

POLICY INTERVENTIONS GEARED TOWARDS THE GROWTH AND DEVELOPMENT OF THE MICRO AND SMALL ENTERPRISE SECTOR IN KENYA

The Micro and Small Enterprise (MSE) sector has been identified as the bedrock of economic development in Kenya accounting for 24% of the country's gross domestic product (GDP), over 90% of private sector enterprises and 93% of the total labor force.

Recognizing the significant role played by MSEs in the National Agenda, since independence, successive governments have formulated various policy initiatives geared towards supporting the growth and development of MSEs thereby resulting in the country's economic development and growth, providing employment opportunities and improving the welfare of its citizens. Some of the MSE Policies that have been formulated over the years include:

1. In 1965, the ***Sessional Paper No. 10 of 1965 on African Socialism and its application to planning in Kenya*** was conceptualized as a long-term planning tool for socio-economic development and eradication of poverty, ignorance and diseases.
2. This was followed by the formation of the Kenya Industrial Estates (KIE), established in 1967 as a subsidiary of Industrial and Commercial Development Corporation (ICDC) with a major role in promoting indigenous entrepreneurship by financing and developing small scale and micro-enterprises.
3. This led to the increase in the establishment of locally-owned enterprises and subsequent mainstreaming in the ***National Development Plans from 1970-1978*** before being concretized in the ***1986 Sessional Paper No. 1 on Economic Management for Renewed Growth*** which explicitly recognized the role of MSEs ('Informal sector and small-scale industries') in economic development. Priority intervention areas included infrastructure development; access to finance; innovation and technology; skills development, extension services and incentives for investments in machinery. A notable outcome from this drive was a taskforce paper entitled '***Strategy for Small Scale and Jua Kali Enterprise Development in Kenya: Towards the Year 2000.***'
4. This paper was afterwards translated into a policy framework through the ***Sessional Paper No 2 of 1992 on Small Enterprises and Jua Kali Development.*** This policy was informed by the report of a Special Taskforce established in March 1987 to review all policies for promoting small-scale enterprises in the Country. Priorities identified by this policy: Improved business environment for MSEs; access to finance; innovation and technology; worksites access to markets through public procurement; enhanced skills and institutional support and coordination. It particularly underlined the need for ensuring adequate access to credit for the Jua Kali sector.

5. In 1996, the Government set out to lay the foundation for industrialization through ***the Sessional Paper No. 02 of 1996 on Industrial Transformation to the Year 2020***. This Sessional Paper set-out national policies and strategies required to enable Kenya to join the league of Newly Industrialized Countries by the year 2020.
6. In 2003, the Government set out a comprehensive reforms agenda as set out in the ***Economic Recovery Strategy for Wealth and Employment Creation (ERS) 2003-2007***. Priorities included reduced regulatory compliance costs; formalization; access to worksite and quality infrastructure; market access (domestic and foreign); and linkages with medium and large enterprises.
7. The next policy paper on MSE Development came through the ***Sessional Paper No. 2 of 2005 on Development of Micro and Small Enterprises for Wealth and Employment Creation for Poverty Reduction***. This Sessional Paper provided a policy framework for supporting research and development to boost MSEs access to appropriate technologies, encourage innovation and promote product design, development, quality control and consequently enable MSEs to increase their share of both export and domestic markets through increased linkages with the large enterprises.
8. This boost saw a growth in the economy achieving the highest growth rate of 7% in 2007. However, for the country to become a globally competitive and prosperous nation, an average Gross Domestic Product (GDP) growth rate of 10 per cent per annum had to be achieved over the next 18 years. This required restructuring of the economy through industrialization, which bore the ***Sessional Paper No. 09 of 2012 on the National Industrialization Policy Framework for Kenya 2012-2030: Transforming Kenya into a Globally Competitive Regional Industrial Hub***.

This policy framework focuses on value addition for both primary and high valued goods; and linkages between industrial sub-sectors and other productive sectors to drive. This policy framework encourages export oriented approach with import substitution for identified strategic industries. The broad policy interventions include prioritizing the development of industrial sectors into three broad categories namely:

- Labor intensive sectors (Agro-processing; textiles & clothing; Leather & leather goods);
- Medium to high technology sectors (Iron & Steel; Machine tool & spares; Agro-Machinery & farm implements; and pharmaceuticals); and
- Advanced manufacturing technologies (Biotechnology & Nanotechnology).

9. The ***Small Business Act*** resulted in the ***Micro and Small Enterprise Act being passed by Parliament in 2012*** and the establishment of the ***Micro and Small Enterprises Authority (MSEA)*** in March 2013 ***to coordinate, facilitate and implement the integration of various public and private sector initiatives for the promotion, development and regulation of Micro and Small Enterprises in Kenya to become key industries.***

Micro and Small Enterprises Authority working together with the Ministry of Industrialization, Trade and Enterprise Development has made a lot of progress towards the realization of the objectives stated under the Micro and Small Enterprises Act No. 55 of 2012 (the 'Act'), in particular, development and implementation of Policies to foster the development of the MSE sector in Kenya.

The Act additionally defined four other operational structures/institutions whose status of implementation is as follows:

(i) Micro and Small Enterprises Development Fund (Section 51 of the Act)

The Micro and Small Enterprises Development Fund Regulations, 2019 have been developed by the Cabinet Secretary, Ministry of Industrialization, Trade & Enterprise Development and presented to Treasury for approval. The regulations will be published upon enactment.

(ii) The Micro and Small Enterprises Tribunal (Section 54 of the Act)

The Tribunal is fully constituted and functional. The current members of the Tribunal were sworn in on 6th March 2020. To date, the Tribunal has heard and determined disputes that have been referred to the Tribunal across the Country pursuant to the Tribunal's mandate as provided under Section 55 of the Act. To further enhance the operational performance of the Tribunal, the Micro and Small Enterprises Tribunal Regulations, 2019 have been developed. The process of stakeholder engagement has been completed. The next steps are the presentation of the draft regulations to the Office of the Attorney General for adoption and or further drafting to be followed by a presentation to Parliament for enactment.

(iii) Registrar of Micro and Small Enterprises (Section 4 of the Act)

The Office of the Registrar of Micro and Small Enterprises is operational. The Authority in partnership with UNDP has developed the Registrar's system which will help in establishing a dependable database of MSEs in the country. In addition, a call centre and CRM system have been set up to boost the

registration process. The Authority is also at the advanced stages of having the registration process onboarded on the E - citizen platform. This is geared towards simplifying the process and bringing the services closer to MSEs, especially the vulnerable groups.

(iv) Micro and Small Enterprises Infrastructure (Section 47 of the Act).

The Authority is mandated to facilitate the development of MSE infrastructure, including worksites, social amenities, business information centres, model centres of excellence, common usage facilities among others. Pursuant to this mandate, the Authority has developed/refurbished approximately one hundred and fifty-eight micro and small enterprise infrastructure sites. Forty of these sites have been equipped with common user machinery. The Authority has also developed the Kariobangi Centre of Excellence which serves as a model business information centre for micro and small enterprises. To enhance the utility of agricultural output and protect farmers from post-harvest losses, the Authority is developing cold storage and processing facilities in three agricultural counties namely, Nyandarua and Meru targeting potato farming, and in Kisii targeting banana farming. To further enhance the management of the infrastructure facilities, the Authority has developed the Micro and Small Enterprises (Infrastructure) Regulations, 2019 and the Micro and Small Enterprises (Registration) Regulations, 2019. The process of stakeholder engagement has been completed. The next steps are the presentation of the draft regulations to the Office of the Attorney General for adoption and or further drafting to be followed by a presentation to Parliament for enactment.

10. Despite the sector having undergone remarkable evolution since 2012, to make it more responsive to technological advancements in the industry a review of the policy was undertaken to reflect current and emerging issues. This resulted in the enactment of the ***Sessional Paper No. 05 of 2020 on Kenya Micro and Small Enterprises Policy for Promoting Micro and Small Enterprises (MSEs) for Wealth and Employment Creation*** that was officially launched during the world MSME day 2021. The framework features 10 objectives that are key to providing an integrated enabling environment for the growth and development of competitive MSEs.

11. Some of the emerging issues that have been mainstreamed in the MSE policy include the devolved governance structure which has decentralized public services and roles in the development of infrastructure, enterprise and trade. It also includes the new sector policies at the regional and global levels such as EAC vision 2050, AU Agenda 2063 and the Sustainable Development Goals. The policy interventions, therefore, are aligned to the objectives of enhancing

competitiveness, productivity and sustainability of MSEs in supporting the economy through the provision of goods and services, decent jobs, incomes and wealth creation. Read more on the Policy [here](#).