Integrated development approach through coordination synergies across actors, sectors and interventions; **(xi)** Regional and global integration through mainstreaming of policy developments and value chain integration to tap into the markets; and **(xii)** Effective communication to ensure MSEs' adequate involvement in policy formulation process, as well as communication on opportunities, services and markets.

Policy Statements

Strengthening entrepreneurship culture: In entrenching the entrepreneurship culture the government will develop an integrated approach to profile the success stories and benefits of entrepreneurship, inculcate entrepreneurship skills at all levels of education system, rebrand the MSEs sector to appeal to all, establish and maintain entrepreneurship award system and mainstream the issues of special interest groups in the entrepreneurship agenda.

Building MSEs skills to enhance their capacity: Recognizing the significance of skills and capacity of MSEs in productivity growth, policy interventions will seek to provide holistic demand-driven and well-structured capacity building programmes, promote skills and technology transfer, promote linkages between learning and research institutions for technology development and transfer to MSEs, create awareness initiatives on skills certification and mainstream the needs of persons with disabilities in skills development.

Expanding market opportunities for MSEs. The policy interventions will target domestic and export markets by addressing issues related to access to information, compliance with standards, product standardization, certification, value addition, local content opportunities, sub-contracting linkages and adoption of technology. The policy measures will also seek to create awareness on standards requirements, ensure compliance and strict enforcement of standards, promote standardization of MSEs products, create accessible digital portals for MSEs to access market information, establish sub-contracting framework, create awareness and streamline government procurement opportunities and establish creating marketing approaches, among other interventions.

Access to affordable finance: The policy measures consider availability/access and affordability of range of financial products and services including credit, savings, insurance, investments and payments in providing seed capital, working capital, investments in productive assets (capital investments) and risk mitigations. Key policy interventions will include strengthening self-sustaining funds for MSEs, financial literacy initiatives for awareness campaigns, promotion of non-traditional forms of collateral, frameworks for micro-leasing and partnerships in developing alternative sources of financing.

Providing accessible, affordable and decent infrastructure for MSEs: The critical infrastructure requirements for MSEs include road networks, energy, ICT, water and sanitation, waste management facilities, worksites, workspaces, common user facilities, storage facilities, incubation centers, one-stop shops and centers of excellences. Key policy interventions will include identification, mapping, zoning and securing all land designated for MSEs; integration of MSEs zones in national and county spatial plans; development of new and revamping of infrastructure; establishment of integrated *biashara* centers across the country; promotion of local manufacture of affordable tools and machinery for MSEs and enhanced collaborations in developing infrastructure. Other initiatives include mainstreaming the needs of persons with disabilities in infrastructure services.

Promoting start-ups: To facilitate new businesses with unique ideas, the policy measures will include: Establishment of an integrated framework for awareness, identification, and profiling start-

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ups across all counties; establishment of new and strengthening existing incubation centers; enhancing capacity for start-ups in acquisition of intellectual property rights, establishment of a structured approach for technology transfer and commercialization of innovations; and more engagement of private sector through partnerships and incentives.

Promoting formalization of MSEs: Majority of MSEs operate informally, constraining access to finance and markets among other opportunities. Policy measures towards formalization will include: Creation of awareness on registration procedures and benefits of registration; harmonization and streamlining of licensing and registration procedures; promotion of creative approaches for licensing and registration; and promotion of incentives towards formalization.

Strengthening coordination and implementation of support programmes: This intervention focuses on enhanced implementation of policies through synergies among state and non-state actors involved in the sector, monitoring and evaluation of support activities. The policy interventions will include development of a framework for coordination, implementation, and monitoring and evaluation of all MSEs policies, programmes, activities and development plans; creation of awareness on the importance of effective associations for MSEs and encourage their formation; and enhancing the capacity of MSEs support institutions.

Providing a conducive legal and regulatory environment: This intervention targets business environment in promoting reduced costs of doing business. The interventions will include establishment of an integrated and structured awareness creation approach on laws and regulations relevant to MSEs; establishment of a framework to improve the ease and cost of doing business for MSEs; and fiscal and other forms of incentives targeted at growth and development of MSEs.

Mitigating external business risks: MSEs face higher external business risks due to their nature of operations which poses a threat to their development. The aim of these interventions under this thematic area is to mitigate risks. The interventions geared towards addressing external business risks in the MSEs sector include development of effective risk mitigations, adaptations and coping mechanisms against hazards posing shocks to MSEs; and promotion of policy certainty for MSEs development.

Cross-cutting and emerging issues: These issues apply to a range of aspects relevant to MSEs, some of which are emerging at national, regional or global level. The focus is to mitigate risks, harness the gains and exploit the opportunities from these issues for sustainable growth of the MSEs. The policy measures will include effective and efficient governance structures to support MSEs; effective risk mitigations, adaptations and coping mechanisms against hazards posing shocks to MSEs; environmentally friendly business practices in MSEs activities; inclusivity of PWDs and other special interest groups; exploitation of existing and emerging opportunities; use of technology within MSEs program and initiatives; framework for knowledge management within the MSEs sector (including indigenous knowledge); policy certainty for MSEs development.

1 CHAPTER 1: INTRODUCTION

1.1 Background

The Micro and Small Enterprises (MSEs) provide enormous opportunities for socio-economic transformation of Kenya's economy. While the sector has received policy attention since 1965, it is yet to fully achieve its full potential. The Kenya Vision 2030, which identifies the sector as a seedbed of industrialization, aims to transform the economy into an industrialized upper middle-income status by the year 2030, offering a high quality of life to all the citizens. Currently, the country is classified as a lower middle-income economy. The economic pillar of the Vision 2030 aims to achieve 10% annual Gross Domestic Product (GDP) growth rates. The Kenyan economy enjoyed a robust GDP growth rates averaging 6% annually between 2010 and 2018. This growth rate was supported by macroeconomic stability, increased private consumption and agricultural production, accompanied by improvements in financial inclusion, business environment and investments in public infrastructure. With a real GDP of KShs. 4.8 trillion in 2018, Kenya is the largest economy in the East African Community (EAC) region.

The MSEs sector is a key cornerstone for realization of the Vision 2030 development aspirations since it accounts for significant proportions of the priority sectors under the economic pillar of the Vision 2030. These sectors include trade, manufacturing, agriculture and livestock, tourism and financial services. The MSEs are also involved in activities related to emerging sectors prioritized in the economic pillar of the Vision 2030 that include blue economy and extractive resources. Further, MSEs account for over 90% of the private sector enterprises, providing opportunities for realising inclusive development particularly under the devolved governance structure. A key objective of devolution is to promote equitable social economic development. The level of development is however concentrated in few urban counties. For instance, the Gross County Product 2019 shows 10 counties account for 54% of the national GDP. Nairobi alone accounted for 22% of national GDP.

The MSEs sector also provides opportunities for absorbing low-skill and economically excluded segment of the labour force including youth, women, persons with disabilities and those with low levels of education. The 2019 Kenya Population and Housing Census reveals persons below 35 years of age account for 76% of the population, an indication of a rising demand for job opportunities. The Census further reveals that youth in the age bracket of 15 to 34 years represents 36% of the population. On labour force 2.6 million of the economically active population is seeking work, of which females represent 44% and youth 68%. The youth are therefore disproportionately affected by unemployment. Additionally, 2% of the population live with disabilities of various forms including visual, hearing, communication, cognition, mobility and selfcare. Among the Persons with Disabilities (PWDs), 55% reported facing difficulties in engaging in economic activities.

A large proportion of the labour force derive their livelihood from the MSE sector. The sector therefore provides income for the poor and presents an avenue for reducing poverty. Poverty reduction has been a key policy priority in Kenya. The 2015/2016 KIHBS shows that while overall headcount poverty decreased from 47% in 2005/2006 to 36% in 2015/2016; the incidence is still high in rural areas at 40%.

The MSEs therefore provide immense potential for providing employment opportunities and inclusive development as envisioned in the Kenya Vision 2030. In recognition of the sector's potential, the government and other stakeholders have over the years introduced policy measures

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designed for the growth and development of MSEs sector. This policy builds on the gains of the previous policy initiatives while seeking to address the weaknesses, policy gaps, persistent and emerging challenges facing the sector.

Unlocking the potential of the MSEs sector through renewed policy interventions can provide the sector with capacity to create sustainable decent jobs and wealth creation especially among the economically excluded segments of the population including youth, women and persons with disabilities. The youth in particular accounts for 68% of the persons seeking for employment in Kenya and tapping into their innovativeness and technology savviness through a vibrant MSEs sector can yield demographic dividends for wealth creation.

1.2 Policy Review Process

The formulation of this policy was guided by an extensive review of literature, relevant surveys and critical review of the past and existing policies. This exercise enriched insights on the sector's policy evolution and the persistent challenges in policy implementation. The reviews were guided by the aspirations and provisions articulated in the Kenya Vision 2030, the Constitution of Kenya and other regional and global development agenda.

Further, key input was provided through a consultative and participatory approach involving a technical committee with representations from various Ministries, Departments and Agencies (MDAs) including; State Department for Industrialization, State Department for Trade (SDT), Micro and Small Enterprises Authority (MSEA), Kenya Industrial Property Institute (KIPI), Kenya Industrial Research and Development Institute (KIRDI), Kenya Industrial Estates (KIE), Kenya Investment Authority (KenInvest), Numerical Machining Complex (NMC), Kenya Bureau of Standards (KEBS) and Kenya Institute for Business Training (KIBT). The county governments were represented through the office of the Council of Governors (CoG). The Kenya Institute for Public Policy Research and Analysis (KIPPRA) played the lead role in guidance and development of the policy.

Through eleven (11) regional fora, views were elicited on existing challenges and opportunities facing the sector, with stakeholders covering all the 47 counties. The participants in the eleven (11) regional fora were drawn from the National Government, County Governments, MSEs, MSE Associations, Non-Governmental Organizations (NGOs), Development Partners and other players in the private sector. Further, two national consultative forums were held with Chief Executive Officers (CEOs) from state corporations, County Executive Committees (CECs) of Trade and Industrialization from across the country and CEOs from the private sector institutions. Finally, a national validation workshop was held with representatives from the government and non-government actors drawn from across the country.

1.3 Rationale of the Policy

Development of the private sector is key to industrial and economic development. While MSEs sector accounts for 24% of GDP and makes significant contributions to employment, addressing the challenges impeding its development and designing interventions to tap into emerging opportunities will immensely enhance its socio-economic contributions. The Government has since independence introduced policies to promote growth and development of the sector. The existing policy, Sessional Paper No. 2 of 2005 on Development of Micro and Small Enterprises for Wealth and Employment

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Creation for Poverty Reduction, was developed fifteen years ago. There is need to develop a new MSEs policy for the following three reasons.

First, despite past and existing policy interventions, there are some persistent challenges and emerging issues impeding development of the sector. These challenges include those related to skills, access to affordable finance, access to markets, obsolete technology, policy lacuna focusing on the ecosystems for start-ups, regulatory environment and institutional coordination. The 2016 MSMEs Survey and the 2019 FinAccess Survey shows MSEs have limited access to a narrow range of affordable finance for seed capital, working capital and investments in productive assets. Ease of access, affordability and terms of financing remain key obstacles to MSEs. Constraints on access to domestic and export markets relate to disadvantages of MSEs regarding costs of production, quality of products, access to information on markets and unfair competition emanating from illicit trade in the domestic market. Use of outdated technology for production of goods and services erodes efficiency and cost competitiveness. Start-up businesses, while expected to serve as the seedbed for industrialization face disproportionate challenges owing to uncertainties on viability of the innovative ideas and lack of historical information on performance of the business. The regulatory environment poses compliance costs for MSEs due to multiple institutions and licensing requirements. Despite the provisions in the MSEs Act of 2012, the efforts of support institutions involved in promotion and development of MSEs largely remain uncoordinated, thus weakening synergies that would accelerate development of the sector.

Second, there is need to accommodate emerging issues and developments in the country. The Kenya Vision 2030 developed in 2008 emphasizes industrialization and equitable development as policy priorities. The devolved governance structure under the Constitution of Kenya presents development opportunities in terms of decentralisation of public services and roles of the county governments in enterprise and trade development. There are also new sector-level national policies that provide opportunities for development of MSEs. For instance, the Kenya Investment Policy 2019 seeks to enhance value addition, competitiveness and integration of MSEs into the global value chain; and the National Trade Policy 2017 that seeks to renew development of the MSEs through supportive regulatory framework, preferential access to markets, supportive financing and innovation ecosystem. The Kenya Youth Development Policy 2019 seeks to promote self-employment through inculcation of entrepreneurship culture. Given that MSEs account for majority of the enterprises across various sectors of the economy, there is need to align the interventions of the MSEs policy to these national and sectoral policies to create synergies in policy implementation across sectors.

Third, there are emerging development issues at the regional and global levels which need to be mainstreamed in the MSEs policy. The East African Community (EAC) Vision 2050 recognises the role of MSEs in regional industrial development agenda and prioritizes enhancing competitiveness through innovation and value addition to tap into intra-regional and inter-regional trade opportunities. The AU Agenda 2063 focuses on MSEs as key in transformation and growth of the industrial base of the African Continent through value addition of natural resources and sectoral productivity growth. At global level, the Sustainable Development Goals (SDGs) recognise broader socio-economic significance of MSEs and sets an important agenda for development of the sector. In particular, SDG 8 envisages decent job creation, development of entrepreneurship, innovation and formalisation of MSEs while SDG 9 seeks to promote development of MSEs through access to a range of formal financial services and their integration into value chains and markets. Additionally, SDG 17 calls for

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partnerships in implementing development policies. The MSEs policy can benefit from the envisaged partnerships particularly with regards to financing, access to environmentally sound technology and generation of rich data to guide policy interventions. This MSEs policy is cognisant of these regional and global developments and envisions to mainstream the policy priorities anchored therein to position Kenya in the global market.

1.4 Policy Goal and Objectives

This policy aims to provide an integrated enabling business environment for the growth and development of productive MSEs in Kenya that make significant socio-economic contributions to the economy through provision of decent jobs and source of quality products. Specifically, the objectives of this policy are to: -

- i. Entrench entrepreneurial culture for development of MSEs.
- ii. Build skills for capacity development for MSEs.
- iii. Increase the share of MSEs access to the domestic and export markets.
- iv. Facilitate access to a diversified and affordable range of financial products and services by MSEs.
- v. Increase access to decent and affordable infrastructure services for MSEs.
- vi. Facilitate start-ups.
- vii. Promote formalisation of MSEs.
- viii. Enhance coordination and implementation of MSEs policies and support programmes.
- ix. Provide a conducive regulatory environment at the national and county levels for the development of MSEs.
- x. Address business external risks facing MSEs.
- xi. Tackle cross-cutting and emerging issues affecting MSEs.

1.5 Vision

A technologically advanced, highly productive, diversified and competitive MSEs sector for a globally competitive economy.

1.6 Mission

To create an integrated enabling environment for a highly productive and diversified MSEs sector for wealth and employment creation.

1.7 Guiding Principles and Values

This policy is guided by the National Values and Principle of Governance enshrined in the Constitution of Kenya and aspirations of sustainable development. The following principles and values underpin the formulation and implementation of this MSEs policy.

- i. Patriotism. This policy promotes use and consumption of locally produced goods and services.
- ii. Human dignity. The business environment and practices will be cognisant of individuals' social and economic rights.
- iii. Inclusiveness. The policy encourages participation of all members of the society including youth, women and persons with disabilities.
- iv. Equality. There is equal access to opportunities and government services.

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- v. Good governance. The development of the sector recognises transparency and accountability in MSEs and support institutions.
- vi. Sustainable development. The policy encourages responsible business practices.
- vii. Start small, grow big. The policy interventions will seek to promote the growth of micro enterprises to small, small to medium and medium to large enterprises.
- viii. Economic diversification. The policy interventions promote engagement in diversified economic activities to exploit domestic, regional and international markets.
- ix. Productivity and competitiveness. The policy interventions provide an enabling environment and support development of appropriate skills, innovation and technology to increase productivity and competitiveness of MSEs.
- x. Integrated development approach. This policy purposefully links and incorporates relevant MSEs support institutions and creates synergies at national and county level in the design, implementation and evaluation of policy interventions.
- xi. Regional and global integration. The policy promotes strategies that embrace value chain integration and synergies with relevant regional and global developments, treaties, agreements and obligations.
- xii. Effective communication. The policy provides for MSEs adequate involved in policy formulation processes, and opportunities and services available to them are communicated using effective channels.

1.8 Scope of the Policy

This policy applies to the National and County Governments, MSEs and supporting institutions which include state organs, the private sector, development partners and other non-state actors.

2 CHAPTER 2: SITUATIONAL ANALYSIS OF THE MSE SECTOR

2.1 Structure of MSEs¹

There are 7.4 million MSEs operating in Kenya. About 98% of the MSEs are micro enterprises that employ less than 10 persons. The medium enterprises account for only 0.2% of MSMEs in the economy. The low share of medium enterprises, commonly referred to as the 'missing middle', suggests constraints that limit growth of MSEs consequently denying the economy decent jobs and wealth creation. As such there is a need to address the constraints facing MSEs that limit their growth and hence their graduation to medium enterprises. There are opportunities for diversification of the sector in line with the Kenya Vision 2030, regional and global development policies that seek to promote development agenda through value addition. Three sectors including wholesale and retail trade, manufacturing, and food and accommodation services jointly account for 76% of the MSEs in Kenya. At individual sectoral level, the wholesale and retail trade sector accounts for 57% of MSEs while manufacturing and food & accommodation services accounts for 11% and 9% of MSEs, respectively.

Formalization, involving the process of obtaining licenses, registering with registrar of companies and compliance with statutory requirements such as taxation, social security and labour laws, serves as an important avenue for MSEs to access markets and services. About 21% of MSEs operate with licenses from county governments, out of which only 27% are registered with the registrar of companies. Micro enterprises registered with registrar of companies are only 4% compared to 67% of small enterprises.

Gender mainstreaming in development as articulated in the Constitution of Kenya and the Kenya Vision 2030 is an important consideration for promotion and development of MSEs. The MSEs Act No. 55 of 2012 underscores gender mainstreaming in all MSEs programmes and activities. The ownership of MSEs is male dominated either through individual or joint ownership. Males have ownership in 71% of the 7.4 million MSEs, individually or jointly. On the other hand, females have ownership in 53% of the total MSEs, individually or jointly. Female participation in MSEs ownership is relatively higher in micro enterprises compared to small enterprises. Further, female owned enterprises are largely informal and therefore face disproportionately higher constraints in access to opportunities such as finance and markets.

Business start-ups serves as the seedbed for private sector development, employment growth and sources of new products. The sector faces high mortality as 2.2 million MSEs closed within five years, mainly in the wholesale and retail trade sector (74%). As a result, about 3.1 million jobs were lost. Among the owners who closed businesses; 34% indicated they were not engaged in any other business; 29% started working for someone else; and 23% started other business. The failure of MSEs to grow and graduate into medium enterprises creates the policy challenge of 'missing middle.' The fact that majority of the closures happen within the first year shows the need for policy interventions in the early years of operations.

¹ The statistics in this Section are based on the 2016 MSMEs Survey (KNBS)

2.2 Socio-Economic Contributions of MSEs

MSEs play significant roles in the economy in terms of contributions to GDP, employment, investments and meeting various households needs. The MSEs in Kenya account for 24% of GDP. The micro enterprises alone account for 12% of GDP while small enterprises account for 11% of GDP. The contributions of MSEs in Kenya is however lower than that of South Africa (55%), Hungary (54%) and Malaysia (37%), suggesting opportunities for improvements with appropriate policy interventions.

Majority of the employed persons in Kenya work in the MSEs sector. The MSEs employ 14.1 million persons, accounting for 93% of the total labor force in the economy. The sector provides immense employment opportunities for youth, women and persons with disabilities. The 2016 MSMEs Survey shows that youth (18-35 years) and female accounted for 36% and 47%, respectively, of the persons employed by MSEs in Kenya. Further, according to the 2009 Population and Housing Census, 45% and 28% of female and male persons with disabilities, respectively, are employed in the MSEs sector mainly through the informal sector and small-scale agriculture. The mainstreaming of youth, gender and PWDs is therefore imperative, given the potential of the sector in supporting these interest groups.

The incomes generated by MSEs are used for investments and supporting vital household needs essential for socio-economic development. The 2016 MSMEs Survey shows that the main uses of MSEs earnings include expenditure on household needs (including food, health and education), business reinvestments, investments in new businesses and savings.

2.3 Policy Evolution

The policies in Kenya targeted at development of the MSEs can be traced from the *Sessional Paper No. 10 of 1965 on African Socialism and its Application to Planning in Kenya* that emphasised on African ownership and management of enterprises, skills and cooperative development. The policy further emphasised access to finance primarily through institutions such as Industrial and Commercial Development Corporation (ICDC) and market access through establishment of industrial estates and measures to address unfair trade practices. The interventions of this policy were intended to overcome socio-economic weaknesses of the colonial administration that for instance limited African involvement in entrepreneurship.

While the *Sessional Paper No 10* was successful in entrenching development of cooperatives in Kenya, the focus on markets was largely inward oriented and thus, there was little interventions to enhance competitiveness in a liberalised market that would occur in later years. The policy also sought to direct public investments to areas considered high potential, characterised by fertile soils and abundant rainfall, and this created marginalisation of Arid and Semi-Arid Lands (ASALs). Private investments consequently remained depressed in these regions. During this policy regime, heavy focus was also put on the role of public sector. There were therefore limited incentives to accelerate private sector-led development.

The *Sessional Paper No. 1 of 1986 on Economic Management for Renewed Growth* explicitly recognised the role of MSEs then termed 'informal sector and small-scale industries' in economic development. The explicit recognition of the sector was motivated by a comprehensive study undertaken by the International Labour Organisation (ILO), which showed that informal sector and small-scale industries had immense potential for socio-economic transformation of the economy

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through employment and income generation. Priority intervention areas included infrastructure development; access to finance; innovation and technology; skills development and extension services; and incentives for investments in machinery. Enhancing access to finance and strengthening training and skills development were again emphasised owing to limited achievements realised. *Sessional Paper No 2 of 1986* did not however provide a more comprehensive policy framework targeting the sector.

The *Sessional Paper No. 2 of 1992 on Small Enterprises and Jua Kali Development in Kenya*, which was informed by the report of a Special Taskforce established in March 1987 to review all policies for promoting small-scale enterprises in the country, provided a more comprehensive policy framework targeting the sector. The policy prioritised improved business environment for MSEs; access to finance through rural enterprise funds, venture capital development, credit guarantee schemes; innovation and adoption and utilization of technology; worksites and improved infrastructural facilities; access to markets by encouraging local consumption and the promotion exports; enhance skills and institutional support and enhanced coordination. The 1992 Sessional Paper clearly defined MSEs as enterprises employing 1-50 persons, thus providing a clear scope for the policy interventions. This policy also recognised the importance of providing fiscal incentives to the private sector to participate in development of the sector. For instance, it envisaged investments allowance for small-scale enterprises engaged in manufacturing outside Nairobi, and exemptions from import duties for investments in machinery by MSEs.

The implementation of the 1992 Sessional Paper was however weakened by lack of a legal framework to facilitate coordination of activities in the sector. Then, the Directorate of Applied Technology and the Division of Small Scale and *Jua Kali* Enterprises coordinated activities in the sector. This perhaps contributed to coordination challenges leading to their merger in the year 2000 to form the Department of Micro and Small Enterprises Development housed within the Ministry of Labour. The newly formed Department however continued to face challenges related to weak autonomy in resource allocation and decision-making.

The *Sessional Paper No. 2 of 2005 on Development of Micro and Small Enterprises for Wealth and Employment Creation for Poverty Reduction* builds on proposed interventions of the 1992 Sessional Paper. The policy prioritised MSEs access to markets, including public procurement reservations. It further provided for institutional support; technology development, acquisition and transfer, infrastructural development, information documentation and management, linkages between MSEs with medium and large firms; and access to finance through promotion of Micro Finance Institutions, SACCOs, and use of micro leasing thereby calling for enactment of relevant legal framework. The policy advocated for a regulatory framework that culminated into the enactment of the MSEs Act No. 55 of 2012.

The enactment of the MSEs Act 2012, established the MSEA with the mandate of promoting, developing and regulating the MSEs sector. This envisaged policy interventions were however weakened due to delayed operationalization of some provisions articulated in the MSEs Act, including the office of Registrar of MSEs, the MSEs Tribunal and the MSEs Development Fund. The MSEs fund is intended to finance promotion and development of MSEs including access to finance, capacity building, Research & Development (R&D), innovation and transfer of technology. Due to delayed operationalization of the MSEs Development Fund, most of these activities have remained unachieved.

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Despite the fact the 2005 MSE Sessional paper has been operational for 15 years, there are some interventions that remain unimplemented including a framework to promote business linkages between MSEs and large firms, micro leasing and database on MSE programmes. Other proposed interventions have been implemented inconsistently, such as the marketing of MSE products on certain streets on specific days. For such a policy to be effectively actualized, a market framework with clear guidelines needed to be established. The implementation challenges were further compounded by weak M&E system. Lastly, the 2005 Sessional Paper overlooked the role of innovation, incubation services as well as the contribution of youth in enterprise development and therefore excludes these important constituents.

Within the last two decades there also has been national policies that support the development of MSEs including the *Economic Recovery Strategy for Wealth and Employment Creation (ERS) 2003-2007* and the *Kenya Vision 2030*. The ERS 2003 - 2007 prioritised reduced regulatory compliance costs; formalisation; access to worksites and quality infrastructure; access to domestic and export markets; and linkages with medium and large enterprises. The Kenya Vision 2030 aims at transforming Kenya to a newly industrializing middle-income economy and underscores the importance of providing infrastructural support to small enterprises, identified as seedbeds of the country's industrial development, through industrial parks, special economic zones and introduction of centers of excellence.

Since the 2005 Sessional Paper, there has been other sector-level policies with aspects relevant to development of MSEs. The Sessional Paper No. 9 of 2012 on the National Industrialization Policy Framework for Kenya 2012-2030 builds on the aspirations of the industrialisation agenda of the Kenya Vision 2030. It calls for measures to support MSEs in the industrial sector through incubation centres, one-stop shop for enhanced services, sub-contracting linkages, establishment of industrial parks, access to public procurement, access to market information and establishment of industrial development fund. Both the Kenya Investment Policy 2019 and the National Trade Policy 2017 identify the need to support the MSEs through access to infrastructure and worksites, market access, access to affordable credit, skills development and information capital. The Kenya Youth Development Policy and the Digital Economy Blueprint 2019 recognize the complementary roles played by youth and ICT in development of MSEs. The Cooperative Development Policy 2019 aims to strengthen and modernise cooperatives through ICT, enhanced governance structure, improved value addition of agro-based cooperatives, capacity building and research. It also aims to promote participation of youth and women in cooperatives. These measures can support development of MSEs through access to finance, market opportunities and enhanced participation of youth and women in agro-based MSEs.

2.4 Challenges Facing MSEs

MSEs in Kenya face several challenges that limit their growth and development. Market access, infrastructure, legal and regulatory and finance constraints were reported as the top constraints experienced by 70% of micro enterprises and 62% of small enterprises, hence should be prioritized in this policy². Other challenges faced by MSEs include weak entrepreneurial culture, human

² Informed by the 2016 MSMEs Survey (KNBS)

resource and capacity constraints, low survival rates of start-ups, low levels of formalization, weak co-ordination and implementation and significant external business risks.

2.4.1 Entrepreneurial Culture

Entrepreneurial culture entails values, beliefs, mindsets and behavior that promote or constrain individuals or communities in starting and operating businesses successfully. The entrepreneurial culture influences development of MSEs through gender roles, religious and cultural beliefs, family and community expectations and perceptions, and way of doing business. Due to weak entrepreneurial oriented learning within the education system in the country, there has been a negative attitude towards venturing into entrepreneurial activities. Self-employment is often considered a reserve for less educated and for those who fail to secure white collar jobs. The MSEs are associated with low returns, thus remain unattractive especially to the youth who often seek quick returns. Additionally, influenced by negative cultural beliefs in some communities, the entrepreneurial development of PWDs has been derailed. Some communities believe that PWDs are cursed or bring bad omen, hence they do not want to be associated with them. Further, the PWDs have self-limiting beliefs on their ability to successfully engage in entrepreneurship.

2.4.2 Skills for MSEs Capacity

MSEs in Kenya are characterized by low managerial, financial, technical, technological and industry relevant skills. Despite the presence of numerous learning institutions and centers of vocational training, there is a weak link between the curricula and the practical skill set required in the industry. Even for the courses which supposedly offer practical skills to meet the current dynamics, they lack a practical orientation intended to equip learners with relevant skills. Moreover, the available curricula in learning institutions and other capacity building programs have not been fully designed to accommodate PWDs. Further, there is lack of a framework to effectively recognize and certify industry-relevant skills gained by artisans through practical experiences. Also, the uptake of innovation among the MSEs is low. Further, from the 2016 MSME Survey, about 0.7% of microenterprises and 0.2% of small enterprises invest in innovation related activities. Limited skills contribute to weak MSEs human and institutional capacity to undertake innovation required to boost productivity.

2.4.3 Access to Markets

Majority of micro (33%) and small (27%) enterprises in Kenya reported market access challenges as the most serious constraint to their growth and development. The main consumer of MSEs goods and services in Kenya are individual local consumers with a negligible proportion participating in export markets. There is also negative perception towards goods and services produced by MSEs as being of low quality, thus constraining the demand.

Local markets are also a challenge as evidenced by the limited business linkages and low levels of collaborations between MSEs and medium and large firms and amongst MSEs. Further, there is low participation of MSEs in the Access to Government Procurement Opportunities (AGPO). According to the 2016 MSME Survey, 0.3% of micro enterprises and 2.8% of small enterprises sell their products and services to the government. While a key motivation of AGPO is to enhance market access to special interest groups particularly youth, women and PWD, the initiative faces challenges in accessing the targeted group.

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The MSEs face significant competition to access local markets, largely emanating from illicit trade, including counterfeits. Further, there is low uptake of intellectual property protection amongst MSEs such as trademarks. Other factors include limited access to market and export information, low compliance with standards, certification and export market requirements, and high costs of doing business contributing to low competitiveness.

2.4.4 Access to Affordable Finance

The problem of low access to affordable finances remains a persistent challenge for MSEs in Kenya. Financing of MSEs is heavily depend on loans from traditional sources including commercial banks, SACCOs, microfinance institutions and informal sources such as *chamas*, family and friends. Even so, unstructured business operations, high levels of informality, limited information and weak collateral base pose key constraints that contribute to MSEs' exclusion in access to credit. Notably, credit exclusion is more pronounced among the youth, women and PWDs entrepreneurs, who mostly lack tangible securities. From the 2019 Household FinAccess Survey, only 15% of female entrepreneurs made applications to financial institutions for operating capital compared to 28% of the male entrepreneurs. These challenges are compounded by the fact that financial products and services are often not well designed or flexible enough to meet the needs and requirements of MSEs, rendering them ineffective and costly. According to the 2016 MSMEs survey, only 29% of the licensed MSEs reported to have applied for loans while majority of the unlicensed, about 85% reported not to have applied loans within three years. There has been high incidences of MSEs default on loans which leads to negative listing with Credit Reference Bureaus (CRBs) rendering them ineligible for future loans. Further, financial illiteracy contributes to poor financial management and low demand for financial services.

Owing to the critical role of access to financial services in development of the sector, the government has established institutions for providing financial support to MSEs. However, despite the initiatives, the problem of low access to affordable finance continue to persist and has been classified in two broad ways. First, majority of MSEs lack the awareness on the availability of the funds. They cite low awareness on the availability and the processes for accessing public funds such as group guaranteeing, long turnaround time, unfavourable loan limits and strict requirements which inhibit access to the funds. Secondly, the funds have been found to be unsustainable with the responsible institutions reporting high levels of non-performing loans. This is because the MSEs are not fully sensitized on effects of loan defaulting to the revolving fund.

Overall diversity, accessibility and affordability of financing options for MSEs remain important policy issues. Beyond credit there are other important financial products and services vital for development of MSEs. These include insurance, leasing and capital market instruments. While there are supply side constraints to deepening use of various financial products that include design of products suitable for MSEs, costs and availability, low levels of financial literacy, religious and cultural preferences remain significant demand side constraints.

2.4.5 Infrastructure

The challenges in infrastructure in terms of access, affordability and decency, rank second for micro (17%) and small enterprises (15%). These challenges relate to worksites, workspaces, incubation and storage facilities, ICT facilities, centers of excellence, common user facilities, road networks, sanitation and waste management, and utilities including electricity and water. Most of the MSEs operate in undesignated areas, therefore operate in fear and uncertainty of demolitions by county or

national government authorities. The challenges are compounded by insecurity in/around the worksites. Often, the indecent infrastructure contributes to the insecurity. Moreover, the poor infrastructure poses challenges to PWDs depending on the extent of disability.

2.4.6 Survival Rates of Start-Ups

The 2016 MSMEs Survey reveals that there is high mortality amongst MSEs start-ups. About 2.2 million MSEs closed within five years with 46% having not made it past the first year of operation. Majority of these closures were in the trade, accommodation and food services, and manufacturing sectors. Among the owners who closed businesses; 34% indicated they were not engaged in any other business; 29% started working for someone else; and 23% started other businesses. The main reasons for closures include finance constraints (30%); personal reasons (23%); market access constraints (20%) and shortage of stock or raw materials (6%).

2.4.7 Formalization of MSEs

The low levels of MSEs formalization serves as a constraint in markets access. Further, informal firms expect formalization to ease difficulties they face regarding access to finance, electricity, water and other public services; and lower corruption and harassment from public officials. Formalization process includes obtaining licenses, registering with registrar of companies and compliance with statutory requirements such as taxation, social security and labour laws. The 2016 World Bank survey report of informal enterprises in Kenya on registration reveals that 53% of the informal enterprises reported willingness to register. Main reasons for not registering include taxation post registration, high costs of registration, low perceived benefits from registration, inspections and meetings, and bribes.

2.4.8 Legal and Regulatory Business Environment

Majority of MSEs in Kenya operate informally. The informality further hinder development of MSEs as it limits their access to markets and financial services and consequently lowers growth opportunities. The regulatory business environment constraints have been identified as the third main constraint experienced by micro (15%) and small (13%) enterprises in Kenya which emanate from regulatory environment given the multiple licensing requirement and multiple procedures associated with business registration. Licensing in Kenya is also a costly and time-consuming process that involves multiple regulatory institutions at the county and the national government levels, multiple levies and taxes which increase costs of doing business. Further, weak governance of MSEs associations erodes the envisaged gains of forming associations.

2.4.9 Co-ordination and Implementation of MSEs Policies and Programmes

The sector is faced by weak co-ordination and implementation of policies and programmes, inadequate capacity of MSEs support institutions and limited engagement of MSEs in the policy process. There are several actors from public, private and development partners who provide various support services to MSEs which are largely uncoordinated and/or unmonitored. There is also weak synergy within government institutions and non-government actors, thus contributing to duplication of roles, and in some instances policy implementation gaps. The support activities such as capacity building, business development services, market access are largely disparately undertaken. Moreover, the Monitoring and Evaluation (M&E) system remains weak.

2.4.10 External Business Risks

MSEs are often at a higher disadvantage in the event of external risks, shocks and hazards. This is experienced by the fact that any business interruption leads to loss of income and investments. Some risks such as fire are further exasperated by infrastructure challenges as noted above particularly as relates to road access and other capacity constraints. MSEs especially agri-based are further exposed to additional risks such as plant and animal pests and disease outbreaks, droughts and floods which lowers productivity. Other risks MSEs are exposed to that present uncertainty are include droughts, floods, insecurity and political risks and insecurity. Further MSEs often lack security in terms of land tenure and often lack insurance to cushion against loss resulting from the risks.

2.5 Strengths, Weaknesses, Opportunities and Threats (SWOT) Analysis of MSEs Sector

The SWOT analysis of the MSEs sector was undertaken to guide the policy in areas for leveraging on the strengths, intervention areas to address the weaknesses, exploitation of opportunities and management of risks posed by the threats. Strengths and weaknesses are internal factors to the MSEs sector, while opportunities and threats are external to the MSEs sector. The SWOT analysis is provided in Table 1.

Table 1: SWOT Analysis of MSEs Sector in Kenya

| Strengths | Weaknesses |
|---|--|
| <ul style="list-style-type: none"> • MSE Act 2012 to coordinate development of the sector. • Various initiatives to promote activity in the MSEs sector including Kenya Youth Employment and Opportunities Project (KYEOP), <i>Stawisha</i> SME <i>Mashinani</i> initiative, county governments enterprise funds, incubation and innovation support (KIRDI, KIE, KEBS), infrastructure development support (MSEA, KIE, MOITED), and financing support from development finance institutions (KIE, IDB Capital Ltd., ICDC) • Formally established MSE associations to lobby for policies that create an enabling environment for MSEs including accessing markets. | <ul style="list-style-type: none"> • MSE Act 2012 is not aligned to the devolved governance structure and other national, regional and global developments, and MSEs Development Fund and Registrar of MSEs are yet to be implemented • High levels of informality that limit MSEs access to opportunities offered by affirmative platforms such as AGPO and targeted finance. • Limited skills that weakness the human and institutional capacity of MSEs. • Weak industry-academia linkages • Weak MSE linkages with medium & large industries either through sub-contracting or part of the supply/value chain. • Low R&D and innovation levels that limit advancing technology used in the sector. • Inadequate appropriate infrastructure including Industrial parks, workspaces, markets, utilities, ICT, roads. • Limited access to affordable finance. • Weak mainstreaming of gender and PWDs needs. • Market access constraints. • Limited knowledge on tax obligations that limit compliance. • Overlapping mandates and weak coordination of MSEs support institutions. • Weak governance of MSE associations. • Low diversification of MSEs products and services with majority of MSEs in wholesale and retail trade sector. |
| Opportunities | Threats |
| <ul style="list-style-type: none"> • National and sectoral policies that enhance synergy in development of MSEs. • Devolved governance structure with the county integrated development plans prioritizing flagship projects beneficial to development of MSEs. • Huduma centres across the country and Biashara/support centres. • Continued automation of the public service delivery system that serves to ease cost of doing business. • Existing initiatives that benefit the MSEs – Access to Government Procurement Opportunities (AGPO), and affirmative action funds targeting youth, women and persons with disabilities (YEDF, WEF, <i>Uwezo</i> Fund); platforms for trade exhibitions and trade fairs, and introduction of the Kenya Trade Portal (SDT) and multi-agency initiatives to combat illicit trade. • Regional trading blocs and trade agreements for expanded markets e.g. EAC, COMESA and AfCFTA, AGOA. • Value addition in agriculture, livestock, blue economy and extractives. • Robust tertiary institutions to support R&D, innovation, skills and technological transfer. • Youthful population. • Rich database of expired and unexploited patents. | <ul style="list-style-type: none"> • Multiplicity of licenses and of licensing agencies that increase costs of doing business • Illicit trade, including counterfeits that narrow opportunities in the domestic market. • Rapidly changing technology to keep abreast with competition in globalized markets. • Emerging risks attributed to climate change, diseases and global trade wars. • Cyber fraud/crime due to increased usage of ICT-enabled services. |

3 CHAPTER 3: MSE SECTOR POLICY STATEMENTS

The policy interventions highlighted in this section are envisaged to address the challenges that cut across the micro and small enterprises with a view of growing them to medium and ultimately large enterprises. The policy interventions are anchored on eleven (11) policy strategic objective areas stated in section 1.4.

3.1 Entrenching the Entrepreneurial Culture

Entrepreneurial culture embodies values, beliefs, mindsets and behaviour that promote or constrain individuals or communities in starting and operating businesses successfully. Entrenching entrepreneurial culture aims at gradually mitigating constraints related to these attributes at individual and community levels to enhance job creation, improve survival rates of MSEs and inculcate the spirit of 'start-small grow-big'. The following interventions will be employed to entrench entrepreneurial culture at individual and community levels:

- a) Develop an integrated approach to profile the success stories and benefits of entrepreneurship, promote peer talks, mentorship and role modelling to provide a platform for exposure (sharing and encouraging potential entrepreneurs) at grass root level.
- b) Inculcate entrepreneurship skills in all levels of education system as a compulsory subject with a practical orientation.
- c) Rebrand the MSEs sector to appeal to all.
- d) Establish and maintain an entrepreneurship award at National and County levels, subject to prescribed conditions.
- e) Promote mainstreaming of special interest groups on entrepreneurship.

3.2 Building MSEs Skills to enhance their Capacity

Capacity relates to utilization of knowledge and skills that make MSEs more efficient, adaptive and responsive to changing market conditions. To enhance managerial skills, financial skills, technical skills, technology and innovation, and industry relevant skills (link between the sector and learning institutions) the following interventions will be employed:

- a) Provide holistic demand-driven and well-structured capacity building programmes in all areas of MSEs business operations.
- b) Promote skills and technology transfer, acquisition and adaptation for MSEs across the counties.
- c) Strengthen and promote the linkages between the learning and research institutions, technology developers and MSEs for technology and skills transfer.
- d) Create awareness on government initiatives on artisan skills certification.
- e) Mainstream the needs of PWDs in the capacity building programs.

3.3 Expanding Market Opportunities for MSEs

Expanding market opportunities will address the top constraint experienced by MSEs; through enhancing access to information relating to products and inputs, compliance with standards,

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product and services standardization, certification procedures, local content opportunities, value addition, use of digital platforms, fair competition, and sub-contracting linkage. Thus, expanding markets opportunities for MSEs will be anchored on the following interventions:

- a) Create awareness on standards requirements for both local and international markets.
- b) Ensure compliance and strict enforcement of standards on raw materials, inputs and products.
- c) Support and promote standardization of MSEs products.
- d) Create a simplified and responsive digital portal for MSEs to access market information for products, services and raw materials. The portal will be linked to other relevant digital platforms.
- e) Facilitate bulk purchase of raw materials and inputs for MSEs.
- f) Enhance and strengthen the structures and operations of the Enforcement Multi-Agency Team Against Illicit Trade; and the Multi Agency Anti-Illicit Outreach with representations of county governments.
- g) Promote the acquisition of Intellectual Property Rights/ Support use of IP
- h) Create awareness and streamline the existing AGPO systems at all levels of government to accord equal opportunities to MSEs.
- i) Create awareness among MSEs on locally manufactured products for exclusive reservation in public procurement.
- j) Encourage MSEs to join/form associations to benefit from economies of scale and achieve bargaining power.
- k) Create a budgetary allocation in the procurement plan at all levels of government for MSEs.
- l) Sensitize and support value addition by MSEs with an aim of producing competitive and diversified products towards meeting the changing market trends.
- m) Establish a sub-contracting framework between MSEs and large enterprises.
- n) Establish and enhance MSEs trade fairs and exhibition at Regional, National and County levels.
- o) Conduct regular bilateral cross border trade engagements to facilitate trade, address existing and emerging issues affecting MSEs and ensure the implementation of the resolution.
- p) Establish creative marketing approaches for MSEs products such as marketing in public parks on specific days, operating evening markets and temporal closure on certain streets across all counties.

3.4 Enhancing Access to Affordable Finance

Access to finance include savings, credit, insurance, investments and payment products and services. The availability and affordability of seed capital, working capital and investments in assets for expansion of operations are crucial for promotion and development of MSEs. The intervention on enhancing access to affordable finance are aimed at providing a sustainable financing ecosystem, considering emerging significance of technology, use of innovative approaches to overcome collateral deficits and the need to diversify financing; while recognizing financing sustainability and mitigation of risks.

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The following policy interventions will be used to facilitate access to a range of affordable finance for MSEs:

- a) Strengthen self-sustaining funds dedicated and easily accessible to MSEs; including startups with tailor-made financial products at National and County levels of government.
- b) Create effective and structured awareness campaigns on availability and accessibility of available government financing opportunities.
- c) Promote and enhance tailor made financial literacy programmes for MSEs.
- d) Promote use of non-traditional forms of collaterals such as Intellectual Property Rights (IPR) assets, movable assets, social security contributions and credit guarantee schemes amongst others.
- e) Establish a framework for micro-leasing for the MSEs.
- f) Promote innovative financial products to suit MSEs including insurance products.
- g) Encourage partnership in provision of alternative sources of financing for the MSEs.

3.5 Providing Accessible, Affordable and Decent Infrastructure for MSEs

MSEs require a range of infrastructural support including road networks, diverse energy sources (including green energy), clean water, sanitation and waste management facilities, ICT, worksites and workspaces, common user facilities, storage facilities, incubation centres, integrated one-stop shops and centers of excellence. Mainstreaming PWDs accessibility to infrastructure is an important agenda for inclusive developments. The following are interventions for infrastructure development and support services for MSEs:

- a) Identify, map, zone and secure all land designated for MSEs activities including within the industrial parks and special economic zones at National and County levels.
- b) Integrate the MSEs zones in the National and County government spatial plans.
- c) Develop new and revamp existing MSEs infrastructure (worksites, centers of excellence, incubation centers and common user facilities) which is cluster informed and fully serviced including in industrial parks and special economic zones across the counties.
- d) Establish integrated *Biashara* centers to offer MSEs support services across counties.
- e) Enhance collaboration between National and County governments in development and maintenance of roads and other utilities within the counties.
- f) Establish new and upgrade the existing warehouse facilities to support MSEs across the country.
- g) Enhance and promote local manufacture of affordable tools and machinery for the MSEs including reverse engineering.
- h) Mainstream the needs of PWDs in infrastructure support services.

3.6 Promoting Start-Ups

Start-ups are new businesses with unique ideas to develop products new to the market. Weak resource base, uncertainties associated with success of such ideas and lack of operating history of such businesses pose various challenges to the entrepreneurs. Promoting start-ups therefore seek to promote and develop innovative business ideas through financing, incubation facilities,

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centers of excellence, uptake of intellectual property rights and commercialization of the innovations. The following interventions will be used to spur start-ups;

- a) Establish an integrated framework for awareness, identification and profiling of innovative start-ups across all counties.
- b) Establish new and strengthen the existing specialized incubation centers for the start-ups across all counties.
- c) Develop capacity for start-ups on Intellectual Property (IP) acquisition.
- d) Ease the process of registering Intellectual Property (IP).
- e) Establish a structured approach for technology transfer and commercialization of innovations.
- f) Enhance collaboration and incentivize the private sector, learning and research institutions in promoting start-ups.

3.7 Promoting Formalization of MSEs

Formalization of businesses through registration with government institutions has various benefits including access to finance, markets and government services. The government would also have a better understanding of the scope of operations of various business activities in the economy. The interventions on promoting formalization of MSEs therefore aim to provide a conducive ecosystem to address low registration and licensing. The following interventions will be used to promote formalization of MSEs:

- a) Create awareness on what registration entails and the accrued benefits to MSEs.
- b) Harmonize and streamline processes of registration and issuance of business licenses to MSEs.
- c) Develop and promote creative approaches towards registration and licensing of MSEs.
- d) Incentivize MSEs to formalize.

3.8 Strengthening Coordination and Implementation of MSE Policies and Support Programmes

There are many actors involved in the promotion and development of MSEs, including government institutions and non-state actors. The success of policy interventions largely depends on synergies among various actors in implementation of support activities and monitoring and evaluation. These interventions therefore aim to enhance implementation of policies and programmes, capacity of MSEs support institutions, MSEs engagement in policy process, institutional synergies and monitoring and evaluation of programmes. The following interventions will be used to strengthen institutional framework for supporting MSEs:

- a) Develop a framework for coordination, implementation, and monitoring and evaluation of all MSEs policies, programmes, activities and development plans.
- b) Create awareness on the importance of effective associations for MSEs and encourage their formation.
- c) Enhance the capacity of MSEs support institutions.

3.9 Providing a Conducive Legal and Regulatory Environment

The legal and regulatory environment has significant implications for costs of doing business for MSEs. The legal and regulatory environment also provides mechanisms through which non-government actors can be incentivized to participate in promotion and development of MSEs. These interventions therefore aim to improve the legal and regulatory environment to be more supportive and responsive to the productivity, growth and development of MSEs. The following interventions will be used to provide a conducive regulatory environment for MSEs:

- a) Establish an integrated and structured awareness creation approach on laws and regulations relevant to MSEs.
- b) Establish a framework to improve the ease and cost of doing business for MSEs.
- c) Provide fiscal and other forms of incentives for the growth and development of MSEs.
- d) Strengthen governance in MSEs associations.

3.10 Mitigating External Business Risks

MSEs face higher external business risks due to their nature of operations which poses a threat to their development. The aim of these interventions under this thematic area is to mitigate risks. The following interventions are geared towards addressing external business risks in the MSEs sector

- a) Develop effective risk mitigations, adaptations and coping mechanisms against hazards posing shocks to MSEs.
- b) Promote policy certainty for MSEs development.

3.11 Cross-Cutting and Emerging Issues

There are issues that curtail the sustainable development MSEs, some of which are emerging from national, regional and global developments. The aim of these interventions under this thematic area is to harness technology and the gains and exploit the opportunities for inclusive and sustainable growth of the MSEs. The following interventions are geared towards addressing cross-cutting and emerging issues related to development of the MSEs sector:

- a) Promote effective and efficient governance structures to support MSEs.
- b) Promote environmentally friendly business practices in MSEs activities.
- c) Promote inclusivity of PWDs and other special interest groups.
- d) Empower MSEs to exploit existing and emerging opportunities.
- e) Enhance the use of technology within MSEs program and initiatives.

- f) Develop a framework for knowledge management within the MSEs sector. **CHAPTER 4:**
POLICY COORDINATION & IMPLEMENTATION

3.12 Policy Coordination and Implementation

There are several stakeholders at the national and county levels who are state and non-state actors, that play a critical role in the implementation of MSEs policies and programmes. Coordination of the activities undertaken by these stakeholders and the integration of the public and private sector activities, programmes and development plans relating to MSEs is the mandate of MSEA as established in the MSEs Act No. 55 of 2012. The Authority in meeting this mandate, will, in collaboration with the Ministry in charge of MSEs undertake the following coordination and implementation activities:

1. Review the MSEs Act No. 55 of 2012 to fully align to this policy and accommodate new developments with the aim of enhancing coordination and implementation of MSEs policies and programmes.
2. Develop a framework for the coordination and implementation of MSEs policies and programmes aimed at ensuring efficiency and effectiveness.
3. Adopt a collaborative stakeholder approach for policy planning, budgeting and implementation through sector and thematic working groups.
4. Establish an effective institutional framework for identifying actors that are involved, undertake mapping of relevant stakeholders, create a database of MSEs support institutions and services provided, and disseminate the same as prescribed in the policy interventions.
5. Facilitate the establishment of collaborations among stakeholders with common interests/goals.
6. Develop a tool to facilitate in monitoring the business environment for the purpose of informing policy implementation; identifying policy intervention areas and facilitating the growth and development of MSEs across counties.
7. Undertake frequent research to inform policy decisions.
8. Undertake surveys every five years aimed to inform policy decisions.
9. Adopt effective M&E mechanism as presented in Chapter 5 of this policy to continuously and systematically review, analyze and assess MSEs policies and programmes using an integrated approach with the overall aim of ensuring effective implementation.

3.13 The Role of Stakeholders

3.13.1 State Actors

The key mandate of the Government is to provide policy direction, interventions and monitor implementation of the MSEs policy. The stakeholders that will play a central role include: -

The Ministry responsible for MSEs development-formulates relevant policies and provide MSEs support including infrastructure (special economic zones and industrial Parks), capacity building for human resource development, finance and promote fair business practices.

The Micro and Small Enterprise Authority (MSEA)- coordinate, monitor and evaluate policies and programmes and advise the government on the implementation process of MSEs policy. Reports from these activities will be disseminated to implementing agencies and other stakeholders to inform policy implementation. MSEA is further mandated to undertake activities that promote and develop MSEs in terms of access to finance, markets, product development, infrastructure development, technology and capacity building opportunities. In addition, the office of MSE Registrar which is within MSEA is mandated to register and regulate MSE Associations.

MSEs Tribunal-resolves disputes among MSEs and between MSEs and support institutions. The Tribunal is operational.

County Governments have the overall function of development and regulations of markets, trade licensing and promotion of fair-trade practices. The counties will also collect business information and management of county Business Information Centers. Other functions of the counties include county planning and development.

Other Ministries, Departments and Agencies (MDAs) will also play important roles in the implementation of MSEs policy through provision of intervention support. Key support functions areas include infrastructural, financial. Product development, market access and research. These stakeholders are identified in the implementation plan.

3.13.2 Non-State Actors

Micro and small enterprises associations and umbrella business associations will be integrated in the public policy process as they play important roles in disseminating information and channeling support services to individual MSEs, as well as monitoring implementation of the policy and in lobbying the government.

The private sector. The private sector is central in industrial and economic development. The sector players provide the investment, goods and services necessary in various fields including infrastructure, training/education, finance and technology for enterprise growth and development and play an important role in monitoring the implementation of the policy and providing support to inform implementation.

Development partners provide support to inform implementation of the policy in various ways including but not limited to financial and technical support.

4 CHAPTER 5: MONITORING AND EVALUATION

Monitoring and Evaluations (M&E) will be adopted to measure efficiency and effectiveness of the policies. Establishment of the M&E system is informed by the National Monitoring and Evaluation Policy 2012. The policy prioritizes the establishment of reliable mechanisms to collect and analyze policy implementation and to assess interventions and programmes related to MSEs to ensure they meet the intended objectives, outcomes and impacts, ensuring they remain relevant, efficient, effective, impactful and sustainable. The M&E mechanism is aimed at providing the government agencies with information on possible interventions and assessments of performance and impacts. This policy will complement the National M&E Policy 2012 through provision of timely and accurate information at regular intervals aimed at informing policy implementation for evidenced-based decision making.

One of the functions of the MSEA as established in the MSEs Act No. 55 of 2012 is to monitor and evaluate the implementation of existing policies and programmes related to or affecting MSEs and advise the Government on appropriate policies and course of action to be taken. In order to institutionalize this legal provision, the government will undertake the following measures:

1. Build human and institutional capacity within MSEA and in support institutions to undertake M&E effectively and efficiently.
2. Establish a multisectoral M&E framework for the sector which outlines the objectives, inputs and outcomes of policies and programs. The M&E framework is intended to ensure policy interventions are achieved.
3. Establish M&E Plan to outline the resources necessary for the M&E function including baseline data, stakeholders responsible and data collection tools. The M&E plan will provide the necessary requirements and accompanying budget. This includes staff, trainings, workshops and other resources required for data collection, data analysis, data verification, evaluations and impact assessments.
4. Undertake monitoring through continuous data and information collection during policy implementation period. To achieve this, the following activities will be undertaken:
 - i. Strengthen and streamline institutional capacity among implementing agencies at national and government levels to undertake M&E.
 - ii. Strengthen reporting of performance in implementation of programmes, policies and project undertaken at county and national government levels.
 - iii. Establish a participatory monitoring mechanism involving relevant stakeholders. MSEA will therefore collaborate with relevant stakeholders to design data collection, reporting and analysis tools and indicators.
 - iv. Establish reporting mechanisms from all stakeholders from sub-county level building on County Integrated Monitoring and Evaluation System (CIMES) and National Integrated Monitoring and Evaluation System (NIMES).
 - v. Establish M&E reporting tools with clear SMART indicators, targets, outputs (results) and, outcomes.

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As guided by the National Monitoring and Evaluation Policy 2012, data and information will inform M&E quarterly and annual reports which will be amalgamated at the Ministerial level and presented to the Principal Secretary of the State Department for Planning to inform policy decisions. Data and information will be presented in annual reports which are made accessible to the stakeholders. The reports will include:

- i. Annual reports, as provided in MSE Act 2012 Section 73 which is to provide status, progress, impact and challenges in the implementation of MSEs development policies and programmes.
- ii. Other monitoring reports aimed at assessing MSE Policy and programme performance.
- iii. Data and information captured to inform implementers and other stakeholders on progress.
- iv. Lessons learnt.

The assessment of the policy will be undertaken annually to gauge the implementation progress. The impact evaluation of the policy will be undertaken every five years to analyze the extent to which the objectives have been achieved.

ANNEX 1: IMPLEMENTATION MATRIX

| Policy Issue | Interventions | Activities | Indicators | Responsibilities |
|--------------------------------------|---|--|---|---|
| Entrenching Entrepreneurship Culture | Develop an integrated approach to profile the success stories and benefits of entrepreneurship, promote peer talks, mentorship and role modelling to provide a platform for exposure (sharing and encouraging potential entrepreneurs) at grass root level. | Map out and document profile for success stories, youth peers, pool of mentors and role models | <ul style="list-style-type: none"> Documented success stories Database of mentors & role models | MSEA, MOITED, KIBT County Governments, Ministry of Youth, Ministry of Information |
| | | Develop an integrated communication and dissemination plan of action | <ul style="list-style-type: none"> The communication and dissemination plan of action | MSEA, MOITED, County Governments, Ministry of Youth, Ministry of Information |
| | | Conduct a TOT targeting peers, role models and mentors | No. of peers, role models, and mentors participating in the TOT | MSEA, MOITED, KIBT, County Governments, Ministry of Youth |
| | | Establish a mentorship programme | Mentorship programme established | MSEA, MOITED, KIBT, County Governments, Ministry of Youth |
| | | Conduct grass root forums to communicate success stories and benefits of entrepreneurship. | <ul style="list-style-type: none"> No of forums | MSEA, MOITED, County Governments, Ministry of Youth, Ministry of Information |
| | | Facilitate mass media on entrepreneurship as desirable career of choice | Number of documentaries facilitated on entrepreneurship for mass media campaigned | MSEA, MOITED, KIBT, County Governments, Ministry of Youth, Ministry of Information |
| | | Identify and document entrepreneurship opportunities in the regions/Counties | Documented entrepreneurship opportunities | MSEA, MOITED, KIBT, County Governments, Ministry of Youth, Ministry of Information, KENINVEST |
| | | Establish a communication and dissemination framework on entrepreneurship opportunities. | Established Frameworks | MSEA, MOITED, County governments, Ministry of Youth |
| | | Participate in University level career events with | No of colleges/Universities | MSEA, MOITED, Ministry of Education |

| Policy Issue | Interventions | Activities | Indicators | Responsibilities |
|--------------|---|--|--|---|
| | Inculcate entrepreneurship skills in all levels of education system as a compulsory subject with a practical orientation. | the aim of sharing relevant information or talks on entrepreneurship | | |
| | | Review entrepreneurship curriculum offered in all levels of education to ensure it is provided to all students and that it has practical orientation | Reviewed curriculum | Ministry of Education, TVETA, KICD, CUE, KIBT Technical Vocational Centres (TVC) and institutions for higher learning |
| | Rebrand the MSEs sector to appeal to all. | Liaise with Ministry of Education to introduce entrepreneurship clubs in lower level of education | No. of schools offering entrepreneurship club | MSEA, MOITED, Ministry of Education, KICD |
| | | Promote entrepreneurship and apprentice training programmes for university students | <ul style="list-style-type: none"> No of entrepreneurship and apprentice training programmes No of student beneficiaries | Micro and Small Enterprises Authority, Ministry of youth and Enterprise Development, Ministry of Education |
| | | Monitor implementation of curriculum on entrepreneurship | M&E report | MSEA, MOITED, Ministry of Education, Ministry of youth |
| | | A competition targeting the youth aimed at developing signature song on entrepreneurship | Signature song on entrepreneurship | MSEA, MOITED County Governments, Ministry of Information, Ministry of youth, KEPROBA |
| | | A competition targeting the youth to develop a logo that can be associated with Kenyan entrepreneurship | Logo developed | MSEA, KEPROBA, MOITED, County Governments, Ministry of Information, Ministry of youth, |
| | | Develop and implement a strategy to launch and disseminate the signature song and the logo | Launched Kenya entrepreneurship brand strategy | MSEA, KEPROBA, Ministry of Industry Trade and Enterprise Development, County Governments, |

| Policy Issue | Interventions | Activities | Indicators | Responsibilities |
|---|--|---|--|--|
| Building MSE Skills to enhance their Capacity | Establish and maintain an entrepreneurship award at National and County levels, subject to prescribed conditions. | Develop an entrepreneurship award criteria Conduct an entrepreneurship awards at the County and National level | MSE Award criteria established Counties and National level awards | Ministry of Information, Ministry of youth, MSEA, MOITED, county governments, development partners, private sector MSEA, MOITED, county governments, development partners, private sector |
| | Promote mainstreaming of special interest groups on entrepreneurship. | Develop and implement customized programs targeting special groups to promote entrepreneurship | Customized entrepreneurship promotion programs developed | MSEA, MOITED, NCPWD, NGCC, Ministry Youth, TVETA, KIBT |
| | Provide holistic demand-driven and well-structured capacity building programmes in all areas of MSEs business operations | Conduct regular Training Needs Assessment (TNA) to identify skills gaps Develop holistic demand-driven capacity building programmes delivered by certified trainers | • TNA and skills gap reports • TNA tools Demand-driven capacity building programmes | KIBT, MSEA, KIRDI, KIE, development partners MSEA, KIBT, TVETA, universities, TVETs |
| | | Establish MSEs clusters for ease of skills access and skills transfer Consolidate the capacity building programmes and promote synergy between the capacity building institutions Conduct evaluations and assessments of capacity building programmes | No. of clusters established No. of harmonized capacity building programmes Evaluations and assessments reports | MOITED, MSEA, KENIA, KIRDI, KIE, county governments, Ministry of Land KIBT, MSEA, KIRDI, KIE, KEBS, TVETA, KICD, development partners, private sector MSEA, KIBT, KIRDI, KIE, KEBS, TVETA, MED, development partners, private sector |
| | | Establish an up-to-date comprehensive database | Database established | MSEA, MOITED |

| Policy Issue | Interventions | Activities | Indicators | Responsibilities |
|--------------|--|---|---|--|
| | | on MSEs capacity building programmes | | |
| | | Establish knowledge repository for capacity building | Repository established | MSEA, MOITED, KIBT |
| | | Strengthen programmed business development services | No. of programmed business development services | MOITED, MSEA |
| | | Promote mentorship and apprenticeship through youth empowerment centers | <ul style="list-style-type: none"> Mentorship engagement reports No. of centers established | MOITED, Ministry of Youth, MSEA, private sector |
| | | Regularly review MSEs capacity building curricular | No. of curricular reviewed | TVETA, KIBT, MSEA, KIRDI, KIE, KICD |
| | Promote skills and technology transfer, acquisition and adaptation for MSEs across the counties. | Map institutions that offer BDS to MSEs | Report on stakeholder mapping | MOITED, MSEA |
| | | Strengthen MSE support institutions that offer BDS by deploying business development officers to the counties and collaborations with institutions established from the stakeholder mapping exercise with aim of also providing extension services. | No of support institutions that have received support | MOITED, MSEA, KIBT, KIRDI, KIPI, KIE, county governments |
| | | Strengthen MSE associations to promote technology acquisition and transfer amongst members | No of MSE associations with technology acquisition and transfer programmes | Registrar of MSE Associations, MSEA, KENIA |
| | | Establish innovation hubs | No. of hubs established | MSEA, KENIA, MOITED, County governments, |
| | | | | |

| Policy Issue | Interventions | Activities | Indicators | Responsibilities |
|--------------|--|---|--|---|
| | Strengthen and promote the linkages between the learning and research institutions, technology developers and MSEs for technology and skills transfer. | Development of MSE centers of excellence for common processing and manufacturing sites where technical and precision equipment can be shared | No. of MSE centers of excellence | development partners, private sector MSEA, MOITED, KIRDI, KIE, NMC, county governments, development partners, private sector |
| | | Strengthen and expand Technology and Innovation Support Centers (TISC) and Development of technology and innovation centers. | No. of technology and innovation centers established | MSEA, KIPI, KENIA, KIRDI, KIE, TIVETS, Universities, county governments, development partners, private sector |
| | | Establish an information sharing and learning platform | Information sharing and learning platform established | MSEA, MOITED, KIBT |
| | | Establishment of incentive schemes for MSEs e.g. tax exemptions on acquiring new technologies, subsidies, free land etc. | No. of incentive schemes effected and operationalized | KRA, National Treasury, MOITED, MSEA, county governments, Ministry of Land |
| | | Establish a framework to facilitate commercialization of innovation and research outputs | <ul style="list-style-type: none"> Framework for commercialization of innovation established No. of innovations commercialized | MOITED, MSEA, KIPI, KENIA, KIRDI, TIVETS, Universities, county governments, development partners, private sector |
| | | Establish business linkage program aimed to promote partnerships and linkages among the MSEs and training institutions, technology developers, large scale enterprises and foreign affiliates | Linkages and MoUs created and signed respectively | MOITED, MSEA, KIPI, KENIA, KIRDI, NMC, TIVETS, Universities, county governments, development partners, private sector |

| Policy Issue | Interventions | Activities | Indicators | Responsibilities |
|--|---|---|---|--|
| | <p>Create awareness on government initiatives on artisan skills certification.</p> <p>Mainstream the needs of PWDs in the capacity building programs.</p> | <p>Establish incentives and financial resources to universities and TIVETs to support the establishment of science and technology parks</p> <p>Design approach/strategy for information dissemination programmes</p> <p>Fast-track Certification of master craftsmen and skilled technicians for skills/knowledge transfer.</p> <p>Review capacity building programmes and material to ensure they are PWD compatible</p> | <p>Science and technology parks established</p> <p>No. of strategies developed</p> <p>No. of master craftsmen certified No. of technicians certified</p> <p>No. of PWDs friendly capacity building programs developed</p> | <p>MSEA, MOITED, KENIA</p> <p>TVETA, MSEA, KIBT</p> <p>TVETA, MSEA, KIBT</p> <p>NCPWD, MSEA, MOITED, KICD, CUE, TVETA, KIBT, NITA, Ministry of Education, Ministry ICT, Innovation and Youth</p> |
| | | <p>Create awareness on standards requirements for both local and international markets.</p> | No of MSEs involved in standards development | KEBS, MSEA, KIPI, DVS, KEPHIS, MOITED |
| | | | No. of sensitization workshops on standards and conformity assessment | KEBS, MSEA, KIPI, DVS, KEPHIS, MOITED |
| | | | No. of outreach programmes | KEBS, MSEA, KIPI, DVS, KEPHIS, MOITED, KIRDI |
| Expanding Market Opportunities for MSEs | | <p>Conduct product specific training programmes for industry on</p> | <ul style="list-style-type: none"> No. of trainings held No of MSEs trained | KEBS, MSEA, KEPHIS, KIPI, DVS, MOITED |

| Policy Issue | Interventions | Activities | Indicators | Responsibilities |
|--------------|--|--|--|--|
| | Ensure compliance and strict enforcement of standards on raw materials, inputs and products. | implementation of standards | | |
| | | Establish guidelines for interactions of MSEs with innovation centers | Guidelines on the interactions with incubation centers developed | MSEA, KIPI, KEBS, KIRDI, MOITED |
| | | Integrate quality and standards training in academia curriculum | A unit on quality and standards introduced in the curriculum | KICD, CUE, KIBT, NITA, TVETA, MOITED, KEBS, MSEA |
| | | Build capacity for MSEs on relevant required standards and technical regulations. | <ul style="list-style-type: none"> No. of capacity building programmes carried out No. of MSE participants | KEBS, MSEA, MOITED |
| | | Conduct trainings to strengthen institutional capacity for implementation of the standards, legal and regulatory framework | <ul style="list-style-type: none"> No of staff trained No of organizations certified | KEBS, MSEA, KIBT, KRA, MOITED |
| | | Undertake market surveillance, computerization of the entry point and training for inspectors. | <ul style="list-style-type: none"> No of trainings held Operational computerized system | KEBS, ACA, KRA, KEPHIS, PPB, |
| | | Enhance the capacity of KEBS in enforcement of international standards including accreditation of laboratories | Number of KEBS staff trained | KEBS, MOITED |
| | | Perform National Technical meetings for harmonization of EAC regional standards. | No. of harmonized EA Standards | KEBS, MSEA, MOITED, KIRDI |
| | | Support and promote standardization of MSEs products. | Number of MSE regional and international forums | KEBS, KIPI, KIRDI, MSEA, MOITED, MSEA, SDT, KenTrade |
| | | Carry out awareness programmes and promote participation of MSEs | | |

| Policy Issue | Interventions | Activities | Indicators | Responsibilities |
|--------------|--|--|---|---|
| | | regional and international standard setting forums | | |
| | | Establish a framework to incentivize standardization and certification of MSEs products | No of MSE products certified | MSEA, MOITED, KEBS, KIRDI, |
| | | Build capacity within MSEs to increased compliance and enforcement of standards on raw materials | No. of capacity building programmes undertaken. | KEBS, MSEA, MOITED, KIRDI, KenTrade |
| | Create a simplified and responsive digital portal for MSEs to access market information for products, services and raw materials. The portal will be linked to other relevant digital platforms. | Formation of an easy to access, regularly updated digital platform that is linked to the other relevant existing portals for MSEs to access market information for product, services and raw materials. | Operationalization of the digital platform | MOITED, Ken Trade, KEBS, MSEA |
| | | Build capacity to MSEs on access and use of the digital portal | No. of Capacity building programmes conducted | MSEA, Ken Trade, KICD, MOITED, KEBS |
| | Facilitate bulk purchase of raw materials and inputs for MSEs. | Enhanced capacity of institutions/corporations charged with bulk purchase of raw materials and inputs for production by MSEs Strengthen the supply and distribution mechanisms of quality local raw materials to MSEs | No of MSEs accessing raw materials and production inputs No. of MSEs accessing quality raw materials | KNTC, MOITED, MSEA KNTC, Ministry of Agriculture, MSEA, MOITED |

| Policy Issue | Interventions | Activities | Indicators | Responsibilities |
|--------------|---|---|---|---|
| | Enhance and strengthen the structures and operations of the Enforcement Multi-Agency Team Against Illicit Trade; and the Multi Agency Anti-Illicit Outreach with representations of county governments. | Develop a coordinated framework between Multi-Agency Team Against Illicit Trade; and the Multi Agency Anti-Illicit Outreach and various agencies. | Established coordinated framework | ACA, KEBS, KIPi, KRA, MOITED, MSEA |
| | | Build capacity on the Enforcement Multi-Agency Team Against Illicit Trade; and the Multi Agency Anti-Illicit Outreach in trade and development. | No of officers trained in the multi-agency team | ACA, KRA, KIPi, KEBS, MOITED, Private sector |
| | | Review relevant laws and regulations on illicit trade that pose external risks and threaten existence of MSEs | No. of laws reviewed | MOITED, MSEA, KIPPRA, Attorney General's office |
| | | Incentivize the acquisition of IP rights | No of IPs registered | KIPi, MSEA, MOITED |
| | Promote the acquisition of Intellectual Property Rights/ Support use of IP. | Create awareness on IP and build capacity to MSEs on the registration processes | <ul style="list-style-type: none"> No. Of sensitization campaigns carried out No. Of capacity building programs carried out | KIPi, MSEA, MOITED |
| | | Enhancement of the protection of Intellectual Property guidelines to protect MSEs ideas and innovations | Guidelines developed | KIPi, MSEA, MOITED |
| | | Conduct regular needs assessment on IP to enhance the capacity building programs | Needs assessment report | KIPi |
| | | Simplification of the process of obtaining | No. of IP applications by MSEs a | MOITED, MSEA, KIPi, KENIA, KIRDI, TIVETS, |

| Policy Issue | Interventions | Activities | Indicators | Responsibilities |
|--------------|--|---|---|--|
| | | intellectual property protection for MSEs | | Universities, county governments, |
| | Create awareness and streamline the existing AGPO systems at all levels of government to accord equal opportunities to MSEs. | Review regulations to accord equal opportunities for MSEs in access to public procurement opportunities Create awareness to MSEs on the opportunities provided for them in AGPO | Reviewed regulations No. of sensitization campaigns carried out | Public Procurement Authority, MOITED, Attorney General's office, MSEA Government MOITED, MSEA, Public Procurement Authority |
| | Create awareness among MSEs on locally manufactured products for exclusive reservation in public procurement. | Create awareness among MSEs on availability of locally manufactured products for exclusive reservations Establish a communication and dissemination framework to sensitize on the list of products under public procurement through the MSE portal | No of awareness campaigns Established Communication and Dissemination framework | MSEA, Public Procurement Authority, MOITED, MSE associations. MSEA, Public Procurement Authority, MOITED, MSE associations |
| | Encourage MSEs to join/form associations to benefit from economies of scale and achieve bargaining power. | Sensitize MSEs on the benefits of forming / joining associations Strengthen MSEs associations through training Support the development of associations | No. of MSEs sensitization held No. of formal associations formed No. of associations formed | MSEA, Private sector MSEA, Registrar of MSEs associations, Private sector MSEA Private sector |
| | Create a budgetary allocation in the | Setup a budget line for MSEs | | MOITED, National Treasury, County government |

| Policy Issue | Interventions | Activities | Indicators | Responsibilities |
|--------------|--|---|---------------------------------|---|
| | procurement plan at all levels of government for MSEs. Sensitize and support value addition by MSEs with an aim of producing competitive and diversified products towards meeting the changing market trends. | Ensure commitment of any procurement process should be subject to availability of funds | Prompt payment of MSE suppliers | PPRA |
| | | Prepare publicity/awareness creation material and value-added products model projects and their uses and export potential to stimulate diversification and in their production. | No. of products value added | MSEA, KIBT, KIE, KEBS, KEPHIS, MOITED, Private sector |
| | | Promote product development and branding services by accredited service providers to address standards, quality and volume requirements of target markets | Number of products developed | KEBS, KIPI, KEPROBA, MOITED, KIE, KENIA, MSEA |
| | | Conduct value chain/addition studies | Value chain studies conducted | KIPPRA, MOITED, MSEA |
| | | Develop and implement measures to promote harmonious development of linkages between the domestic and the global value chains | Increased market linkages | MFA, KENINVEST, MOITED, MSEA, KEBS, KIPI |
| | | Sensitize MSEs on the online marketing, branding and embracing the new technological changes | Number of sensitization forums | KEPROBA, MSEA, MOITED, KIPI, KIRDI |

| Policy Issue | Interventions | Activities | Indicators | Responsibilities |
|--------------|--|---|--|--|
| | Establish a sub-contracting framework between MSEs and large enterprises. | Develop a framework for sub-contracting | Established sub-contracting framework | MOITED, MSEA, KENINVEST |
| | Establish and enhance MSEs trade fairs and exhibition at Regional, National and County levels. | Facilitate the participation of MSEs in fairs at National and County level; to showcase their products and create business linkages | <ul style="list-style-type: none"> No of trade fairs/exhibitions held No of MSEs participating | MOITED, County government, MSEA, |
| | Conduct regular bilateral cross border trade engagements to address existing and emerging issues affecting MSEs and ensure the implementation of the resolution. | Develop win-win framework for prompt resolution of reported NTBs through bilateral initiatives between Kenya and other target markets bilateral Partner countries | No. of NTBs resolved | MOITED, MFA, KRA, KEBS |
| | | Strengthen the Cross-Border Trade Committees | Reduced cases of NTBs | MOITED, MFA, KRA, KEBS |
| | | Enhance the capacity of cross border trade associations (CBTAs) to provide an institutional framework for small-scale cross border traders to lobby the national and county governments and regional organizations on issues affecting cross border trade | Reduced cases of NTBs | MOITED, MFA, KRA, KEBS |
| | | Establish annual meetings with neighboring countries to solve new and emerging issues across the border. | No. of meetings held | Ministry in charge of EAC, MFA, SDT, KRA, KEBS |

| Policy Issue | Interventions | Activities | Indicators | Responsibilities |
|---|---|---|--|---|
| Enhancing Access to Affordable Finance | Establish creative marketing approaches for MSEs in public parks on specific days, operating evening markets and temporal closure on certain streets across all counties. | <p>Establish a framework and guidelines for the creation of free market days for MSEs across certain streets/designated areas</p> <p>Avail single permit business license to all SMEs operating in designated marketplaces/workspaces and provide protection against harassment from any arm of the Government.</p> | <ul style="list-style-type: none"> Established framework Gazettement of demarcated areas <p>MSE single permit business license established</p> | <p>MSEA, County governments</p> <p>County governments</p> |
| | Strengthening self-sustaining funds dedicated and easily accessible to MSEs; including start-ups with tailor-made financial products at National and County levels of government. | <p>Hastening operationalization of funds dedicated to MSEs with flexible terms.</p> <p>Support the development of County Enterprise Funds that meet the needs of MSEs</p> | <p>MSEs Fund is operationalized</p> <p>County Enterprise Fund operationalized</p> | <p>National Treasury, MOITED, MSEA,</p> <p>County governments, National Treasury</p> |
| | Create effective and structured awareness campaigns on availability and accessibility of available government financing opportunities. | <p>Identify and document National and County Government financing opportunities</p> <p>Establish a communication and dissemination framework on National and County Government financing opportunities</p> | <p>Documented financing opportunities</p> <p>Established communication and dissemination framework</p> | <p>MSEA, MOITED, County governments</p> <p>MSEA, MOITED, County governments, MSE Associations</p> |
| | | Conduct regular training needs assessment (TNA) | Training Need Assessment Reports | MSEA, MOITED |
| | | | | |
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| Policy Issue | Interventions | Activities | Indicators | Responsibilities |
|--------------|---|---|--|---|
| | Promote and enhance tailor made financial literacy programmes for MSEs. | to determine the gaps in financial literacy. | | |
| | | Develop financial literacy program | <ul style="list-style-type: none"> Developed financial literacy programs No of MSEs participants | MSEA, MOITED, Private sector, Development partners, SACCOs, CRB, Financial sector regulators, Financial sector Associations, KIBT |
| | | Training of Trainers (TOT) informed by needs assessment | No. of Trained Trainers | MSEA, MOITED, KIBT, Financial Sector Association, MSE Association, KIE, WEF, YEDF |
| | Promote use of non-traditional forms of collaterals such as Intellectual Property Rights (IPR) assets, movable assets, social security contributions and credit guarantee schemes amongst others. | Enhance awareness on Collateral Registry System for movable property | No. of awareness campaigns | CBK, MSEA, MOITED, KENIA, KIPI, KECOBO Financial Sector Associations, Financial sector regulators |
| | | Establish a credit guarantee system for MSEs | Credit Guarantee scheme established | The National Treasury, MOITED, MSEA, Development Partners, Private sector |
| | | Sensitize financial service providers on available non-traditional forms of collaterals | No. of financial institutions utilizing non-traditional forms of collateral | Financial Sector Associations, MSEA, MOITED, Private sector. |
| | Establish a framework for micro-leasing for the MSEs. | Review relevant laws to facilitate micro-leasing to MSEs | Reviewed laws on micro-leasing | MSEA, The National Treasury, MOITED, Financial Sector Regulators |
| | | Establish micro-leasing guidelines and regulations | Established micro-leasing guidelines and regulations | MSEA, CBK, Financial Sector Regulators |
| | | Create awareness on the micro-leasing opportunities available targeting Financial institutions and MSEs | No of Financial Institutions providing micro-leasing for MSEs | MSEA, MOITED, Financial Institutions |

| Policy Issue | Interventions | Activities | Indicators | Responsibilities |
|--|--|---|---|--|
| | Promote innovative financial products to suit MSEs | Review relevant laws with the aim of facilitating innovation in the provision of financial services. Encourage financial institutions to establish financial products that are responsive to the needs of MSEs with consideration of their structural differences and further incorporating needs of special interest groups | Reviewed laws | MSEA, MOITED, CBK, Financial sector Regulators |
| | Encourage partnership in provision of alternative sources of financing for the MSEs. | Identify and document alternative sources of financing for MSEs | No. of tailor-made financial products | MSEA, Financial Sector Regulators, Financial Sector Associations, NCPWD, NGEC, WEF, YEDF |
| | | Establish a communication and dissemination framework to sensitize alternative sources of financing for MSEs | Documented alternative sources of financing | MSEA, MOITED, County governments |
| | | Identify, map and document MSEs land across the country | Established communication and dissemination framework | MSEA, MOITED, County governments, MSE Associations |
| Providing Accessible, Affordable, and Decent Infrastructure for MSEs | Identify, map, zone and secure all land designated for MSEs activities including within the industrial parks and special economic zones at National and County levels. | Secure all identified MSEs land | Status report on MSEs land | MSEA, MOITED, County governments, Ministry of Land, MSE Associations |
| | | Zone identified MSEs land | List of parcels of MSEs land secured | MSEA, MOITED, County governments Ministry of Land |
| | | | Zoning reports | MSEA, MOITED, County governments, Ministry of Land |
| | | Issuance of title deeds to all identified MSEs land | Number of title deeds issued | MSEA, MOITED, County governments, Ministry of Land |

| Policy Issue | Interventions | Activities | Indicators | Responsibilities |
|--------------|---|--|--|---|
| | Integrate the MSEs zones in the National and County government spatial plans. | Incorporate work sites, industrial zones, MSE parks and other MSE zones in both levels of government spatial planning | Spatial plans with MSEs zones | MSEA, MOITED, County governments, Ministry of Land |
| | | Involve MSEs in the design of work sites, industrial zones, MSE parks and other MSE zones | MSE approved designs | MSEA, MOITED, County governments, Ministry of Land, MSE Associations, KIE, KIRDI, SEZA, EPZA |
| | Develop new and revamp existing MSEs infrastructure (work sites, centres of excellence, incubation centres and common user facilities) which is cluster informed and fully serviced including in industrial parks and special economic zones across the counties. | Develop national MSEs infrastructure Master Plan that is responsive to the needs of MSEs with consideration of their structural differences and further incorporating needs of special interest groups | Master plan | MSEA, MOITED, County governments, Ministry of Land, MSE Associations, KIE, KIRDI, SEZA, EPZA, NGEK, NCPWD |
| | | Establish status of existing infrastructure | Status report | MSEA, MOITED, KIE, KIRDI |
| | | Renovate and update existing infrastructure | No. of renovated infrastructure | MSEA, MOITED, County governments, Ministry of Land, MSE Associations, KIE, KIRDI, Private sector |
| | | Establish new fully serviced infrastructure informed by the master plan | No. of new fully serviced infrastructure | MSEA, MOITED, County governments, Ministry of Land, MSE Associations, SEZA, Private sector |
| | | Offer preferential tariffs for utilities and other incentives in MSEs clustered zones. | Number of utilities setup | KPLC, Water and Sewerage providers, County Government, |
| | | | | |

| Policy Issue | Interventions | Activities | Indicators | Responsibilities |
|--------------|--|---|---|---|
| | Establish integrated <i>Biashara</i> centres to offer MSEs support services across counties. | Undertake study on establishment of <i>Biashara</i> centres in Counties | Study report | MOITED, MSEA, Ministry of ICT, ICT Authority, Huduma Secretariat, KIPPRA |
| | | Establishment <i>Biashara</i> centers informed by the study, leveraging on existing infrastructure and existing initiatives (<i>Huduma</i> centers and <i>Pasha</i> centers) | No. of <i>Biashara</i> centres set up | MOITED, MSEA, Ministry of ICT, ICT Authority, Huduma Secretariat |
| | Enhance collaboration between National and County governments in development and maintenance of roads and other utilities within the counties. | Establish a framework to improve coordination and collaboration of both levels of government and Agencies mandated with management of roads | Established coordination framework for the development and maintenance of roads | MSEA, MOITED, County governments, Ministry of Land, MSE Associations, Ministry of infrastructure and Urban planning |
| | | Involve MSEs in the process of development of roads | MSE in public participation forums | MSEA, MOITED, County governments, Ministry of Land, MSE Associations, Ministry of infrastructure |
| | | Involve MSEs in the process of development of utilities | MSEs in public participation forums | KPLC, Water and Sewerage providers, County Government |
| | | Identify and map warehouses across the country | Mapping report | MOITED, MSEA, County governments, Ministry of lands Development Partners |
| | Establish new and upgrade the existing warehouse facilities to support MSEs across the country. | Establish new warehouse facility informed by the mapping exercise | No. of warehouses established | MOITED, MSEA, County governments, Ministry of lands, Development Partners |
| | | Undertake country wide warehouses need analysis | National warehouses need report | MOITED, MSEA, County governments, Ministry of lands Development Partners |
| | | Renovate and upgrade warehouses informed by the need analyses. | No. of renovated warehouses | MOITED, MSEA, County governments, Ministry of lands, Development Partners |
| | | | | |

| Policy Issue | Interventions | Activities | Indicators | Responsibilities |
|----------------------------|--|--|---|---|
| | Enhance and promote local manufacture of affordable tools and machinery for the MSEs including reverse engineering. | Undertake machinery & tools need analysis | Need analysis report | MOITED, MSEA, NMC KENIA, KIRDI |
| | | Develop and implement reverse Engineering Strategy | Completed Strategy | MOITED, MSEA, NMC, KENIA, KIRDI |
| | | Establish capacity required for local manufacture of machinery, tools and parts. | Implement reverse engineering strategy | MOITED, MSEA, NMC KENIA, KIRDI |
| | | Formulate a development and manufacturing plan for machinery & tools | Development and manufacturing plan | MOITED, MSEA, NMC Development Partners |
| | | Develop and implement the machinery & tools manufacturing plan | Number of machinery & tools manufactured | NMC, MSEA, KENIA, MOITED |
| Promoting Start-ups | Mainstream the needs of PWDs in infrastructure support services. | Incorporate the needs of PWDs in establishment of worksites, industrial zones, MSE parks, spatial plans, warehouses, machining and tools | PWDs friendly working environment | MOITED, MSEA, NCPWD, Private sector, Development partners, MSE Associations |
| | Establish an integrated framework for awareness, identification and profiling of innovative start-ups across all counties. | Identify and document successful innovative startups across all counties | Report on documented start-ups | MSEA, MOITED, County Governments, KENINVEST |
| | | Establish a communication and dissemination framework for awareness creation n successful innovative start-ups | Established communication and dissemination framework | MSEA, MOITED, County governments, MSE Associations. KENINVEST |
| | Establish new and strengthen the existing specialized incubation | Identify and document all the existing incubation centers | Report on incubation centres and their area of specialization | MSEA, MOITED, County governments |

| Policy Issue | Interventions | Activities | Indicators | Responsibilities |
|--------------|--|--|---|---|
| | centres for the start-ups across all counties. | Conduct regular needs assessment to determine the incubation needs and priorities for start ups | Need Assessment Reports | MSEA, MOITED, KENIA |
| | | Establish a mechanism for matching the incubate with relevant partners based on their needs | No. of established partnerships | MSEA, MOITED, KENIA, KIRDI, KIE, Private sector, Development sector |
| | | Establish an incubation policy and guidelines | <ul style="list-style-type: none"> Established incubation policy Established incubation guidelines | MOITED, MSEA, KENIA, KIRDI |
| | Develop capacity to start-ups on Intellectual Property (IP) acquisition. | Establish awareness creation and capacity building programs on IP | <ul style="list-style-type: none"> No. of awareness campaigns No. of capacity building programs No. of IP applications by MSEs | MSEA, KENIA, KIPI, KECOBO |
| | | Build capacity within MSEs to undertake technology mining in the patent databases | <ul style="list-style-type: none"> No. of capacity building programs No. of MSEs participating | KIPI, KENIA, MSEA |
| | | Leverage on technology and innovation support centers to provide information and data on IP | No of start-ups accessing technology and innovation support centers | KIPI, KENIA, Tertiary Institutions, research institutions. |
| | | Decentralize activities carried out by KIPI | No. of KIPI desks established outside Nairobi | KIPI |
| | Ease the process of registering Intellectual Property (IP). | Commence online filing of IP applications and initiate online updates on processing progress updates | No. of online filing received by KIPI | KIPI |
| | | Advise on fast tracking of IP applications | Operational \automated notification of processing of applications | KIPI |
| | | | | |

| Policy Issue | Interventions | Activities | Indicators | Responsibilities |
|---------------------------------|---|---|---|---|
| | Establish a structured approach for technology transfer and commercialization of innovations. | Strengthen the Technology transfer agreement desk | Operational Technology transfer desk at various Institutions | KIPI, KENIA, Tertiary Institutions, research institutions |
| | | Carry out scouting to identify MSE innovations that may qualify for development and commercialization | No. of Innovations identified | KIPI, KENIA, MSEA, Tertiary Institutions, research institutions |
| | | Training MSEs and assist on drafting MOUs and technology transfer agreement for the purpose of commercializing protected technologies | No. of trainings on drafting MOUs and technology transfer agreement (IP Management) | KIPI, KENIA, MSEA, Tertiary Institutions, research institutions |
| | | Provide access to technologies information | Established technology database | KIPI, MSEA, KENIA |
| | | Establish a framework for incentives to private sectors, tertiary institutions and research institutions to support start ups | Established Framework | MSEA, KENIA, KIPPRA |
| Promoting Formalization of MSEs | Create awareness on what registration entails and the accrued benefits to MSEs. | Sensitization of registration and licensing of MSEs using appropriate communication channels and materials | <ul style="list-style-type: none"> No. of sensitization forums No of MSEs participating | MSEA, Registrar of Companies, County Government, Licencing Agencies |
| | | Decentralize registrar of companies | No. of decentralized registration points | Registrar of companies |
| | Harmonize and streamline processes of registration and issuance of business licenses to MSEs. | Simplify business registration procedure by reducing the length and number of requirements needed and enhanced | <ul style="list-style-type: none"> No. of business registration steps that have been consolidated. No. of days required to register a company/partnership/business name | Registrar of companies |

| Policy Issue | Interventions | Activities | Indicators | Responsibilities |
|--------------|---|---|--|--|
| | | administrative co-ordination in MSE registration | | |
| | | Enhance awareness for e-registration processes for MSEs | No. of MSEs accessing online registration services. | MSEA, Registrar of companies, <i>Huduma</i> Secretariat, ICT authority, Registrar of companies |
| | | Reduce the fees required to register MSEs | Registration fees | |
| | | Review and harmonize laws and regulations pertaining registration of MSEs | Reviewed laws and regulations pertaining registration of MSEs | MSEA, Registrar of Companies, County Government, KIPPRA |
| | | Provision of a one stop shop for all business licensing services | No. of Biashara centers established | MSEA, MOITD |
| | | Automate business licensing activities | No. of licenses obtained online | County Government, regulatory agencies |
| | | Reduction of fees and time taken for licensing | No. of days needed to obtain a business license Amount of license fees charged | County Government, regulatory agencies |
| | | Adopt Regulatory Impact Assessment (RIA) in the establishment of licensing regulation | RIA reports | County Government, regulatory agencies |
| | | Continuous evaluation of licensing agencies on delivery of their mandates | No. of assessment reports on licensing agencies performance | National treasury, Council of Governors Office |
| | | Establish sensitization and capacity building programmes among MSEs on benefits of licensing and registration for their members | <ul style="list-style-type: none"> No. of sensitization campaigns No. of capacity building programmes No. of MSEs licensed and registered with relevant authorities | MSEA, County Government |
| | | Undertake research on innovative approaches | No. of research Published/Unpublished | KIPPRA, MSEA |
| | Develop and promote creative approaches towards | | | |

| Policy Issue | Interventions | Activities | Indicators | Responsibilities |
|--------------|--|---|--|--|
| | registration and licensing of MSEs. | towards the registration and licensing of MSEs undertaken in different countries. | | |
| | | Develop action points informed by the study | Documented action points | KIPPRA, MSEA |
| | Incentivize MSEs to formalize. | Establish sensitization and capacity building programmes among MSEs on benefits of licensing and registration for their members | <ul style="list-style-type: none"> No. of sensitization campaigns No. of capacity building programmes No. of MSEs participating | MSEA, County Government, Registrar of companies |
| | | Undertake review of Tax holidays and exemptions available and opportunities to MSEs | Policy stipulating tax holidays for MSEs | National Treasury, KIPPRA, MSEA, County Government, Registrar of companies |
| | | Sensitization of MSEs on the effect of taxation upon registration | No. of campaigns | KRA, MSEA, County Government, Registrar of companies |
| | | Priority of public procurement activities to formalized MSEs | No. of formal MSEs accessing AGPO | KRA, MSEA, County Government |
| | | Promote market linkages of formal MSEs and Medium and large firms | No. of market linkages established | MSEA, County Government, Registrar of companies |
| | | Avail single permit business license to all MSEs operating in designated workspaces | <ul style="list-style-type: none"> Single permit for MSEs Semi-permanent licenses to MSEs with temporary workstations | County Government, KIPPRA, relevant government agencies |
| | | Develop an M&E plan detailing the evaluation framework, indicator system, data collection & analysis, responsibilities, impact evaluation design, | <ul style="list-style-type: none"> M&E plan developed Data collection tools developed No. of M&E reports | MSEA, MSEs support institutions, Research institutions |
| | Strengthening Coordination and Implementation of MSE Policies and Support Programmes | Develop a framework for coordination, implementation, and monitoring and evaluation of all MSEs policies, | | |

| Policy Issue | Interventions | Activities | Indicators | Responsibilities |
|--------------|--|--|---|---|
| | programmes, activities and development plans. | dissemination and utilisation plan. | | |
| | | Review MSE Act to ensure alignment to this policy and to enhance coordination | Reviewed MSE Act | MSEA, MOITED, KIPPRA, Attorney General's Office National Council for Law Reporting |
| | Create awareness on the importance of effective associations for MSEs and encourage their formation. | Develop and disseminate pamphlets on processes and importance of registering MSEs associations | <ul style="list-style-type: none"> No. of pamphlets distributed No. of MSEs associations registered | Registrar of MSEs associations, County governments |
| | | Resource the Registrar of MSEs associations to have regular country-wide outreach programmes | No. of outreach programmes | MOITED, MSEA |
| | Enhance the capacity of MSEs support institutions. | Conduct MSEs frequent needs assessment surveys | No. of surveys conducted | MSEA, KIPPRA |
| | | Publish and disseminate findings of MSEs needs assessment surveys | No. of needs assessments reports | MSEA, KIPPRA |
| | | Sensitise support institutions on MSEs priority interventions | No. of sensitisation forums | MSEA |
| | | Hold regular stakeholder engagements on MSEs support activities | No. of stakeholder engagements | MOITED, MSEA, MSEs support institutions |
| | Enhance the capacity of MSEs associations | Conduct needs assessments surveys on MSEs association | No. of surveys conducted | MSEA, Registrar of MSE Associations, MSEs training institutions |
| | | Develop and administer relevant trainings based on the needs | No. of trainings | MSEA, MSEs training institutions |
| | Establish an integrated and structured awareness | Develop and disseminate pamphlets on laws and | No. of pamphlets | MOITED, MSEA |

| Policy Issue | Interventions | Activities | Indicators | Responsibilities |
|--|--|--|---|--|
| Providing a Conducive Legal & Regulatory Environment | creation approach on laws and regulations relevant to MSEs. | regulations tailored to key sectors | | |
| | | Conduct trainings targeting MSEs associations on laws and regulations tailored to key sectors | <ul style="list-style-type: none"> No. of trainings conducted No. of MSE Associations trained | MOITED, MSEA |
| | | Establish an outreach programme to publicise and disseminate laws and regulations relevant to MSEs | No. of outreach programmes conducted | MOITED, MSEA |
| | | Develop a web portal for laws and regulations relevant to MSEs | Digital portal developed | MOITED, MSEA |
| | Establish a framework to improve the ease and cost of doing business for MSEs. | Develop a tool for assessing ease and cost of doing business for MSEs | Tool developed | MSEA, KIPPRA |
| | | Conduct ease and cost of doing business assessments periodically | No. of assessments conducted | MSEA, KIPPRA |
| | | Hold policy forums on business environment challenges | No. of policy forums conducted | MOITED, MSEA, KIPPRA |
| | Provide and promote fiscal and other forms of incentives for the growth and development of MSEs. | Conduct situational analysis on existing incentives for growth and development of MSEs | Situational analysis report | MOITED, MSEA, Attorney, General's Office, CoG, KIPPRA |
| | | Review relevant legislations to provide MSEs-friendly incentives | No. of legislations reviewed/enacted | MOITED, MSEA, National Treasury, KRA, Attorney General's Office, KIPPRA |
| | | Establish an outreach programme to publicise incentives | No. of outreach programmes conducted | MOITED, MSEA, KIPPRA, CoG, Attorney General's Office, National Council for Law Reporting |

| Policy Issue | Interventions | Activities | Indicators | Responsibilities |
|-----------------------------------|--|---|--|---|
| Mitigating external business risk | Strengthen governance in MSEs Association | Operationalize the registrar of MSEs Associations | Fully operationalized registrar of MSEs Association | National treasury, Attorney General's Office, MOITED, MSEA |
| | | Develop and streamline governance toolkit for the operation for MSEs Associations | Governance tool kit developed | MSEA, Registrar of Associations |
| | | Identification of hazards and risk factors related to MSEs | Hazards and risks identification report | National government, County governments, Disaster management institutions |
| | | Undertake risk analysis and risk evaluations | Risks analysis and risk evaluation report | National government, County governments, Disaster management institutions |
| | Develop effective risk mitigations, adaptations and coping mechanisms against hazards posing shocks to MSEs. | Develop a multi-hazard and multi-sectoral risk reduction and risk mitigation plan | Risk reduction and risk mitigation plan | MOITED, National government County governments, Private sector |
| | | Establish mechanisms to support MSEs cope with and recover from risks occurrences | No. of coping mechanisms developed | MOITED, National government County governments, Private sector |
| | | Develop and roll-out capacity building programmes on risks management and disaster preparedness | <ul style="list-style-type: none"> No. of capacity building programmes developed No. of capacity building programmes conducted | MSEA, MSEs support institutions Development partners |
| | | Hold regular policy dialogues on development of MSEs at county and national levels | <ul style="list-style-type: none"> No. of county-level policy dialogues No. of national-level policy dialogues | National government, County governments, MSEA |
| | Promote policy certainty for MSEs development. | | | |
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| Policy Issue | Interventions | Activities | Indicators | Responsibilities |
|--|---|---|--|---|
| | | Conduct regular policy implementation evaluations | No. of evaluations | National government, County governments, MSEA |
| Cross-Cutting & Emerging Issues | Promote effective and efficient governance structures to support MSEs: | Review the structures of support institutions to entrench transparency and accountability | Review conducted | MOITED, MSEA |
| | | Organise capacity building programmes targeting officials of MSEs associations | <ul style="list-style-type: none"> No. of capacity building programmes conducted No. of MSE associations beneficiaries | MSEA, Registrar of MSEs associations |
| | | Develop and disseminate pamphlets on environmentally friendly business practices | No. pamphlets developed and disseminated | MOITED, MSEA, NEMA |
| | Promote environmentally friendly business practices in MSEs activities. | Develop tax incentives to promote efficient production by MSEs | No. of incentives developed | MOITED, National Treasury and Planning, KRA, MSEA |
| | | Develop awards to promote efficient production by MSEs | No. of incentives developed | MOITED, MSEA, NEMA, County governments, Private sector Development partners |
| | Promote inclusivity of PWDs and other special interest groups. | Undertake an audit of MSEs workspaces' and common user facilities compliance with PWDs needs | Audit assessment | MOITED, Ministries responsible for youth, women, labour and ICT, MSEA, NCPWD, County governments, Private sector Development partners |
| | | Carry out awareness creation campaigns on how to access markets particularly government procurement opportunities | No. of awareness campaigns conducted | MOITED, MSEA, PPRA, NCPWD |

| Policy Issue | Interventions | Activities | Indicators | Responsibilities |
|--------------|--|---|--|---|
| | Empower MSEs to exploit existing and emerging opportunities. | Develop tailor-made communication materials for PWDs | Communication materials developed and disseminated | MOITED, MSEA, PPRA, NCPWD |
| | | Conduct regular forums for discussing emerging opportunities | No. of forums | MSEA, MOITED, Ministry of education, Ministry of ICT, Ministry of agriculture, livestock, fisheries and cooperatives, County governments, NACOSTI, KENIA, KenInvest Vision 2030 Secretariat, KIPI, KIRDI, KIE, KEBS, KEPROBA, Private sector, Development partners |
| | | Map and publish county specific opportunities relevant to MSEs | Mapping of opportunities undertaken and published | MSEA, Ministry of Trade Ministry of agriculture, livestock, fisheries and cooperatives, County governments, KenInvest Vision 2030 Secretariat, Private sector, Development partners |
| | | Develop capacity building programmes tailored to emerging opportunities | Capacity building programmes conducted | MSEA, Ministry of Trade, Ministry of education, Ministry of ICT, Ministry of agriculture, livestock, fisheries and cooperatives, County governments, NACOSTI, KENIA, KenInvest, KIPI, KIRDI, KIE, KEBS, KEPROBA, Private sector, KIBT |
| | | Conduct regular surveillance and | No. of surveillance | MOITED, Ministry of ICT, ICT Authority, MSEA, |

| Policy Issue | Interventions | Activities | Indicators | Responsibilities |
|--------------|---|--|--|---|
| | Enhance the use of technology within MSEs programmes and initiatives. | dissemination forums on emerging technology relevant to MSEs | | NACOSTI, KENIA, KIPI, KIRDI, NMC, TVETS and Universities, Research institutions |
| | | Monitor and document latest technology | Technology database | MSEA, KENIA, KEBS, KIPI, KIRDI |
| | | Utilise ICT in MSEs support services | No. of ICT-enabled services by support institutions | MSEA, All MSEs support institutions |
| | Develop a framework for knowledge management within the MSEs sector. | Identify and document indigenous knowledge for application by MSEs | No. of indigenous knowledge documented | KIPI, MSEA, KECOBO, KENIA, County governments |
| | | Establish mentorship programmes and facilitate transfer of indigenous knowledge and skills | <ul style="list-style-type: none"> Mentorship programmes established No of MSEs participating | MOITED, MSEA, Development partners, Private sector |
| | | Facilitate access to online patent and non-patent knowledge resource centres and databases | <ul style="list-style-type: none"> No. of knowledge resource centres No. of knowledge resource databases | MOITED, ICT Authority, MSEA, KIPI, TVETs and Universities, Development partners, Private sector |