

Promoting SME Competitiveness in Kenya

Targeted solutions for inclusive growth



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Street address: ITC
54-56, rue de Montbrillant
1202 Geneva, Switzerland

Postal address: ITC
Palais des Nations
1211 Geneva 10, Switzerland

Telephone: +41-22 730 0111

Fax: +41-22 733 4439

E-mail: itcreg@intracen.org

Internet: <http://www.intracen.org>

PROMOTING SME COMPETITIVENESS IN KENYA

TARGETED SOLUTIONS FOR INCLUSIVE GROWTH

ABOUT THE PAPER

Small and medium-sized enterprises in Kenya are an underexploited resource with significant potential to boost inclusive growth.

Drawing on data from the SME Competitiveness Survey, this report finds that even though Kenyan companies organize their production processes professionally and have a supportive business ecosystem, targeted solutions could help address shortcomings in specific areas of competitiveness. Certification and finance institutions need innovative ways to reach out to small companies, as well as women- and youth-led firms. There are acute shortages of skilled labour in the southern part of Kenya. Costly logistics services are of particular concern to agri-food companies.

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For more information, contact: Valentina Rollo, rollo@intracen.org

For more information on SME Competitiveness Survey, see: <http://www.intracen.org/SMEBenchmarking/>

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FOREWORD

Kenya Vision 2030, the long-term development blueprint that seeks to transform Kenya into a newly industrializing, high middle-income country, recognizes the key role of small and medium-sized enterprises (SMEs) in attaining its goals. Similarly, SMEs are considered as the ‘bedrock’ for manufacturing and have been identified as central enablers towards realizing the ‘Big Four’ transformational agenda under the manufacturing pillar.

At the international level, SMEs are considered critical in achieving the United Nations 2030 Agenda on Sustainable Development and its Goals – especially Goal 1 (end poverty in all its forms everywhere), Goal 8 (promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all) and Goal 9 (build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation).

At the regional and continental levels, SMEs will play an important role in increasing intraregional and interregional trade as envisaged in the regional economic blocs, especially the recently launched African Continental Free Trade Area.

The Kenyan economy is flourishing: growing 5.9% in 2018, compared to 4.9% the previous year. With its growing population, strong educational system, improved business confidence, vibrant private sector and innovative financial sector, the country has the potential to expand even more. Macroeconomic and governance reforms in the past decade have driven this strong economic performance. But for this growth to be inclusive, it must reach all parts of the country.

SMEs employ more than 80% of the working population in Kenya and play a central role in its economic and growth strategies. Efforts to make SMEs more competitive can help the country achieve its development objectives by creating more jobs, strengthening sectors and developing business models that work.

Policy and business reforms that include developing the trade support ecosystem and capacity building at the firm level aim to help Kenyan SMEs become more competitive – nationally, regionally and globally. However, effective change requires information, data and analysis on the opportunities and constraints SMEs face to diagnose problems, facilitate evidence-based decision-making and assess the effectiveness of those decisions.

To this end, the International Trade Centre (ITC) partnered with Kenya’s Ministry of Industry, Trade and Cooperatives (MoITC) and the Kenya National Chamber of Commerce and Industry (KNCCI) to undertake a nationwide assessment of SME competitiveness. Data was collected from about 900 Kenyan firms using the ITC SME Competitiveness Survey, which builds on decades of on-the-ground experience helping SMEs enter global markets, and assesses the strengths and weaknesses of companies and their business ecosystem.

This report analyses these data and provides empirical evidence on the competitiveness of Kenyan SMEs. Sector associations and government agencies can use this information to promote SME sales and exports and to encourage inclusive growth. This report helps policymakers diagnose problems in SME capacities as well as their environment, and craft appropriate policies to address these issues.

ITC, MoITC and KNCCI share a common vision to build SME competitiveness so they can access more local, regional and international markets. Trade can fuel growth, generate income and eradicate poverty, especially if suitable domestic policies are in place. ITC is proud to support, through this report, the efforts of MoITC and KNCCI to make this vision a reality.

Aranca González
Executive Director
International Trade Centre

Hon. Peter Munya
Cabinet Secretary
Ministry of Trade, Industry
and Cooperatives

Richard Ngatia
President
Kenya National Chamber
of Commerce and Industry

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ACRONYMS

Unless otherwise specified, all references to dollars (\$) are to United States dollars, and all references to tons are to metric tons.

GCP	Gross county product
GDP	Gross domestic product
ICT	Information and communications technology
ITC	International Trade Centre
KNCCI	Kenya National Chamber of Commerce and Industry
MITC	Ministry of Industry, Trade and Cooperative in Kenya
SME	Small and medium-sized enterprise
SMECS	SME Competitiveness Survey
TISI	Trade and investment support institution

EXECUTIVE SUMMARY

Small and medium-sized enterprises (SMEs) are the beating heart of the Kenyan economy. They employ more than three-quarters of the working population in the country and play a key role in its industrialization and growth effort. This report examines the strengths and weaknesses of Kenyan SMEs to identify opportunities to improve their competitiveness and unleash their full potential to support economic development.

The International Trade Centre (ITC) partnered with Kenya's Ministry of Industry, Trade and Cooperatives and the Kenya National Chamber of Commerce and Industry to assess the competitiveness of SMEs nationwide. The project included the design and implementation of a firm-level survey that was administered to 893 businesses across Kenya in 2017–2018.

The survey data was analysed using ITC's framework for assessing SME competitiveness, which identifies challenges and strengths in companies' capabilities and business ecosystems, as well as their national environment. Qualitative analysis from the related literature complements the quantitative analysis of the full survey database. Focused research on agri-food, manufacturing and services firms yields insights into the barriers that these sectors face. Finally, women-led and youth-led firms – and those in particular counties – are studied in detail.

Analysis of the survey database yielded interesting findings on the competitiveness of Kenyan SMEs. These are outlined below. This report, along with complementary events and collaborations, disseminates the results in the hopes of triggering a dialogue on SME competitiveness and finding policy-based solutions that the Government can implement to support the SME heart of the Kenyan economy, and through them the Kenyan people.

Overall ability to meet production requirements masks regional differences in access to utilities

Kenyan firms excel at professionally organizing their production processes. Indeed, 96% of interviewed enterprises keep some sorts of records, and 84% were confident that they would be able to prepare a business plan if needed.

But to be productive and meet market demand, companies rely on support from the business ecosystem. Kenyan SMEs

generally have good access to utilities, and those with reliable access to electricity or water have better capacity utilization rates than those with limited access. Nonetheless, regional disparities exist. While 77% of respondents in the central region highly rate their access to electricity, only 35% of enterprises in the north do the same.

Loan approval rate is high, but SMEs need targeted solutions

Kenyan firms manage their finances quite well, with 81% saying they have detailed knowledge of the loan process, 82% saying they have good ability to manage their cash flow to execute payments, and 89% owning a bank account. This helps to explain why most businesses that wanted a loan applied for one and got it.

Yet it is more interesting to examine why 33% of the firms that needed funding didn't get it. Companies indicated that this was either because their application was rejected or they opted not to apply due to high interest rates, collateral requirements or complex application procedures (in order of importance). Commercial banks in Kenya already derive a substantial portion of their portfolio and revenues from SMEs and SME-focused financial products, so new approaches are needed to broaden and deepen financial inclusion among smaller Kenyan companies.

Data reveal the complex relationship between certification and competitiveness

Kenya has a well-developed national quality infrastructure that includes the Kenya Bureau of Standards and world-class testing facilities. Almost 75% of the firms interviewed for this report gave a high rating to the quality of certification bodies and to the availability of information on standards and certificates.

But most firms believe these services are too costly. This might explain why adoption of international standards is surprisingly low. Although 69% of surveyed companies have adopted at least one type of international standard, about half hold no safety or quality certifications and only 27% hold sustainability certificates. The data show that certification becomes more common as firms grow and that the link between firm size and certification is much stronger for sustainability standards than for quality ones.

Agri-food companies praise logistics services, but regional differences exist

Kenyan firms have a good score in their ability to meet time requirements and give a good score also to their business ecosystem's support of timely delivery. These findings apply across sectors, though the experiences of agri-food companies differ between regions. On average, 79% of the goods dispatched to clients arrived on time, but regions with less punctual deliveries (the south and the west) tended to rate the quality of transport infrastructure less favourably. Also, while 74% of surveyed agri-food firms praised the quality of logistics services, 65% said these services were too expensive.

Non-food manufacturing firms innovate to stay competitive, but at high cost

Four out of five non-food manufacturing firms said they frequently adopted new processes or developed new products, reflecting a higher rate of innovation than in the rest of the economy. Manufacturing companies actively collaborate with research networks, suppliers, customers and even competitors to promote innovation.

Many are concerned about intellectual property protection, however. An overwhelming majority (92%) of respondents in the sector said they safeguarded sensitive business information to a high degree, and almost half owned a registered patent. The prevalence of patent ownership among these firms is due largely to the availability of information on procedures to protect intellectual property. Almost half of the firms that struggled to meet intellectual property requirements said cost was the main barrier.

Services sector SMEs need more help from business support institutions

Companies in the services sector were the least engaged with business support institutions. Trade or investment promotion organizations, chambers of commerce, sectoral associations and even financial institutions interacted less with services firms than with agricultural and manufacturing enterprises.

Furthermore, services SMEs were far less engaged with business support institutions than large companies. When asked why they didn't draw on the assistance that these organizations offered, small services companies said accessing these institutions was difficult, they lacked information about the available services and they were unsure of the relevance for their businesses.

SME competitiveness differs by location as well as the gender and age of managers

Kenyan companies led by women find it much harder to obtain finance than those led by men. Indeed, women-led companies needed loans more than companies led by their male peers, but were less likely to have applied for and received credit. The same is true for youth-led firms.

Enterprises led by women and youth also trailed behind in terms of certification to the standards increasingly required by markets. Furthermore, firms led by young people had lower levels of capacity utilization than other companies, indicating that basic management training could go a long way towards boosting their productivity.

The survey shows that competitiveness also varies by region. The average competitiveness score was calculated for the 12 counties for which at least 10 companies responded to the survey. The scores are highest in Nairobi, Kisumu, Machakos and Mombasa and lowest in Narok, Tana River, Kwale and Lamu.

Recommended policies to improve the competitiveness of SMEs in Kenya

Several policy recommendations emerge from the survey findings.

Investment in energy, water and information and communications technology infrastructure outside of Kenya's central region is needed to improve the productivity and competitiveness of firms in these areas. The efficacy of the interest rate cap in fostering financial inclusion is unclear, as many companies identify interest rates as an obstacle, so other tools should be considered to broaden and deepen access to finance for SMEs.

Cutting the costs and increasing the efficiency of logistics services, and improving rural roads, would help agri-food SMEs become more competitive. Manufacturing firms would benefit from lower costs to protect intellectual property, and expanding the outreach of business support organizations would help services companies. Policymakers could also promote the inclusivity of Kenyan economic growth by fighting discrimination based on gender and age among financial, quality infrastructure and business support institutions.



CHAPTER 1

UNLEASHING THE POTENTIAL OF SMALL BUSINESSES

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HOW TO UNDERSTAND SME COMPETITIVENESS IN KENYA?	7

UNLEASHING THE POTENTIAL OF SMALL BUSINESSES

Small and medium-sized enterprises are at the heart of the Kenyan economy. They represent about 98% of all businesses, and more than 80% of Kenya's working population rely on them for income.¹ SMEs contributed an estimated 34% of the country's gross domestic product (GDP) in 2016.² Though mostly informal, SMEs are engines of employment creation, generating 80% of new jobs annually.³

By virtue of the jobs they create and their impact on society, SMEs play a central role in economic development. Small enterprises hire large numbers of women and youth and are active in rural and vulnerable populations. As a result, they encourage economic inclusion and empowerment while reducing unemployment.

They also innovate in new sectors and value chains, spurring economic diversification, transformation and growth. By adopting green business practices, and providing essential products and services, SMEs help meet the Sustainable Development Goals. And when they go global, they help take advantage of international trade to enhance local livelihoods.

SMEs support all sectors of the Kenyan economy and contribute significantly to income generation and

industrialization. Kenya Vision 2030, the development blueprint aimed at transforming Kenya into an industrialized, middle-income country that provides a high-quality life to all its citizens by 2030, recognizes the key role of SMEs. This fits in with United Nation's 2030 Agenda for Sustainable Development, which urges the international community to 'encourage the formalization and growth of micro, small and medium-sized enterprises'.

Empirical evidence on the strengths and weaknesses of Kenyan SMEs can help identify opportunities to improve their competitiveness so they can increase sales at home and abroad. To set this process in motion, the International Trade Centre (ITC) partnered with Kenya's Ministry of Industry, Trade and Cooperatives (MITC) and the Kenya National Chamber of Commerce and Industry (KNCCI) to assess the competitiveness of SMEs nationwide. This project included the design and implementation of a survey that was administered to 893 businesses across the country in 2017–2018.

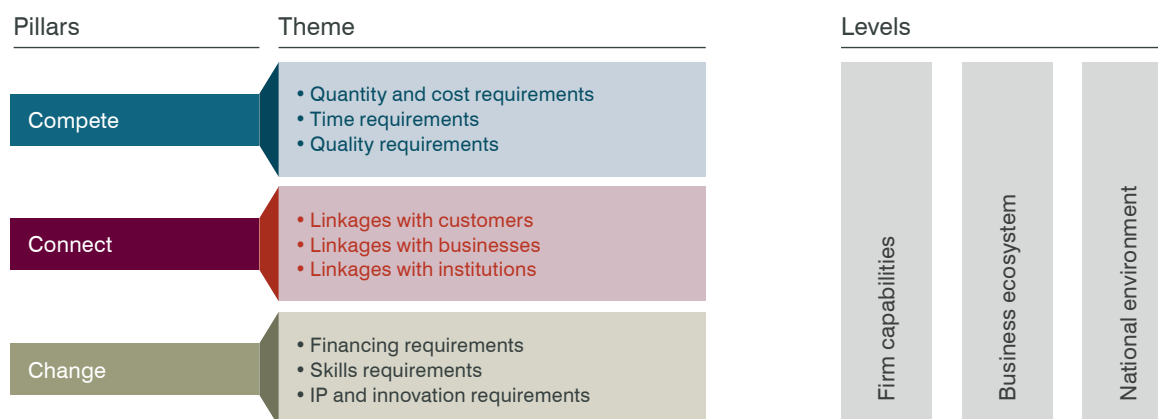
The rest of this section outlines the methodological approach used to analyse SME competitiveness in Kenya.

Box 1: Government policies for small and medium-sized enterprises

The Government's Third Medium-Term Plan 2018–2022 towards achieving Kenya Vision 2030 recognizes the SME sector as a priority area for development. The plan seeks to support SMEs by facilitating access to affordable credit, skill development, entrepreneurial culture and linkages to domestic and external opportunities. This includes the enactment into law and implementation of a National Credit Guarantee Scheme to support the access of SMEs to credit.

Kenya Vision 2030 builds on the Micro and Small Enterprise Act of 2012, which provides legal and institutional frameworks to support micro and small enterprises. These include the Office of the Registrar of micro and small enterprise associations (to formalize and register MSEs), the Micro and Small Enterprise Authority (to operationalize the Act), a tribunal (for conflict resolution) and a fund (to address financing issues).

Figure 1 The SME Competitiveness Grid



Source: ITC.

What is SME competitiveness?

Many factors influence the competitiveness of an economy in domestic and international markets. ITC provides a holistic view of enterprise competitiveness in the following definition:

Competitiveness is the demonstrated ability to design, produce and commercialize an offer that fully, uniquely and continuously fulfils the needs of targeted market segments, while connecting with and drawing resources from the business environment, and achieving a sustainable return on the resources employed.

The importance of competitiveness in driving firm survival, growth and trade make it vital to economic development. Therefore, ITC developed an analytical framework to understand firm competitiveness and how it can be improved. This framework is composed of three pillars that drive the capacity of a company to be competitive across three levels of the economy.

These pillars and competitiveness levels make up the SME Competitiveness Grid (Figure 1). Each pillar is further subdivided into three themes. Although it was designed to focus on the competitiveness of small and medium-sized enterprises, the framework can also be used to assess the competitiveness of larger firms.⁴

The three pillars of competitiveness are compete, connect and change.

- Capacity to compete:** The first pillar centres on the current operations of firms and their efficiency in terms of cost, time, quality and quantity. This concept also extends to the immediate business and national environment. Capacity to compete refers to the static dimension of competitiveness. Examples of determinants include use of internationally recognized quality certificates (firm capability), access to technical infrastructure (immediate business environment) and low tariffs (macro-environment).
- Capacity to connect:** The second pillar centres on gathering and exploiting information and knowledge. At the firm level, this refers to efforts to gather information flowing into the firm (e.g. consumer profiles, preferences and demand) and efforts to facilitate information flows from the firm (e.g. marketing and advertising). At the immediate business environment level, this includes links to sector associations, chambers of commerce and other trade and investment support institutions (TISIs). At the national level, the capacity to connect is predominantly about the availability of information and communications technology (ICT) infrastructure. The capacity to connect is not strictly a time-sensitive phenomenon, but gathering and exploiting information is so fundamental to current and future competitiveness that they act as an essential link between the two pillars of static competitiveness and dynamic competitiveness.

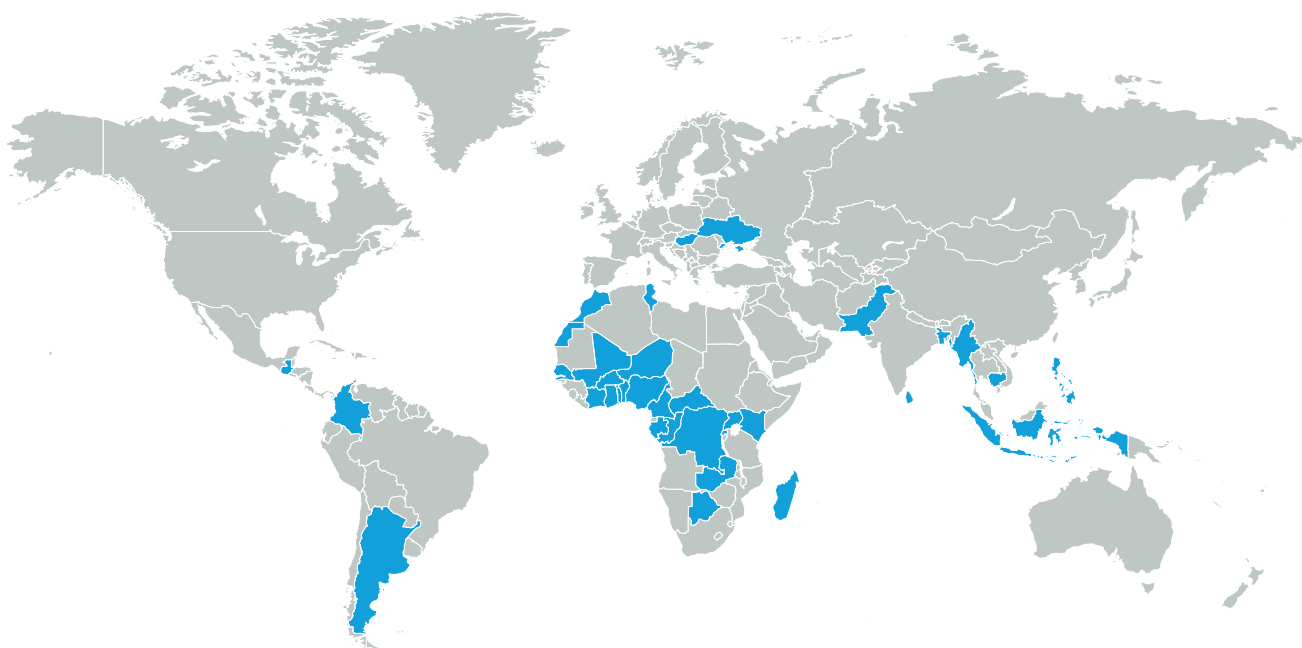
▪ **Capacity to change:** The third pillar centres on the capacity of a firm to make changes in response to, or in anticipation of, dynamic market forces, and to innovate through investments in human, intellectual and financial capital. It incorporates the dynamic dimension of competitiveness. Industry phases and breakthrough or disruptive innovations all require strategy adaptations. Thus, the capacity to change incorporates how well firms access finance and invest in human capital, innovation and intellectual property protection. At the business or macro-economic level, the environment's ability to deliver these resources to firms is measured.

These three pillars of competitiveness can be examined at three levels of the economy.

- At the **firm level**, their ability to manage resources adeptly influences their competitiveness.
- At the **business ecosystem** level, factors that support competitiveness but are external to the firm, including the availability of skilled workers, infrastructure and business support organizations, are important.
- The **national environment** includes the macroeconomic and governmental factors that establish the fundamentals for the functioning of markets in the economy.

The *SME Competitiveness Grid* bridges a gap in composite indicators that focus on macroeconomic determinants of competitiveness rather than local or microeconomic determinants. The importance of macroeconomic determinants is, however, fully recognized and reflected in the 'national environment' level of the competitiveness grid. ITC's *SME Competitiveness Outlook 2015* provides a more detailed description of the *SME Competitiveness Grid* and the methodology behind it.

Figure 2 SME competitiveness surveys across the world



Source: ITC.

How to measure SME competitiveness?

Measuring all dimensions of competitiveness can be difficult. ITC created the SME Competitiveness Survey (SMECS) to allow countries to collect the data they need to measure the competitiveness of their enterprises. As of July 2019, more than 13,000 companies in 38 countries, including Kenya, had been surveyed (see Figure 2).

The Survey is typically carried out in partnership with important domestic TISIs. ITC gives these institutions the software to collect and maintain an active database on micro, small and medium-sized enterprises, and assists TISI staff with sample selection and training the team of interviewers.

The SME Competitiveness Survey helps governments and TISIs better understand the needs of their enterprises. The tool is designed to combine information at the macro (national business climate), meso (local support ecosystem for businesses) and micro (firm capacity) levels to provide a nuanced picture of the capacity of a country's private sector to compete in international markets.

Policymakers and TISIs can use the findings to identify and address bottlenecks to competitiveness; to compare the competitiveness of firms based on size, sectors and location; and to better match firms with potential investors and buyers.

The SME Competitiveness Survey in Kenya

In Kenya, ITC collected SME competitiveness data in partnership with KNCCI, which obtained the data, and MITC, which provided high-level support to the initiative.

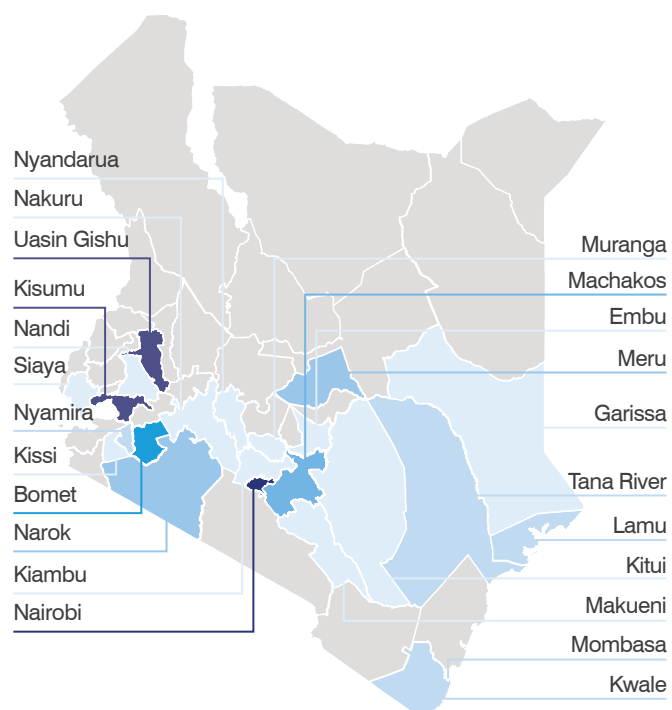
MITC is the government ministry tasked with promoting industrialization and enterprise development in Kenya, including through industrialization and private sector development policies as well as quality control. KNCCI is a non-profit umbrella organization for the private sector that aims to influence public policy, encourage efficient service delivery and facilitate monitoring and evaluation of public sector programmes and projects.

The ITC-MITC-KNCCI partnership led to the creation of a coalition of public and private sector institutions including the trade ministry, a small business authority and the Export Promotion Council, which pooled their member lists into a shared database.

The Kenyan SMECS was a national firm-level survey. To facilitate the collection of data across the country, 125 to 250 companies were to be surveyed from each region of Kenya.⁵ Data on firms operating in the primary (i.e. agriculture and mining), manufacturing and services sectors were to be collected in roughly equal proportions for each region. To the extent possible, each subsector was to be composed of exporting and non-exporting firms.

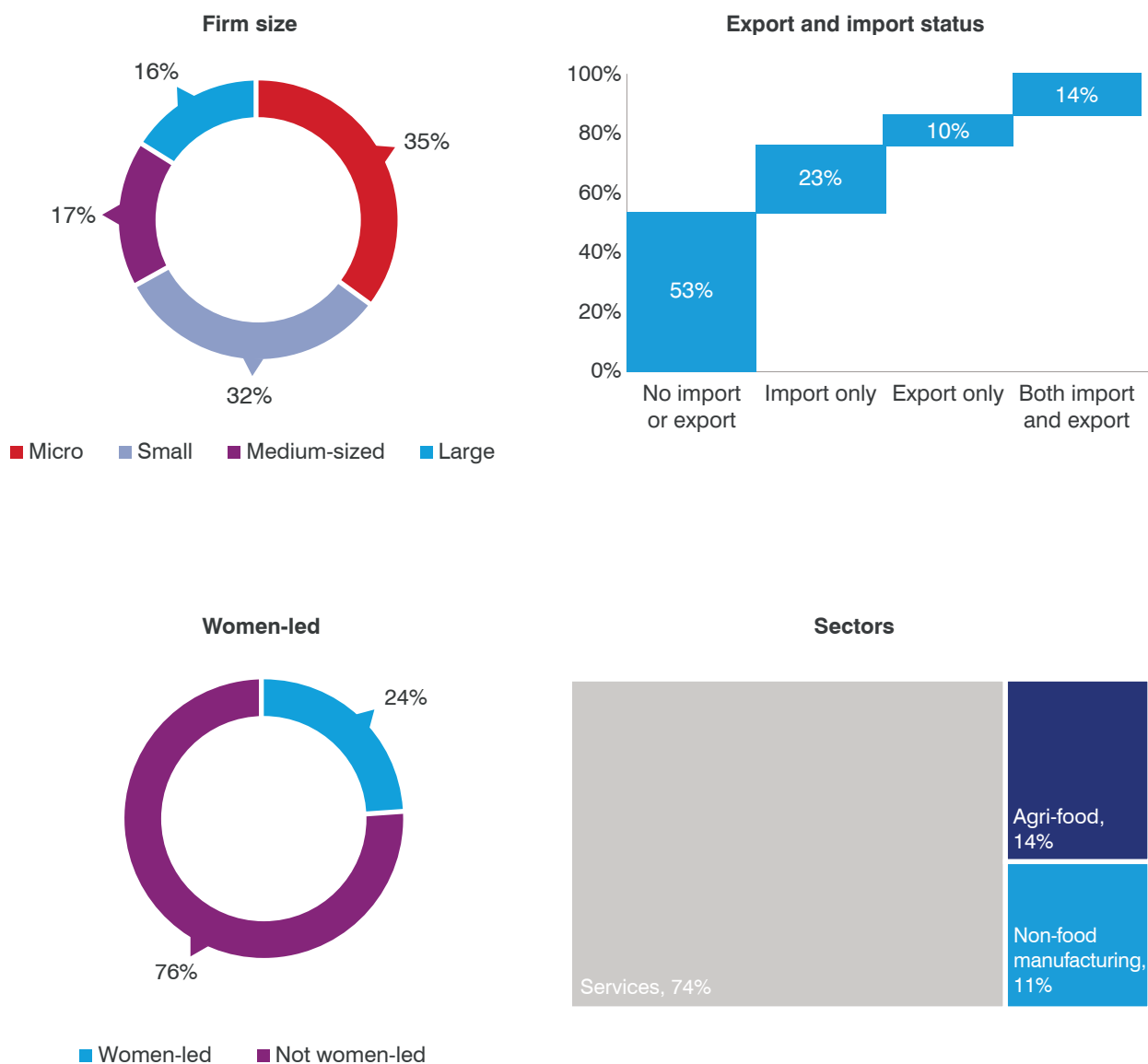
KNCCI conducted the SME Competitiveness Survey, gathering data from 893 enterprises in 23 counties in Kenya between 2017 and 2018. These counties are highlighted in Figure 3 according to firm population density, with darker colours representing a higher concentration of surveyed firms.

Figure 3 Surveyed regions of Kenya



Source: ITC, based on SME competitiveness data collected by KNCCI.

Figure 4 Characteristics of companies that participated in the survey



Note: This study defines 'women-led firms' as enterprises where women own at least 30% of the company and the top manager is a woman.
Source: ITC calculation based on SME competitiveness data collected by KNCCI.

About 96% of the surveyed enterprises said they were registered with or licensed by a national authority. Previous research suggests that Kenya's informal small and medium-sized enterprises, or 'jua kali', differ from their formal sector

peers.⁶ Just 4% of the firms surveyed for the SMECS are informal and the current analysis cannot cover them fully; rather, it focuses on the formal sector.

How to understand SME competitiveness in Kenya?

This report uses the conceptual framework described above to study Kenyan SMECS data and assess the competitive position of small and medium-sized companies in the country. There are three scales of analysis, corresponding to the three levels in the SME Competitiveness Grid: national, ecosystem and firm level.

The national environment – described in Chapter 2 – is examined based on a review of secondary data and related literature. Firm and ecosystem-level competitiveness – described in Chapter 3 – is analysed from firm-level survey data collected through the SMECS.

Competitiveness scores are calculated by taking the average answer to questions with ranked response options. Questions relevant to each competitiveness theme and level are grouped together as indicators, and the final score for that theme at that level is a simple average of these indicators.

For example, if many enterprises said they had a bank account, this would contribute to a high score for firm capabilities relating to access to finance.

A disaggregated analysis of the SMECS dataset in Kenya yields additional insights. Subsamples in certain sectors are analysed to assess sector-specific challenges and strengths. Women-led and youth-led firms are compared to their peers. Finally, a comparison of the competitiveness of Kenyan counties rounds out the report.

Although this study focuses on small and medium-sized enterprises, some large companies are included in the survey so the competitiveness of SMEs and large firms can be compared.

This approach yields a snapshot of the competitiveness of Kenyan SMEs and where there is room for improvement. Opportunities to strengthen the link to sustainable development impacts, including through targeted capacity building, are highlighted throughout. Where relevant, the impact of policy on competitiveness outcomes is mentioned.





CHAPTER 2

THE KENYAN ECONOMY

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THE KENYAN ECONOMY

Kenya is a lower middle-income country in East Africa. Its economy has enjoyed robust growth, averaging 6% annually in 2010–2018.⁷ Recent growth has been supported by macroeconomic stability, increased private consumption and good harvests, accompanied by improvements in financial inclusion, public infrastructure services and the business environment.⁸

Table 1 Kenyan macroeconomic performance

Key macroeconomic indicators	2005	2010	2018
Area (km ²)	580 370	580 370	580 370
Population, million	36	42	51
Population growth, annual %	2.7	2.7	2.5
Working age population	53%	54%	57%
GDP (at current prices), billion \$	18	40	90
Real GDP growth, annual %	6%	8%	6%
GDP per capita (at current \$)	511	952	1710
Inflation (avg. CPI), annual % change	10%	4%	5%
HDI value	0.490	0.543	0.590

Source: UNDESA's World Population Prospects 2017, World Development Indicators database, World Economic Outlook database.

Strong fundamentals

Significant political, structural and economic reforms have played an important role in sustained economic growth. The adoption of a new constitution in 2010 brought a fundamental change in the country's political and economic governance. By devolving power to county governments, the new constitution strengthened accountability and public service delivery. The conclusion of the October 2017 elections, followed by an historic 'handshake' between the ruling party and the leader of the opposition, generated trust in the political outlook.

The structure of the Kenyan economy has shifted gradually over the years. The contribution of agriculture to GDP has increased over the past decade, while manufacturing and services have contributed less (Figure 5). Nevertheless, the services sector remains the largest contributor to GDP.

Agriculture is crucial to economic and social development, as many Kenyans depend directly on the sector and it is linked to food security. Manufacturing is also essential to economic

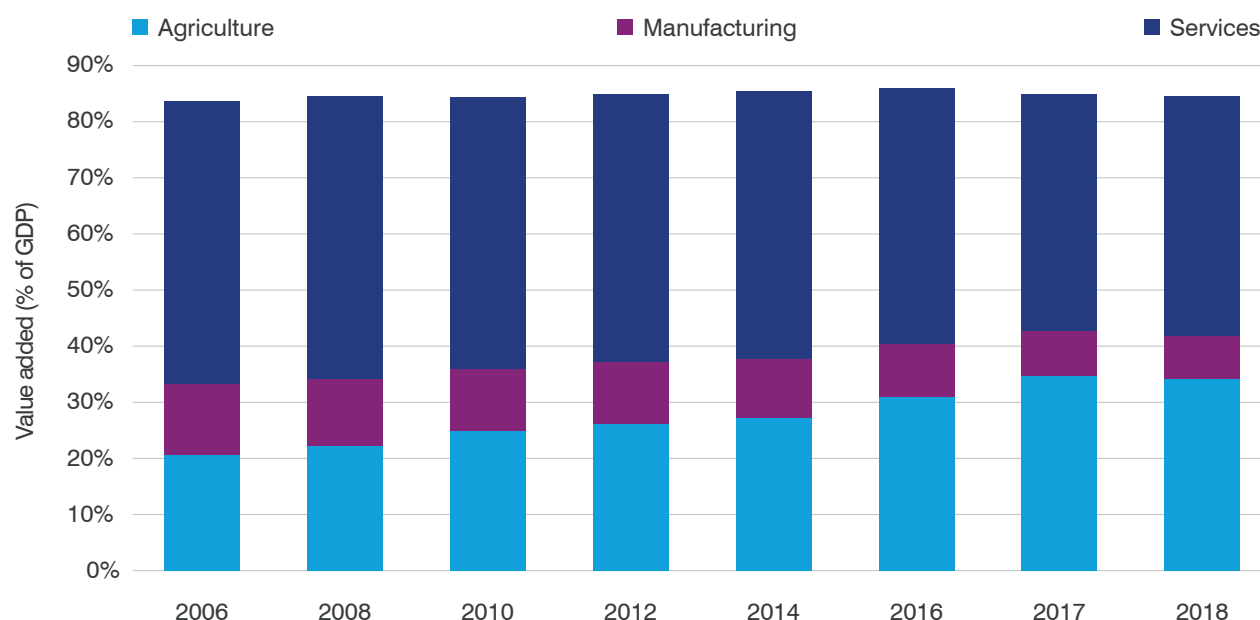
development, because it fosters economic diversification while boosting the productivity of the agricultural sector through value addition. Furthermore, it helps reduce poverty by creating jobs.

For all these reasons, the Government's 'Big Four' agenda prioritizes strategies and programmes to improve industrial competitiveness.⁹

These policies will help provide employment for the country's growing working-age population. Near-universal primary school enrolment and narrowed gender gaps in education mean Kenya now has the highest youth literacy rate in the region, and higher education is on the rise.

The Human Development Index puts the country in the medium human development category – positioning it at 142 out of 189 countries and territories. These developments in the index reflect a reduction in poverty levels to 36% in 2015 from 47% in 2005, as well as by a healthy 3% average increase in GDP per capita between 2010 and 2019.¹⁰

Figure 5 Sectoral value added to GDP



Source: World Development Indicators database, World Bank.

An outward-facing nation

Widely considered the region's economic, financial and logistics hub, Kenya is a gateway to the wider Eastern Africa market due to its strategic location and strong regional ties. While exports of goods and services contracted in 2016–2017, they have increased on average over the last decade. Tea, coffee, horticultural and petroleum products are the top goods exports, while tourism dominates services exports (Figure 6). The European Union is Kenya's largest export market.

Imports have also grown – due largely to high oil prices and greater domestic demand – leading to a negative trade balance.

Foreign direct investment in Kenya has expanded rapidly over the last decade, increasing more than four times¹¹ and making the country the top African recipient of such investment.¹² Inward remittances are also an important source of revenue for the country.

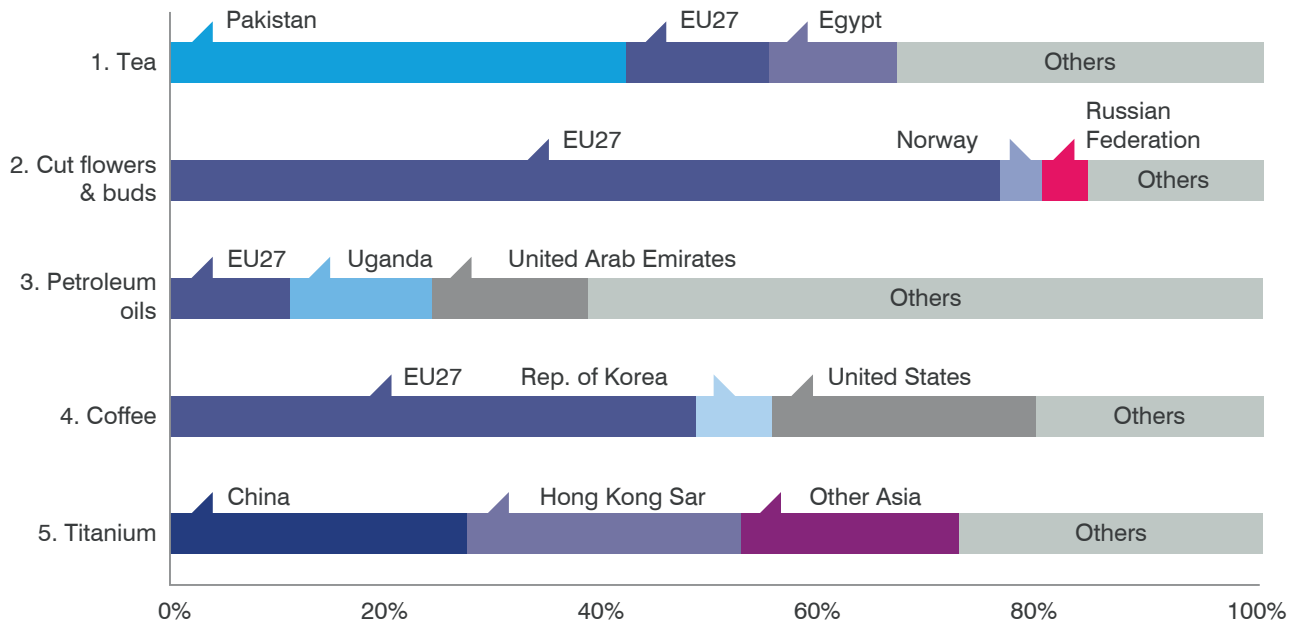
Improved rainfall, low food prices, food price subsidies and monetary policy helped maintain inflation within the authorities' target range (5% with a margin of 2.5 percentage points on either side) in the 2017–2018 period, with some instances of inflationary pressures due to drought and subsequent increases in food prices. The Kenya shilling exchange rate remained stable against major currencies, and foreign exchange reserves were at 4.9 months of import cover in 2018.¹³

These trends suggest a positive outlook for the Kenyan economy and its relationship with the global economy.

Nevertheless, several factors remain medium-term risks for the country's macroeconomic stability. Regional geopolitical instabilities – especially in Somalia, South Sudan and the Great Lakes Region – could affect Kenya, including through refugee flows over porous borders. Kenya's performance in governance indicators has been mixed, but it is generally improving as shown by its move up to a ranking of 13th out of 54 African countries on the Mo Ibrahim Index of African Governance.¹⁴



Figure 6 Kenya's top exports and their destinations



Source: World Integrated Trade Solutions database, 2017.



COFFEE

PRODUCE OF KENYA

DRY PLACE

CHAPTER 3

FIRM CAPABILITIES AND BUSINESS ECOSYSTEM AFFECT COMPETITIVENESS

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FIRM CAPABILITIES AND BUSINESS ECOSYSTEM AFFECT COMPETITIVENESS

Factors inside and outside the enterprise affect whether it is competitive. The state of the firm's sector and operating milieu, or what is known as the 'business ecosystem', conditions what is possible for the company, while the firm's own capabilities determine whether it can capitalize on opportunities.

A general examination of Kenya's firm capabilities and business ecosystem scores suggests a very good performance, alongside a few important weaknesses (Table 2). The performance in quantity and cost requirements is strong at both the firm and business ecosystem levels, but meeting quality requirements has proven more difficult. The business ecosystem does not live up to its potential to foster linkages between businesses or in meeting financing requirements. The rest of this section discusses these topics in more detail.



Table 2 Firm capabilities and business ecosystem competitiveness scores

		Firm capabilities competitiveness scores	Business ecosystem competitiveness scores
Compete	Quantity and cost requirements	82	84
	Time requirements	77	60
	Quality requirements	43	57
Connect	Linkages with customers	54	68
	Linkages with businesses	86	67
	Linkages with institutions	57	74
Change	Financing requirements	87	64
	Skills requirements	78	74
	Intellectual property and innovation requirements	65	74

Source: ITC calculation based on SME competitiveness data collected by KNCCI.

Meeting quantity and cost requirements

Being able to make a product that customers want at a reasonable cost is at the centre of a company's value proposition – and its ability to compete on local and international markets. Firms must satisfy two requirements to produce enough output at a good price. First, they need to professionally manage production processes to fulfil the quantity, cost and time requirements of their markets. Secondly, their business ecosystem must provide utilities, including electricity and water, as well as infrastructure to keep production lines running and to bring the goods to market.

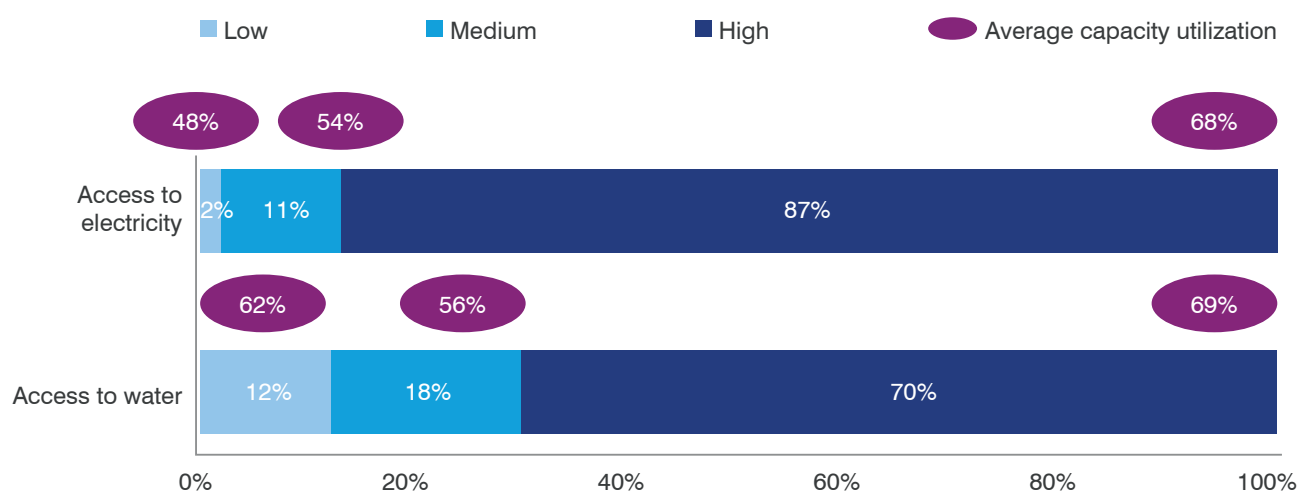
Evidence from the SME Competitiveness survey suggests that Kenyan firms and their business ecosystem perform very well on both fronts. Competitiveness scores on meeting quantity and cost requirements of competitiveness were high, suggesting that the business ecosystem generally

supports firm capabilities in this respect. However, there are significant differences across regions and firm size that affect the success of an enterprise.

Most surveyed companies follow modern business management practices. For instance, 96% kept some sort of records, 89% had a bank account and 84% were confident that they could prepare a business plan if necessary. This planning is good for productivity, as shown by the fact that almost half of interviewed firms said they produced at least 70% of the maximum possible output.

Capacity utilization may vary depending on the degree of access to utilities in the business ecosystem. As Figure 7 shows, companies with reliable access to water and electricity had better capacity utilization rates than those with limited access. Higher capacity utilization rates suggest higher productivity, which is associated with greater competitiveness. In other words, these results indicate that SMEs with good access to utilities are more competitive.

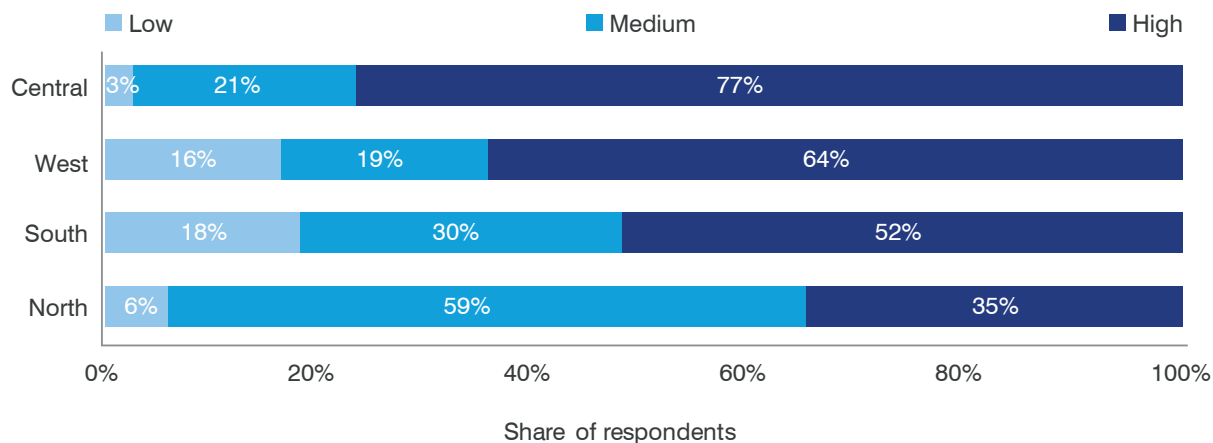
Figure 7 Better access to utilities promotes capacity utilization



Note: The graph is based on firms' responses to the following questions: 'How would you rate your company's access to electricity?', 'How would you rate your company's access to piped water for production purposes?' and 'In the last year, what was this company's output as a percentage of the maximum output possible if using all the resources available? 100% means all resources are fully employed and increase in output is not possible without increasing resources.'

Source: ITC calculation based on SME competitiveness data collected by KNCCI.

Figure 8 Access to electricity differs between regions



Note: The graph is based on firms' responses to the following question: 'How would you rate your company's access to electricity?'. Source: ITC calculation based on SME competitiveness data collected by KNCCI.

The connection between access to utilities and competitiveness is particularly relevant given evidence that access to utilities varies across regions, individuals and time (Figure 8). While 77% of surveyed companies in the central region highly rate their access to electricity, just 35% of those in the north do the same.

Furthermore, manufacturing enterprises find the high cost and low reliability of electricity to be especially challenging for their production processes. These discrepancies are problematic in light of the finding that better access to

utilities is associated with capacity utilization, productivity and competitiveness. The Government's recently announced electricity rebate programme, which is targeted towards manufacturers and SMEs in particular, may help address these concerns.

Sustainable Development Goal 9 states that regional infrastructural development is important for economic development and human well-being. More effort should be made to improve access to utilities among enterprises outside Kenya's central region.



Fuelling finance for firm competitiveness

The ability of a company to manage its cash flow affects its survival, because bills must be paid. At the same time, knowing about and following good financial practices spurs company growth, as wise financial management enables investment and expansion.

Kenyan firms perform well in this respect, with 81% saying they have detailed knowledge of the loan process, 82% saying they are capable of managing their cash flow to execute payments, and 89% possessing a company bank account.

External finance is also important, however, because many SMEs reach a point where they need and can manage external financing for working capital, investment and expansion abroad.¹⁵ A previous study found that 40% of Kenyan SMEs used their own savings or loans from family or friends to finance their businesses. However, some firms drew on multiple sources of funding to meet their financing needs. Commercial banks and credit and savings cooperatives each financed 22.5% of respondent SMEs. Furthermore, 17% of companies reported using mobile money, and 11% admitted turning to loan sharks.¹⁶

About 80% of companies interviewed for the SME Competitiveness Survey said they needed external funding.¹⁷ Two-thirds of these firms obtained loans, suggesting that public and private efforts to reach out to the SME sector are starting to bear fruit.

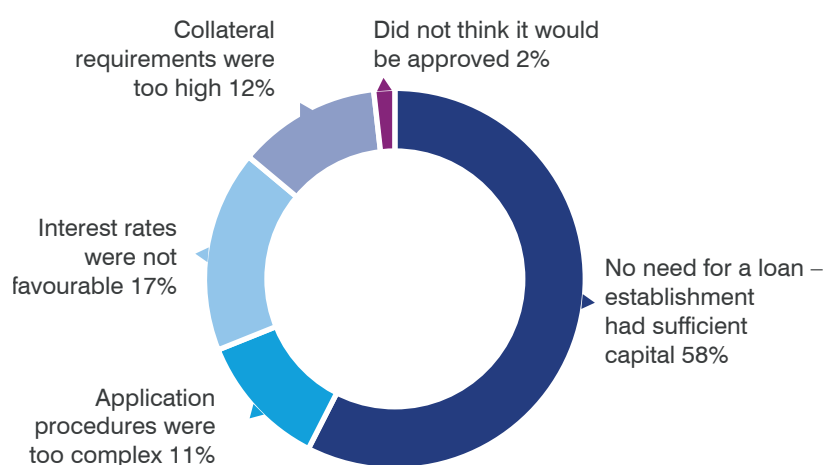
Specifically, of the firms that said they wanted funding, 67% were content: they applied for a loan and got it, or were awaiting the outcome of the process. Yet 33% of the businesses that needed funding failed to get it. Either they applied and were rejected, or they were deterred from applying by the collateral requirements, interest rates or the complexity of application procedures.

The 2016 SME Act sought to improve access to finance for Kenyan SMEs, including by capping interest rates. There has been considerable debate about the effectiveness of this cap in promoting financial inclusion. In light of evidence that uptake of finance has not increased between 2016 and 2018, some have argued that flexibility in setting interest rates should be encouraged to incentivize lending.¹⁸

Others have noted that commercial banks in Kenya already offer a broad range of SME-focused financial products and that a large share of their portfolio and revenues is derived from the SME sector. They suggest that SMEs would perform better if financial planning knowledge and skills were improved.¹⁹

The SMECS found that 45% of respondents had applied for a loan. Of these, 84% secured a loan and 5% had an application in progress. The 55% of firms that opted not to apply for credit cited different reasons for this choice (see Figure 9), but the most common explanation was that they did not need external financing.

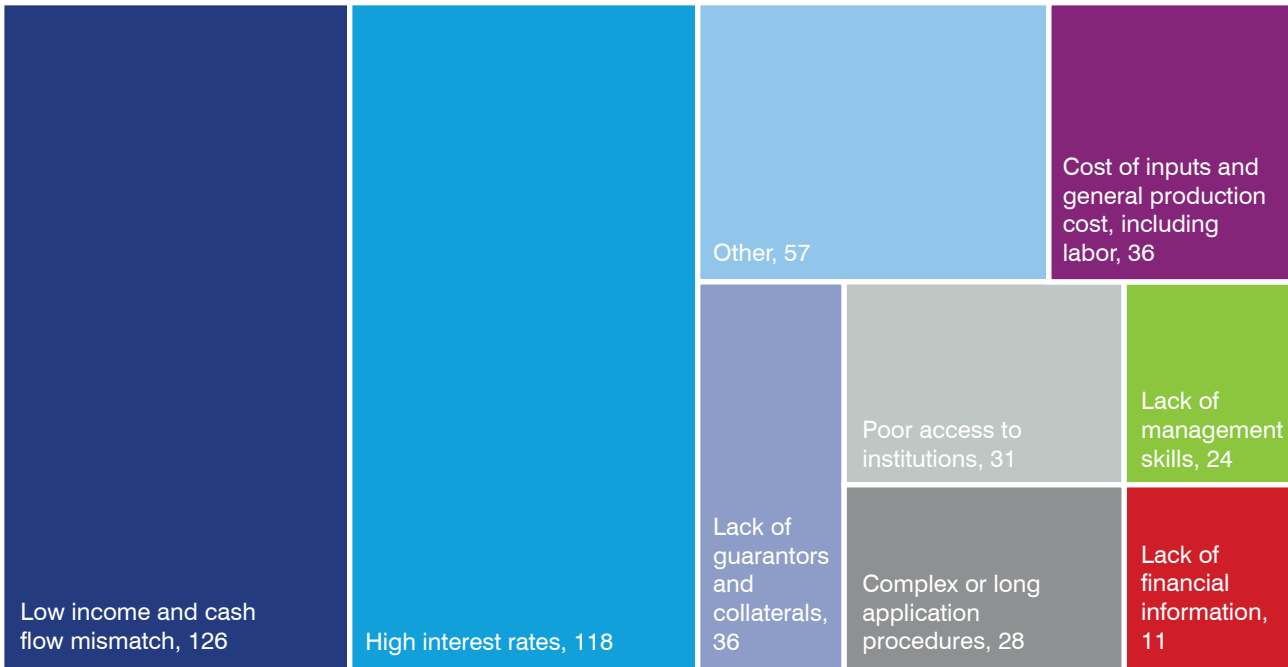
Figure 9 Why did some Kenyan companies not apply for a loan?



Note: The graph is based on firms' responses to the following questions: 'Referring to the last three full calendar years, did this establishment apply for any loans?' and if not, 'Why did this establishment not apply for a loan, or reject the offer given by the bank?'

Source: ITC calculation based on SME competitiveness data collected by KNCCI.

Figure 10 Most common challenges to accessing finance



Note: The graph is based on firms' responses to the following question: 'Please describe the biggest challenge your firm faces with respect to any area related to finance.'

Source: ITC calculation based on SME competitiveness data collected by KNCCI.

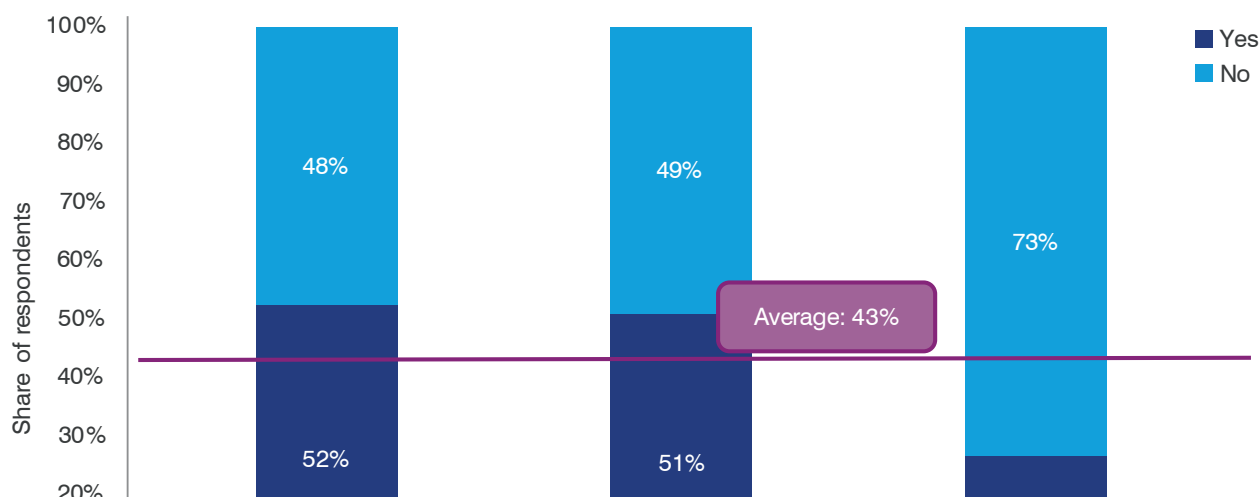
Forty-eight respondents, representing 17% of those who did not seek a loan, cited unfavourable interest rates as the reason for their decision. A total of 118 respondents, or 13% of the surveyed firms, identified high interest rates as their biggest financial challenge (Figure 10). Although the Kenyan financial market is one of the most developed in East Africa, a survey conducted by the Central Bank of Kenya found that the average interest rate in the country was as high as 20.6% for microenterprises, 18.5% for small enterprises, 17.4% for medium-sized enterprises and 15.3% for large enterprises.²⁰

The evidence on high loan approval rates and a low rate of complaints about interest rates suggests that progress has been made in extending access to finance to Kenyan SMEs surveyed for this study. This may reflect the rise of financial innovations such as mobile money and online banking.²¹

But with 51% of the interviewed firms identifying poor access to financial institutions as a barrier, much remains to be done. When asked to describe the top challenge they faced with respect to finance, some companies cited problems with financial management, while others mentioned obstacles to obtaining external funding. As Figure 10 shows, the most frequently cited concern was the mismatch between income and cash flow needs.

Still, several companies also pointed to barriers to getting loans, such as high interest rates, complex and lengthy loan application procedures, and lack of collateral. Public-private collaboration for an SME credit guarantee scheme is under way. This could remedy SMEs' lack of collateral, but needs to be underwritten by real resources and the commitment of stakeholders.

Figure 11 Rates of certification to quality, safety and sustainability standards are low



Note: The graph is based on firms' responses to the following question: 'Does this establishment's main product or service hold any of the following types of internationally recognized certificates: safety certificate; quality or performance certificate; sustainability certificate?'

Source: ITC calculation based on SME competitiveness data collected by KNCCI.

Signalling product quality through certification

Many buyers require proof of certification to a standard to ensure that the product or service is of sufficient quality. Adopting standards may increase sales on foreign markets, improve the image of a company or even decrease associated trade costs due to facilitated custom control regimes.²² However, compliance with resource-demanding standards can require additional investment and financing in order to adjust the production process, pay for auditors and appropriately package the product.

Kenyan firms score relatively poorly on meeting quality requirements of buyers. The survey findings point to low rates of certification in Kenya across the quality, sustainability and safety standards recognized on international markets. Only about half of the companies interviewed for the SMECS hold safety or quality certifications, and just 27% have sustainability certificates (Figure 11). The average rate of adoption across the three types of certification is 43%,



suggesting that many enterprises lack the multidimensional certification that some markets require.

The evidence suggests that many companies are instead pursuing a targeted certification strategy. Indeed, 69% of surveyed firms have adopted at least one standard. This percentage is lower for small and medium-sized enterprises, which probably find it more difficult to absorb the additional costs of acquiring certifications.

Examining certification rates by sector and type of standard sheds light on these findings (Figure 12). Although the overall rate of certification to sustainability standards is low, it is relatively high in the agri-food sector. Technical assistance can be essential to the success of adoption. For example, ITC is helping tea, coffee and avocado agri-food enterprises obtain certification to quality, sustainability and safety standards in collaboration with the Kenya Bureau of Standards and the Agriculture and Food Authority.²³

Quality standards are more common in the non-food manufacturing sector, reflecting the prevalence of ISO and other technical standards for participation in manufacturing trade. In the leather sector, for instance, ITC is supporting half of the active tanneries in Kenya through technical assistance to meet international quality requirements and international leather standards.²⁴

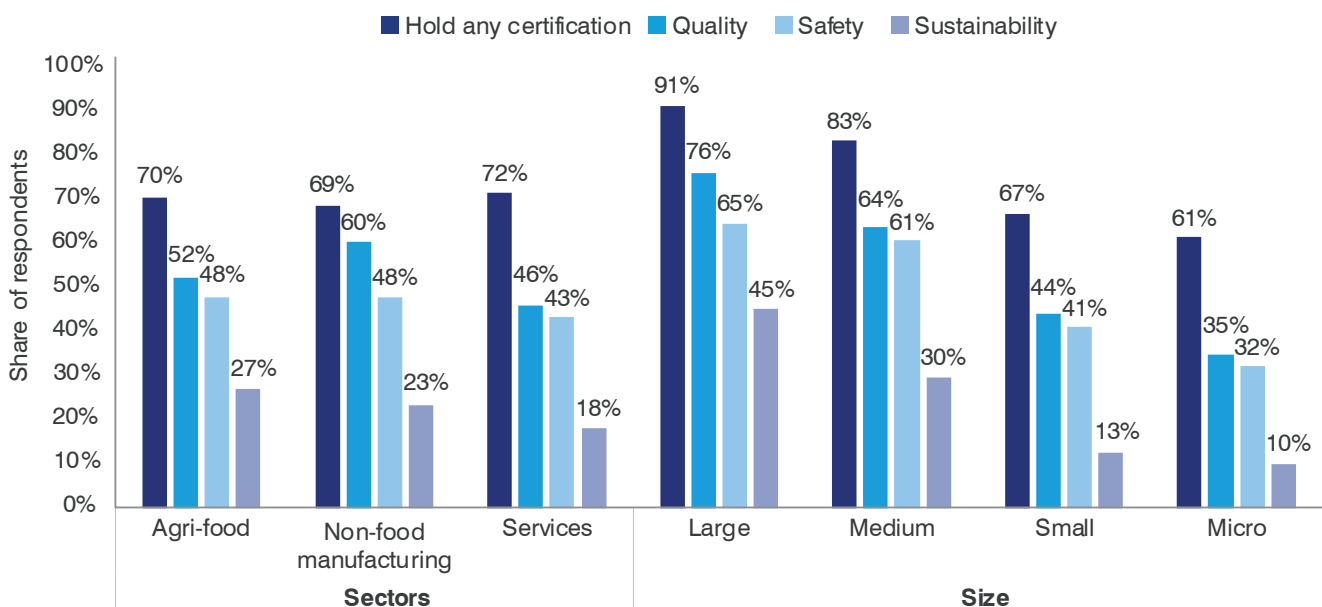
The analysis in Figure 12 confirms that certification increases as firms grow, but it also yields new evidence that effect of firm size on certification varies across type of standard. Although the certification rate for quality standards among large firms is twice that of micro firms, the rate of certification to sustainability standards is four times higher for large enterprises than for micro ones. The link between firm size

and certification is much stronger for sustainability standards than for quality ones. This is consistent with previous analysis and evidence that certification to sustainability standards may entail high fixed costs that are most easily borne by large firms.²⁵

Companies' choice of certification schemes is just one part of the private sector's quality performance, which in turn reflects the services provided by national production testing, certification and inspection authorities. Kenya has a well-developed national quality infrastructure that includes the Kenya Bureau of Standards and world-class testing facilities.²⁶

Almost three-quarters of the businesses interviewed for this report gave a high rating to the quality of certification bodies, and 63% rated the availability of information on standards and certificates as 'good' or 'very good'. But most companies say these services are too expensive. This may help explain the low rates of adoption of international standards, many of which entail the certification, testing and inspection services of Kenyan-based authorities. It remains to be seen what effect the 2019 Kenyan national quality infrastructure policy²⁷ will have on these matters, including their cost.

Figure 12 Certification is more common in the agri-food sector and as firms grow



Note: The graph is based on firms' responses to the following question: 'Does this establishment's main product or service hold any of the following types of internationally recognized certificates?'

Source: ITC calculation based on SME competitiveness data collected by KNCCI.

Connecting to businesses helps spread knowledge

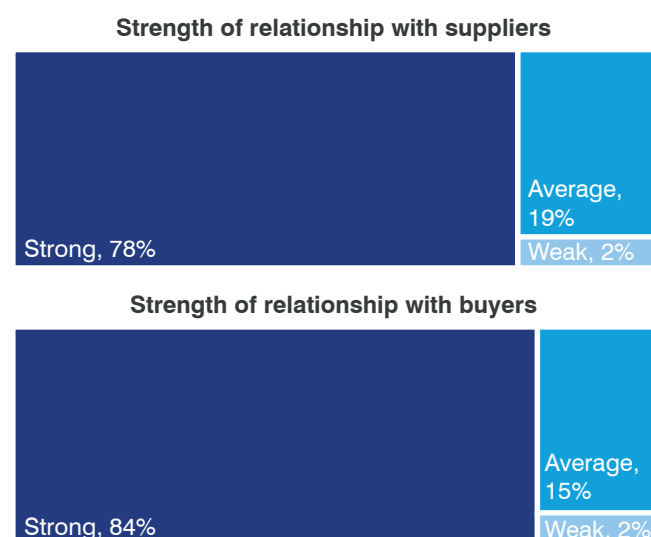
The fragmentation of production processes over the last 50 years means that most things are now made component-by-component along local, national, regional and global value chains that span multiple actors. Furthermore, the growing importance of the services trade, along with the rise of digital and other technologies in what has been dubbed 'the fourth industrial revolution', has made business more knowledge-intensive.²⁸ In this context, the linkages between business actors are integral to spreading the know-how – and value chain components – that are crucial to success.

Kenyan companies have strong connections to regional clusters, suppliers and university research in their business ecosystem. About 80% of companies interviewed for this study described their relationships with buyers and suppliers as strong (Figure 13).

The fact that clusters are pervasive in Kenya is borne out by the World Economic Forum Executive Opinion survey. Kenyan business owners were asked about the prevalence of well-developed and deep clusters, and the average country cluster development score of 79 out of 100 indicates that they are widespread.²⁹

However, strong relationships only help competitiveness if they form the basis for exchanges of information and collective action to solve the challenges that the sector faces. SME competitiveness survey data gathered in 2017 and 2018 indicate that Kenyan clusters have some way to go to deepen the exchange of information and facilitate cooperation to solve problems for the benefit of the sector as a whole. Just over 50% of respondents said the extent of market information exchange and cooperation across companies in their sector was strong (Figure 14).

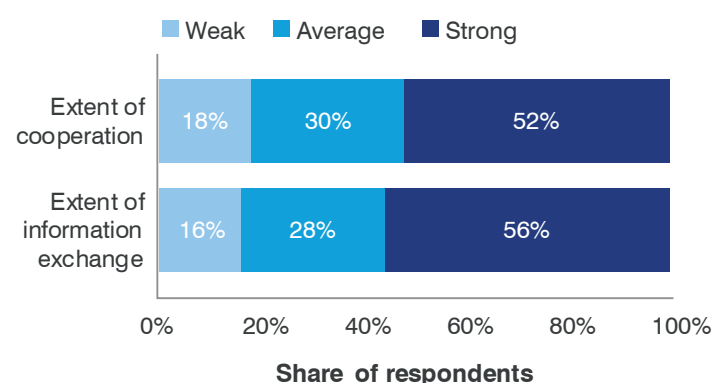
Figure 13 Kenyan firms have strong ties with buyers and suppliers



Note: The graph is based on firms' responses to the following questions: 'Please rate the strength of this company's relationship with its buyers' and 'Please rate the strength of this company's relationship with its suppliers.'

Source: ITC calculation based on SME competitiveness data collected by KNCCL.

Figure 14 Sectoral clusters of companies can cooperate and share information



Note: The graph is based on firms' responses to the following questions: 'To what extent do companies in your sector exchange market information which may be beneficial to the sector as a whole (e.g. market trends)?' and 'To what extent do companies in your sector cooperate to solve common problems which may be beneficial to the sector as a whole?'

Source: ITC calculation based on SME competitiveness data collected by KNCCL.

Human capital is essential for success

Kenya has developed a large pool of highly educated and skilled employees, and respondents were generally quite satisfied with the skill sets of their own workers and those available in the market. Figure 15 shows that only 4% of respondents considered the skills of their current workers to be low compared with the needs of the enterprise, while 78% said employee skills matched company requirements. More than half of the surveyed companies (64%) also had a strong established hiring process to engage the best candidates and were content with the availability of skilled workers for hire.



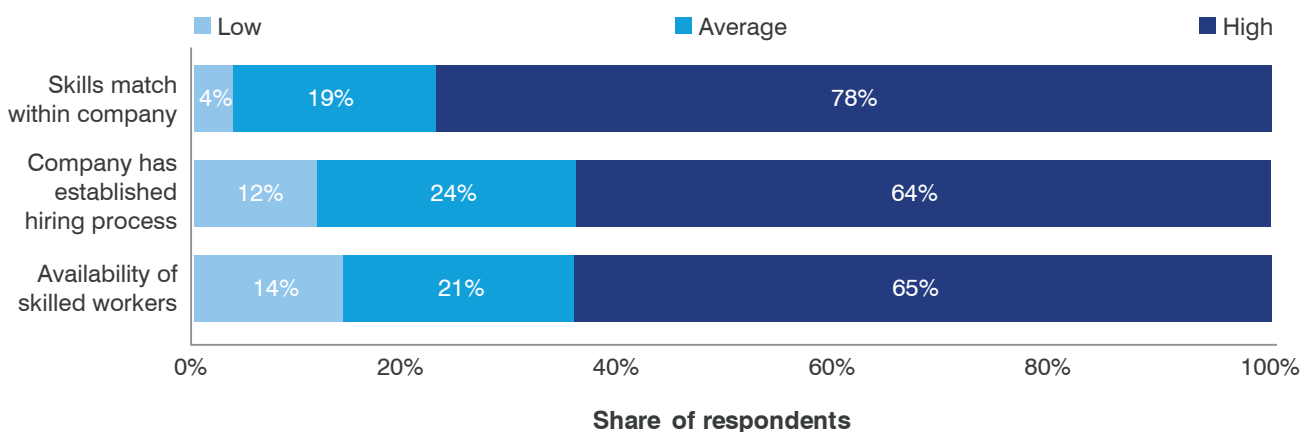
However, geographical disaggregation highlights different results across regions. While companies in the north and central regions were content with the availability of skilled labour for hire, that was not the case elsewhere in the country. The shortage of skilled labour was most acute in the south, specifically in Kitui and Kwale counties, and was also severe in the west (Figure 16).

This suggests that companies in these regions hire a lot of youth, but struggle to find skilled workers in the labour market, indicating that better youth skills are needed. Programmes that combine technical and life skills training with on-the-job training can support the development of the skills that SMEs need. For example, such training in Kenya led to a 15% increase in employment among participants.³⁰

Interestingly, while southern and western regions suffered most from a lack of skilled workers, they also had higher proportions of youth in the workforce. More than half of the full-time workers in interviewed firms in the south and 44% of those in the west are below age 25.

More public and private sector coordination and investment, including through the implementation of Kenya’s Youth Development Policy, will make this type of training more accessible and help improve skills availability and matching in the country.

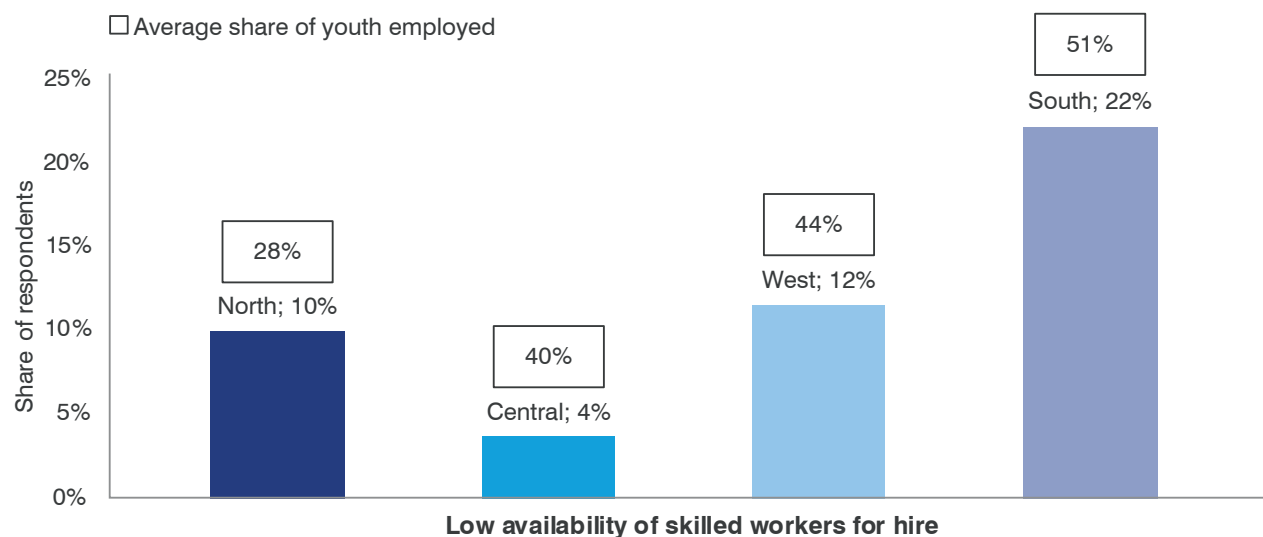
Figure 15 Surveved companies are satisfied with the skills and availability of workers



Note: The graph is based on firms’ responses to the following questions: ‘Please rate the extent to which the skill set of currently employed workers matches the needs of this company,’ ‘Please rate the extent to which your company has an established hiring process to hire the best candidates’ and ‘Please rate the availability of skilled workers for hire.’

Source: ITC calculation based on SME competitiveness data collected by KNCCI.

Figure 16 Skill shortages are worst in southern and western Kenya



Note: The figure in the bar chart reports the percentage of respondents in each region that said that the availability of skilled workers was low.
Source: ITC calculation based on SME competitiveness data collected by KNCCI.

Among the sectors surveyed, agri-food companies were the most satisfied when it came to the availability of skills in the market. More than 70% of these firms rated skills availability as high, compared with 63% in services and 60% in non-food manufacturing.

Although Kenyan businesses were generally content with the availability of the skills they needed to compete on world markets, this was not the case in some regions. These results from hundreds of interviews highlight that there continues to be an opportunity to promote SME competitiveness by investing in inclusive and appropriate skill development.

Highlighted statistics on the Kenyan business ecosystem and firm capabilities

- Two-thirds of interviewed firms that needed funding successfully obtained a loan, but half of the participants consider poor **access to financial institutions** to be an obstacle to their operations.
- Although 70% of surveyed companies were certified to some sort of international standard, adopting more standards would help them meet multidimensional market **quality requirements**.
- Four out of five enterprises interviewed for this study described their **relationships with their suppliers and buyers** as strong.
- While two-thirds of surveyed companies rated **skills availability in the market** as high, sectoral and regional differences persist.



CHAPTER 4

SECTOR-SPECIFIC NEEDS REQUIRE SECTOR-APPROPRIATE POLICIES

AGRI-FOOD: HIGH-QUALITY TRANSPORT AND LOGISTICS SERVICES FOR TIMELY DELIVERY28

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SECTOR-SPECIFIC NEEDS REQUIRE SECTOR-APPROPRIATE POLICIES

Policies to boost sectoral competitiveness must be sensitive to sector-specific conditions, strengths and weaknesses. The first part of this chapter analyses the competitiveness of Kenyan firms by sector. As Table 3 shows, competitiveness performance differs across the agri-food, non-food manufacturing and services sectors. The rest of the chapter analyses these sector-specific competitiveness conditions in more detail, with a view to identifying new opportunities to improve competitiveness in all three sectors.

Agri-food: High-quality transport and logistics services for timely delivery

The Kenyan agri-food sector includes agriculture, livestock, forestry and fishing as well as the manufacturing of food and

beverages. The agricultural sector contributed about 35% of Kenyan GDP in 2017 and employed nearly 60% of the population.³¹ The agri-food sector grows almost 5% annually, represents 70% of total exports and employs 85% of the rural workforce.³² Kenya is the top horticultural exporter in Eastern Africa and is the second-largest developing country supplier of vegetables to the European Union.³³ Indeed, the sector has the highest export potential in Kenya, led by tea and flowers.³⁴

Nonetheless, sizeable gaps need to be closed for the agri-food sector to reach its full potential. Despite rapid population growth, agricultural productivity has been sluggish in recent years. Kenyan agricultural productivity has grown slower than in Rwanda, Ethiopia and Tanzania.³⁵ Only 20% of Kenyan land is suitable for farming, yet that land is not always used efficiently³⁶ and urban areas continue to absorb land with

Table 3 Firm capabilities and business ecosystem competitiveness scores by sector

Pillar	Theme	AGRI-FOOD		NON-FOOD MANUFACTURING		SERVICES	
		Firm capabilities	Business ecosystem	Firm capabilities	Business ecosystem	Firm capabilities	Business ecosystem
Compete	Quantity and cost requirements	82	85	87	87	81	83
	Time requirements	79	58	82	59	76	60
	Quality requirements	49	57	50	57	41	57
Connect	Linkages with customers	48	70	62	73	53	68
	Linkages with business	88	68	90	67	85	67
	Linkages with institutions	60	68	73	76	54	74
Change	Financial requirements	87	65	91	69	86	63
	Skill requirements	76	78	81	71	78	73
	Intellectual property and innovation	70	75	74	80	63	73

Source: ITC calculation based on SME Competitiveness data collected by KNCCI.

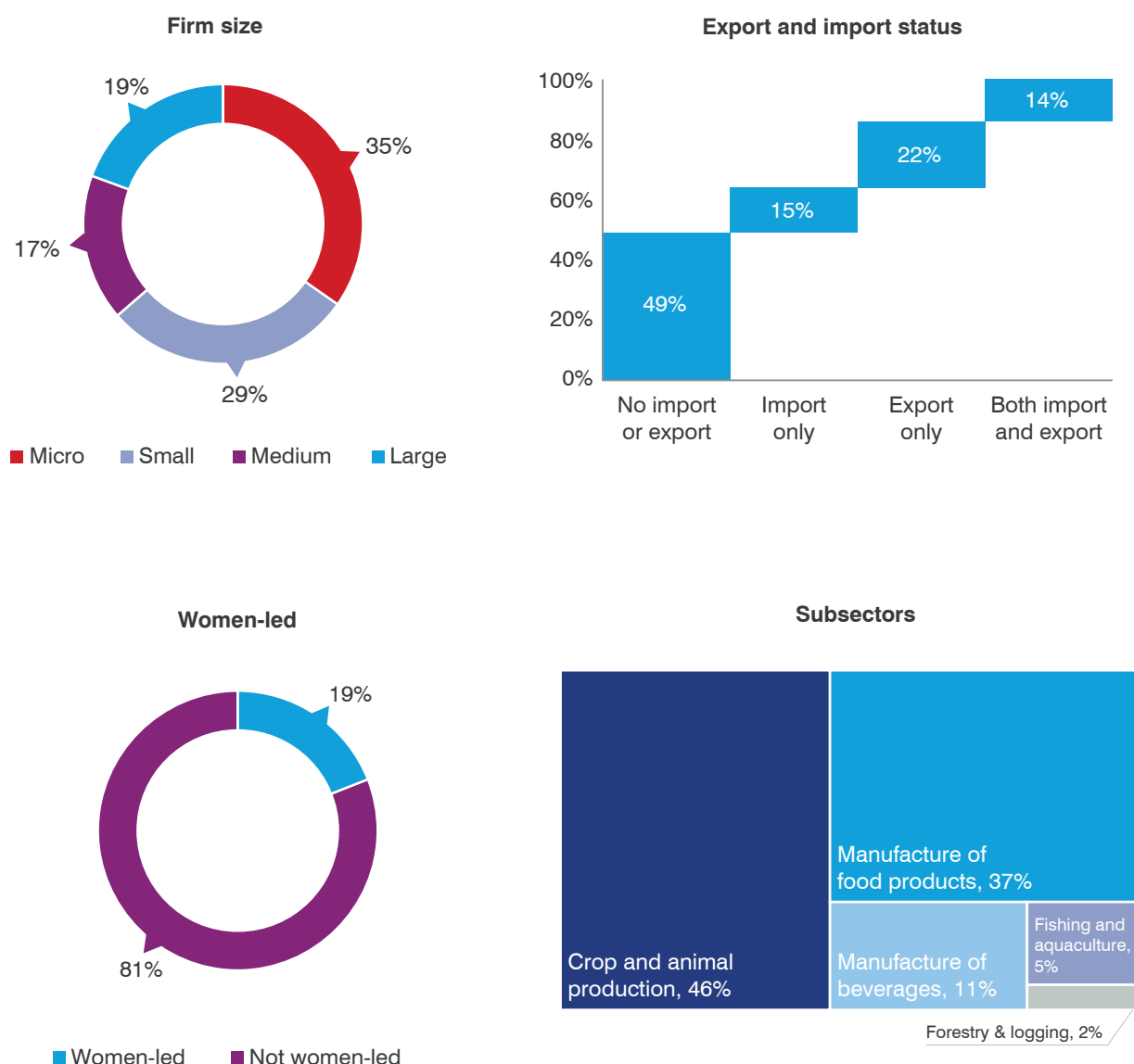
high agricultural potential.³⁷ The bulk of the agri-food sector is composed of smallholder farmers and SMEs³⁸ that are often undercapitalized and in need of technical assistance to reach their full potential.

The SME Competitiveness Survey interviewed 123 agri-food companies to assess the performance, challenges and opportunities for farmers and enterprises in the sector. They included agricultural establishments in the crop and animal production subsector (46%), fishing and aquaculture

(5%), and forestry and logging (2%) subsectors, as well as producers of food (37%) and beverages (11%).

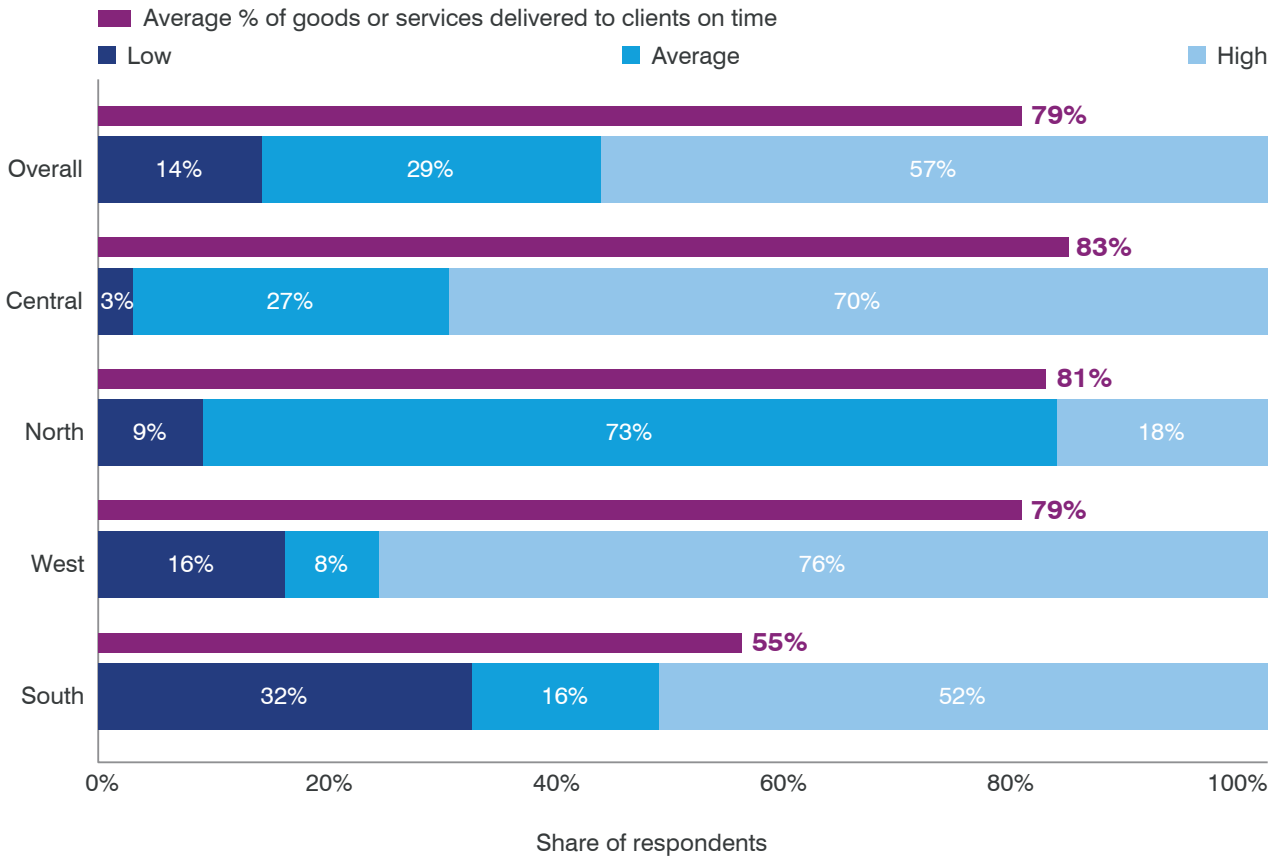
The firm-size distribution is skewed towards smaller firms, with SMEs constituting 81% of the surveyed firms (Figure 17). Women owned or managed one in five companies. Although about half of the respondents were not exporters or importers, 36% of firms did export. A third of the respondents were based in the central region.

Figure 17 Characteristics of surveyed agri-food firms



Source: ITC calculation based on SME competitiveness data collected by KNCCI.

Figure 18 Regions with low-quality infrastructure have worse delivery times



Note: The graph is based on firms' responses to the following questions: 'Please rate the quality of the transport infrastructure in your location?' and 'In the last year, what percentage of this company's goods or services were delivered on time?'
 Source: ITC calculation based on SME competitiveness data collected by KNCCI.

Transportation and logistics services are critical for the agri-food sector, because its products are highly perishable. Several transport infrastructure projects are under way – including road, rail, maritime and non-motorized transport – to improve logistics and supply chain efficiency.³⁹ Improved regulatory frameworks have catalysed more active private sector participation in these infrastructure projects.⁴⁰

Nearly 60% of surveyed agri-food firms rated the quality of transport infrastructure as high, although there were differences in experience across regions (Figure 18). The relatively good quality of the transport system might explain why surveyed companies achieved a high degree of on-time delivery. On average, 79% of the goods dispatched to clients arrived on time. But in the southern and western

regions, where firms tended to rate the quality of transport infrastructure less favourably, a lower share of goods were delivered on time.

High-quality, reliable logistics services strengthen companies by ensuring efficient delivery and better management of inventories. They also open up new markets and revenue streams for local businesses.

Climatic risks affect logistics services, however. Indeed, ITC's 2018 project on climate resilience in the Kenyan tea, coffee and cut flowers sectors revealed that flooding of roads in the countryside can be an issue for SMEs. Smaller businesses reported that more frequent heavy rains – probably due to climate change – sometimes disrupted transportation routes.

The Kenyan logistics market has attracted investors from across the globe. These include international logistics groups such as Switzerland's Panalpina and Japan's Nippon Express, the world's third-largest logistics company. Increased investment may explain why 74% of surveyed agri-food firms rated the quality of services offered by logistics providers as high (levels 4 and 5 on the vertical axis of Figure 19). But overall, 65% also found these services to be very costly (levels 4 and 5 on the horizontal axis of Figure 19).

Lowering costs and improving terms and conditions would make transport and logistics services more accessible for all types of businesses in Kenya. Developing rural roads would increase the exports of agricultural smallholders, who are concentrated in rural areas. Better dissemination of information would help SMEs, which operate on razor-thin margins, understand all the options offered by their logistics providers. These changes would aid the smooth delivery of goods domestically and internationally, boosting trade and the incomes of the small-scale farmers and enterprises that dominate the sector.



Figure 19 Most agri-food firms rated the quality and cost of logistics services as high



Note: The graph is based on firms' responses to the following questions: 'Please rate the quality of the services offered by the logistics services companies this company uses' and 'Please rate the cost of the services offered by the logistics services companies this company uses.'

Source: ITC calculation based on SME competitiveness data collected by KNCCI.

Non-food manufacturing: Innovating to stay competitive

The manufacturing sector plays an important role in poverty reduction (by creating jobs) and economic diversification (by producing and exporting new goods). Manufacturing overall generated 18% of employment in Kenya in 2018, and micro, small and medium-sized enterprises constitute 67% of enterprises within the sector.⁴¹

The non-food manufacturing sector's contribution to GDP has been declining over time, however, from 5.6% in 2016 to 4.7% in 2017 and 4.6% in 2018.⁴² This is one reason the Government's Big Four agenda prioritizes strategies and programmes to improve industrial competitiveness.⁴³

The cotton, textiles and apparel industry is the biggest non-food manufacturing activity in Kenya, providing livelihoods to some 200,000 households.⁴⁴ It also accounts for one of the country's leading exports.⁴⁵ Kenya has a strong light manufacturing industry that offers many opportunities for investment and export.⁴⁶

The SMECS interviewed 100 companies in the non-food manufacturing sector. About a fourth of these firms operated

in the textiles and apparel industry, and 10% each were active in the leather and furniture and wood industries. The remaining subsectors each constituted fewer than 10% of firms in the sample (Figure 20).⁴⁷

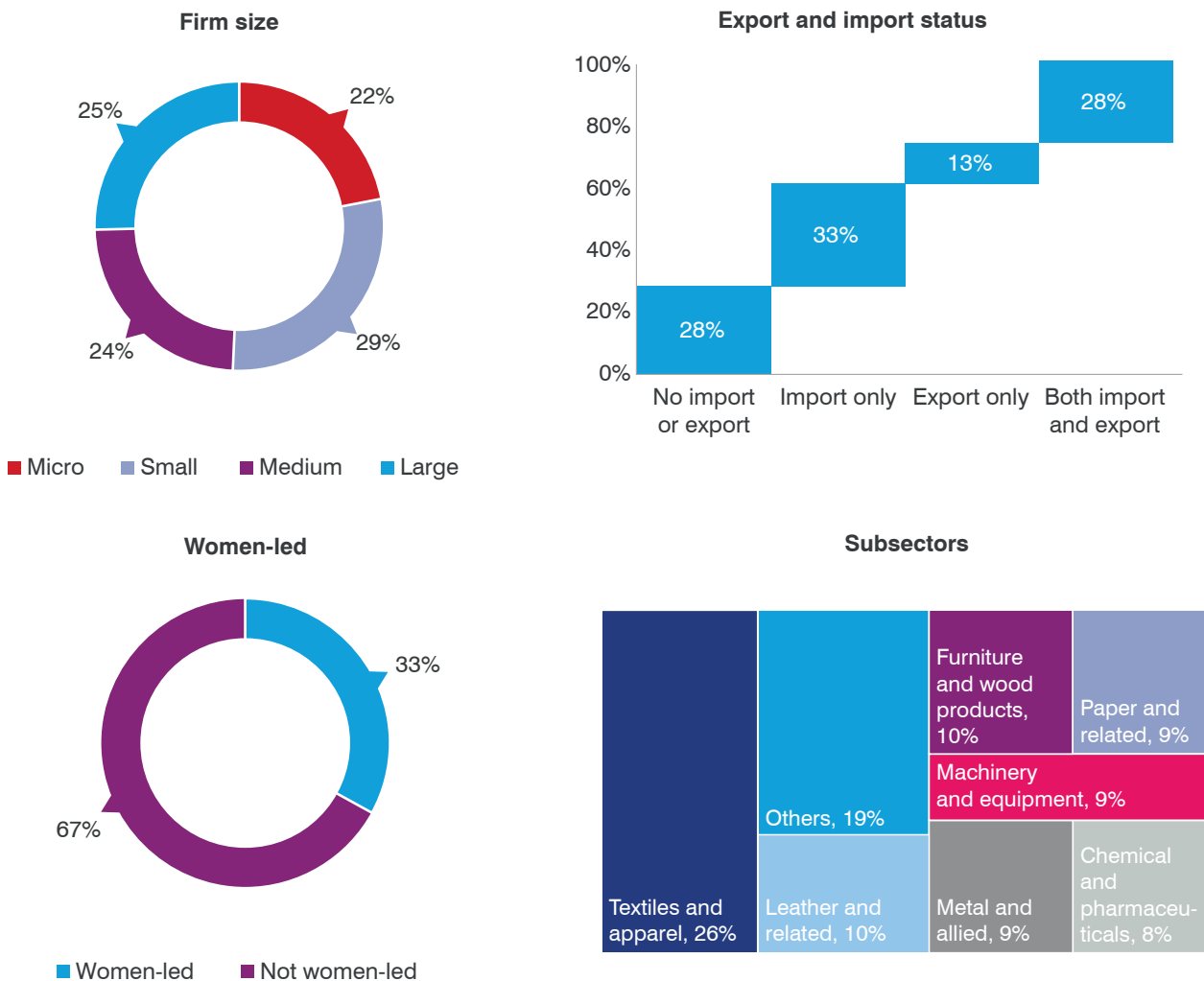
About three-quarters of respondents were SMEs and 41% were exporters. Women headed only a third of the manufacturing enterprises. More than half of the respondents were located in the central region, largely around the capital, Nairobi.

Innovation is essential to improve product and service offerings, so it is no surprise that the surveyed non-food manufacturing companies frequently adopted new processes or developed new products. About 80% on average reported

often introducing new or improved processes or products. While this share was as high as 88% among large firms, it reached 74% even among SMEs (Figure 21).

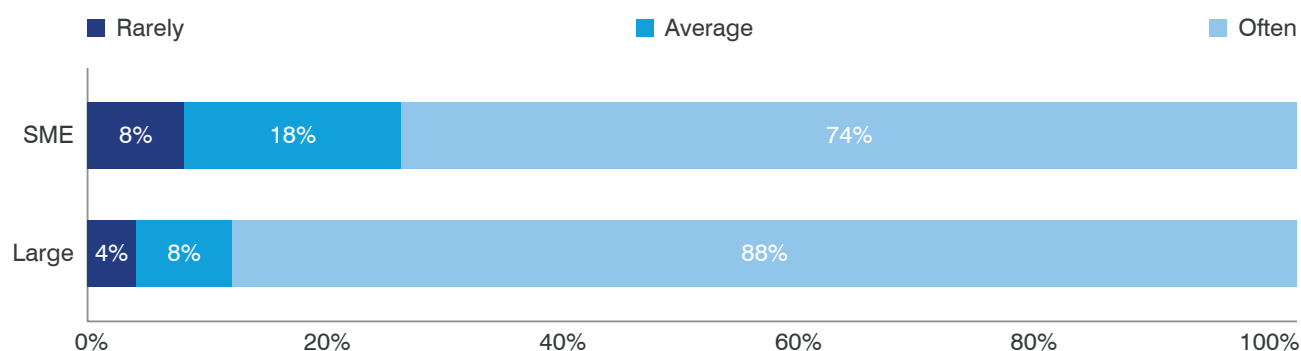
This reflects investments made by the Government of Kenya in industrial and technology parks, including SME parks and industrial manufacturing clusters.⁴⁸ Meanwhile, Kenyan universities and research institutions are developing incubation centres, start-up and accelerator programmes, and science and technology parks.⁴⁹ Kenya is among the few countries to have a national innovation agency. Such progress in innovation-supporting policy and institutions has led to the successful diffusion of M-Pesa mobile money and the establishment of a prototyping technology shop aimed at helping SMEs create new products.⁵⁰

Figure 20 Characteristics of surveyed non-food manufacturing firms



Source: ITC calculation based on SME competitiveness data collected by KNCCI.

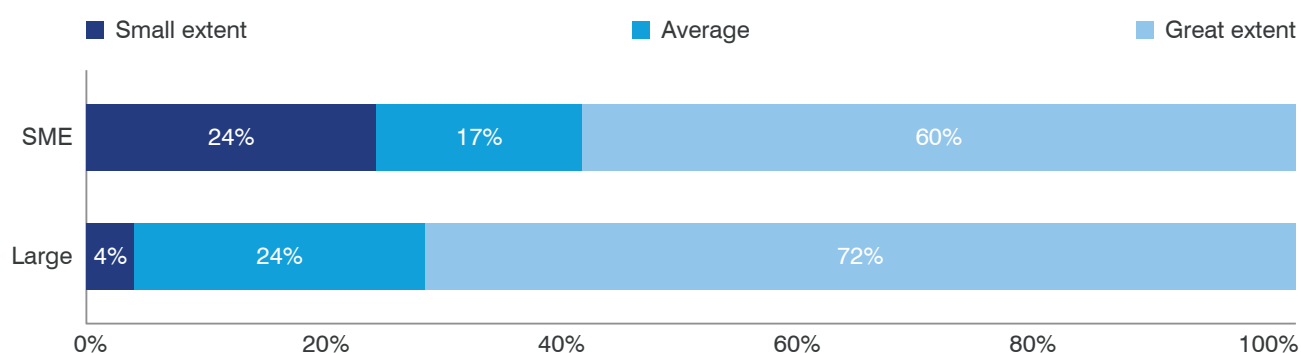
Figure 21 Most non-food manufacturing firms have high innovative capacity



Note: The graph is based on firms' responses to the following question: 'Please rate the frequency with which your company develops and implements new or improved processes or products.'

Source: ITC calculation based on SME competitiveness data collected by KNCCI.

Figure 22 Non-food manufacturing companies collaborate to promote innovation



Note: The graph is based on firms' responses to the following question: 'To what extent does this company collaborate with research networks which promote innovation in your line of business? Here "networks" refers to universities, competitors, peers, suppliers and/or customers.'

Source: ITC calculation based on SME competitiveness data collected by KNCCI.

Survey results also showed that non-manufacturing companies were very aware of the need to protect the intellectual property embodied in their products. An overwhelming majority (92%) of respondents reported safeguarding sensitive business information to a high degree, and almost half owned a registered patent. The prevalence of patent ownership can be attributed in part to the availability of information on intellectual property protection procedures: 78% of survey respondents in the sector reported that this information was readily available.

Companies also collaborated with research networks, suppliers, customers and even competitors to promote innovation. Among surveyed manufacturing firms, 63%

reported high levels of collaboration of this type. This was true more of large companies than SMEs: 72% of big firms worked with research institutions and key market players to innovate, compared with 60% of SMEs (Figure 22).

This difference reflects the fact that innovation is costly, and those costs can be a serious deterrent for smaller firms. Survey evidence shows that many companies rarely undertook innovation because of the costs: raw materials, machines, technology and hiring skilled employees needed for research and innovation. About 45% of the companies that said they struggled to innovate cited high costs as the biggest barrier.



High costs also hindered intellectual property protection, according to about 40% of the surveyed firms. Although most enterprises highly rated the quality of the services offered by patent registration institutions, they found the services to be very expensive.

Kenya's Manufacturing Priority Agenda 2019 recognizes that fostering innovation among SMEs is essential to realize the manufacturing targets of the Big Four agenda. It spells

out plans to 'invest in product and innovation centres for manufacturing SMEs to enhance competitiveness and product portfolio' and to 'integrate incubation centres with common user facilities in the 47 counties to solve issues relating to product design, access to technology, production innovation and patenting, among other challenges'. The priority agenda will also undertake actions to 'support institutions providing training on corporate governance to promote intellectual property management among others'.

Services: Strengthening institutional linkages to bolster competitiveness

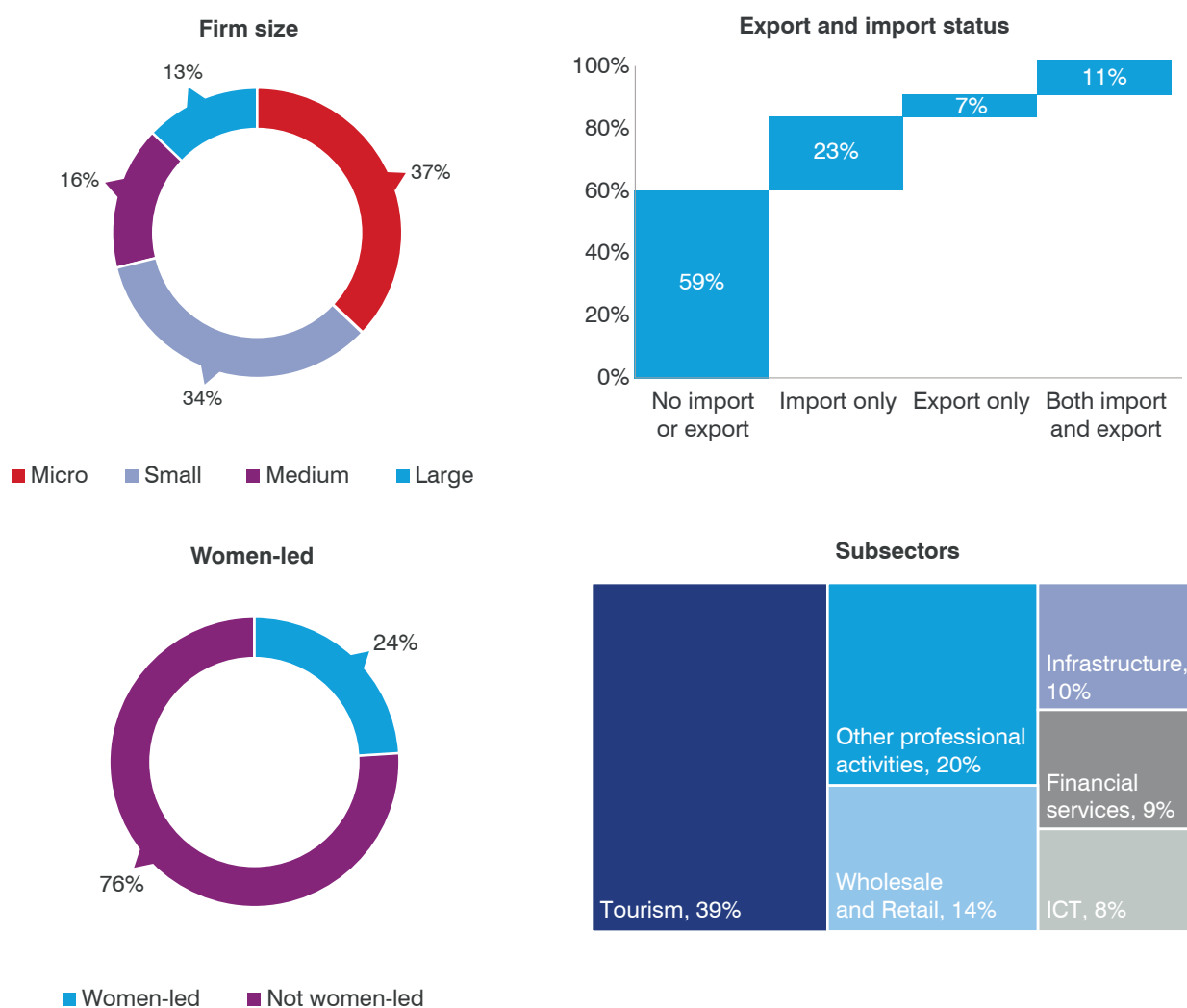
Historically the largest contributor to GDP, the services sector added half of the value of the Kenyan economy in 2017.⁵¹

Tourism dominates Kenya’s services sector – the country has the biggest tourist industry in East Africa – and adds to export revenues. Kenya also boasts a well-developed financial services sector that is the third largest in sub-Saharan Africa,⁵² and wholesale and retail trade services are central to attain the national development goals.⁵³ Service sector

outputs are inputs into other sectors, so they are central to competitiveness, economic growth, industrial transformation and poverty reduction in Kenya.⁵⁴

SMECS interviewed 649 Kenyan services enterprises, 87% of which were micro, small or medium-sized firms (Figure 23). Respondents hailed from subsectors including tourism (39%), wholesale and retail trade (14%), infrastructure (10%), financial services (9%) and ICT (8%).⁵⁵ Most respondents (59%) did not export or import. Firms were spread rather equally across the central, south and west regions with roughly 30% each of firms located in these areas. The rest were in the north region. Women headed a quarter of interviewed services companies.

Figure 23 Characteristics of surveyed services firms



Source: ITC calculation based on SME competitiveness data collected by KNCCI.

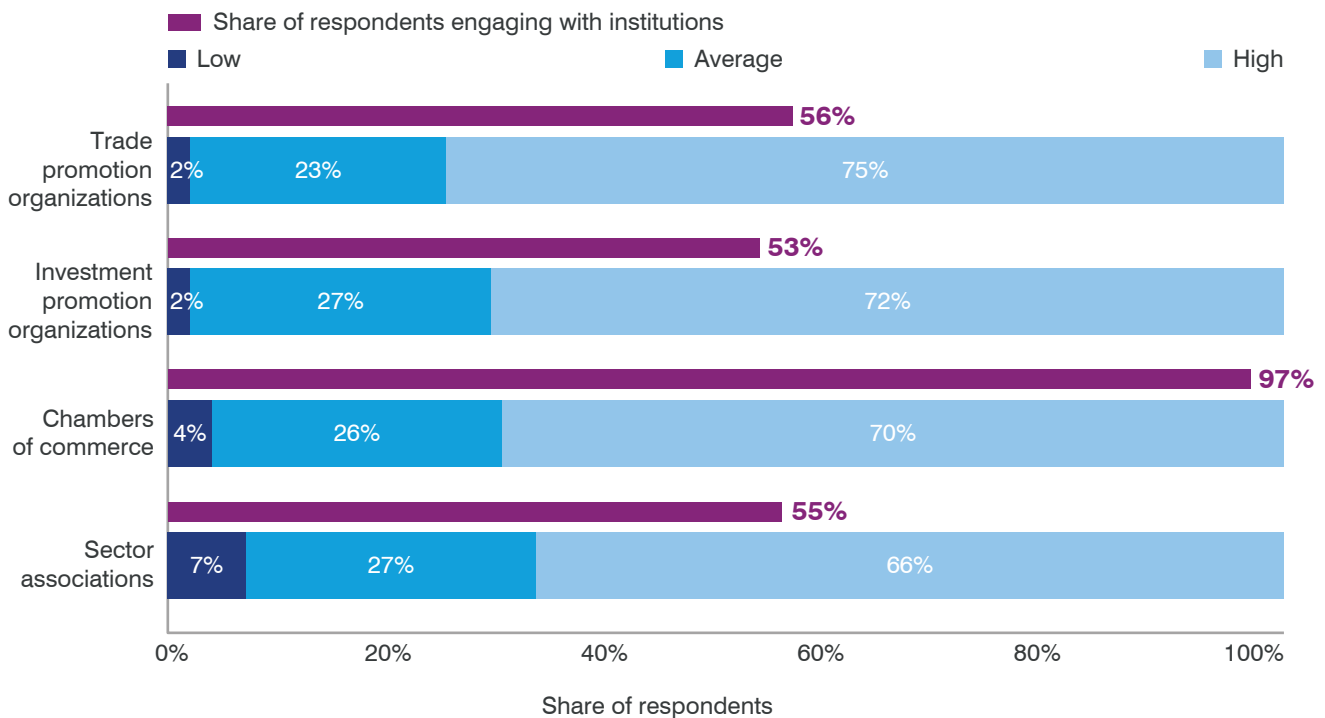
Kenyan services companies were less engaged with institutions than firms in the agri-food or manufacturing sectors, the survey finds. Business support institutions such as trade promotion organizations, investment promotion organizations, chambers of commerce and sector associations can play an important role in providing market information, training and networking opportunities, as well as promoting the industry abroad.

However, fewer than half of the surveyed services firms engaged with trade promotion organizations, investment promotion organizations and relevant sector associations, though almost all were members of the chambers of commerce (Figure 24).⁵⁶ More than two-thirds of respondents who were associated with these institutions highly rated the quality of the services they provided.

SMEs engage with business support institutions far less than large firms, the survey shows. Big enterprises were about twice as involved as SMEs with trade promotion and investment promotion organizations and sector associations (Figure 25). As expected, exporters were more likely to be members of trade promotion organizations than non-exporters, who engaged more with investment promotion organizations and sector associations.

Companies that were not members of these bodies cited poor access and a lack of information about their services and relevance for their businesses. This signals that business support institutions need to spread information about their services more broadly and to use communications strategies that can reach smaller Kenyan enterprises.

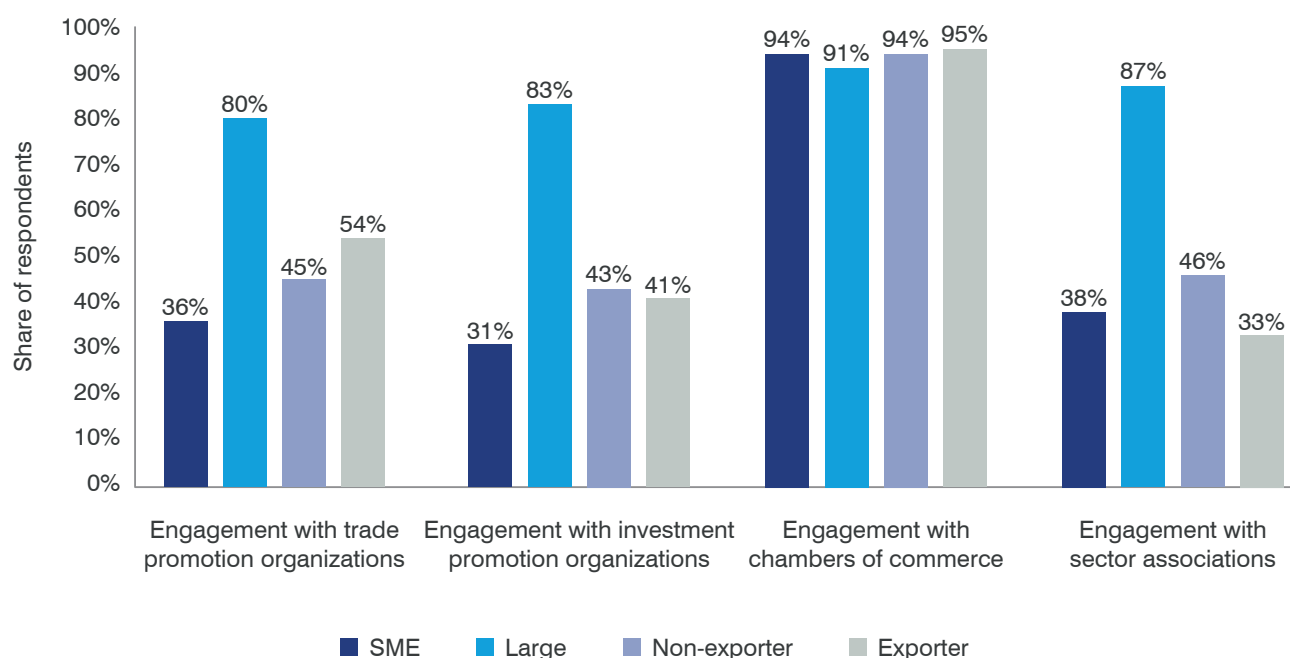
Figure 24 Companies highly rate services of business support institutions



Note: The graphs are based on firms' responses to the following questions: 'Are you actively engaged with any of the following types of institutions: trade promotion organizations; investment promotion organizations; chambers of commerce; sector associations?' and 'Please rate the quality of services provided by trade promotion organizations; investment promotion organizations; chambers of commerce; relevant sector associations.'

Source: ITC calculation based on SME competitiveness data collected by KNCCI.

Figure 25 Small firms and non-exporters engage less with business support institutions



Note: The graph is based on firms' responses to the following question: 'Are you actively engaged with any of the following types of institutions: trade promotion organizations; investment promotion organizations; chambers of commerce; sector associations?'

Source: ITC calculation based on SME competitiveness data collected by KNCCI.

Highlighted statistics from sector-specific analysis

- Good **transport infrastructure** enables timely delivery for Kenyan agri-food businesses: on average, 79% of the goods dispatched to their clients arrived on time.
- About 80% of surveyed non-food manufacturers often introduced new or improved processes or products and nearly half owned a registered patent. However, many companies rarely undertook **innovation** due to the high costs involved.
- Fewer than half of surveyed service firms were engaged with **business support institutions**, and most of them were large companies. Poor access to these institutions and inadequate information about their services were the most common challenges.



CHAPTER 5

INCLUDING WOMEN, YOUTH AND REMOTE REGIONS

REDUCING GENDER INEQUALITY	41
FOSTERING YOUTH ENTREPRENEURSHIP FOR ECONOMIC EMPOWERMENT	44
PROMOTING REGIONAL DEVELOPMENT	46

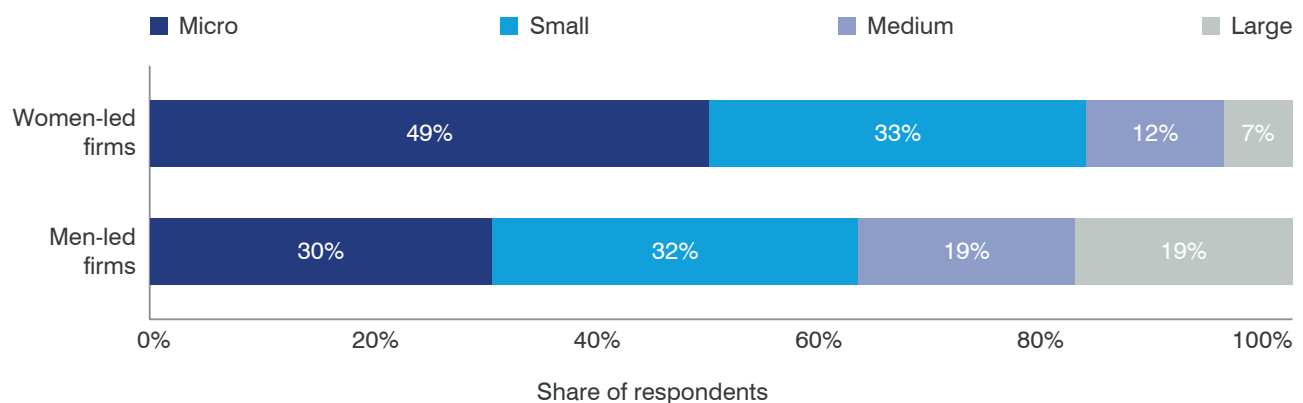
INCLUDING WOMEN, YOUTH AND REMOTE REGIONS

Government policies and practices recognize the importance of sustainable development objectives to the future of Kenya. Vision 2030 (2008–2030) and the Big Four agenda set out detailed sustainable development goals for Kenya. A mapping exercise highlighted how the global Sustainable Development Goals are directly linked to the Vision 2030 process, while County Integrated Development Plans help implement them. Kenya’s SDG Road Map guides the country’s transition towards sustainable development and has been mainstreamed through the CIDPs and activities coordinated by the Ministry of Devolution and Planning.⁵⁷

Efforts to make Kenyan SMEs more competitive can help the country achieve its sustainable development objectives. ITC research indicates that strengthening the competitiveness of these firms could help achieve 60% of the targets in the 2030 Agenda for Sustainable Development.⁵⁸

Many aspects of competitiveness discussed in this report affect sustainable development. A sustainable development perspective underscores the importance of understanding how certain groups in society may be disadvantaged or need specific support. In this context, it is useful to disaggregate the analysis to see how companies in remote areas and those led by women and youth are faring. The rest of this chapter examines survey findings from such enterprises.

Figure 26 Women-led enterprises are smaller than those headed by men



Note: The graph is based on firms’ responses to the following question: ‘How many full-time employees does this establishment currently employ? Please exclude the contribution of seasonal and part time workers.’ This study defines ‘women-led firms’ as enterprises where women own at least 30% of the company and the top manager is a woman.
 Source: ITC calculation based on SME competitiveness data collected by KNCCI.

Reducing gender inequality

A 2015 McKinsey Global Institute report found that greater women's equality could add \$12 trillion to the global economy.⁵⁹ Yet women around the world are underrepresented in the workforce and as entrepreneurs.

Promoting gender equality also has important social benefits, as income earned by women is more likely to be invested in their children's education, health and nutrition.⁶⁰ For all these reasons, the international community made gender equality the fifth Sustainable Development Goal, at the centre of the agenda for the future.⁶¹

Kenya has made substantial progress in raising the status of women in society. Government policies and programmes have helped to enhance women's access to economic opportunities in Kenya. For instance, the Women Enterprise Fund aims to promote gender equality and women empowerment by providing access to finance. In addition, the 2010 Constitution includes progressive statements on gender equality and

women's empowerment.⁶² Following on this trend, the Government passed the National Gender and Equality Act No. 15 in 2011, which subsequently led to the establishment of the National Gender and Equality Commission.⁶³

Women led a quarter of the firms interviewed for this study.⁶⁴ Analysis of survey data reveals several important differences between women- and men-run businesses. Those headed by women tend to be smaller – more than 80% are microenterprises or small firms with fewer than 20 employees (Figure 26).

The data also show that women-led businesses tend to hire a higher proportion of female workers. Most employees are women in 45% of women-led firms, compared with just 24% of men-led firms.

A gender-differentiated analysis of SME competitiveness data yields additional insights. As Table 4 shows, women-led (pink) and men-led (blue) firms have different competitiveness performances at both the firm and business ecosystem level – notably pertaining to financial, quality and skill requirements.

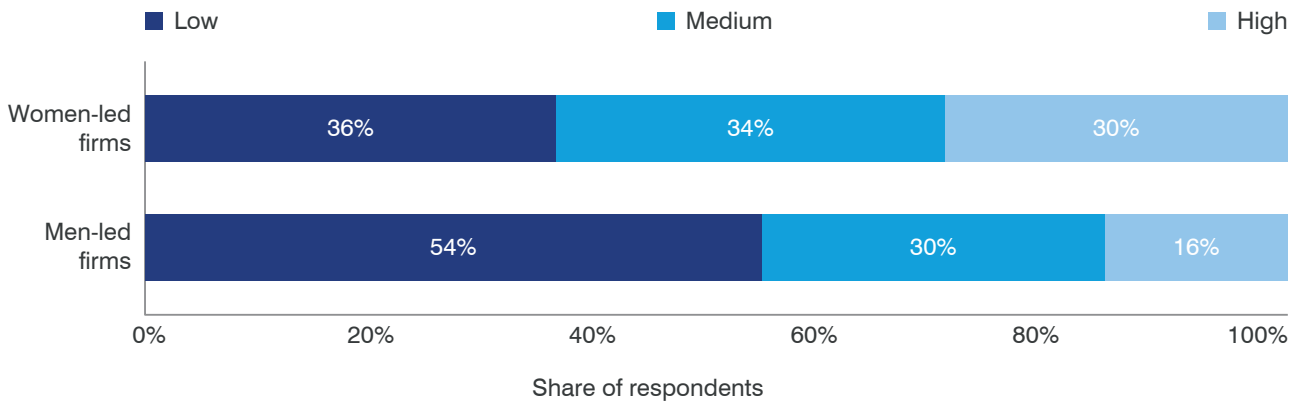
Table 4 Firm capabilities and business ecosystem competitiveness scores by gender of managers

		Firm capabilities	Business ecosystem
Compete	Quantity and cost requirements	78	83
		84	84
	Time requirements	76	59
		78	60
	Quality requirements	37	55
		45	57
Connect	Linkages with customers	48	71
		55	68
	Linkages with businesses	87	69
		86	66
	Linkages with institutions	53	78
		59	73
Change	Financial requirements	86	53
		87	68
	Skill requirements	80	77
		78	73
	Intellectual property and innovation	65	75
		65	74

Note: Average competitiveness scores for women-led firms are shown in pink, while those for men are shown in blue.

Source: ITC calculation based on SME Competitiveness data collected by KNCCI.

Figure 27 Access to finance is often a major obstacle for women-led firms



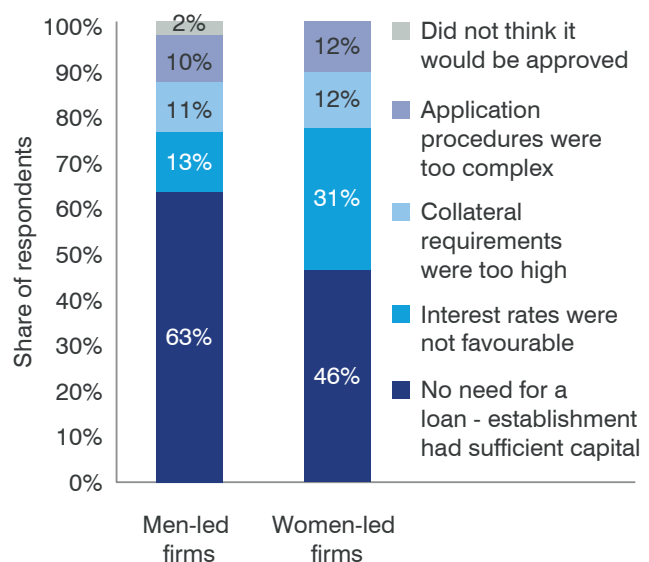
Note: The graph is based on firms' responses to the following question: 'To what degree is access to financial institutions an obstacle to the operations of this company?' Answers ranged from 0 (very severe obstacle) to 5 (no obstacle): responses of 0 and 1 were classified as 'high', 2 and 3 as 'medium', and 4 and 5 as 'low'.
 Source: ITC calculation based on SME competitiveness data collected by KNCCI.

Women-led firms were far more likely to regard access to finance as a barrier to their operations than companies led by men (Figure 27). Financial obstacles are twice as common among women-led firms as at men-led ones, with 30% of enterprises headed by women calling access to financial institutions a severe obstacle to their current operations, compared with just 16% of men-led firms. This is consistent with previous research findings in Kenya that women-led firms struggle to obtain finance.⁶⁵

The SME Competitiveness Survey shows that women-led firms in Kenya have a greater need for external finance, and are less able to get it. Companies led by women were more likely to say they need a loan than men-led firms – but were less likely to have applied for one and successfully received funding.

What's more, structural factors in the business ecosystem dissuaded women-led firms from applying for credit (Figure 28). Most men-led businesses didn't apply because they had sufficient capital, but women-led firms were deterred by interest rates and collateral requirements. Women-led firms were almost three times more likely than men-led firms to cite interest rates as a barrier to applying to finance. This is consistent with other evidence that high interest rates are a significant barrier for women-led firms in Kenya.⁶⁶ Furthermore, businesswomen were more likely than businessmen to have their loan applications rejected because they failed to meet a bank's collateral requirements or they filled in the loan application form incorrectly.

Figure 28 Why do some companies not apply for finance?



Note: The graph is based on firms' responses to the following question: 'Why did this establishment not apply for a loan, or reject the offer given by the bank?'
 Source: ITC calculation based on SME competitiveness data collected by KNCCI.

This finding is consistent with evidence that women-led companies tend to be smaller, as loan application rejections tend to increase with smaller firm size. Past research shows that although Kenyan banks reject only 17% of loan applications from small enterprises, more than two-thirds of loan applications by microenterprises are unsuccessful.⁶⁷

The difficulty some women experience with filling in loan applications speaks to the need to support the capacity of women-led firms in financial management. Indeed, the data collected for this study show that women-led companies are less likely to have a bank account and keep financial records than men-led firms, though the genders are equally confident about their knowledge on how to get a loan, manage their cash flow and prepare a business plan.

Nonetheless, the literature shows that businesswomen in Kenya suffer more from operating fund shortages than businessmen. They must also grapple with social and family obligations that may contribute to a higher failure rate among women-led companies than among those run by men.⁶⁸

Some programmes are fostering the economic empowerment of women and helping to reduce gender differences in accessing finance. The Women Enterprise Fund and the Uwezo Fund

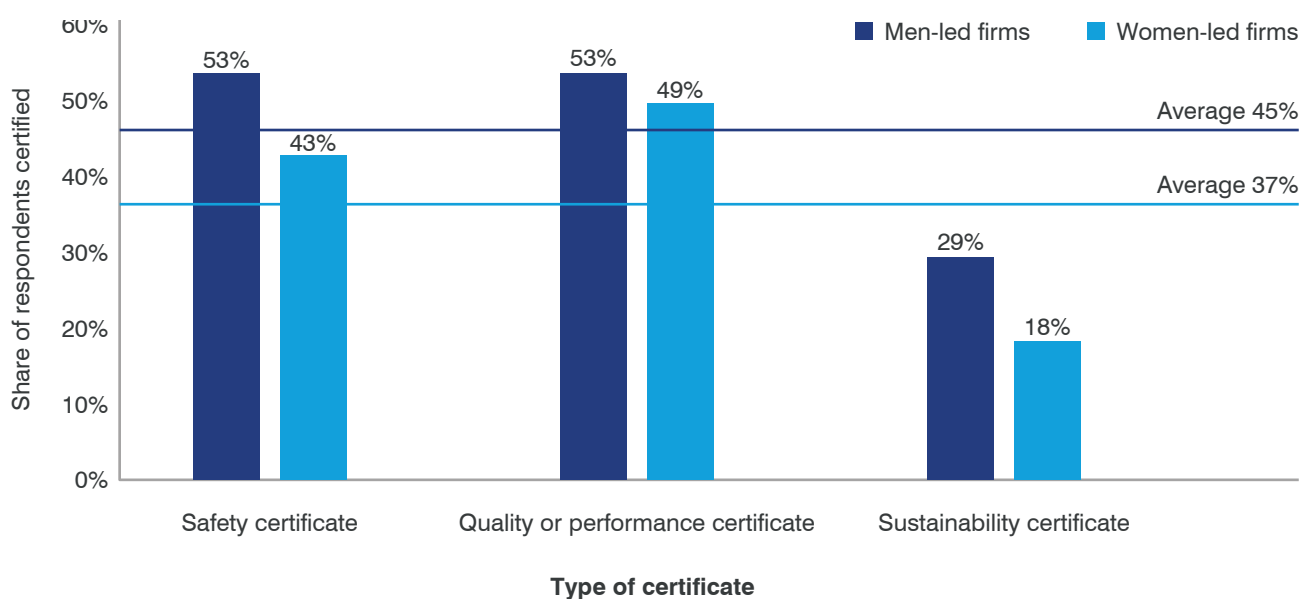
together helped an estimated 1.5 million women, youth and people with disabilities access finance in 2012–2017.⁶⁹ ITC's SheTrades programme offers training and mentoring activities that help women-led firms meet market requirements and access new markets and buyers, including through business generation activities and networking. Moreover, SheTrades facilitates connections between SheTrades entrepreneurs and its partners, including investment institutions.

National statistics show that the financial access gap between men and women in Kenya narrowed by 8 percentage points over a decade, from 14% in 2009 to 6% in 2019.⁷⁰ Progress is clearly being made, but the fact that women-led firms still face harsher financial constraints means that more must be done.

Meeting quality requirements of markets are also more challenging for businesswomen than businessmen. As Figure 29 shows, women-led firms have lower rates of certification to international safety, quality and sustainability standards than men-led companies. They have just two-thirds the rate of sustainability certification as men-led firms, for example.

The results suggest that women-led firms could invest more in certification to improve their competitive position.

Figure 29 Women-led firms are less likely to be certified to an international standard



Note: The graph is based on firms' responses to the following question: 'Does this establishment's main product or service hold any of the following types of internationally recognized certificates: safety certificate; quality or performance certificate; sustainability certificate?'
Source: ITC calculation based on SME competitiveness data collected by KNCCI.

Fostering youth entrepreneurship for economic empowerment





































A third of Kenyans are younger than 25,⁷¹ and a fifth of the youth who want to work are unemployed.⁷² Providing decent work opportunities for these young people is crucial to maintaining social stability, reducing outmigration and putting youth innovation to work to foster economic development.⁷³

It is therefore not surprising that Kenya's new constitution dedicates a section to youth. Other national policy instruments supporting youth economic empowerment include the National Employment Policy and Strategy for Kenya, the National Youth Empowerment Strategy and Kenya's Youth Development Policy.

These initiatives have helped to spur youth employment, including in the thousands of SMEs in Kenya. Yet some young people are agents of change in their society who create jobs and solve social problems through the enterprises they create themselves. To support youth entrepreneurs, the Government established the Youth Enterprise Development Fund, which funded 497,037 young Kenyan entrepreneurs between 2012 and 2017.⁷⁴

Data gathered for this study suggest that youth-led firms in Kenya have different competitiveness profiles than other companies. People under age 35 head 14% of the companies in the sample.

Table 5 Firm capabilities and business ecosystem competitiveness scores by age of managers

		Firm capabilities	Business ecosystem
Compete	Quantity and cost requirements	 70	 81
		 84	 84
	Time requirements	 72	 57
		 78	 60
	Quality requirements	 40	 53
		 44	 57
Connect	Linkages with customers	 47	 66
		 55	 69
	Linkages with businesses	 85	 68
		 86	 67
	Linkages with institutions	 43	 71
		 59	 74
Change	Financial requirements	 80	 49
		 88	 66
	Skill requirements	 79	 77
		 78	 74
	Intellectual property and innovation	 63	 72
		 66	 75

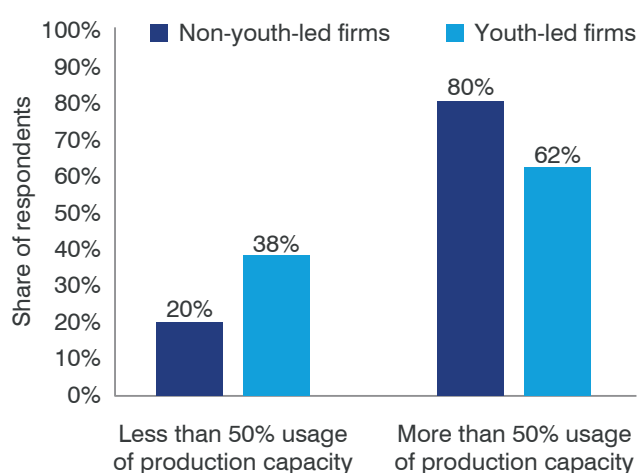
Note: Average competitiveness scores for youth-led firms are shown in purple and those for non-youth-led firms are shown in gray.

Source: ITC calculation based on SME Competitiveness data collected by KNCCI.

Youth-led enterprises struggle to meet quantity and costs requirements. They keep fewer financial records than companies led by their elders. Furthermore, survey data reveal that the average capacity utilization rate at youth-led firms was 12 percentage points lower than at non-youth-led firms.⁷⁵ In fact, about two out of five youth-led enterprises achieve less than 50% of capacity utilization (Figure 30). This suggests that companies led by youth have significantly lower productivity than other firms.

Young entrepreneurs also tend to be less involved with business support institutions. While they engage with chambers of commerce almost as much as non-youth entrepreneurs do, less than a third of young managers interact with trade promotion organizations, investment promotion organizations and sector associations (Figure 31). On average, just 43% of youth-led firms engaged with business support institutions, while 59% of non-youth-led companies were involved with these institutions.

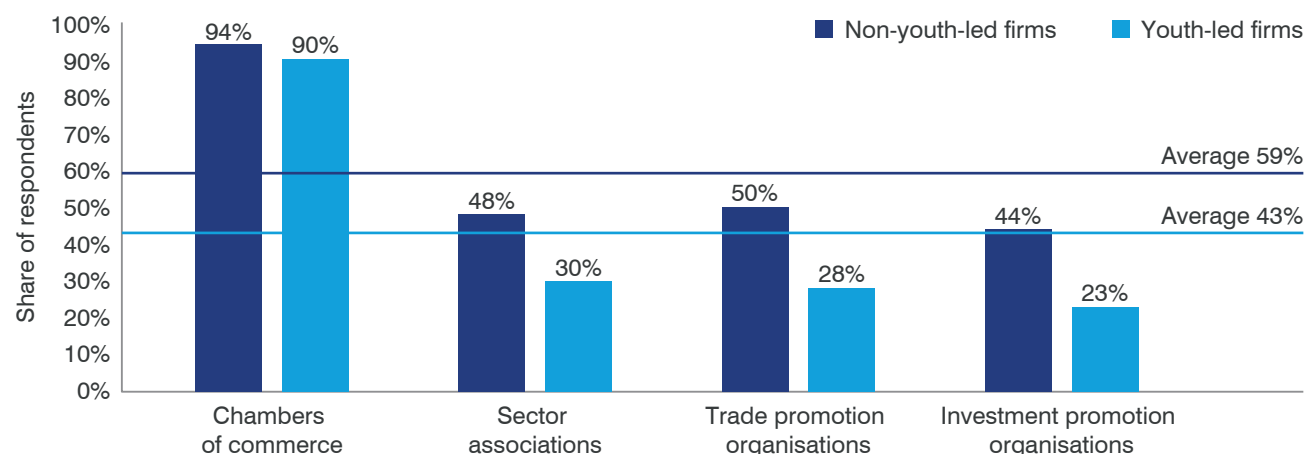
Figure 30 Youth-led enterprises are less productive than those headed by their elders



Note: The graph is based on firms' responses to the following questions: 'What is the age of this establishment's top manager?' and 'In the last year, what was this company's output as a percentage of the maximum output possible if using all the resources available? 100% means all resources are fully employed and increase in output is not possible without increasing resources.' Respondent firms were considered youth-led if their answer to the first question was below age 35.

Source: ITC calculation based on SME competitiveness data collected by KNCCI.

Figure 31 Youth-led firms engage less with business support institutions



Note: The graph is based on firms' responses to the following question: 'Are you actively engaged with any of the following types of institutions: trade promotion organizations; investment promotion organizations; chambers of commerce; sector associations?'

Source: ITC calculation based on SME competitiveness data collected by KNCCI.

This may be connected to the fact that youth-led enterprises were less favourably impressed by these institutions than other firms. Young entrepreneurs gave lower ratings than other firms on the quality of services provided by investment promotion organizations, chambers of commerce and sector associations. When asked why they do not interact with these institutions, many young entrepreneurs interviewed for this study cited insufficient information on the support services available and language barriers, among other obstacles.

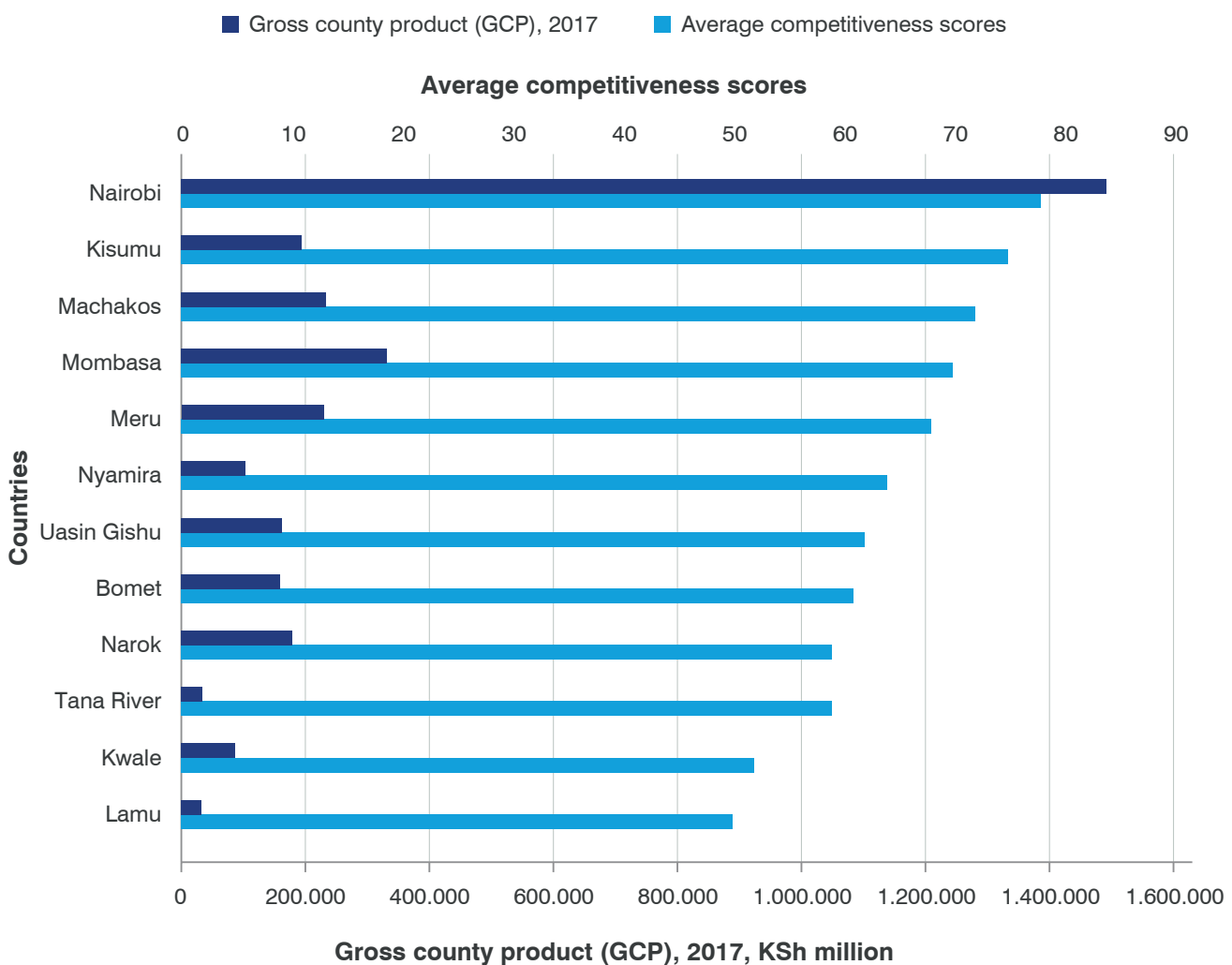
Youth-led firms were less likely to draw on the resources of multiple business support institutions. Finally, similar to companies led by women, firms headed by youth are twice as likely as non-youth-led enterprises to name access to financial institutions as an obstacle to their operations.

Promoting regional development

Kenya Vision 2030 sets out a clear roadmap to foster economic development on an equitable basis throughout the country. This is why it is important to understand how SME competitiveness differs across regions and counties.

Evidence from the SME Competitiveness Survey shows that the competitiveness of small and medium-sized companies in Kenya differs from one county to another. The average competitiveness score, shown in light blue in Figure 32, was calculated for the 12 counties for which at least 10 companies participated in the survey. The competitiveness scores are highest in Nairobi, Kisumu, Machakos and Mombasa and lowest in Narok, Tana River, Kwale and Lamu.

Figure 32 Kenyan counties with greater output are usually more competitive



Note: Average competitiveness scores are simple averages of competitiveness scores at county level. Scores range from 0 to 100. Source: Average competitiveness scores: ITC analysis of ITC-KNCCI-MITC SME Competitiveness Survey 2017–2018. Gross County Product: 'Gross County Product 2019': Kenya National Bureau of Statistics (2019).



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Several interesting insights arise when county competitiveness scores are compared with gross county product (GCP). Competitiveness scores are generally higher for counties with a higher GCP, suggesting that regions with more economic activity tend to have more competitive SMEs and vice versa. Several counties follow this pattern: for example, Nairobi scores the highest in terms of competitiveness and county product, Uasin Gishu is somewhat lower on both counts, and Lamu follows the pattern with an even lower GCP and competitiveness score.

Some counties have broken this pattern, however, attaining competitiveness levels less associated with economic performance. Kisumu, for instance, has a much higher competitiveness score than would be expected from its GCP level, coming in second among the 12 counties on competitiveness, but fifth in terms of GCP. Machakos and Nyamira also have higher levels of competitiveness than their GCP would predict. Mombasa, on the other hand, has a lower competitiveness score than might be expected from its GCP; although the county ranks second in terms of GCP, it is only fourth in terms of competitiveness.

This suggests that while competitiveness and the level of economic output are broadly connected, there are important context-specific drivers of competitiveness in different regions that signal their leadership, or potential for catch-up, in business and trade.

Highlighted statistics on including women, youth and remote regions

- Women-led firms are two times more likely to face severe obstacles to company operations due to poor **access to finance**. While 30% of women-led firms identify access to financial institutions as a severe obstacle to their current operations, this is the case for just 16% of companies headed by men.
- The **capacity utilization** rates at youth-led enterprises are 12 percentage points lower than at non-youth-led firms, indicating that their productivity may be lower.
- Counties with more economic activity tend to have more **competitive** SMEs.



CHAPTER 6

TARGETED SOLUTIONS FOR INCLUSIVE GROWTH

TARGETED SOLUTIONS FOR INCLUSIVE GROWTH

SMEs in Kenya represent 98% of enterprises and employ more than 80% of the workforce. Helping these enterprises improve their competitiveness would unleash their potential to make growth more inclusive. Using data from the SME Competitiveness Survey carried out in Kenya in 2017–2018, this report finds that while Kenyan firms are internationally competitive in many respects, targeted policies are needed to address key constraints that they face.

Although most Kenyan SMEs have good access to utilities from the business ecosystem, there are significant regional disparities. For example, 77% of companies in the central region highly rate their access to electricity, compared with only 35% of those in the north. Investment in energy, water and ICT infrastructure outside Kenya's central region, and especially for manufacturing firms, is needed to improve the productivity of enterprises based there – and thus their competitiveness.

Two-thirds of the surveyed companies that wanted financing obtained it. But the rest did not, either because their application was rejected or they opted not to apply because of high interest rates, lack of collateral or other reasons. The efficacy of the interest rate cap in fostering financial inclusion is unclear in light of this evidence, suggesting that other tools should be examined as a way to further broaden and deepen access to finance for SMEs.

Certification rates vary widely across subsets of the Kenyan economy. Policymakers should strengthen the capacity of standards and accreditation bodies to provide targeted support and technical assistance to SMEs, as well as women- and youth-led firms, as certification rates among these enterprises appear to be lower.

There are opportunities to improve coordination between the private sector and educational institutions to improve skills availability and matching in each county – particularly in the south, where skilled labour shortages are most acute. Such coordination could promote training programmes that combine technical and life skills training with on-the-job experience, as research has shown their effectiveness.

Agri-food companies were especially concerned about the cost of logistics services. Policymakers should seek strategies to cut the costs and improve the efficiency of logistics services to promote SME competitiveness. Greater efforts to develop rural roads would help Kenya's agricultural smallholders boost exports. Better dissemination of information would also enable SMEs, who operate on razor-thin margins, to learn about the full range of options offered by their logistics providers.

Companies in the services sector, youth-led firms and smaller enterprises have markedly lower rates of engagement with business support institutions than other companies. Business support institutions should be encouraged to spread information about their services more broadly, including through targeted communications strategies that can reach out to services, youth-led and small firms.

Finally, the survey shows that firms headed by women and youth find it very difficult to obtain the funding and information they need to fuel company growth. Fighting discrimination based on gender and age among financial and business support institutions could go a long way in making the Kenyan economy more inclusive.

ENDNOTES

- 1 (Kenya National Bureau of Statistics 2017).
- 2 (Kenya National Bureau of Statistics 2016).
- 3 (Adeyeye 2016). 'Challenges to SME growth in Kenya.' *How We Made It in Africa*. Retrieved from <https://www.howwemadeitinafrica.com/challenges-sme-growth-kenya/57022/>
- 4 (ITC 2015).
- 5 Kenya was divided into four regions consisting of counties as defined in the new county system. The regions were northern, southern, central and western. These regions were created so each has approximately the same proportion of interviewed firms. Thus, the northern region contains more counties than the central region because it has a fewer firms interviewed per county.
- 6 Kenya National Bureau of Statistics (2016). *Micro, Small and Medium Enterprises (MSME) Survey: Basic Report*, and Adeyeye, *op. cit.*
- 7 For more information, see World Bank website. World Development Indicators. Retrieved from <https://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG?locations=KE>
- 8 (IMF 2018; World Bank 2019a).
- 9 (AfDB 2019). The Big Four agenda focuses on food security, affordable housing, manufacturing and affordable healthcare.
- 10 (World Bank 2019b).
- 11 For more information, see Data Center: Foreign direct investment flows and stock. United Nations Conference on Trade and Development. Retrieved from <https://unctadstat.unctad.org/wds/ReportFolders/reportFolders.aspx>
- 12 United Nations Conference on Trade and Development. 'WIR-Foreign direct investment to Africa fell by 21% in 2017, says United Nations report.' (6 June 2018). Retrieved from <https://unctad.org/en/pages/PressRelease.aspx?OriginalVersionID=461>
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