



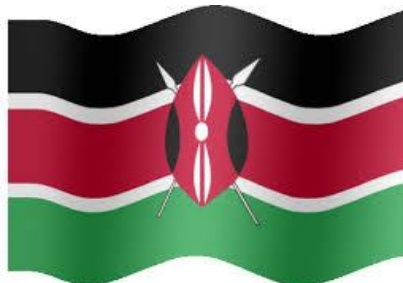
REPUBLIC OF KENYA

MINISTRY OF INDUSTRIALIZATION AND ENTERPRISE DEVELOPMENT



MINISTRY OF INDUSTRIALIZATION
AND ENTERPRISE DEVELOPMENT

DRAFT STRATEGIC PLAN (2013 – 2017)



SEPTEMBER 2013

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Acronyms

ACU	AIDS Control Unit
AG	Attorney General
AGOA	African Growth and Opportunity Act
A-I-A	Appropriation In Aid
ASAL	Arid and Semi-Arid Land
COMESA	Common Market for Eastern and Southern Africa
CPMMU	Central Planning Monitoring and Evaluation Unit
DPM	Directorate of Personnel Management
EAC	East African Community
EAPCC	East African Portland Cement Company
EPA	Economic Partnership Agreement
EPC	Export Promotion Council
EPZ	Export Processing Zone
ERS	Economic Recovery Strategy
ESA	Eastern and Southern Africa
EU	European Union
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GMOs	Genetically Modified Organisms
GoK	Government of Kenya
GTZ	German Technical Cooperation Agency
GU	Gender Unit
HIV/AIDS	Human Immune Virus/Acquired Immune Deficiency Syndrome
HoDs	Heads of Departments
ICAP	Investment Climate Action Plan
ICDC	Industrial and Commercial Development Corporation
ICT	Information and Communication Technology

IDC	Industrial Development Capital
IEC	International Electrotechnical Commission
IFMIS	Integrated Financial Management Information System
IGAD	Inter-governmental Authority on Development
IMF	International Monetary Fund
IOC	Indian Ocean Commission
IPPD	Integrated Payroll and Personnel Database
ISO	International Organization for Standardization
ITC	International Trade Centre
JICA	Japan International Cooperation Agency
JITAP	Joint Integrated Technical Assistance Programme
JKUAT	Jomo Kenyatta University of Agriculture and Technology
JLB	Joint Loans Board
KAM	Kenya Association of Manufacturers
KEBS	Kenya Bureau of Standards
KEPHIS	Kenya Plant Health Inspectorate Service
KEPSA	Kenya Private Sector Alliance
KIA	Kenya Investment Authority
KIBT	Kenya Institute of Business Training
KIE	Kenya Industrial Estates
KIPI	Kenya Industrial Property Institute
KIRDI	Kenya Industrial Research and Development Institute
KITI	Kenya Industrial Training Institute
KNCCI	Kenya National Chamber of Commerce and Industry
KNPCPC	Kenya National Cleaner Production Centre
KNTC	Kenya National Trading Corporation
KRA	Kenya Revenue Authority
KTPP	Kenya Trade and Poverty Programme
KWAL	Kenya Wine Agencies Limited
LAN	Local Area Network
MDGs	Millennium Development Goals
MMU	Ministerial Management Unit
MoIED	Ministry of Industrialization and Enterprise Development
MSF	Ministerial Sector Forum
MSME	Micro, Small and Medium Enterprises
MTEF	Medium Term Expenditure Framework
MTS	Multilateral Trading System
MWIT	Ministerial Work Improvement Team
NARC	National Alliance Rainbow Coalition
NEPAD	New Partnership for African Development
NES	National Export Strategy
NGOs	Non-Governmental Organizations
NIC	Newly Industrialized Country
O&M	Operations and Maintenance
PAS	Performance Appraisal System
PPP	Public - Private partnerships

PE	Personnel Emoluments
PMS	Performance Management System
PPPs	Public Private Partnerships
PSC	Public Service Commission
PSDS	Private Sector Development Strategy
R&D	Research and Development
SAGA	Semi-Autonomous Government Agency
SEZ	Special Economic Zones
SPS	Sanitary and Phytosanitary
SWGs	Sector Working Groups
SWOT	Strengths, Weaknesses, Opportunities and Threats
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
UNIDO	United Nations Industrial Development Organization
W&M	Weights and Measures
WAN	Wide Area Network
WIPO	World Intellectual Property Office
WITs	Work Improvement Teams
WTO	World Trade Organization

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EXECUTIVE SUMMARY

Introduction

The Ministry of Industrialization and Enterprise Development (MoIED) was established through the Presidential Circular No. 2/2013 of May 2013. Hitherto, Kenya's Industrialization and Enterprise Development matters were handled by its precursors, the Ministry of Industrialization, Ministry of Labour and Ministry of Cooperative Development and Marketing. The mandate of the Ministry is to provide a policy framework and enabling environment for Industrialization and Enterprise Development in Kenya.

The Ministry of Industrialization and Enterprise Development Strategic Plan (2013-17), provides a framework for accelerating and consolidating industrial and enterprise development in the medium term. It lays a foundation for pursuing the national goal of transforming Kenya into a middle income industrializing economy. The Strategic Plan (SP) re-defines the Vision, Mission, core functions, policy priorities, strategic objectives, ministry's structure and resource requirements based on its mandate and the prevailing social-economic environment. It also identifies the necessary strategies to ensure that the Medium Term Plan (MTP2) development sector priorities are achieved. The Plan aims at accelerating and sustaining the momentum of industrial growth, mobilizing foreign and local investments into the sector, contributing to the envisaged 10 percent growth in GDP per annum and employment creation.

It has been prepared at a time of institutional transformation and re-organization of Government, after the General Election of March 2013 and in conformity with the provisions of the Constitution. Formation and establishment of County Governments and supportive structures and consequent devolution of certain operational and legislative functions entails preparation of a more robust strategic plan that anticipates the dimensions of devolution, opportunities for alternative resources and differentiated priority profiles of diverse County Government structures.

The SP takes cognizance of the fact that the country is confronted with major development challenges. These include high levels unemployment particularly among the youth; the large number of Kenyans still living in poverty; low levels of savings and investments; and slow progress in achieving structural changes in the economy, away from reliance on agriculture and export of primary products, this requires restructuring the economy towards a greater share of industrial output in the national economy. The other challenge is to make the economy globally competitive.

It identifies short and medium term strategies towards re-invigorating industrial and enterprise growth in the Kenya through institutional and structural reforms, increased productivity, higher capital accumulation, and forging economy-wide linkages. It offers significant opportunities to leverage on global knowledge and

technology advances to raise productivity rates in industry, enterprises and other sectors of the economy. The strategies embraced in the SP resonate with the Ministry's commitment to facilitate the manufacturing sub-sector, cooperatives, and Micro, Small, Medium Enterprises (MSMEs) to improve their production and resource utilization efficiencies, enhance /productivity, and venture into high-tech sub-sectors of the economy. The theme of this Plan is rapid growth, employment creation and sustainability taking cognizance of resource endowment and emerging opportunities in Kenya and the region.

The Plan has eight chapters. Chapter one is the Introduction that explains the rationale, process and context within which it has been prepared. Chapter two provides an analysis of the country's national development agenda and the role of the Ministry in meeting this agenda. It covers challenges in industrial and enterprise development nationally, regionally and globally. It reviews core industrial, co-operative and enterprise development flagship projects and other programmes and enumerates sectoral challenges. Chapter three gives an institutional review of the ministry, mandate and functional responsibility of the Ministry. Key policy priorities, current and harmonized structure and resource profile (both fiscal and human), are also discussed.

Chapter four discusses Gaps while analyzing the Strengths, Weaknesses Opportunities and threats (SWOT), Chapter five presents the strategic model of the ministry in terms of the vision, mission, guiding principles and core values. The mandate, strategic issues and strategic objectives are synthesized. Chapter six presents the implementation roadmap, institutional and management responsibilities, and Plan implementation management framework. Chapter seven analyses the proposed broad organizational structure of the Ministry and summary responsibilities of its various departments and institutions. The resource requirements (fiscal and human) for full, effective and efficient implementation of the Plan have been estimated. Chapter eight presents a monitoring, evaluation and reporting framework, and concludes with an implementation matrix.

Overview of Kenya's National Development Agenda

Kenya's long term development agenda is set in the Kenya Vision 2030. The Vision defines the long term growth path, with a focus on, "transforming the country into a modern, globally competitive, middle income country, offering a high quality of life for all citizens in a clean and secure environment. These are anchored on a stable macroeconomic environment, sustainable governance reforms; enhanced equity and wealth creation opportunities for the poor; infrastructure and human resources development; as well as security. Over the 1st Medium Term Plan Period, performance and achievements varied.

Kenya's industrial sector is relatively large within the region. However, it has not been dynamic enough to function as, "an engine of economic growth" especially when compared to newly industrialized emerging economies. There has been lack of effective programs for increased value addition and weak support to the local small and medium enterprises, which have the potential for employment and wealth

creation; growth and graduation into large enterprises. This attributable to a number of challenges including: low value addition; limited market access and narrow export base; high cost of utilities and support services leading to un-competitiveness, inadequate skilled industrial human resource; limited access to affordable long term finance; high cost of industrial land; limited industrial subcontracting linkages; influx of counterfeit, dumping and substandard goods thereby reducing production capacities; limited technology transfer; and low attraction of local and foreign direct investment.

In the Kenya Vision 2030 the manufacturing sector has been identified as a major driver of the economy. It is in this light that Kenya aims to have a robust, diversified, and competitive manufacturing sector. However, the manufacturing sector's contribution to GDP contribution has stagnated for the last two decades at about 10 per cent. The growth of the sector has also been below the annual target. Kenya's exports have also remained predominantly primary commodities with low value addition. The manufactured exports, on average, contribute about 36% to the total exports on an annual basis over the last 5 years. The employment contribution of the sector, over the last 5 years, has also remained stagnant at 21% with most of the new jobs being created by the informal sector.

The sector is expected to play a critical role in propelling the economy at 10 per cent growth rate in line with the aspirations of Vision 2030 and in supporting the country's social development agenda. In order to realize the desired GDP growth rate of 10 percent per annum, a number of flagship projects and programmes were identified in every sector to be implemented over the Plan period. In the 1st MTP, the Flagship projects for implementation under the manufacturing and co-operative sector included; Development of SME Parks, Special Economic Zones (SEZs), Industrial Parks, Industrial and Manufacturing clusters, inputs cost reduction, value addition and market access development. Additional flagship projects were later conceived which included; Development of Iron and Steel mill, Training of Engineers, Technicians and Technologists for manufacturing sector.

Co-operatives are also crucial vehicles for mobilization of domestic resources for investment in productive economic activities. The main objective of this sub-sector is to facilitate efficient management practices among co-operatives to enable them play their integral role in addressing the key national objectives namely savings mobilization, improved access to affordable credit and other financial services, improved productivity, processing, and marketing of value added/manufactured goods and services.

There were other projects and programmes implemented by the cooperative sub-sector that included promoting good governance and accountability, restructuring and revitalization of key co-operative institutions and capacity development of the whole spectrum of the co-operative sector to play its role in the socio-economic development of Kenya. The main objective of this sub-sector is to facilitate efficient management practices among co-operatives to enable them play their integral role in addressing the key national objectives namely savings mobilization, improved

access to affordable credit and other financial services, improved productivity, processing, and marketing of value added/manufactured goods and services.

Institutional Review

The plan in Chapter 3 provides Ministry's mandate as per the Executive Order No.2/2013 of May 2013 and functional responsibility of the Ministry. The Executive Order reorganized parastatals putting seventeen of them under the Ministry undertaking specific functions. The Ministry's core functions, policy priorities, current organization structure, analysis of funding levels and institutional challenges are also highlighted.

Situational Analysis

Situation analysis revealed that the Ministry's strength include wide administrative network, qualified, experienced and committed staff; existence of legal, regulatory framework to guide and facilitate the Ministry's operations; existence of a well developed structures; good working relationship with stakeholders; State Corporations that deliver on the Ministry's mandate. On the hand, some of key ministry's weaknesses were indentified to include inadequate number of technical and support staff; weak legal framework for Industrialization and poor implementation of existing legislations on Co-operatives; inadequate facilities, equipment and transport; outdated Scheme of Service; linkage of ICT to county offices is inadequate; and inadequate recurrent budgetary allocation

The opportunities are summarized to include political goodwill; establishment of the Ministry responsible for Industrialization and Enterprise development; recognition by Vision 2030 to drive the manufacturing sector; strategic geographical location that makes Kenya a regional hub for investment; improved public private partnership; vibrant economic environment; well developed financial system; and emerging focus on value addition. GAP analysis undertaken provided an assessment of the variance between what was planned and what was achieved during the implementation of the previous Ministry of industrialization and Ministry of co-operative and marketing strategic plans.

Strategic Model and Analysis of Strategic issues

The Vision of the Ministry *is to be a leader in transforming Kenya into a rapidly industrializing middle-income economy*". The Mission is *"To facilitate the development of a robust, globally competitive, diversified industrial, enterprise and co-operative sub-sectors through the creation of an enabling environment*. The policy priority of this Plan is to enable the industrial and enterprise sector to attain and sustain annual sector growth rate of 10 % and make Kenya the most competitive and preferred location for industrial investment in Africa leading to high employment levels and wealth creation.

Through a comprehensive analysis of the ministry's Mandate, Vision, Mission, the current situation, the country's development agenda and resulting strategic

priorities, the Ministry has identified the following strategic objectives: (i) to undertake Policy, legal and institutional reforms for industrialization, co-operatives and enterprise Development; (ii) to Attract Foreign Direct Investment for industrialization;(iii) to mobilize savings and investment resources for industrial and enterprise development; (iv) to enhance capacity for growth and graduation of Micro, Small, and Medium Enterprises; (v) to Promote Research and Development (R&D), innovation and technology adoption; (vi) to build capacity for industrial and enterprise development and quality service delivery;(vii) to promote high value addition, product development, diversification;(viii) to enhance standards, quality infrastructure and IPR protection;(ix) to enhance productivity and competitiveness in the industrial, enterprise and cooperative sector for market access; and (x) to create a conducive business environment to enhance private sector growth and competitiveness.

In order to realize the policy objectives and strategies set in this SP, provision of an adequate, cost-effective and efficient physical infrastructure is essential. Physical infrastructure includes transport and logistics systems, road and rail networks, sea and inland waterways, air transport (airports), energy supply, oil pipeline; water and sewerage services and ICT services. The realization of sustainable and meaningful Industrial and enterprise development in the country requires high levels savings and access to affordable long-term finance and credit facilities. However, the country is still generating low level of national savings which has stifled the investment in the country.

Access to markets is essential for the development of the industrial and enterprise sector. However, the country depends on a few traditional export markets for its industrial products The Plan proposes programs to improve the quality of locally manufactured goods including SME products; measures to curb the influx of sub-standard, dumping and counterfeit goods; and to review bilateral, regional and multilateral trade arrangements in order to enhance global and regional market access for Kenya's manufactured products.

In order to realize its employment creation objective the SP has identified key areas of interventions including promotion of Micro, Small and Medium Enterprises (MSMEs); development of priority labour intensive industrial sub-sectors (leather, textiles, furniture, etc) and promotion high value addition, by harnessing exiting agricultural, mineral, natural and forestry resources.

The Micro, Small and Medium Enterprises (MSMEs) sector is recognised as the foundation of Kenya's industrial and enterprise development. The sector has a huge potential to generate the much needed employment opportunities to absorb the increasing number of unemployed youth. However, the potential of the sector has not been fully realised due to challenges such as limited access to appropriate finance and access to markets; poor infrastructure, limited technology uptake, weak management structures, weak linkages with research institutions, poor product quality, and lack of access to skilled labour. Providing affordable, high quality and accessible infrastructure will be the gate for crowding in more private investments in the industrial sector. SMEs Parks, Industrial Parks and Special Economic Zones

with requisite infrastructure and social amenities will be developed and investors facilitated to utilize the facilities. The strategy is based on involving the private sector in the formulation, establishment, and operation of the parks.

The textile and clothing industry has a great potential for employment. The Strategic Plan outlines strategies for revival of dormant cotton production and marketing cooperatives, refurbishment of textile mills and ginneries in the country; promotion of weaving and milling plants through incentives on capital equipment.

The leather industry has strong backward and forward linkages that provide opportunities for value addition using locally sourced raw materials. During the Plan period, the Ministry will initiate the leather development measures including strengthening the Leather Development Council., revival of the Training and Production Centre for the Shoe Industry- (TPCSI) in order to promote technical capacity in processing of leather products; and strengthen the leather training and incubation programmes in KIRDI and KITI besides administrative measures.

Skills and competency is a fundamental pillar for successful industrial and enterprise development. Similarly, the development of technical, production and managerial skills is essential for the success and expansion of the sector. In the medium term, the Ministry will collaborate with the relevant public institution to expand technical, vocational and entrepreneurial training designed to offer artisan, craftsmanship, technician, technologist and engineering training for industry; develop a framework to provide and enhance sustainable linkages between tertiary and vocational training institutions and with industry; build strategic alliances with institutions of higher-learning and R&D for continuous acquisition and provision of knowledge resources for industrial development and competitiveness;

The industrialization of any nation is largely dependent on the availability and affordability of iron and steel. It has been established that vast amounts of iron ore reserves exist in several locations in Kenya. During the Plan period, the Ministry will develop an institutional framework to promote development of iron and steel mills industries in the country, within the framework of Kenya Vision 2030 and conduct feasibility studies.

In order to build capacity for local production of machine tools and spares, the Ministry will initiate building manufacturing capacity for products and tools design; machining , forging, forming , casting and tool room facilities; identify a machine tool cluster and encourage collaboration/manufacturing under license with renowned machine tool manufacturers.

During the plan period the following strategies will be used to enhance the mobilization of funds for implementation of the Ministry's Flagships and other core development programmes, projects and activities. The Ministry will rely more on resources from the Government of Kenya budgetary provisions through the MTEF process to finance its programmes, projects and activities as contained in the plan. The ministry will also seek donor support in some of the key programmes. The Ministry will collaborate closely with other public institution and private sector to tap

in their resources in the development of the industry and enterprise subsectors. Through PPPs, key priority flagship projects such as development of SEZs, Industrial and Science Parks; Industrial Clustering and development of Incubations facilities can be undertaken.

Monitoring, evaluation and reporting will form a critical feature of the implementation of this strategic plan. The plan will be implemented by the Ministry's departments and its State Corporations. The plan will have its activities mainstreamed into day to day activities of the ministry and its departments through their work plans. The corporation under ministry will also be expected to mainstream plan activities into their respective strategic plans. Monitoring and Evaluation will entail routine data regular collection and analysis on the progress made in the implementation of this plan. The output of the process will be used to inform decision-making, including taking corrective action from the lessons learnt

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CHAPTER 1: INTRODUCTION AND BACKGROUND

1.1. Overview

The Ministry of Industrialization and Enterprise Development (MIED) was established through the Presidential Circular No. 2/2013 of May 2013. Hitherto, Kenya's Industrialization and Enterprise Development matters were handled by its precursors, the Ministry of Industrialization, Ministry of Labour and Ministry of Cooperative Development and Marketing. The mandate of the Ministry is to provide a policy framework and enabling environment for Industrialization and Enterprise Development in Kenya.

The MIED Strategic Plan (2013-17) provides a medium-term policy, legal, institutional and regulatory reforms framework and investment programme for accelerating and consolidating industrial, enterprise and co-operative growth in a dynamic socio-economic environment. It lays the foundation for transforming Kenya into a middle income industrializing economy. It draws extensively on the National Industrialization Policy (NIP) and Co-operative development policies which have been developed to support industrialization and cooperative development. The policies provide a framework to drive Kenya's aspiration to be a middle income and rapidly industrializing and globally competitive country.

The Strategic Plan (SP) re-defines the Vision, Mission core functions, policy priorities, strategic objectives, ministry's structure and resource requirements based on its mandate and the prevailing social-economic environment. It identifies the necessary strategies to ensure that the Medium Term Plan (MTP2) development priorities for industrialization and enterprise development are achieved.

The main goal of the Plan is to accelerate the momentum of growth and employment creation in the sector by facilitating and supporting manufacturing, cooperatives and other enterprises to expand their capacities, improve their efficiency, build up their capital and venture into manufacturing and other high value addition ventures. The industrial and enterprise sector play an instrumental role in re-invigorating economic growth in the economy over the short, medium and long term. The Government recognizes industrialization and enterprise development as key avenues for realizing national economic and socio development objectives of growth, employment, and equity.

The development objectives, targets and reforms agenda in this Plan remain in-line with the Kenya Vision 2030 and other Government policies, strategies and commitments. The primary objective of the Plan is to accelerate and sustain the momentum of industrial growth, mobilize foreign and local investments into the sector, contribute to the envisaged 10 percent growth in GDP per annum, and contribute significantly to employment creation. The medium term aim of the sector

as contained in the National Industrialization Policy (2013 – 2030), is to enable the industrial sector to attain and sustain annual sector growth rate of at least 10% per annum, and make Kenya the most competitive and preferred location for industrial investment in Africa leading to high employment levels and wealth creation.

The theme of this Plan is rapid growth, employment creation and sustainability of industrial and enterprise development taking cognizance of resource endowment and emerging opportunities in Kenya and the region. The primary aim is to facilitate the manufacturing sector, cooperatives, and Micro, Small, Medium Enterprises (MSMEs) to build up their capital bases, expand their manufacturing and other value addition capacities, improve their resource utilization efficiencies, enhance /productivity, and venture into high- tech sectors of the economy. The Plan identifies short-term and medium term strategies towards re-invigorating industrial growth in the Kenya through institutional and structural reforms, increased productivity, higher capital accumulation, and forging economy-wide linkages. It offers significant opportunities to leverage on global knowledge and technology advances to raise productivity rates in industry, enterprises and other sectors of the economy.

The Plan seeks to explore new horizons for attracting Foreign Direct Investments (FDIs), savings mobilization, and promoting regional and global market access for Kenya's products/services. In order to enhance equity and open up greater wealth creation opportunities for the poor, youth and women, special attention will be given to investment in new cooperative ventures that enhance the participation of the youth, women and vulnerable groups. Over the Strategic Plan period, the cooperative movement will play a significant role in raising the levels of national savings; exploring and taking advantage of emerging investment opportunities in manufacturing and value addition.

1.2. Background

Since independence Kenya has made several initiatives towards the development and growth of the industrial and enterprise sector. However, despite the efforts resulting into the country having a relatively larger industrial sector in the region, it has not been dynamic enough to function as the engine of economic growth especially when compared to newly industrialized emerging economies due to various challenges. The role of coordinating the sector's activities has been played by various Ministries since independence. These include; Ministry of Commerce and Industry (1985-1993), the Ministry of Industrial Development and the Ministry of Trade (1998-2000), the Ministry of Tourism, Trade and Industry (2000-2001), the Ministry of Trade and Industry (2001-2008) and the Ministry of Industrialization established 2008.

Under Second Medium Term Plan of Kenya Vision 2030 and the Jubilee Government manifesto, the country is looking forward to a future in which higher income, sufficient employment, and a better global posting are attainable realities.

The envisaged faster and sustainable economic growth will need a powerful growth driver. The industrial and enterprise sector has been identified as the key driver for economic growth and development due to its forward and backward linkages, immense potential for job and wealth creation.

1.3. Justification

Successive development planning reviews in Kenya have been necessitated by the changing socio-economic, environment and emerging development challenges. In tandem with the dynamics of a modern economy, the Government has continuously reviewed the policy framework guiding its development agenda. The Ministry's Strategic Plan is being prepared at a time of institutional transformation following re-organization of Government, after the General Election of March 2013 and in conformity with the provisions of the Constitution. It has been prepared to advance the Government's agenda for industrial, enterprise and co-operatives development, implement the relevant industrial and enterprise Flagship programmes in the Kenya Vision 2030's, second Medium Term Plan and bring on board emerging economic and social objectives of the Government outlined in the Jubilee manifesto. In view of the above, the SP contains a number of policy, legislative, and regulatory reforms which require close collaboration among public institutions, as well as engagement with private sector within public –private partnerships framework. .

The Strategic Plan 2013-17 draws extensively on experience of implementation of the previous Strategic Plan covering the period 2007–2012, which were the primary implementation instruments for the 1st Medium Term Plan (MTP) of the Kenya Vision 2030. Under Second Medium Term Plan and the Jubilee Government manifesto, the country is looking forward to a future in which higher income, sufficient employment, and a better global posting are attainable realities. The envisaged faster and sustainable economic growth will need a powerful growth driver. The Industrial, co-operative and enterprise development sector, has the forward and backward linkages, and the greatest potential to attain “a newly- industrializing, middle income country” status.

As analyzed in the subsequent chapters of this Plan, the industrial and enterprise sub-sector is confronted by specific challenges including poor governance, a low capital base, low size distribution of firms and overreliance on sub-optimal technology that limits expansion of enterprises to reap economies of scale. The Strategic Plan addresses the above challenges and consequently prescribes interventions deemed sufficient to ultimately create a favourable environment for realizing improved efficiency and profitability of industrial and enterprises sector.

The Plan outlines policy interventions, projects and programmes that include restructuring and strengthening existing industrial and MSME and co-operative institutions, to promote the comparative advantage of these entities in dealing with

national problems of poverty eradication, employment creation, and elimination of pervasive inequality in Kenya.

1.4. Methodology and Process

This Strategic Plan was developed through a participatory and all inclusive consultative process spearheaded by a core team of officers constituted into a steering committee backstopped by a Secretariat. The process involved a series of consultative fora and meetings with key stakeholders with a view to ensuring that their views, concerns and interests are taken on board. A review of the previous Strategic Plans provides information on the experiences and successes of the implementation of the planned activities, targets and restates any challenges that the process encountered. It is an opportunity to revise and re-cast the interventions that may not have been fully achieved and re-launch them as an agenda for the next planning period.

A Steering Committee made up of senior members of staff (including all Heads of Departments) chaired by the Principal Secretary was constituted to guide the process of SP preparation. A Task Force whose role was to collect, collate, analyze information, and prepare SP Drafts was appointed. The Task Force comprised representatives from all the departments and divisions in the Ministry.

Preparation of the Plan involved a review of relevant government policy documents, ministerial reports and previous strategic plans that had been prepared by the Ministry. The review enabled the team to identify the national, sectoral and ministerial policy priorities that the strategic plan would address in the medium term. Further, the team assessed the Ministry's past performance in terms of its achievements and constraints were reviewed in order to address performance gaps and design new interventions. Primary and secondary data were collected and analyzed. Secondary data was sourced from relevant government policy documents and other ministerial reports

1.5. Organization of the Plan

The Strategic Plan is organized into eight chapters. Chapter one is the Introduction chapter that presents the rationale, process and aims of the Ministry. Chapter two reaffirms the county's development agenda, outlines the KV2030 flagship projects within the mandate of the Ministry and restates and evaluates the various developmental, structural and institutional challenges confronting the manufacturing and enterprise sectors as well as the Ministry.

Chapter three opens with a background of the institutional set up, mandate and functional responsibility of the new Ministry. The Ministry's policy priorities, current

and harmonized structure and resource profile (both fiscal and human), are also discussed in this chapter.

Chapter four carries out a synthesized ex-post analysis of the performance of the two former Ministries using SWOT (strengths, weaknesses, opportunities and threats), PESTEL (political, environment, and social as well as the technical, economic and legal factors) analysis and Stakeholder's Analyses tools to outline objectively various factors that have the potential of affecting the objective achievement of this Strategic Plan. The output of this chapter is later applied to formulation of strategic issues, objectives, strategies and activities that it will undertake towards the achievement of the objectives of the Plans.

Chapter five discusses the strategic framework in terms of the strategic direction, strategic objectives, sector targets and key result areas to be pursued over the period (2013 – 17). It contains the strategic issues, and strategic objectives, as well as policy, legal, and /regulatory reforms to be implemented over the Plan period. .

Chapter six discusses the SP implementation roadmap, institutional and management responsibilities, and Plan implementation management tools. Given the diversity and stratified structure of the industrial and co-operative sectors, from national to regional and local segments, the implementation framework will be cascaded from the national to local levels, utilizing both national public and private institutions and resources.

Chapter seven has analyses the proposed organizational structure of the Ministry and responsibilities of its various departments and institutions in meeting the targets set in the plan.. The resource requirements (fiscal and human) for full, effective and efficient implementation of the Plan have been estimated. Modalities for financing this resource outlay are also discussed viz. public, private sector, development partners and partnerships.

Chapter eight provides a monitoring, evaluation and reporting framework, scheduled according to designated and opportune timeframes and expected achievement of key milestones. The Chapter concludes with a comprehensive Implementation Matrix tracking achievements in various strategic issues, planned resolution programmes, projects and activities. This matrix also states the set targets and annual resource requirements for various key project activities. Appropriate and measurable progress reporting indicators are also provided ex-ante in this matrix, along with institutional charges for various and specific actions.

CHAPTER 2: INDUSTRIAL AND ENTERPRISE DEVELOPMENT AGENDA

2.1. The National Development Agenda

Kenya's long term development agenda is set in the Kenya Vision 2030. The Vision defines the long term growth path, with a focus on, "transforming the country into a modern, globally competitive, industrializing middle income economy, offering a high quality of life for all citizens in a clean and secure environment. The Vision is anchored on three pillars: the economic, the social and the political. The economic pillar aims to improve the prosperity of all Kenyans through an economic development programme, covering all the regions of Kenya, and aiming to achieve an average GDP growth rate of 10% per annum and then sustain it up to 2030. The social pillar seeks to build a just and cohesive society with social equity in a clean and secure environment. The political pillar aims to realize a democratic political system founded on issue-based politics that respects the rule of law, and protects the rights and freedoms of every individual Kenyan Society.

The envisaged economic transformation is anchored on a stable macroeconomic environment, sustainable governance reforms; enhanced equity and wealth creation opportunities for the poor; infrastructure; land reforms; science and technology; human resources development; as well as security. Other than high growth, the Medium Term Plans (MTPs) place a premium on faster job creation, poverty reduction, improved income distribution and gender equity while also ensuring that balance is attained in development across all regions of the country.

However, despite the achievements made in reviving the economy and achieving the first Medium Term Plan targets, the country is still confronted with major development challenges. These include faster job creation to address the increasing number of youths leaving school and unable to find gainful employment; the large number of Kenyans still living in poverty; low savings and investments; and slow progress in achieving structural changes in the economy, away from reliance on agriculture and export of primary products. The transformation requires restructuring the economy towards a greater share of industrial output in the national economy

The Government has developed the National Industrialization Policy and enacted specific Acts including the SME Act to support the desired transformation process. The Industrialization Policy focuses on value addition for both primary and high valued goods; and aims at providing strategic direction for the sector growth and development. The overarching policy objective is to enable the industrial sector to attain and sustain annual sector growth rate of 15% and make Kenya the most competitive and preferred location for industrial investment in Africa leading to high employment levels and wealth creation.

The Cooperative Development Policy was revised. The new Cooperative Development Policy provides a policy framework for co-operative governance reforms, savings/resource mobilization, increasing regional and global competitiveness of Kenya's co-operative products/services and enhancing market penetration by co-operative entities

2.1.1. Macroeconomic stability

Macroeconomic stability is integral to a country's economic and industrial growth. This is critical for private sector led growth. Macroeconomic framework that facilitates low and stable inflation and interest rates, and competitive real exchange rate to support export led growth help to deliver on high and sustainable growth.

Although the 1st MTP targeted to achieve a growth rate of 10% by 2012, the macroeconomic setting changed significantly during the implementation period thus negatively affecting achievement of many of the first Medium Term Plan macroeconomic targets. Real GDP grew steadily from 1.5% in 2008 to 4.6 by the year 2012. Inflation declined from 11.7 to a low of 6.0 over the same period. However the Government deficit increased from 5.2% as a percentage of GDP to 6.5% on account of the expansionary policy adopted to stimulate the economy from the poor performance recorded during the post-election violence and the urgent need to establish requisite institutional and reforms to deal with then emerging socio-political challenges. Interest rates as measured by loans and advances rates equally remained stable at about 14% over the first three years of the SP rose marginally and later stabilized at about 18%.

2.1.2. Economic growth

Kenya's economy continued to register a positive GDP growth rate from 2003 achieving the highest growth rate of 7% in 2007. However, the performance has been fluctuating over the period 2008-2011 due to multi shocks including drought, global financial and economic crisis, rising commodity and oil prices; and weakening of the Kenya shilling. Monetary and Fiscal Policies implemented by the Government were aimed at containing the rising cost of living, reducing inflation to 5 percent by 2012, maintaining a flexible exchange and building foreign exchange reserves to 4.6 months of each succeeding year's import cover or the equivalent of 6 months of the previous 36 months of import cover. On the global scene, the high international oil prices and ripple effects of the global financial crisis affected the local currency which depreciated to an all-time low in 2011.

Although the 1st MTP1 targeted to achieve a growth rate of 10% by 2012, the macroeconomic setting changed significantly during the implementation period thus negatively affecting achievement of many of the first Medium Term Plan macroeconomic targets as well as progress in implementation of the other MTP goals. The multiple adverse domestic (post election crisis and drought) and external

(global financial and economic crisis and high international oil and commodity prices) contributed to low attainment of the investment, savings and real GDP growth targets. Real GDP growth grew steadily from 1.5% in 2008 to 4.6 by the year 2012. Inflation declined from 11.7 to a low of 6.0 over the same period. However the Government deficit increased from 5.2% as a percentage of GDP to 6.5% on account of the expansionary policy adopted to stimulate the economy from the poor performance recorded during the post-election violence and the urgent need to establish requisite institutional and reforms to deal with then emerging socio-political challenges. Interest rates as measured by loans and advances rates equally remained stable at about 14% over the first three years of the SP, rose marginally and later stabilized at about 18%.

2.1.3. Governance reforms

Kenya remains committed to continuing and sustaining the wide range of governance reforms stipulated in various policy and legal instruments and the constitution. These reforms are considered necessary as a foundation for creating a better and conducive business environment for rapid and sustainable industrialization. However, slow progress in implementing key economic reforms and enabling economic legislation including the Private Public Partnership (PPP) Act and the Special Economic Zones (SEZ Act) also explain the low attainment of investment and growth targets. Table 2.1 reports the First MTP Macro-fiscal targets against actual performance.

Table 2.1 Macro-economic Targets and Actual (2008-2012)

	2008		2009		2010		2011		2012	
	Target	Act.	Target	Act.	Target	Act.	Target	Act.	Target	Act.
Overall GDP	4.5	1.5	7.9	2.7	8.7	5.8	9.4	4.4	10.0	4.6
Inflation	7.5	11.7	5.5	3.5	5.0	14.2	5.0	10.1	5.0	6.0
Central Gvt. Budget		-	-2.9		-2.7		-3.6		-3.6	
Overall Balance (commit. basis) Incl. grants (% of GDP)	3.9	5.2	-7.1	14.7	-4.3	13.8	-5.6	20.0	-6.5	18.1
Interest rates	-	7	-	6	-	7	-	4	-	5

Source: First MTP (2008-2012) Economic Surveys (KNBS)

2.2. The role industry and enterprises in national development agenda

Kenya has relatively large industrial and enterprise sector, however, the sector has not been dynamic enough to function as the engine of economic growth due to various challenges including lack of effective programme for increased value addition and support to local Small and Medium Enterprises (SMES). The SMEs have the potential for employment and wealth creation; growth and graduation into large

enterprises. The Government recognizes the role of sector as a critical player in the pursuit of the Kenya Vision 2030's social and economic objectives, namely rapid economic growth and equitable and sustainable development. The overall goal of the sector is therefore to strengthen the productive capacity, value addition and transform it into a vibrant and sustainable sector.

In the Kenya Vision 2030, the manufacturing sector is expected to play a critical role in propelling the economy at 10% growth rate in line with the aspirations of Vision 2030 and in supporting the country's social development agenda through creation of jobs, generation of foreign exchange and by attracting of local and foreign investments. The sector is an important source of employment for the country's labour force as it is one of the key employers within formal and informal sub-sectors. Currently, the sector employs almost 14% of the total employment.

Co-operatives are important crucial vehicles for mobilization of domestic savings for investment in productive economic activities. The main objective of this sub-sector is to facilitate efficient management practices among co-operative to enable them to play their integral role in addressing the key national objectives namely savings mobilization, improved access to affordable credit and other financial services, improved productivity, processing and marketing of value added/manufactured goods and services.

2.2.1. Performance of the manufacturing sub-sector

Kenya's industrial sector is relatively large within the region. However, it has not been dynamic enough to function as, "an engine of economic growth" especially when compared to newly industrialized emerging economies. The sector has been inward-looking inspire of the various past policy initiatives to address the sector challenges. There has been lack of effective programs for increased value addition and support to the local small and medium enterprises, which have the potential for employment and wealth creation; growth and graduation into large enterprises. The sector's GDP contribution has remained stagnant for the last two decades at about per cent. The growth of the sector has also been below the annual target. Kenya's exports have also remained predominantly primary commodities with low value addition. The manufactured exports, on average, contribute about 36% to the total exports on an annual basis over the last 5 years. The employment contribution of the sector, over the last 5 years, has also remained stagnant at 21% with most of the new jobs being created by the informal sector.

The structure of Kenya's manufacturing sector comprises of micro, small, medium and large industries classified mainly by employment levels and capital investment. The medium and large industries constitute less than 5 percent of the total number of enterprises but contribute over 60 per cent to the manufacturing sector GDP contribution. Similarly, the Micro and Small enterprises comprise about 95 per cent of

the number of industries but contribute only about 20 per cent to the manufacturing sector GDP contribution.

The sub-sectors which recorded the highest growth changes in 2011 include textile and clothing (18 per cent), petroleum and other chemicals (14.6 per cent), non-metallic minerals (14.4 per cent), beverages and tobacco (10.3 per cent) and metal products (10 per cent). In the export sub-sector, locally-manufactured goods comprise 25 per cent of Kenya's exports. However, the share of Kenyan products in the regional market was 7 per cent, out of of an estimated US \$11 billion regional market. The Eastern African market is dominated by imports from outside the region. This is an indication that there is a large potential to improve Kenya's competitiveness in the region by replacing external suppliers gradually.

2.2.2. Performance of the cooperative sub-sector

Savings/deposit mobilization is key to the realization of vision 2030 in respect to increasing national savings from the current 17% to 33% of gross national income. The cooperatives movement is well placed to mobilize savings and investments Savings and Credit Co-operative Organizations (SACCOs) form an integral part of the financial services sector in Kenya. By 2012, there were 7,000 registered SACCOs; providing financial services to 8.million members. The SACCO system controlled assets estimated at Kshs. 700 billion out of which members' deposits (made up of both shares and savings) amounted to Kshs. 380 billion.

2.2.3. Employment generation

Kenya's labour force is estimated at 21.5 million out of which 11.5 million is currently engaged in economic activities and the remaining 10 million people are still unemployed. Manufacturing sector being one of the key drivers for economic growth, has huge potential to generate the much needed employment opportunities for the expanding labour force. As at 2011 the formal and informal sector employed 11.5 million Kenyan which excludes small farming and pastoralist activities. From 2007 – 2011, formal employment in the manufacturing sector expanded marginally from 261,300 in 2007 to 275,800 in 2011 while the employment in the informal manufacturing sector grew steadily from 1.57 million in 2007 to 1.83 Million in 2011.

Employment within the manufacturing sector grew over the first MTP period. Formal employment in the sector grew by 5 per cent from 261,300 in 2007 to 275,800 in 2011 while informal employment grew by 17 per cent from 1.57 million in 2007 to 1.83 million in 2011. The informal sector created more additional jobs than formal sector. The private sector contributed significant share of employment in the sector.

2.3. Key challenges in Industrial and Enterprise Development

The identified key issues and challenges fall into four broad categories, mainly, political, economic, socio-cultural, technological, legal and environmental issues. Despite the achievements recorded in the implementation of the 1st Medium Term Plan 2008-2012, the country is still confronted with major developmental challenges as it transits to the second MTP (2013-2017). The main challenges to sector are creating an enabling policy, legal and regulatory framework; improving corporate governance, and tackling the production and marketing constraints facing the sector. The other challenges affecting Kenya's Industrial sector include: low value addition; limited market access and narrow export base; high cost of utilities and support services leading to un-competitiveness, inadequate skilled industrial human resource; limited access to affordable long term finance; high cost of industrial land; limited industrial subcontracting linkages; influx of counterfeit, dumping and substandard goods thereby reducing production capacities; limited technology transfer; and low attraction of local and foreign direct investment.

2.3.1. Domestic challenges

2.3.1.1. Un conducive business environment

Investment rate in the manufacturing sector has been low partly due to low investment returns attributable to the high cost of doing business. The net impact of these costs are reduced sales or high total productions costs which makes goods and services produced in the country uncompetitive. Low technology utilization leads to low productivity and competitiveness of Kenyan products. Low funding for R&D has also contributed to poor adaptability of technology.

2.3.1.2. Low domestic savings and investments,

Savings is a function of national incomes interest rates and existence of efficient financial institutions and products. Despite concerted efforts over the years, Kenya has not been able to achieve the desired levels of savings envisaged in the KV2030 and considered sufficient to finance desired levels of investments. Savings, as a percentage of GDP, declined from 14.4% in 2008 to a low of 11.9% in 2012, against targeted 16.2% and 27.7% respectively. On the other hand have the share of investments of the nations GDP have stagnated at around 20%, against the targeted 23.2% and 32.6% over the same period respectively.

The poor performance of gross national savings as a percentage of GDP stifled the investment in the country. Investment as a percentage of GDP dropped from 20.7% in 2009/2010 to 19.6% in 2010/11. The gross national savings needed to finance the envisaged investments levels was expected to rise steadily with reforms in the financial sector; this was, however, way below the targeted 21% resulting to slow growth in investments. In the trade sector, between 2007 and 2011 the country's

trade balance continued to widen attributable to high import bill. Similarly, on employment, Kenya has identified employment creation as a key policy objective in addressing the growing number of people entering the labour market. The Government has continued to develop and implement a number of programs to promote employment creation in the country. In spite of all these initiatives the economy has not been able to generate adequate employment opportunities to absorb the increasing number of unemployed youth.

2.3.1.3. The high cost of finance

Financing long gestation projects, requires huge upfront expenditure outlays and operational and working capital before they can start yielding returns. This has been a major challenge to many investors on account of: limited access to long term financing instruments; stringent bureaucracies and collateral requirements, especially disadvantageous to MSMEs; high interest rates, relative to returns on investments Undercapitalization and low funding of Development Financial Institutions including KIE, IDB capital and DFCK .

2.3.1.4. High cost and un-availability of Industrial land

Non-availability of suitable land hampers implementation of projects and programmes such as CIDCs, SME parks, SEZ, industrial clusters among others. Similarly, FDI inflows are constrained by the high cost of land. However, reforms in the land sector which will address land issues by the National Land Commission are expected to establish land banks for industrial development.

2.3.1.5. Limited market Access

Most of Kenya's manufactured products are facing stiff competition in the local, regional and global market due to high cost of production (high energy costs, inadequate and inefficient road, port and rail infrastructure, slow movement of cargo), non-compliance to international standards and non-tariff barriers. With the global reduction of import tariff under WTO regime, there has been significant increase in non-tariff barriers, technical barriers to trade, sanitary and phyto-sanitary measures and other non-tariff measures which have affected exports of Kenyan manufactured goods. Stringent and non-uniform application of rules of origin coupled with the non-observance of various protocols and treaties within the regional trading blocs has been a great challenge. The continued non-compliance with the application of the EAC common external tariff has adversely affected the competitiveness of Kenyan products within the region.

2.3.1.6. Counterfeits dumping and substandard goods

The importation of counterfeit, sub-standard, and subsidized goods into the country has continued to impact negatively on the locally produced products. Counterfeit

trade has also discouraged innovation efforts, reduced the government revenue base and some are a health- hazard to consumers.

2.4. Global and Regional Challenges

Periodic recessions in the economies of our major trading partners often adversely affect our exports. In addition, the volatile international financial market poses additional challenges to Kenya's economy. Other challenges include; global warming and climate change, limited access to markets due to non-tariff barriers and counterfeit goods, and dumping.

2.5. Industrial & Enterprise Development Flagship Projects and other programmes

In order to realize the desired Vision 2030 GDP growth rate of 10 percent per annum, and to enhance Foreign Direct Investments (FDIs), a number of flagship projects and other programmes were identified in every sector to be implemented over the Vision period. During the 1st MTP, the flagship projects under the manufacturing sub-sector included the following: Development of SME Parks, development of Special Economic Zones (SEZs), Industrial Parks, Industrial and Manufacturing clusters, inputs cost reduction, value addition and market access development, financial services deepening and development of livestock Disease Free Zones for production of premium quality beef and other livestock products,

During the plan period, additional flagship projects were conceived which included; Development of Iron and Steel mill, Training of Engineers, Technicians and Technologists for manufacturing sector. Further, there were other projects and programmes implemented during the period. These include nurturing good governance and accountability, restructuring and revitalization of key co-operative institutions and capacity development of the whole spectrum of the co-operative sector to play its role in the socio-economic development of Kenya

2.5.1. Development of SME parks

During the 1st MTP (2008-2012), at least five (5) Small and Medium-Enterprise (SME) Industrial parks were to be developed in key urban centres in Nairobi, Nakuru, Mombasa, Eldoret and Kisumu. To align the implementation of Vision 2030 and the Kenya Constitution 2010, the approach has been reviewed to develop the SME Parks in the 47 counties. Land has been identified and acquired for 2 SME parks in Taveta and Eldoret .Currently 135 and 20 acres of land was identified in Eldoret and Taita Taveta respectively. Development of master plans, structural designs and feasibility studies for Eldoret and Taveta SME Parks was initiated Other outstanding activities include feasibility studies, development of Master plans and Architectural Designs initiated. Governance and Management structures of the SME Parks will be

put in place through the PPP approach. Funds mobilization for both horizontal and vertical development of the parks will be initiated.

2.5.2. Special Economic Zones (SEZs)

Special Economic Zones (SEZs) are designated geographical areas with liberal economic laws, and developed infrastructure. They play an important role in catalyzing economic and social development and increasing competitiveness. During the plan period, three (3) SEZs were planned to be implemented in Mombasa, Lamu and Kisumu. Land was identified in Dongo Kundu and Lamu. The SEZ concept paper was approved by Cabinet and plans for the development of the Master Plan are underway. Further a SEZ policy and bill have been developed and approved by cabinet and a Sessional paper on the same has been prepared in readiness for tabling in parliament.

2.5.3. Industrial and Technology Parks

During the first MTP, two (2) industrial parks were to be developed in Mombasa and Kisumu within the Special Economic Zones (SEZ). In Mombasa and Kisumu, 3000 and 1000 acres of land were identified respectively for development of industrial parks. Master plans and basic infrastructure for the industrial parks will be developed within the second MTP. Resources to support development of the parks will be mobilized through a Public, Private sector Partnership (PPP) approach. Furthermore during the implementation period, land for development of a third industrial and technology park was identified at Jomo Kenyatta University of Agriculture and Technology (JKUAT) in Juja. The university allocated 32 acres of land for development of the park and a Memorandum of Understanding (MoU) has been signed between the Ministry and the University. The development of master plans and structural designs for the park are in progress. During the second MTP, resources will be mobilized to develop basic infrastructure and a project management structure will be put in place.

2.5.4. Industrial and Manufacturing Clusters

Industrial and Manufacturing Clusters were been identified as powerful tools for promoting productivity and competitiveness. During the first MTP, identification of land for Industrial and Manufacturing clusters to develop clusters to improve the competitiveness of the sector was a priority. A study was conducted by KIPPRA which identified priority sectors for implementation of the cluster strategy to enhance regional and national competitiveness. The study identified meat and leather, fisheries and dairy cluster as having high potential for value addition. Informed by this study, the Ministry of Industrialization and Enterprise Development together with

other stakeholders embarked on promoting development of the fisheries cluster in Kisumu and Meat and leather cluster in Garissa and Kajiado.

Sensitization and training of entrepreneurs on cluster development and formation of cluster associations was undertaken. Financing of the cluster projects through the government, UNIDO and other Development Partners was initiated. Feasibility study for Meat and Leather clusters for Garissa and Kajiado was initiated. During the plan this period, the study for the two clusters will be completed and implemented. The specific projects which will include among others, development of tanneries and slaughter houses, meat processing, fish processing and production of animal feeds will be pursued within the relevant clusters. Cluster associations for Kisumu and Mombasa will be formed. Benchmarking tours to countries with established industrial clusters will be conducted.

2.5.5. Integrated Iron and steel mill

Iron and Steel are key ingredients in the industrialization of any country. During the MTP1, a concept paper on development of the sector was approved by the Cabinet. Furthermore, a strategy paper for promoting iron and steel industry was developed and drafting of Iron and Steel Bill 2012 initiated. However, with the change of policy and other development in the sector, the new approach will be to establish an Integrated Iron and Steel Mill. The main activities during this Plan period will be to undertake a comprehensive study to determine the quantity and quality of iron ore in the country. The Iron and Steel bill will be prepared in order to have a legal and institutional framework created to promote development of the sector.

2.6. Implementation of other programmes/activities

2.6.1. The National Industrialization Policy

During the previous strategic plan period (2008-2012), the Sector undertook policy, legal and institutional reforms in order to provide an environment conducive for industrialization as discussed below. The policies and strategies developed were: National Industrialization Policy; Master Plan for Kenya's Industrial Development; National Business and Technology Incubation Policy; National Subcontracting Policy; Intellectual Property Rights Policy; Public Procurement and Disposal (Preference and Reservations) Regulations, 2011.

The Ministry developed the National Industrialization Policy (NIP) and Industrial development Bill which have been approved by Cabinet for publication and tabling in Parliament.. The policy focuses on value addition and has prioritized seven (7) sectors out of the twenty two (22) identified based on their potential for growth, employment and wealth creation and availability of national resource base.. The seven (7) priority sectors are both labour intensive and medium-high technology

sectors and include: agro processing, textile and clothing, leather and leather products, iron and steel, machine tools and spares, agro-machinery and pharmaceuticals. The implementation of this policy would leverage on subcontracting, business and technology incubation and protection of intellectual property rights. In addition it will facilitate forward and backward linkages with other economic sectors and provides a framework for addressing the enablers, funding mechanism and institutional arrangements to revitalize the industrial sector. Apart from the National Industrialization Policy, other policies developed include the National Business and Technology Incubation Policy and National Sub-contracting Policy.

2.6.2. Development of Constituency Industrial Development Centre's

The main activity under this sector was the construction and equipping of Constituency Industrial Development Centres (CIDCs) in the 210 constituencies to provide worksites and tools for the youth to pursue gainful employment. A total of 188 constituencies out of the 210 identified land for the construction of CIDCs. The Ministry of Industrialization and Enterprise Development completed construction of 139 Constituency Industrial Development Centres in various constituencies while construction works for the remaining 49 centres are at various stages of implementation. Two CIDCs: Kiambaa and Kitui Central have been equipped and are ready for launching. Management agreement contract has been signed between the Ministry of Industrialization and Enterprise Development and KIE to manage some of the CIDCs. Out of these, 47 CIDCs have been identified for upgrading into industrial parks in each of the counties.

2.6.3. 4K MSE 2030 Programme

The goal of the programme was to revolutionize and modernize the Medium Small and Micro Enterprises (MSME) sector which had continually faced the challenges in building capacity for mass production through Innovation, design and product development, standardization and patenting for productivity, quality, competitiveness and marketing of SME products. The 4K MSE 2030 programme comprised 4 institutions namely: KIRDI, KEBS, KIPI and KNFJKA as partners. The main activity during the first MTP was the promotion of the upgrading of 50 products under this initiative. Five products were identified for upgrading through reverse engineering. These were: Arc Welding Machine, Handloom, wheelbarrow, Transformer and Hospital bed. The programme upgraded Handloom, Arc welding machine and Hospital Bed from the SME sector. The upgrading of the handloom was meant to build capacity of women entrepreneurs in value addition in textile sector.

2.6.4. One Village One Product (OVOP)

One Village One Product (OVOP) programme is a community development model aimed at bringing together all stakeholders at local level in identification and commercialization of the local resources, promoting value addition and marketing of processed products for both local and international markets. During the First MTP, the project was implemented in 11 pilot districts in phase one where 80 projects in value addition were identified and supported. In phase two, 14 additional districts were included. Most of the projects are undertaken through groups including youth and women engaging in value addition.

2.6.5. Micro, Small and Medium Enterprises Competitiveness Project

This project was initiated to increase productivity and employment in SMEs through 3 components namely: access to finance, improved business environment and strengthened enterprise skills and markets linkages to meet the demands of SMEs. The achievements include: access to finance component developed new financial products for SMEs such as Asset Financing, receipt warehousing, weather insurance, credit referencing, deposit taking by Micro Financial Institutions and Cooperative Societies and two financial access (Finances) studies were undertaken. Under the strengthening enterprise skills and market linkages component, over 47 pilot projects were undertaken in the cotton, coffee, leather and pyrethrum value chains thereby increasing productivity and competitiveness through implementation of Good Agricultural Practices (GAPs) and certification of co-operatives. The pilot value chain matching grant, through the various Apex committees created in the identified value chains resulted into establishment of the Cotton Development Authority (CODA) and the Kenya Leather Development Council.

2.6.6. Business Sector Program Support (BSPS)

The Business Sector Programme Support (BSPS) was designed to support creation of enabling business environment and pilot value-addition projects to address employment creation as a means to reduce poverty. The value addition pilot projects were implemented in rural areas across the country and addressed product development and market diversification for commercial crafts; sanitary standards for handling and packaging horticultural products; production technology for local arc welding machines; fish leather processing technologies and commercialization; promotion of enterprises on water hyacinth products; technology transfer and capacity building in honey processing; efficient production of bricks and clay products; fruit processing; cotton and textile; leather tanning; enhancing competitiveness of SMEs through cleaner production; development of fisheries and beef clusters; and piloting on bio-gas. The 15 pilot projects were implemented mainly by youth and women groups. Out of the 15 groups of projects, 9 progressed to completion while the rest are at various stages of completion

2.6.7. Standards and Labeling Programme in Kenya

The goal of the Standards and Labeling Programme is to reduce energy related Carbon Dioxide gas (CO₂) emissions by improving the energy efficiency of selected appliances and equipment in residential, commercial and industrial sectors. The programme achievements include: Conducted a Baseline study; drafted Test Procedures for five (5) selected electrical appliances have been completed and submitted to KEBS; drafted Minimum Energy Performance Standards for five (5) selected items that have been completed and submitted to KEBS for mainstreaming and Gazettement; Undertook awareness campaigns through trade fairs/shows and media publication on Energy Efficiency Standards and Labelling and Carried out the Medium Term Evaluation (MTE), and made recommendations that will guide the remaining part of the programme.

2.6.8. Cooperative policy, legal and institutional reforms

In order to improve an enabling policy and legal environment for the cooperatives In order to improve an enabling policy and legal environment for the cooperatives participation in enhancing agricultural productivity, mobilizing savings and providing affordable credit, the policy and legal frameworks governing cooperatives operations were reviewed harmonized and consolidated. The Cooperative Development Policy was revised, approved by Cabinet and submitted to Parliament as Sessional Paper no 5 of 2011 on Creating an Enabling Environment for Sustainable Cooperative Developments. The SACCO Societies Act was enacted in 2009.

The new Cooperative Development Policy provides a policy framework for (i) deepening the ongoing co-operative governance reforms geared to ensure efficiency in resource application and significant increase in the value of output by co-operatives, (ii) improving capitalization of co-operative societies by getting more Kenyans to participate in co-operatives, and, exploring new horizons for savings/resource mobilization, (iii) increasing regional and global competitiveness of Kenya's co-operative products/services and enhancing market penetration by co-operative entities

2.6.9. Co-operative Governance and Management reforms.

Good Governance has remained as one of the most important challenges to management, stability, sustainability and growth of the cooperative sub-sector in Kenya. Absence of efficient management and safeguard measures have exposed the co-operative movement to leadership and management shortfalls that are manifested in disregard for norms of effective and efficient management practices. Lags and gaps

in instituting prudent management and safeguard measures have often led to sub-optimal performance of the subsector, reduced returns to affected co-operative society members and reduced patronage of societies.

2.6.10. Fertilizer cost reduction

The Kenya Vision 2030 has identified productivity increases as one of the key drivers of a modern agriculture. The Vision identifies high cost of fertilizers as key constraint in agricultural production. It proposes three tier fertilizer cost reduction strategy comprising of: bulk procurement of fertilizer, domestic fertilizer blending and packaging; and Support establishment of a manufacturing plant for national/regional fertilizer requirements, Co-operatives societies have traditionally been useful in facilitation aggregating members' input requirements and then purchase centrally in order to create economies of scale and save costs to individual members. Secondly co-operatives institutions (e.g. KPCU, KFA, and District Co-operative Unions) have extensive supply stores throughout the country that could be useful in improving to inputs by the producers.

In this respected the Ministry has initiated the process of forming a nationwide inputs distribution cooperative as well as identifying and restructuring some viable District Unions and is seeking Public Private Partnerships towards injection of fresh capital into these cooperatives to enable them to efficiently and effectively carry out the input procurement and distribution/supply function. The Ministry during the period registered a union Kenya Farmers Cooperative Union (KFCU). The institution is to handle bulk purchase and distribution of the fertilizer and other farm inputs in order to make it affordable to farmers.

2.6.11. Financial deepening

Financial integration requires that SACCOs modernize themselves to offer competitive services obtained in the wider financial system. It includes development of appropriate financial products that conform to the needs of the co-operator. Due to their small size and low business volumes, unit transaction costs are high, thus reducing unit returns to members. The primary institution to spearhead this flagship within the movement is SASRA whose brief is to ensure proper financial procedures and prudential standards are maintained for the deposit taking SACCOs. During the first MTP, the Ministry enforced fiscal discipline among SACCOs and enhanced their institutional capital by reducing the hitherto high levels on non-earning assets, as well as non performing loans, besides recovering more than Kshs. 4 billion in outstanding arrears in remittances by employers to SACCOs. .

2.6.12. Promotion of marketing and value addition

The Kenya Vision 2030 underscores value addition and marketing efficiency as one of the priority areas under the economic pillar. Co-operatives have played a critical role in the production, processing and marketing of major agricultural commodities and services and mobilization of savings through Savings and Credit Co-operatives Societies (SACCOs). Limited value addition to commodities implies reduced net returns to farmers and denial of other multiplier benefits from further processing into higher value products and by-products (e.g. employment in processing, forward and backward linkages with other service and complementary raw material suppliers etc). Failure to add value precludes technology transfer, especially to the rural economy where further processing ought to occur. The Ministry prioritized and build capacity in product value addition in six value chains: coffee, horticulture, honey, fish, milk and mangoes. A few ventures in the recent past have demonstrated the potency of value addition in increasing societies' returns and other benefits to the local (rural) economy.

2.6.13. Co-operatives role in Wholesale/Retail Trade Hubs

Development of wholesale hubs is one of the key mandates of the Ministry of Trade Tourism and East African affairs and under Vision 2030 in which the Ministry is charged with the construction of 10 ultra-modern model Wholesale Hubs which are meant to be replicated country wide. The target is also to organize 1,000-1,500 Produce Business Groups. The Ministry will then play a collaborative role in mobilizing producer Co-operatives to supply products to these wholesale hubs. Organized wholesale trade will also make it possible for producers in one locality to establish market linkages outside their local areas.

CHAPTER 3: INSTITUTIONAL REVIEW

3.1. Ministry's Mandate

The Ministry of Industrialization and Enterprise Development was established under the Executive order No. 2/2013 of May 2013, which brought together the two former Ministries of Cooperative Development and Marketing and Industrialization. It also transferred the department of Enterprise Development from the ministry of Labour to the new Ministry. The Executive reorganized parastatals putting seventeen of them under the Ministry. The Executive Order spells out the mandate of the ministry as follows:-

- Industrialization Policy
- Kenya Property Rights Policy (Patents, Trade Marks, Service Marks, and innovation)
- Private Sector Development Strategy
- Quality Control including Industrial Standards
- Leather Development
- Special Economic Zones
- Co-operative Policy and Implementation
- Co-operative Financing Policy
- Micro and Small Enterprise Development
- Co-operative Legislation and Support Services
- Co-operative Education and training
- Co-operative Governance
- Co-operative Production, Marketing and Value Addition
- Promotion of Co-operative Ventures
- Co-operative Audit services
- Co-operative Savings, Credit and other Financial Services Policy
- Small and Medium Enterprise Training
- Development of Micro and Small Business
- Private Sector Development Policy
- Buy Kenya policy

3.1.1. Core functions

The Ministry's core functions are listed below:

- Formulation, co-ordination, and implementation of the National Industrialization, Private Sector and Co-operative Development Policies, regulatory framework and legislation

- Formulation, co-ordination, implementation of Industrial Property Rights Policy
- Formulation, co-ordination, and implementation of co-operative savings, credit, financing and financial deepening policies
- Formulation, co-ordination, and implementation of the Special Economic Zones Policy
- Enhance market access for locally manufactured goods
- Promotion and Registration of co-operative societies
- Promotion, coordination and facilitation of the development and enforcement of quality standards and accreditation services;
- Promotion, coordination and facilitation of Industrial and Cooperative Research and Development, Innovation, Technology Transfer and Cleaner Production
- Promotion, coordination and facilitation of Leather and other value added products
- Facilitation of the development of technical, entrepreneurial and managerial skills, management support for enterprise development;
- Facilitation of access to short, medium and long-term equity financing, and management support and consultancy services
- Promotion and facilitation of subcontracting linkages and worksites
- Mainstreaming of good corporate governance
- Promotion and facilitation of co-operative ventures, productivity, value addition, marketing and private sector growth and competitiveness
- Promotion and facilitation of Inter-governmental co-operative collaboration and creating an enabling environment for domestic and foreign direct investment

3.1.2. Policy priorities

The primary policy priority of this Plan is to enable the industrial sector to attain and sustain annual sector growth rate of 15% and make Kenya the most competitive and preferred location for industrial investment in Africa leading to high employment levels and wealth creation. The specific objectives to be achieved are as follows:

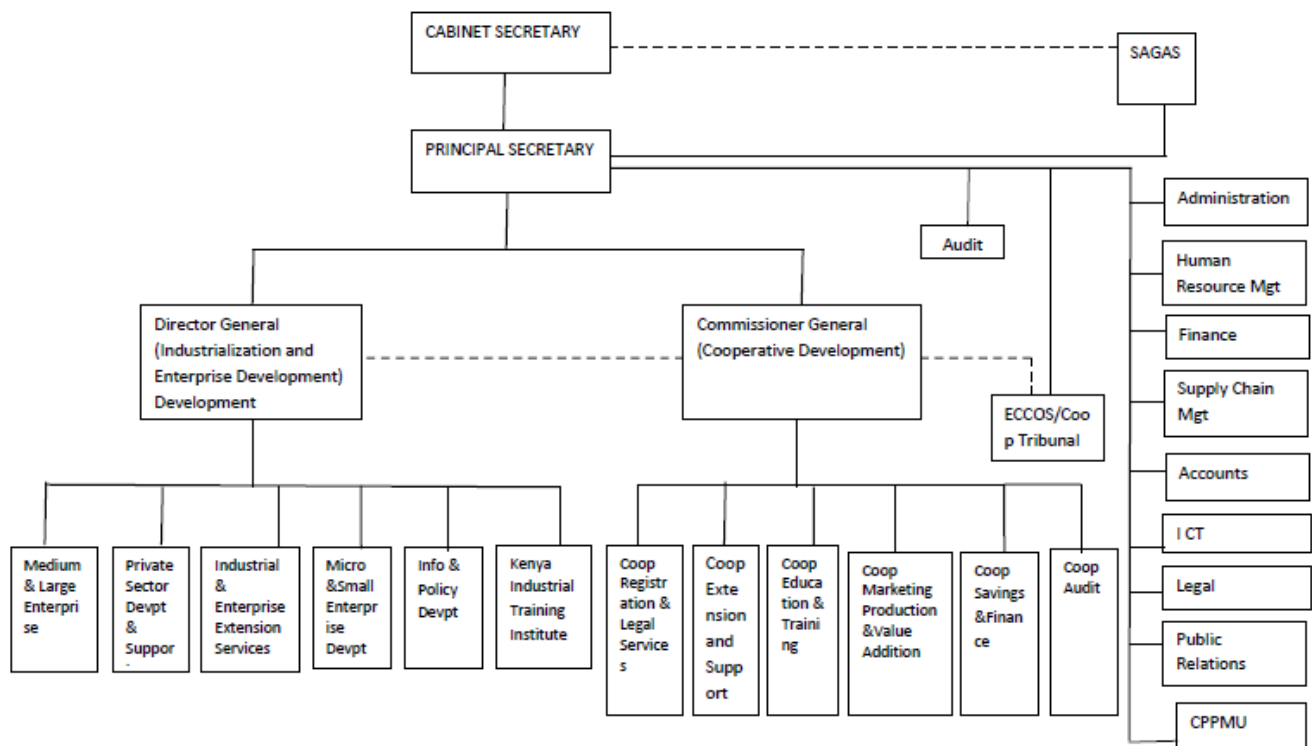
- Creation of enabling policy, legal, and regulatory environment for private sector-led industrial and enterprise development;
- Generation of employment opportunities through labour intensive industrial and enterprises sub-sectors;
- Promotion of local and foreign direct industrial investments;
- Promotion of value addition and access to regional/global export market for locally manufactured goods and services
- Facilitation of human resource and specific skills development for industry to enhance competitiveness;
- Safeguarding quality standards and intellectual property rights

- Promotion of research, development and technology transfer
- Promotion financial deepening and improved access to financial services
- Promotion of good cooperative governance, management and regulatory framework
- Development of efficient management information systems.

3.1.3. Current organizational structure

Figure 3.1.Organisational structure of the Ministry

ORGANIZATION STRUCTURE FOR MINISTRY OF INDUSTRIALIZATION AND ENTERPRISE DEVELOPMENT



The Ministry of Industrialization and Enterprise Development currently has two Directorates namely (i) the Industrialization Directorate and (ii) the Co-operative Development Directorate. The Directorates comprise the following Departments:-

3.1.4. Industrialization Directorate

The directorate is structured into five Departments as indicated below:

- Information and Policy Development;
- Micro and Small Enterprises Development

- Medium and Large Enterprises;
- Chemical, Mineral & Metallurgy Enterprises; and
- Private Sector Development and Support Services.

The functions of the Directorate are:

- Formulation, coordination, and implementation of the National Industrialization Policies;
- Formulation, coordination, and implementation of Industrial Property Rights Policies for the protection and use of industrial property;
- Facilitation of the development and enforcement of quality standards;
- Provision of an enabling environment for domestic and foreign direct investment;
- Promotion of the development of industrial tooling and machining;
- Facilitation of the development of technical, entrepreneurial and managerial skills for the industrial sector;
- Arbitration and settlement of Industrial Property Rights disputes;
- Promotion of Industrial Research and Development, Innovation and Technology Transfer;
- Creation and promotion of market linkages for MSMEs;
- Facilitation of access to short, medium and long-term financing for MSMEs through bona-fide financial intermediaries;
- Initiation and promotion of industrial programmes and projects;
- Monitoring and evaluation of project implementation and impact;
- Facilitation of accreditation and certification; and
- Facilitating in protecting consumers from counterfeit products.

3.1.5. Co-operative Development Directorate

The directorate is structured into five Departments as indicated below:

- Co-operative Legislation and Support Services;
- Co-operative Finance;
- Co-operative Marketing and Research;
- Co-operative Audit Services; and
- Co-operative Education and Training.

The functions of the Directorate are:

- Formulation of co-operative development policy
- Mainstreaming of good corporate governance
- Registration of co-operative societies
- Inspections and inquiries on the workings of co-operative societies

- Regulation and provision of Audit services
- Coordination of development programs in the co-operative sub-sector
- Promotion of co-operative ventures and value addition
- Co-operative marketing and research
- Settlement of co-operative disputes
- Regulating co-operative institutions
- Co-operative education and training
- Provision of extension/advisory services
- Co-operative Savings financing Policy
- Co-operative Savings, Credit and banking services policy

3.2. Current Financing Levels

The table below indicates the current financial provisions of the Ministry of Industrialization and Enterprise and Development.

Table 3.1. Current financial Levels 2013/14

Vote	Allocations in Kshs.
Recurrent	3,179,197,096
Development	4,087,794,403
Total	7,266,991,499

During the 2013/14, the Ministry had requested for kshs 34.6 billion but it was allocated only kshs.7.2 billion leading to 79% shortfall. This shortfall will impact negatively during the implementation of this strategic plan especially in its first year. From the current budgetary estimates, the Ministry has been allocated Kshs. 3,179,197,096 for recurrent budget and Kshs.4, 087,794,403 developments. The allocated funds will be used to implement the activities in the current financial year. The allocation includes special economic zones & PDSP with the Ministry of Trade, Tourism and East African Affairs, Micro and Small Enterprise Authority, Kariobangi sheds & Directorate of Enterprise with the Ministry of Labour which will be transferred to the Ministry of Industrialization and enterprise.

CHAPTER 4: SITUATIONAL ANALYSIS

This Chapter discusses the Strengths, Weaknesses Opportunities and Threats(SWOT), Political, Economical, Social, Technological, Environmental and Legal (PESTEL), Stakeholder’s and Gaps analyses of the Ministry of Industrialization and Enterprise Development. The SWOT analysis involves the assessment of the internal and external environment in which the ministry operates. The outputs of the SWOT, PESTEL and GAP Stakeholders analysis have resulted in the identification of the strategic issues and activities that the ministry will address during the plan period.

4.1 SWOT Analysis

This section carries out an analysis of factors that impact on the MoIED performance of its duties and the realization of its strategies and objectives, from both internal and external perspectives. It evaluates the competencies within the organization with a view to establishing whether it has the requisite capability to achieve its objectives and realize its mission and vision. The analysis has focused on the management systems, technical capacity, human and financial resource capacity as well as other pertinent factors within the existing setup of the Ministry. The analysis is tabulated below:-

4.1.1. Internal Environment Factors

Table 4:1 SWOT Analysis of the ministry of Industrialization and Enterprise Development

Strengths	Weaknesses
<ul style="list-style-type: none"> • Wide administrative network, qualified, experienced and committed staff 	<ul style="list-style-type: none"> • Inadequate recurrent budgetary allocation due to lack of negotiation skills
<ul style="list-style-type: none"> • Existence of legal, regulatory framework to guide and facilitate the Ministry’s operations • Existence of a well developed structure for the Co-operative movement • Good working relationship with stakeholders 	<ul style="list-style-type: none"> • Inadequate number of technical and support staff • Inadequate Facilities, Equipment and Transport • Linkage of ICT to county offices is inadequate
<ul style="list-style-type: none"> • State corporations that deliver the Ministry’s mandate • Existence of developed Institutions with improved financial management 	<ul style="list-style-type: none"> • Lack of legal framework for Industrialization and poor implementation of existing legislations on Co-operatives
<ul style="list-style-type: none"> • Established training institutions with qualified staff* • Existence of Industrial Research institution • Good ICT infrastructure at the headquarters • Existence of an intellectual property rights statute and office • Appropriate governance system 	<ul style="list-style-type: none"> • Lack of a clear organizational structure and weak Scheme of service; • Absence of a databank and other real-time information on SMEs and Co-operatives for timely decision making • Weak monitoring and evaluation system

4.1.2. Institutional Challenges

The Ministry is currently experiencing the following constraints:

- Low staffing levels
- Inadequate office equipment and space especially in the field
- Low funding that makes it hard for the Ministry to implement its programs
- Location of the two departments in different buildings makes co-ordination difficult
- Devolution Challenges
- Succession Management challenges
- Skills development
- Transport
- Schemes of Service have not been updated for a long time making progression hard

4.1.3. External Environment Factors

Table 4.2: External Environment Factors

Opportunities	Threats
<ul style="list-style-type: none"> • Political goodwill • Establishment of the Ministry of Industrialization and Enterprise development • Recognition by Vision 2030 to drive the manufacturing sector • Strategic geographical location that makes Kenya a regional hub for investment • Emerging markets local, regional and global • Improved public private partnership • Vibrant economic environment • Developed financial system serving the country • Availability of human resource development institutions • Accreditation and membership to various regional economic blocks and international bodies such as EAC, COMESA, IGAD, AU, WTO, UN system, EPAs, AGOA etc • Kenyan missions abroad • Emergence of consumer lobby groups • Adoption of robust and well developed ICT infrastructure • Emerging focus on value addition activities • Availability of key domestic raw materials for local industries • Emergence of dynamic consumer tastes and standards 	<ul style="list-style-type: none"> • Abrupt splits and mergers of ministries • Overlaps of mandates and functions on value addition activities • Competition from other institutions providing similar services • HIV/AIDS pandemic and other emerging issues e.g. alcoholism and substance abuse, domestic violence • Insecurity and instability in the region and organised crime especially among the youth. • Weak corporate governance and application of best practices • Inequality in distribution of wealth • High rate of taxation • High of energy and power fluctuations • Limited access to affordable credit • Unfavourable legal and regulatory framework for MSMEs • Under developed and costly physical infrastructure • Lack of Understanding of the Intellectual Property System • Over dependant on global market • Environment degradation • Effects of climate change

4.2. Detailed analysis of strengths

4.2.1. Existence of legal, regulatory framework for the Ministry's operations

The implementation of mandate of the Ministry is supported by a number of Acts of Parliament such as the Standards Act Cap. 496; the Industrial Property Act, 2001, the Trade Marks Act, Cap 506, the Copyrights Act (2001), Co-operative Societies Act and rules,(2004) SACCOs Societies Act and regulations (2007)which provide the legal framework. The government has created an enabling environment for the delivery of its services to the movement through service charters, performance contracting, personnel appraisals, and usage of Monitoring and Evaluation mechanism

4.2.2. Business environment

Kenya has a Constitution that emphasizes on the protection of investment and Intellectual Property. In addition, Kenya has a strong financial sector; relatively good physical infrastructure; fast and reliable fiber optic access; harmonization of tariffs within the East African Community, and trade liberalization in general. The macro-economic environment in Kenya has been strong and stable. The Government has continued to build, upgrade and maintain its infrastructure that is expected to support industrialization and encourage industrial dispersion. Some of the key projects include but are not limited to the rehabilitation of the Northern Corridor, LAPSSET, Geo-Thermal power exploration, modernization of the airports, sea ports and railway systems; fiber optic cable and construction of the ICT Park. 3.3.4 Educated Labour force and high Labour Productivity One of Kenya's major strengths is the highly educated human resource and hardworking citizens with a high literacy rate of about 85 per cent.

4.2.3. Educated Labour force and high Labour productivity

One of Kenya's major strengths is the highly educated human resource and hardworking citizens with a high literacy rate of about 85 per cent. The education and skills of the human resource and self-motivation of the workforce is a major driver of industrial development, labour productivity and total factor productivity.

4.2.4. Public-Private Sector Partnerships (PPP)

PPP has been identified as one of the strategies for development. The Government has enacted the PPP legislation which is expected to strengthen the legal framework for public and private sector in investment. This will offer an opportunity for Kenya to attract enhanced private sector participation in financing, building and operating infrastructure services and facilities, among others. In addition, a strong and cooperative relationship between the Government and the private sector exists thus making it conducive to attracting investments.

4.2.5. Good working relationship with stakeholders

The role of the Ministry in facilitating the creation of an enabling environment needs to take cognizance a positive a working relationship with the development partners and private sector. This has been formalized through Ministerial stakeholder forums and the institutional arrangements for the implementation of the Private Sector Development Strategy. Strong good-will, trust and confidence from the private sector have also been built through constant consultation.

4.2.6. State corporations that deliver the Ministry's mandate

The Ministry has over twenty state corporations. The state corporations are backed with legal and regulatory frameworks, such as, the Standards Act Cap. 496; the Industrial Property Act, 2001, the Trade Marks Act, Cap 506 and the Copyrights Act (2001) Co-operative Societies Acts and rules,(2004) SACCOs Societies Acts and regulations (2007) among others. These paratats undertake activities that facilitate functions of the Ministry. The Ministry oversees two financial institutions, KIE and IDB-Capital that offer finance for industrial development. These institutions play a key role in facilitation of access to short, medium and long-term financing to MSMEs.

4.2.7. Established training institutions with qualified staff*

The Ministry has training institutions that offers technical, entrepreneurial and managerial skills for the industrial and Co-operative sector. These institutions provide an opportunity for inculcating entrepreneurial culture and build capacity for industries, SMEs and Co-operatives.

4.2.8. Existence of Industrial Research institutions

Research and development is key to industrial innovation and product diversification. The Ministry oversees an agency that promotes industrial research and development, innovation and technology transfer.

4.2.9. ICT infrastructure

All the offices at the headquarters are networked through a local area network. In addition, the Ministry has an interactive web-site and all officers have email communication. This has increased data mining capabilities and the flow of information both with internal and external stakeholders.

4.2.10. intellectual/industrial property rights statute and office

The Ministry houses the Kenya Industrial Property Institute (KIPI) which is instrumental in the formulation, coordination and implementation of Industrial Property Rights Policy for the protection and use of industrial property rights.

4.3. Detailed analysis of weaknesses

4.3.1. Inadequate number of technical and support staff

The current staff establishment does not provide for optimal staffing level for efficient service delivery. Some of the approved posts have remained vacant for many years

4.3.2. Inadequate Facilities, Equipment and Transport

The Ministry faces an acute shortage of operational facilities and equipment that include office space, computers, office equipment, furniture and vehicles at the headquarters and the field offices. This has adversely affected service delivery. There is poor networking and inadequate internet connectivity particularly in the field offices outside the Ministry's headquarter. This has resulted into poor information gathering, dissemination internal and external communications

4.3.3. weak Scheme of service;

The Ministry administers different schemes of service. It is therefore not attractive enough to draw and retain qualified and experienced personnel .Weak implementation of the scheme of service has resulted in career stagnation leading to low morale and serious succession management problems

4.3.4. Inadequate budgetary allocation

The budgetary allocation from the Treasury is hardly enough for the Ministry to execute its mandate effectively.

4.3.5. Absence of up-to-date databank on SMEs and Co-operatives

The existence of database for SMEs is lacking. This is because of the slow pace of adoption of digital methods of collection and digitalization of information for easy of reference for Micro, Small and Medium Industries (MSMIs)

4.4. Detailed analysis of opportunities

4.4.1. Political goodwill

There is political goodwill from the Government which has created a good environment and growth expansion in Industrial Development, Enterprise and Co-operative sectors. This has enhanced investor confidence in Kenya. The establishment of the Ministry of Industrialization and Enterprise Development provides an opportunity to mobilize and prioritize resources for investments in industrialization. It will also provide critical information on issues affecting industrialization and enterprise in Kenya and a medium for solutions.

4.4.2. Strategic geographical location

Kenya's strategic geographical location makes it a major gateway for trade and investment to the Eastern and Central African region, making it a regional hub for investment and communication. The port of Mombasa serves Kenya's hinterland as well as Uganda, Rwanda, Burundi, the Eastern Democratic Republic of Congo and Southern Sudan. The main airport, Jomo Kenyatta International Airport, is strategically located to serve major markets within Europe and the Middle East, as well as other African countries. As a result, the country hosts a number of international organizations that include the headquarters of UNEP, UN-Habitat, Lake Victoria Commission and numerous non-governmental and multinational organizations. This scenario provides the country with enormous opportunities to develop investment and industry.

4.4.3. Improved public private partnership

The Ministry works closely with the private sector and other development partners. Over the years the relationship between public private and development partners has tremendously improved thereby enhancing access to funding and cost sharing investor confidence.

4.4.4. Developed financial system serving the country

There exists a well developed system in Kenya which offers access to a wide range of credit facilities to the manufacturing, enterprise development and Co-operative Societies. Such financial systems include *M-pesa*, Front Office Savings Accounts (FOSAs).

4.4.5. Availability of human resource development institutions

Kenya has many educational institutions, both private and public, which provide quality education. Over the years the institutions have been able to train a pool of qualified personnel who are useful for industrialization and Enterprise Development. Moreover, several middle level training institutions are partnering with local and foreign universities to offer degree programmes thereby deepening available opportunities for higher learning and acquisition of skills.

4.4.6. Membership to EAC, COMESA, IGAD, AU, WTO, UN system, AGOA etc

Membership to regional economic and international bodies provides accessibility to wider range of products and wider market access. This provides an opportunity for economies of scale, enhanced competitiveness through increased competition, improvement in transfer of technology and attraction of foreign direct investments.

4.4.7. A robust and well developed ICT infrastructure

Availability of the optic fiber cables translate to better access, gather and disseminate information among the stakeholders. These will enhance efficiency in service delivery by making timely decisions.

4.4.8. Availability of domestic raw materials for local industries

Kenya is endowed with natural resources which provide raw material for local industries. Some of the sectors that provide the raw material include agriculture, forestry, mining and fisheries. Usage of local materials is expected to reduce wastage and improve competitiveness of locally manufactured products. It is envisaged that through use of locally available raw materials, the local content of Kenya's products will increase significantly thereby contributing to the medium term goal of 2012 of reducing imports in key local industries by 25%.

4.5. Detailed analysis of threats

There are a number of threats which may prohibit effective and efficient implementation of the Ministry's SP. The HIV/AIDS pandemic and drug and substance issues has impacted negatively on the productivity of the public and private sector workforce who are either infected or affected thus reducing labour productivity. Rampant and escalating insecurity in the country and instability in the region is a major concern to investors. This factor further contributes to the decline in direct, foreign and domestic investments

4.5.1. High rates of taxation

The country is perceived to have one of the highest tax burden according to the world bank reports on Kenya's investment climate 2008. The report cites profits

income tax at 32.5% in Kenya as the highest of all competitor countries including South Africa India and China

4.5.2. High cost of energy and power fluctuations

The cost of energy in Kenya is perceived to be among the highest in the world. This coupled with intermittent power interruption which increases cost of manufacturing in the country.

4.5.3. Limited access to affordable credit

Whereas there are several financial institution providing credit to enterprises in the country, access to affordable credit by small and micro enterprise remains critical.

4.5.4. Unfavorable legal and regulatory framework for MSMEs

Incorporation of businesses, registration of business names and arbitration of commercial court cases is still centralized in Nairobi. In addition, though the single business permit has been introduced and has reduced local licenses, it is still costly and due to inappropriate implementation mechanisms. In this regard, there is need to put in place a legal, institutional and policy framework to ensure a One Stop Shop that will make licensing easier. Further, there is lack of capacity within the judiciary to handle e-trade related litigations.

4.5.5. Under developed and costly physical infrastructure and utilities

The poor state and concentration of road network in urban areas; high cost of energy; dilapidated railway system; inadequate water and sewerage system; unaffordable air transport; and a congested sea port have led to low productivity, high production and distribution costs and uncompetitive products and services.

4.5.6. Limited understanding of the Intellectual Property System

The Ministry's role of promoting the industrial property system for national growth is likely to be hindered by lack of proper utilization of the system since it is not well understood by local stakeholders. Due to lack of understanding of intellectual property rights, there has been confusion between counterfeits and sub-standard goods, between patented technology and trademarks thus negatively impacting on creativity and innovation.

4.5.7. Environment and Climate change

Kenya faces environmental degradation challenges which include deforestation, climate change, and pollution among others. This has led to decline in rainfall, affecting hydro electricity generation, water supply and rain-fed agricultural production. Consequently, supply of electricity and availability of agricultural raw materials that are required by industries are unreliable and expensive. The Kenyan

economy is heavily dependent on climate-sensitive sectors, such as agriculture and tourism. The decline in rainfall as a result of climate change has resulted into decline in water quantities leading to interruptions in electricity generation especially given that most of the electric power is hydro-generated. The availability of agro-raw materials needed by industries is also adversely affected by the vagaries of weather. Climate change and climate variability can lead to reduced crop production that directly impacts the industrial sector. The sector also contributes to climate change through greenhouse gas emissions resulting from fossil fuel consumption when manufacturing firms operate standby generators or emergency power systems due to unreliable electricity generation.

4.6. Gap analysis

The table below gives a summary of the strategies and the gaps that exist at the end of the SP period.

Table 4.3: Summary of Gaps

Gap analysis for industrilization and enterprise development					
	Strategic Objective	Strategy	What Was Planned	What Was Achieved	Gaps
1	To build capacity for industrial & enterprise development and quality service delivery	Staff recruitment, training, promotion & retention	<ul style="list-style-type: none"> ▪ Recruit to achieve optimal staffing levels ▪ Conduct a Training Needs Assessment (TNA) and implement its findings ▪ Implement Integrated Personnel Payroll Database (IPPD) and automate personnel registry ▪ Performance contracting ▪ Implement the Performance Appraisal System (PAS) 	<ul style="list-style-type: none"> ▪ Recruited staff at lower cadre ▪ Training needs Assessment done ▪ TNA undertaken ▪ Integrated Personnel Payroll Database (IPPD) implemented ▪ Performance Contract implemented ▪ PAS implemented 	<ul style="list-style-type: none"> ▪ Recruitment at the technical level
		Mainstreaming cross cutting Issues	<ul style="list-style-type: none"> ▪ Sensitize staff on the Code of Ethics, the Public Officers' Ethics Act, and Anti-Corruption and Economic crimes Act ▪ Customize and Implement the Anti-Corruption Policy ▪ Establish an AIDS Control Unit 	<ul style="list-style-type: none"> ▪ Sensitization of staff on cross cutting issues carried out. ▪ The Anti-Corruption Policy Customize and ▪ AIDS Control Unit established ▪ Staff Sensitized on dangers of drug and narcotics abuse ▪ A gender unit established 	-

Gap analysis for industrialization and enterprise development

Strategic Objective	Strategy	What Was Planned	What Was Achieved	Gaps
		<ul style="list-style-type: none"> ▪ Sensitize staff on dangers of drug and narcotics abuse ▪ Establish a gender unit 		
	Provision of a conducive working environment	<ul style="list-style-type: none"> ▪ Provide working tools, equipment, vehicles, and office space ▪ Conduct employee satisfaction surveys and implement findings ▪ Undertake team building activities 	<ul style="list-style-type: none"> ▪ working tools, equipment, vehicles, and office space ▪ Employee satisfaction surveys carried out and implemented the findings ▪ Team building activities undertaken 	
	Promote the use of ICT	<ul style="list-style-type: none"> ▪ Train staff on use of ICT ▪ Install ICT infrastructure at the field offices and network them with headquarters 	<ul style="list-style-type: none"> ▪ Staff trained on various courses of ICT ▪ ICT installed and networked 	
	Review structures to implement the Strategic Plan	<ul style="list-style-type: none"> ▪ Review the Organizational Structure ▪ Create formal linkages with relevant Ministries and Private Sector Organizations which support industrialization ▪ Establish and implement an Monitoring and Evaluation (M&E) system 	<ul style="list-style-type: none"> ▪ Four new technical departments created ▪ Well established links with KAM, KEPISA ▪ Monitoring and evaluation system established 	
	Improvement of service delivery to customers	<ul style="list-style-type: none"> ▪ Conduct customer satisfaction surveys ▪ Undertake International Organization of Standards (ISO) certification 	<ul style="list-style-type: none"> ▪ customer satisfaction surveys carried out every year and findings implemented ▪ ISO certification process in progress ▪ 	
	Improvement of communication	<ul style="list-style-type: none"> ▪ Develop a Communication Strategy ▪ Develop Service Delivery Charter ▪ Establish an Integrated Information Centre 	<ul style="list-style-type: none"> ▪ Communication strategy in place ▪ Service charter developed and implemented ▪ Information and reference center established 	
	Prudent	<ul style="list-style-type: none"> ▪ Prepare Ministerial 	<ul style="list-style-type: none"> ▪ MPER and MTEF 	

Gap analysis for industrialization and enterprise development

	Strategic Objective	Strategy	What Was Planned	What Was Achieved	Gaps
		financial management	<p>Public Expenditure Review (MPER), Medium Term Expenditure Framework (MTEF), Budget and negotiate for adequate budgetary allocations, annually.</p> <ul style="list-style-type: none"> ▪ Train Authority to Incur Expenditure (AIE) holders on financial management ▪ Prepare and implement Annual Work Plans and Procurement Plan ▪ Implement Integrated Financial Management and Information System (IFMIS) ▪ Prepare Quarterly Expenditure Reports Prepare timely annual accounts 	<p>prepared yearly</p> <ul style="list-style-type: none"> ▪ AIE appointed and trained ▪ Annual work plans and procurement plans prepared yearly ▪ IFMIs implemented ▪ Quarterly expenditure reports and annual accounts prepared 	
		Institutional Capacity building for Industrialization	<ul style="list-style-type: none"> ▪ Sensitize industries on quality standards and certification requirements ▪ Advocacy on governance, security, high cost of doing business; among others 	<ul style="list-style-type: none"> ▪ Sensitization programme developed and implemented ▪ Engaged the relevant stakeholders on high cost of doing business (energy, infrastructure) 	
2	To establish a policy, legal and institutional framework for industrialization	Development of policy framework for industrialization	<ul style="list-style-type: none"> ▪ Develop an Industrialization Bill and fast track its enactment ▪ Liaise with the Ministry of Finance to fast track the review of the Restrictive Trade Practices, Monopolies and Price Control Act (1990). ▪ Fast track the enactment of the 	<ul style="list-style-type: none"> ▪ National Industrialization Policy ▪ Master Plan for Kenya's Industrial Development ▪ National Business and Technology Incubation Policy ▪ National Subcontracting Policy ▪ Intellectual Property Rights Policy 	

Gap analysis for industrialization and enterprise development				
Strategic Objective	Strategy	What Was Planned	What Was Achieved	Gaps
		<ul style="list-style-type: none"> ▪ Anti-counterfeit Act Liaise with Office of the Deputy Prime Minister and Ministry of Trade to initiate the development and enactment of a Consumer Protection Act. 		
	Development of legal framework for industrialization	<ul style="list-style-type: none"> ▪ Develop an Industrialization Bill and fast track its enactment ▪ Liaise with the Ministry of Finance to fast track the review of the Restrictive Trade Practices, Monopolies and Price Control Act (1990). ▪ Fast track the enactment of the Anti-counterfeit Act ▪ Liaise with Office of the Deputy Prime Minister and Ministry of Trade to initiate the development and enactment of a Consumer Protection Act. 	<ul style="list-style-type: none"> ▪ Bill developed ▪ Anti—counterfeit Act developed and implemented 	<ul style="list-style-type: none"> ▪ Bill not enacted
	Development of an institutional framework for Industrialization	<ul style="list-style-type: none"> ▪ Establish a National Industrial Development Commission ▪ Form Thematic Working Groups on key issues affecting industrialization ▪ Strengthen representation in relevant Sector Working Groups ▪ Strengthen PPPs for industrial development 	<ul style="list-style-type: none"> ▪ Bill was developed but not enacted; Kenya Accreditation Services (KENAS) was established ▪ Sector Working Groups in progress ▪ PPPs for industrial development on going 	<ul style="list-style-type: none"> ▪ Establish a National Industrial Development Commission ▪

Gap analysis for industrialization and enterprise development

	Strategic Objective	Strategy	What Was Planned	What Was Achieved	Gaps
3	To attract Local and Foreign Industrial Investments	Benchmarking of local industries to international standards	<ul style="list-style-type: none"> ▪ Provide information on production technologies and quality standards; and facilitate their application, adaptation and uptake. ▪ Provide information on international best practices for local industries to benchmark themselves ▪ Participate in regional and international negotiations on issues affecting industrialization. ▪ Collaborate with the relevant Ministries and agencies in the production of quality industrial raw materials. 	<ul style="list-style-type: none"> ▪ Benchmarking reports available ▪ Information available ▪ Represented in regional and global negotiations ▪ Collaborations with MDAs 	<ul style="list-style-type: none"> ▪ No implantation of benchmarking ▪ Not replicated
		Development of Framework for Industrial Incubation	<ul style="list-style-type: none"> ▪ Formulate and implement an Incubation Policy ▪ Facilitate the creation of centres of excellence in entrepreneurship. ▪ Facilitate mentoring and apprenticeship by industrialists 	<ul style="list-style-type: none"> ▪ Incubation policy in place ▪ Centres of excellence in entrepreneurship established ▪ Strategy paper developed to address issues of capacity building 	
		Designing new approaches to provide security	<ul style="list-style-type: none"> ▪ Collaborate to deepen policy, legal and institutional reforms for improved enforcement of law and order ▪ Collaborate on piloting of a national Close Circuit Television (CCTV)/camera surveillance project in Nairobi, Mombasa, Nakuru and Kisumu within the Public-Private Sector Partnership 	<ul style="list-style-type: none"> ▪ Enhance collaboration on security matters ▪ Surveillance through installation of CCTV cameras ▪ Collaborations and information sharing enhanced 	

Gap analysis for industrialization and enterprise development

Strategic Objective	Strategy	What Was Planned	What Was Achieved	Gaps
		framework. <ul style="list-style-type: none"> ▪ Collaborate on the establishment of the National Security Data Centre. 		
	Improvement of access to affordable finance and credit facilities	<ul style="list-style-type: none"> ▪ Collaborate with financial institutions to avail long-term financing for industrial development ▪ Restructure Industrial Development Bank-Capital (IDB-Capital) and Kenya Industrial Estates (KIE) ▪ Establish an Industrial Development Fund. ▪ Collaborate with Ministry of Finance and financial institutions to recognize Intellectual Property as collateral 	<ul style="list-style-type: none"> ▪ Public private partnerships established ▪ Plans underway ▪ Not yet done 	
	Improvement of Market Access	<ul style="list-style-type: none"> ▪ Collaborate with the private sector to address underutilization of installed capacity ▪ Collaborate with other ministries and stakeholders to enhance bilateral, regional and multi-lateral trade arrangements ▪ Collaborate with stakeholders to negotiate for elimination of trade barriers, including Non-Tariff Barriers(NTBs) ▪ Develop national capacity for negotiations ▪ Liaise with relevant agencies to provide market information ▪ Collaborate with 	<ul style="list-style-type: none"> ▪ Collaborations with other MDAs ▪ Participation in regional and global negotiations ▪ Various capacity building sessions ▪ Liaison with relevant agencies ▪ Policy on reservation and preference in place 	

Gap analysis for industrialization and enterprise development

Strategic Objective	Strategy	What Was Planned	What Was Achieved	Gaps
		<ul style="list-style-type: none"> ▪ stakeholders to implement the 25% Government Procurement from MSMEs 		
	Development of Niche Products	<ul style="list-style-type: none"> ▪ Collaborate with stakeholders to attract investors in Electricals/Electronics/ICT, agro-based industries and agro-machinery. ▪ Offer attractive incentives to bring new skills and technologies to the domestic economy. ▪ Implement the “One Village One Product (OVOP) Concept 	<ul style="list-style-type: none"> ▪ OVOP project implementation ongoing ▪ Draft package in developed ▪ ongoing 	<ul style="list-style-type: none"> ▪ Finalization of incentive package and implementation
	Environmental protection initiatives for industrialization	<ul style="list-style-type: none"> ▪ Collaborate with stakeholders to promote environment friendly technologies ▪ Formulate a policy on waste recycling for industrial use ▪ Review and appraise Environmental Impact Assessment reports related to industries ▪ Liaise with NEMA and other stakeholders to prepare the Annual State of Environment (SOE) Report 	<ul style="list-style-type: none"> ▪ Productivity improvement and Cleaner production ▪ Draft policy prepared ▪ Technical capacity developed in the ministry ▪ Participation by ministry in preparation of SOE report 	
	Resource endowment mapping	<ul style="list-style-type: none"> ▪ Carry out resource surveys to document the quantities and quality of available resources countrywide ▪ Identify potential investment opportunities ▪ Map the resource endowments and 	<ul style="list-style-type: none"> ▪ Districts and county surveys ongoing ▪ Preparation of industrial profiles from counties ▪ Fora held at county level on investment opportunities 	

Gap analysis for industrialization and enterprise development					
	Strategic Objective	Strategy	What Was Planned	What Was Achieved	Gaps
			<ul style="list-style-type: none"> investment opportunities ▪ Hold regional investment fora on investment opportunities 		
		Utilization of intellectual Property system	<ul style="list-style-type: none"> ▪ Promote creativity and innovativeness ▪ Create public awareness on Industrial Property Rights to promote use of IP system locally ▪ Facilitate protection of Industrial Property Rights 	<ul style="list-style-type: none"> ▪ Awareness campaigns ▪ Low level of awareness on the role of Industrial Property Rights 	<p>Not well understood</p> <p>Not exploited</p>
4	To Promote the development of micro, Small and Medium Industries	Development of new industries	<ul style="list-style-type: none"> ▪ Identify sites for Industrial Parks and Special Economic Zones; ▪ Develop Industrial Parks, Special Economic Zones and Industrial clusters; ▪ Facilitate the simplification and decentralization of the registration, licensing and taxation regimes; ▪ Facilitate and coordinate the development and implementation of programme and initiatives for business incubation and start-ups. ▪ Create new incentives for rural industrialization. 	<ul style="list-style-type: none"> ▪ (2) sites for Industrial Parks identified (Taveta & Eldoret) and (2) Special Economic Zones identified (Ndongo Kundu & Lamu) ▪ Development of implementation master plans underway 	<ul style="list-style-type: none"> ▪ 2 sites to be identified ▪ Finalization and implementation ▪ Not yet decentralized
		Graduation and evolution of industrial enterprises	<ul style="list-style-type: none"> ▪ Facilitate subcontracting between MSMIs and large industrial enterprises ▪ Collaborate with stakeholders to promote women- 	<ul style="list-style-type: none"> ▪ Sub-contracting policy developed ▪ Funds disbursed through various financial institutions ▪ Training of youth and women on value 	<ul style="list-style-type: none"> ▪ Implementation

Gap analysis for industrialization and enterprise development					
	Strategic Objective	Strategy	What Was Planned	What Was Achieved	Gaps
			<p>and youth-owned industrial enterprises</p> <ul style="list-style-type: none"> ▪ Create Business Development Centres and Business clinics. 	<p>addition and BDS</p>	
		Develop capacity and capability of MSMEs	<ul style="list-style-type: none"> ▪ Restructure and Strengthen the capacity of Kenya Industrial Training Institute (KITI) for entrepreneurial training ▪ Collaborate with stakeholders to strengthen the institutional capacity of umbrella MSMEs associations ▪ Encourage MSMEs to upgrade their production processes ▪ Encourage use of e-business by MSMEs. 	<ul style="list-style-type: none"> ▪ Identified KIRDI as a flagship project 	
5	To Promote Research and Development, Innovation and Technology Adoption	Encourage technology adoption and implementation	<ul style="list-style-type: none"> ▪ Strengthen the 4 K (KEBS, KIRDI, KIPI, KNFJKA) MSE Vision 2030 Initiative; ▪ Collaborate with stakeholders to strengthen Science, Technology and Innovation (STIs) institutions; ▪ Support technology development and transfer arrangements; and ▪ Establish technology and innovation award schemes for MSMEs. 	<ul style="list-style-type: none"> ▪ Arc Welding Machine has been done. ▪ One category of the Hospital Bed has been achieved. ▪ Prototype of the handloom has been achieved. 	<ul style="list-style-type: none"> ▪ Transfer these skills to SMEs ▪ Four other categories (Hospital Bed) are yet to be implemented
		Commercialization of research findings	<ul style="list-style-type: none"> ▪ Facilitate the generation of R&D results ▪ Develop a database of industrial research findings; and 		

Gap analysis for industrialization and enterprise development					
	Strategic Objective	Strategy	What Was Planned	What Was Achieved	Gaps
			<ul style="list-style-type: none"> Disseminate research findings for commercialization 		
		Value addition and product diversification	<ul style="list-style-type: none"> Undertake integrated value chain survey and analysis Implement recommendations of the value chain survey Develop product diversification programmes 	19 products for industrial tools and equipment were identified for domestication. Local firms to domesticate and manufacture these products were also identified.	Not done Domestication and production not implemented.
6	Policy, Legislative and Institutional Reforms	To strengthen the policy, legal and institutional framework for growth of the Co-operatives in Kenya	To review co-operative societies Act 2004	No achievement	Act not reviewed
			To develop co-operative Development Policy	Draft Sessional paper No. 5/2011	Document awaiting discussion in parliament
			Develop new rules and regulations for the Co-operative movement	Investment guidelines, SACCO prudential standards, SACCO regulations, Educational Training guidelines, Co-operatives code of conduct co-operative governance Anti-corruption policy, Anti-entry points and interventions developed.	
		Revive strategic/key co-operative societies and organizations	Prepare co-operative Revival strategy Paper	Revitalization Strategy for commodity co-operatives	<ul style="list-style-type: none"> Dissemination of the strategy and implementation
			Facilitate feasibility studies for revival of key dormant co-operatives	18 studies done	<ul style="list-style-type: none"> Implementation of the various studies
			Mobilize partners for funding the revival of key co-operative institutions/ organization	EAAPP, KAPAP, NMK, SHD CP	More partnerships needed to facilitate the programmes
			Restructure and revive dormant co-operatives	4 unions revived Mugama, Kilifi, Bungoma	-

Gap analysis for industrialization and enterprise development					
Strategic Objective	Strategy	What Was Planned	What Was Achieved	Gaps	
			<i>and Kisii (District Co-operative Unions)</i>		
	Streamline the Registration of co-operative societies	Review standards for entry into and guidelines for operations within the sector	Not done		
		Establish and Maintain a Co-operative Data Bank	Not done		
		Update and re-profile all the active co-operative societies in the country	Not done		
		Review co-operative operational manuals and promote standardization of accounting procedures	Automated accounting system developed		System has not been rolled out
	Enhance Good Corporate Governance within the co-operative movement	Operationalize the Cooperative Ethics Commission as a body Corporate	ECCOS established and operational		-
		Develop publicity materials and prudential guidelines on good corporate practices in the cooperative movement	Prudential standards developed and operational, Good corporate Governance checklist for co-operative societies		-
		Sensitize co-operative leaders, staff and members on good corporate practices	Sensitization done in all the 47 counties		-
	Regulate and Supervise the operations of SACCOs	Establish and operationalize SACCO regulatory Authority (SASRA)	SASRA established (2008)		-
		Develop prudential regulations and supervision framework for SACCOs	Non-deposit taking SACCOs regulations developed		Implementation of the NDT SACCOs regulation
		Establish a Deposit Guarantee Protection Fund (DGPF)	Not achieved		Resistance from the movement
	Enhance disputes resolution	Fully decentralize the Cooperative Tribunal to the	Tribunal benches established at provincial level		There is need to decentralize as per the new

Gap analysis for industrilization and enterprise development					
	Strategic Objective	Strategy	What Was Planned	What Was Achieved	Gaps
		mechanisms	Regions		devolved system
			Recognize alternative conflict resolution Mechanisms	Not done	Tribunal in place however other mechanisms to be encouraged
		Enhance and streamline co-operative inspections and inquiries	Develop staff capacity and review manuals on standard procedures of supervision, Inquiries, and Liquidation	Manuals on standard procedures of inquiries and inspections developed	Do a manual on supervision and liquidation
7	Cooperative Marketing and Value addition	Marketing through partnerships with other Agencies	Establish Co-operative Marketing networks and partnerships with other Agencies	Kenya Cooperative Coffee Exporters (KCCE) Established and facilitated partnerships e.g. Siongiroi Dairy FCS, Mogoswok & Heifer international, Kayatta Irrigation & Kieni Dairy for Lucerne, Mango FCS & ABDS, Mugama Union & FDA, Kitinda, Witu, Kamacharia with NMK and others	-
		Strengthening the marketing function of the Ministry	Reorganize and restructure the Department	New department structure in place	Staffing of the department with skilled personnel
			Devolve marketing function	Devolved to provincial level	There is need to devolve as per the new devolved system
			Capacity building (staff, skills and equipment)	120 officers trained	Staff inadequacy and lack of equipment
			Promote value addition initiatives	<ul style="list-style-type: none"> • Training of staff on seven value chains • Pilot demonstrations on value addition in mango processing (Malindi), Lucerne harvesting and packaging (Yatta) Honey (Mogoswok) Dairy (Mariakani) coffee mills (Kisii Mugama, Othaya) 	Upscale the model to other co-operatives
			Revive Strategic (viable) inputs Co-operative (KFA, District Unions)	Feasibility study done and Kenya Farmers Co-operative Union was registered (KFCU)	Capacity building for the grass root support

Gap analysis for industrilization and enterprise development				
Strategic Objective	Strategy	What Was Planned	What Was Achieved	Gaps
		revival Plans		
		Initiate and support the establishment of marketing information resource centres in the districts	Not established	Develop networks with county offices
	Establishment of Strategic Networks and Partnerships	Promote high level (m Ministerial) cooperative marketing promotional tours	Acquisition of farm inputs for KFCU and marketing of coffee KCCE. ICA	-
		Develop marketing linkages with consumer outlets in Europe, America, Far East, etc	Preparatory phase has been initiated	Lack of volumes and certification
		Establish EPZ centres in strategic areas through Cooperative- Private partnerships	Not achieved	Lack of collaboration with other stakeholders
	Promote bulking of Cooperative products	Initiate bulking and value-addition processing of cooperative products	Linkages developed with wholesale and retail hubs in Maragua	-
	Enhance Capitalization of Cooperative Societies	Develop long-term capitalization instruments suitable for the cooperative movement	Investment policy and guidelines developed	-
		Establish a co-operative investment Fund	Draft CDF policy concept developed	Lack of proper legal and institutional framework
		Promote mergers, joint ventures and acquisitions	<ul style="list-style-type: none"> • Coffee societies merged to form KCCE. • Malindi FCS and ABDS (JV) • Mariakani Dairy and Local council(JV) • Mogoswok and Heifer International(JV) • 	Unexploited potential for more mergers
8	Capacity building in the Ministry and cooperative movement	Streamline cooperative education and training	Enhance general public awareness about the value and benefits of cooperatives.	<p>Awareness created (1000 people) during regional workshops (9), leaders meetings District Co-operative Development Committees (DCDC) operationalized countrywide and Barazas.</p> <p>Cascading findings of national leaders conference to county/district level</p>

Gap analysis for industrialization and enterprise development				
Strategic Objective	Strategy	What Was Planned	What Was Achieved	Gaps
		Regulate and streamline provision of co-operative education by service providers	Curriculum done by KIE and proposed for final vetting committee	Dissemination to stakeholders.
	Enhance the use of ICT in the operations of the Ministry and cooperative movement	Develop and maintain database systems & Networks Systems	Coffee society's database, CMIS, Coop Works and fleet management systems developed. Also networking done for head office and provinces	Registration system yet to be developed
		Develop a standardization procedure of ICT applications within the co-operative movement	Coop-works system developed to standardize ICT use in the dairy cooperatives Consultations going on between MOCDM and CODIC to develop the standards	This should be extended to other activities
		Computerize cooperative audit services	Co-operative audit system developed	System not operational.
	Improve Office accommodation and Transport services for the Ministry	Identify and Procure office space, equipment and vehicles for districts, and head office	Additional offices in the head office acquired in 17 th and 16 th floors, NSSF building. Construction of various field offices has also been undertaken. Budget provision set aside for purchase of vehicles	Office accommodation and transport still a problem hindering service delivery in the field offices
	Develop and implement a scheme of Service for Technical officers in the Ministry	Conduct workload analysis to identify gaps	Workload analysis undertaken and approved by DPM in June 2009	-
		Develop scheme of service for technical officers in the Ministry	Scheme of service developed	-
	Staff development	Implement staff orientation, mentoring and role modelling programmes	Orientation done but not for all officers joining the ministry	Lack of mentoring/modelling programmes
		Implement training programmes for MOCDM staff	Various career and skills trainings have been undertaken based on the TNA	Training programme specific to co-operative

Gap analysis for industrilization and enterprise development				
Strategic Objective	Strategy	What Was Planned	What Was Achieved	Gaps
				officers/cooperative auditors
	Mainstream gender, youth and HIV/AIDS issues in the Ministry's Programmes and within the cooperative movement	Develop and implement cooperative sector gender and youth and HIV/AIDS action plans	HIV/AIDS workplace and gender policies developed	Full implementation of the policies and development of youth agenda in co-operatives
	Achieve ISO certification of the Ministry	Establish and facilitate the ISO certification process	The process is on-going. Activities completed include: project team appointed, sensitization of senior staff, documentation and gap analysis and quality policy statement	Sensitization was not completed.
	Enhance the image and visibility of the Ministry	Develop and implement IEC strategies for the Ministry	Concept note on IEC was developed	Strategy was not completed due to lack of capacity
	Restructure the Ministry	Review and restructure the organizational structure of the Ministry	Proposal developed	Implementation of proposal with views to march the devolved system
		Recruit, rationalize and deploy staff in relevant functions	Rationalization and deployment done	No recruitment done
	Enhance ethics and Integrity in the Ministry	Develop and implement Ministerial corruption prevention action plan	Anti-corruption policy developed	-
	Strengthen co-operative extension/ advisory services	Rationalize cooperative extension systems to improve access to cooperative extension/advisory services	Existing manual is being updated/reviewed	Finalization of the manual
	Strengthen the MTEF and M&E systems in the Ministry	Design and operationalize automated M & E System	Not done	Not automated
		Undertake capacity building of staff on programme budgeting and execution	The relevant officers trained at KIA	Capacity building in development budgeting

4.7. Lessons learnt

GAPS	INTERVENTIONS
Mobilization of resource	There is need to mobilize provision for adequate resources to implement projects and programmes geared towards industrial and enterprise development.
Operational monitoring and evaluation system.	An effective Monitoring and Evaluation system needs to be developed to facilitate tracking of progress being made in the implementation of Plan objectives.
Partnerships and Collaborations	There are a number of stakeholders involved in industrial and enterprise development hence the need to have strong and effective partnerships and collaboration.
Capacity Building	Continuous capacity building for an Organization is key to making the Organization remain relevant in a competitive environment. There is therefore need to develop a comprehensive capacity building program including the continuous upgrading of facilities and competencies. (infrastructure, equipment, competences, additional staff)
Development of policy framework for industrialization	<ul style="list-style-type: none"> • Fast tracking of the enactment of the Bill for Industrialization
Benchmarking of local industries to international standards	<ul style="list-style-type: none"> • Expedite implementation of the benchmarking strategy.
Development of new industries	<ul style="list-style-type: none"> • Identify sites for Industrial parks, carry environmental impact assessment and develop implementation master plans in the 47 Counties.
Encourage technology adoption and implementation	<ul style="list-style-type: none"> • Complete the handloom project and replicate to SMEs. • Develop the remaining four categories of the hospital bed project.
Value addition and product diversification	<ul style="list-style-type: none"> • Carry out the integrated value chain survey and analysis. • Implement the sub-contracting policy and initiate implementation of local production.
Mainstreaming of youth and gender issues in projects and programmes on industrial and enterprise development.	<ul style="list-style-type: none"> • Mainstream youth and women in all projects and programmes on industrial and enterprise development.
Cross Cutting Issues	<ul style="list-style-type: none"> • A number of cross cutting issues emerged during the plan implementation (HIV/AIDS, the Vulnerable & Disabled) that need to be taken on board. In the new plan, attention needs to be given to mainstreaming cross cutting issues in the operations of the Ministry.
Strengthen the MTEF and M&E systems in the Ministry	<ul style="list-style-type: none"> • There is need to link the planning and budgeting processes with the planned Ministerial activities and M&E
Establish and facilitate the ISO certification process	<ul style="list-style-type: none"> • Needs to be fast tracked.
Promote the use of ICT	<ul style="list-style-type: none"> • Fast track the implementation of networking ICT with the field

	offices.
Utilization of National intellectual Property Rights Policy(NIPPS)	<ul style="list-style-type: none"> Promote creativity and innovativeness by creating public awareness on Industrial Property Rights by use of IP system locally

4.8. Stakeholders and Functional Relationship Analysis

The Ministry has strong linkages with a number of stakeholders including; Ministries and Government agencies, the private sector, universities and research institutions, development partners, regional trading blocs and others. All these stakeholders have an interest in what the Ministry does as it impacts on them in one way or the other. It recognizes that the stakeholders can either facilitate or impede its work; and therefore, the need to build good working relationships. A stakeholder analysis was therefore conducted in order to understand both the nature and extent of the functional relationships as well as the various stakeholder expectations. Table below provides a summary of the analysis.

The table below describes the stakeholders and their perceived relationship and expectations.

Table 4.4: Stakeholders Analysis

STAKEHOLDER GROUP	STAKEHOLDER	FUNCTIONAL RELATIONSHIP	EXPECTED OUTCOME
Public Sector	Ministries		
	Productive Ministries (Agriculture, Livestock and Fisheries, Commerce, East African Affairs and Tourism, Forestry & Wildlife, Environment, water and Natural resource, Mineral resources,)	<ul style="list-style-type: none"> Collaborate to ensure availability of raw materials, value addition and quality. Enabling Policy, regulatory and Administrative framework Incentive packages 	<ul style="list-style-type: none"> Advocacy for industries Standardization (set standards) Marketing support R & D (STI) Promote productivity improvement Lower the cost of production (energy, water, labour, etc) Incentives for VA e.g. set up a VA fund
	Coordinating Ministries Devolution and Planning Treasury Labour Foreign Affairs	<ul style="list-style-type: none"> Formulation of National policy, Vision and setting the national development agenda Co-ordination of policy implementation and linking to budgetary process Legislation and regulations coordination and collaboration of 	<ul style="list-style-type: none"> Harmonized policy implementation Performance improvement Advocacy for commercial justice Market access Skilled labour force Safety at the work place Harmonious labour relations Administration of justice Investor confidence Resource allocation and Efficient utilization

		regional and international relations - Availing Industrial skills within which we will operate - Performance contracting	
	Infrastructure Ministries (Roads, Public Works, Energy, Water, Housing, Transport, Lands, Information & Communication, Office of the DPM & Local Authorities, Metropolitan)	- Provision of quality and reliable physical infrastructure - Provision of communication infrastructure - Reliable and affordable energy - Provision of clean water and sewerage facilities - Allocation of industrial land and sites - Physical and spatial planning	- Utilization of ICT in industries - Advocacy for industries - Marketing support - Low cost of production - Information management and dissemination - Availability of land and sites, water and sewerage facilities for industrial development
	Financing Ministry (The Treasure)	- Financing the Ministry's recurrent and development budgets - Formulation and implementation of fiscal and monetary policies - Setting macroeconomic environment	- Provision of financial resources - Resource mobilization for development - Conducive macroeconomic environment - Financial management and budget execution
	Security Ministries (Office of the President, Defence, Immigration)	- Provision of security	- Local and Foreign Direct Investment
	Paratatsals & Institutions		
	KEBS, KEPHIS, NEMA, KIPRA, KITI, ICDC, EPZA, KIE, KENINVEST, PORTLAND CEMENT, KENAS, KIRDI, KWAL, IDB, NMC, ACA.	- Setting standards and regulations - Verification of goods for conformity - IPRs	- High quality products - Consumer protection - Clean environment - Protection of innovations - Reduced counterfeit and contra-band goods
	KARI, KIRDI, KIPRA, KNBS, National Council for Science & Technology	- Technical Research & Development - Policy research - Funding of research activities - Data collection, collation, analysis, storage and dissemination	- Product development and diversification - Availability of research funds - Inventions and Innovations - Technology transfer - Database for informed decisions
	NMC, EAPCC, KWAL	- Industrial production activities	- Availability of manufactured products and tools

			- Packaging for industry
	IDBC, KIE, ICDC, KTDC (Kenya Tourist Development Corporation)	- Provision of financing	- Availability of investment funds
	EPZA, EPC, KIA, KTB	- Provision of infrastructure - Promotion of investments and exports	- Availability of manufacturing infrastructure - Market access - Investment opportunities
	IPT, BPRT	- Arbitration of industrial disputes	- Settlement of industrial and business rent disputes
	KIBT, KITI,	- Provision of technical, managerial & entrepreneurship training	- Availability of technical. Managerial and entrepreneurial skills
	KRA, KPA, KRC (Railways), KAA, TLB	- Provision of customs services - Handling of Industrial inputs and finished products - Regulation of road transport - Valuation of goods - Inspection for counterfeit and contra-band goods	- Availability of raw materials - Market access - Fair trade practices
Private Sector	Lobby groups (KEPSA, KNCC&I, KAM, FKE, KNFJKA)	- Provision of information - PPP - Regulatory and collaboration - Regulatory and ensuring those standards are met. - Adoption, adaptation and uptake of technology - Capacity enhancement of MSMEs for mass production - Provision of financial services	- Functional PPP - A vibrant industrial sector - Established Industrial clusters and zones - Advocacy for industrial development - Growth and graduation of MSMEs into large industries - Competitive MSME products - Competitive manufacturing destination centre - Increased local investments
	Employee representative (COTU)	- Provision of good working relationships in industry - Tripartite labour negotiations arrangements - Sensitization of workers on occupational health and safety including HIV/AIDS in the	- Increased labour productivity - Sustained industrial tranquillity - Better labour market

		work place	
Universities & Research institutions	Public and Private universities and local international based research institutions	<ul style="list-style-type: none"> - Provisions of R&D and innovations - Collaboration on policy research - Commercialization of research finding 	<ul style="list-style-type: none"> - Innovate ways of doing business - Broaden product based - Market intelligence
Development partners	UN system (UNDP, UNIDO, UNESCO, JICA, ILO) Bilateral (DFID, EC, DANIDA, JICA, GTZ) Multilaterals (WB, IFC, FIAS, ADB)	<ul style="list-style-type: none"> - Funding - Provision of technical assistance - Reform initiatives 	<ul style="list-style-type: none"> - Increased local investment - Skilled manpower - Improved regulatory environment
Regional Trading blocks	COMESA, EAC, SADU, ECA/AU, WTO, NEPAD, IGAD	<ul style="list-style-type: none"> - Market for industrial goods - Harmonization of policies, standards and regulations 	<ul style="list-style-type: none"> - Accessibility to a wider range of products and services - Wider market - Economies of scale - Increased competitiveness - Stronger negotiations ability in the global arena
Service Providers	Suppliers	<ul style="list-style-type: none"> - Provision of goods and services 	<ul style="list-style-type: none"> - Timely delivery of goods and services
Internal stakeholders	Employees	<ul style="list-style-type: none"> - Wages and industrial skills - Prudent resource utilization - Staff welfare - Capacity building 	<ul style="list-style-type: none"> - Quality service delivery to customers - Performance contract - Motivated staff - Customer satisfaction
	Media	Supply credible information to media	Positive coverage
Stakeholder group	Stakeholders	Stakeholders' Expectations from the Ministry	Ministry Expectations from Stakeholders
Public Sector	The co-operative Movement	Information and education Enabling policy and legal framework Guidelines for the operations of Cooperative Societies Enforcement of the law Good governance Implementation of inquiry reports	Offer feedback to the Ministry on performance Provide effective and efficient services Comply with policy, legal and regulatory framework Good governance
	Cooperative Alliance of Kenya	Build its capacity to perform the advocacy and lobbying role	Increase confidence of members towards CAK
	International co-operative organizations (e.g. ICA, WOCCU)	Co-operation and Good Corporate Governance	Technical support to the Ministry and the co-operative movement

		Growth and sustainability of the movement in Kenya	
	Development partners	Transparency, accountability and value for money Proactive engagement	Technical and financial support
	Sector ministries, Other Ministries/agencies, (PSCK, trade & industry, foreign affairs,EAC,EPC,Tourism etc.)	Collaboration and initiative	Collaboration and synergy Technical, and human resource capacity
	Treasury	Proper financial policies Mobilization of resources	Financial/funding support
	Private sector	Conducive environment and Good Corporate Governance Develop models for partnership with private sector	Public-Private and Cooperative-Private partnerships
	Agro-input dealers	Conducive environment and Good Corporate Governance	
	Parliament	Collaboration and facilitation of the formulation of appropriate policies and bills	Offer legislative support and enactment of laws

4.9. PESTEL analysis

The PESTEL analysis relates to a scan of the Political, Environmental, and Social as well as Technical, Economic and Legal factors which have an effect both directly and indirectly on the functioning of the Ministry. These effects have been examined widely ranging from globally, regionally and locally as set out in the table below:-

Table 4.5: PESTEL Analysis

Category	Issues	Effects
Political	Optimal placement of the Ministry's function in the government structure.	<ul style="list-style-type: none"> The Ministry's agenda may impact negatively if not strategically placed.
	The capacity (financial, infrastructure and human resources) to effectively devolve services under the new system of government dispensation.	<ul style="list-style-type: none"> More focus on uniqueness of counties Challenge for enterprises that cut across counties or tap resources across counties Possibility of introduction of tariffs at county level.
Economic	Weak Governance structures	<ul style="list-style-type: none"> Misappropriation and wastage of resources.
	Increase in incidences of unemployment and poverty.	<ul style="list-style-type: none"> Unequal distribution of national resources.
	Unstable macro-economic environment	<ul style="list-style-type: none"> Negative adverse effects on performance of industrial and enterprise development.
	Cyclical political violence and increase of crime rates.	<ul style="list-style-type: none"> Disruption of normal socio-economic life. Increased exclusion of larger section of the population and hence loss of opportunities for exploitation of economies of scale Pilfering of resources, extortion and theft of societies resources.
	Slow economic growth	<ul style="list-style-type: none"> Inadequate resources Lack of prioritization and implementation of key strategies.
	Unsustainable supply of products and raw materials	<ul style="list-style-type: none"> Unsustainable industrial and enterprise growth. Underutilization of existing manufacturing units.
	Globalization	<ul style="list-style-type: none"> Stiff competition from other low cost producers of products and services traded by Kenyan enterprises. High cost of supply of power that is unreliable.
Social	Culture of social glorification of wealth	<ul style="list-style-type: none"> Mismanagement/embezzlement of public resources for the benefit of a few.
	HIV/AIDS and other related deceases.	<ul style="list-style-type: none"> Inability of the unemployed to participate in the sub-sector directly (e.g. as members) or consumers of the sub-sectors goods and services
	Marginalization of sections of society	<ul style="list-style-type: none"> Lack of inclusive participation and other retrogressive beliefs that limit full participation of some segments of society (e.g. women and youth in leadership)

	Mismatch of skills and job market	<ul style="list-style-type: none"> Lack of meritocracy and effective management skills and poor deployment of staff, patronage and objectivity of management staffing
	Demographic and geographical diversity.	<ul style="list-style-type: none"> Some areas become inaccessible to services and resources.
Technological	Rapid technological advancement.	<ul style="list-style-type: none"> Lags in adoption of appropriate technology imply failure to harness technology to improve on efficiency in productivity Operate at a relatively high unit cost of production and consequently remaining un-competitive.
	Under-utilization of Intellectual Property (IP) System	<ul style="list-style-type: none"> Low of utilization of IP system undermines creativity, innovation and commercialization especially among the youth.
	Cyber crime	<ul style="list-style-type: none"> Risks of fraud and difficulties in detecting it.
	Inappropriate control of technology	<ul style="list-style-type: none"> Low level of access (relevant software) and the knowledge of the role of intellectual property to solve technological requirement.
	Lack of supply of skilled technical manpower for the job market.	<ul style="list-style-type: none"> Unable to develop as other regions that have applied the same technology.
Environment	Adverse weather conditions and climate change.	<ul style="list-style-type: none"> More frequent droughts and floods and other extreme weather conditions are a cause of instability in production and business volumes of many enterprises. The manufacturing sector contributes to climatic change through greenhouse emissions resulting from fossil fuel consumption when manufacturing firms operate standby generator or emergency power systems due to unreliable electricity generation.
	Environmental pollution and degradation	<ul style="list-style-type: none"> Continued tilling of land and application of inorganic fertilizers and agro-chemicals reducing fertility and suitability of soils for crop production. Lack of plans for sustainable development of the environment.
	Disposal and management of waste	<ul style="list-style-type: none"> Lack of policy on garbage waste disposal and non-degradable causes a problem to our environment.
Legal	Multiplicity of legal instruments	<ul style="list-style-type: none"> Expediency of business execution is hampered by the multiplicity to legal instruments and compliance requirements (e.g. on quality, hygiene), imposes extra costs to societies and undermines response to business opportunities.
	Tariff and non-tariff barriers	<ul style="list-style-type: none"> Most commodities that enterprises deal with are subject to taxes and levies and other non-tariff barriers at various levels of Government.
	Delays in enactment of enabling legislation	<ul style="list-style-type: none"> Dynamics of the business environment requires timely adjustment of the legal instruments; hence inaction hampers compliance and often imposes implicit costs to enterprises through loss of business opportunities.
	Slow an unaffordable legal/judicial processes	<ul style="list-style-type: none"> Expensive and slow judicial processes may imply continued losses to enterprises as governance issues continue to impede sound management.

CHAPTER 5: STRATEGIC MODEL AND ANALYSIS OF STRATEGIC ISSUES

Vision

To be a leader in transforming Kenya into a rapidly industrializing middle-income economy

Mission

To facilitate the development of a robust, globally competitive, diversified industrial, enterprise and co-operative sub-sectors through the creation of an enabling environment.

Guiding Principles

In order to reactivate the rapid and sustainable growth of the industrial and enterprise sector in Kenya, the following guiding principles adapted from the National Industrialization Policy (NIP) will be embraced

- **Enhancing productivity and competitiveness:** The policy emphasizes increased productivity and competitiveness as one of the key guiding principles for expanding and maintaining the domestic and export markets in a liberalized environment.
- **Market access:** The Plan takes cognizance of the need to regional and global markets for Kenya's manufactured
- **High value addition and diversification:** The Plan seeks to take advantage of the existing natural and human resource endowment to open up avenues value addition, creation of wealth, and employment generation It focus on promotion of processing of primary products.
- **Equitable development:** The Plan lays a framework for equitable dispersion of industries throughout the country in order to accelerate the pace of development in all areas.
- **Technology and innovation:** The Plan presents strategies for initiating innovation and technological advancement for boosting productivity and competitiveness of the industrial sector.
- **Fair trade practices:** The Plan seeks to lay a foundation for developing the necessary infrastructure or enforcing Intellectual Property Rights to create a level playing platform for fair competition by guarding against property rights infringement preventing dumping of counterfeits and substandard and second hand goods.

- **Growth and graduation of MSMEs:** The Plan embraces the principle of promoting the growth and graduation of MSMEs into large industries that will form the bedrock of industrialization.
- **Employment Creation:** This Plan targets quality and sustainable employment creation.
- **Environmental Sustainability:** The Plan recognizes the need to promote sustainable industrial development that upholds environmental protection, management and efficient resource utilization.
- **Compliance with the Kenya's Current Constitution:** The Plan advocates for policy, legal, and regulatory reforms to enhance compliance with the provisions of the Constitution and takes into account the constitutional provisions for a devolved structure of government and the particular call to encourage regional dispersal of industries as a basis for equity and empowerment across the nation.
- **Education and human resource development:** The policy recognizes that industrialization can only take place when there is a strong and well trained workforce from all levels of training.

Core Values

The Ministry seeks to uphold the following core values:

- **Customer focus:** We are committed to upholding the highest standard in our services delivery to all customers;
- **Integrity:** we are committed to acting in an honest impartial, fair and transparent manner and being devoid of corruption practices while delivering our services;
- **Team work:** We will deliberately nurture team spirit, collaboration, consultation and adopt participatory approach in discharging our mandate;
- **Professionalism:** We will maintain high level of professionalism through continuous competency development;
- **Creativity and innovativeness:** We will continuously seeking innovative methods of delivery our services;
- **Efficiency and effectiveness:** we will be guided by operational, rationalization and cost saving measures;
- **Equity:** We will mainstream government policies on gender, the physically challenged, and HIV/AIDS and to treat all employees fairly.
- **Commitment to Environmental Sustainability:** we will be committed to ensure sustainable industrial and enterprise development process which protects the environment.

5.1 Strategic objectives

- To undertake Policy, legal and institutional reforms for industrialization, cooperatives and enterprise development
- To Attract Foreign Direct Investments for industrialization and enterprise development
- To facilitate the creation and expansion of productive employment in the labour intensive manufacturing and enterprise sub-sectors'
- To mobilize savings and local investment resources for industrial and enterprise development
- To promote Micro, Small and Medium Enterprises (MSMEs) and large enterprises
- To Promote Research and Development (R&D), innovation and technology adoption
- To facilitate capacity building for industrial and enterprise development and quality service delivery
- To promote high value addition, product development, diversification
- To Enhance standards, quality infrastructure and Intellectuals Property Rights (IPR) protection;
- To enhance productivity and competitiveness in the industrial, enterprise and cooperative sector for market access
- To create a conducive business environment to enhance private sector growth and competitiveness.

5.2 Strategic issue: Weak institutional, legal and regulatory framework

The Ministry of Industrialization and Enterprise Development has the mandate to provide an enabling environment for industrialization and enterprise development. A National Industrialization Policy (NIP) and Co-operative development policies have been developed to support industrialization and enterprise development. The policies provide a framework to drive Kenya's aspiration to be a middle income and rapidly industrializing country and globally competitive. Following the enactment of the Constitution and the emerging economic and social challenges, there is need for a more innovative and effective legal framework for industrial and enterprise developments. There is also need to realign existing laws (statutes) to the Constitution and harmonize them. The following specific objectives and strategies and activities will be pursued:

5.2.1. Strategic objective: Policy, legal, regulatory and institutional reforms

Strategies

- Realign the existing policies and laws with the constitution and harmonize them;
 - Develop and review various policies and relevant Acts
 - Fast track the enactment of the National Industrial Incubation; and National Industrial Sub-contracting Policies;
 - Establish policies, programmes and regulatory framework to support and promote energy efficiency in industry
- Restructure and strengthen industrial, co-operative and enterprise institutions;
 - Review and harmonize mandates of various institutions under ministry
- Strengthen the institutional linkages between Government agencies at national level and county governments;
 - Establish structural linkages between national and county Governments

5.3. Strategic Issue: High levels of unemployment

5.3.1. Strategic Objective: To facilitate the creation of productive employment

In Kenya, the textile and clothing industry comprises of two main sub-sectors namely (i) textiles; covering cotton growing and ginning, fabric manufacture, including activities such as polymerization, spinning, weaving, knitting and wet processing, and; (ii) Apparel; which include garments and clothing accessories (labels, buttons, zippers and packaging) Apparel manufacturing is the most vibrant part of the chain at the moment, largely because AGOA permits imports of fabric from low cost producers in any part of the world. Under this policy framework, the following policies measures are to be pursued:

- Revival of dormant cotton production and marketing cooperatives, refurbishment of textile mills and ginneries in the country;
- Promotion of weaving and milling plants through incentives on capital equipment;
- Ban export of cotton in unprocessed and semi-processed forms
- Introduce a levy on the export of cotton lint to encourage local processing; and
- Ban the import of used clothes (mitumba).

5.3.2. Development of leather and leather products

The Kenyan leather industry has strong backward and forward linkages that provide opportunities for value addition using locally sourced raw materials. The leather industry is made up of four main sub-sectors: the raw material base (hides and skins); tanneries, footwear, and manufacturing of Leather goods. The Ministry will put into place the measures including strengthen the Leather Development Council., revival of the Training and Production Centre for the Shoe Industry- (TPCSI) in order to promote technical capacity in processing of leather products; and strengthen the leather training and incubation programmes in KIRDI and KITI; Other measures under consideration include a ban on importation of used leather products, and;a ban on the export of raw hides and skins

The following specific actions will be taken to develop the leather industry:

- Capacity building for leather institutions
- Transfer of Training and Production Center for the Shoe Industry (TPCSI) from private to public for capacity building
- Establishment of more mini tanneries and completion of the existing ones in ASAL areas as a means development of industries and job creation in the rural areas.
- Carry out a Baseline Survey on the meat and leather value chain industry in Kenya.
- Development of regional Meat and Leather Clusters
 - Prepare master plans for meat and leather clusters

5.3.3. Development of Furniture industries

- Upgrade skills for furniture production
- Develop furniture standards

5.3.4. Food processing

- Creation of Small Food Processing Units through formation of Cooperatives
- Facilitation of subcontracting between SMEs and Large/Medium for food processing

5.4. Strategic Issue: Low value addition and product diversification

Kenya is endowed with a wide range of natural and agricultural resources that can be exploited to form the basis of value addition. Most industries are still engaged in the production of low value-added and limited range of products due to limited technological capability and limited information on international trade opportunities. An over-reliance on the few traditional exports has, over the years, led to a

fluctuation in foreign exchange earnings. This is despite the country pursuing an export-led growth strategy. These factors have partly contributed to limited scope for product diversification and expansion of country's export base. In the short to medium term, agro-processing, leather and leather goods, textiles and clothing and furniture industries have been prioritized due to strong backward and forward linkages that provide opportunity for value addition and creation of employment opportunities to the increasing number of unemployed youths. In addition, strategic industries such as iron and steel will be promoted to grow and expand the potential that is inherent in the industry.

Value Chain development for priority industrial subsectors will be undertaken providing at least 50% increase in the level of local sourcing.

Industry-specific gap analysis will be conducted and comprehensive strategies and action plans developed for food processing, textile and clothing, leather and leather goods, furniture and metal fabrication, and iron and steel subsectors. These will result into increased subcontracting in local supply chains providing at least 50% increase in the level of local sourcing. Linkages between SMEs and large enterprises to ensure their participation in global value chains will be promoted while linkages within clusters to enable synergies and information sharing will be strengthened. Furthermore strategies to motivate high performing firms to ensure their sustained growth will be developed.

5.4.1. Strategic Objective: To promote value addition and product diversification

Strategies

- Promote and develop industry Gap analysis for value addition in agro-processing and labour intensive industries (cotton; textile and clothing, leather and leather products, food processing, furniture)
 - Create awareness to the “buy Kenya build Kenya” initiative for cotton; textile and clothing, leather and leather products, furniture and food processing.
 - Coordinate the implementation of the Preference and Reservations Regulation 2012 for cotton; textile and clothing, leather and leather products and furniture
 - Review the import duty on imported textile and apparels, furniture
- Promote medium to high technology sectors (Iron and steel, Machine tools and spares, Agro Machinery and farm Implements, and Pharmaceuticals)
 - Iron and steel
 - Identify an investor was to partner with the Government of Kenya to develop steel mill among other projects.

- Formulate a legal and institutional framework for development of the sector.
- Conduct baseline studies to establish the quantities and qualities of ferrous scrap and iron ore available in the country

Pharmaceutical industry

- Setting out a roadmap for industry to achieve GMP
- Development of niche products
 - Identify the niche areas for product development
 - Attract investors in the identified niche products
 - Offer attractive incentives to bring new skills and technologies on the identified niche products
- Development of product diversification programmes.
 - Identify areas of diversification
- Adopt an Integrated Value-Chain approach to value-addition
 - Study industry value chains and select specific value chains according to national Priorities (coconut, soya bean)
 - Prepare an inventory of value-added products and processes in relevant value chains
- Upscale and mainstream OVOP initiative
 - Promote One Village One Product initiative in the 47 counties
- Promotion of traceability (country of origin) programmes for specific and priority products having high exports potential.
 - Facilitate the development of certification programs
 - Facilitate branding and marketing of products

5.5. Strategic issues: Low growth of Micro, Small, and Medium Enterprises

The Micro, Small and Medium Enterprises (MSMEs) sector is recognised as the foundation of Kenya's industrial development. The sector is a key driver for economic growth and has a huge potential to generate the much needed employment opportunities to absorb the increasing number of unemployed youth. The potential of the sector has not been fully realised due to challenges such as limited access to appropriate finance and access to markets; poor infrastructure, limited technology uptake, weak management structures, weak linkages with research institutions, poor product quality, and lack of access to skilled labour. A number of MSMEs do not graduate into large enterprises that would have a greater impact on the national economy. Linkages between MSMEs and the large enterprises would accord the

MSMEs an opportunity for product and standard enhancement, market availability as well as technology transfer. In order to continue unlocking the potential of MSMEs so that they play their role in contributing to Kenya's industrial development strategies will be pursued.

Providing affordable, high quality and accessible infrastructure will be the gate for crowding in more private investments in the industrial sector. SMEs Parks, Industrial Parks and Special Economic Zones with requisite infrastructure and social amenities will be developed and investors facilitated to utilize the facilities. The strategy is based on involving the private sector in the formulation, establishment, and operation of the parks. The strategy is based on an action-oriented effort aiming at mobilizing economic actors through a collaborative partnership approach that includes the government as well as the private sector.

The overall goal of developing the Parks is achieving an *Integrated Industrial Development Model* that enforces the business relations and networking linkages between firms operating within each and every industrial entity or region, connects potential clusters of companies producing related/complementary products, and engages different stakeholders and institutions in the development of these parks in order to achieve economies of scale, create more jobs, increase Egyptian exports, attract FDI, and contribute to the overall growth of the economy. The concept of industrial parks also promotes infrastructures, which, in turn, creates demand for different commodities, and consequently promotes economic growth.

The Parks will be fully equipped with high quality infrastructure for enhancing the clustering of vertically and horizontally related activities. Within each park, there will be a collective set of institutions responsible for providing full fledged industrial services for operating enterprises.

The Parks will be powerful tools for the diffusion of new technologies and for catalyzing the presence of a vibrant physical and ICT infrastructure that guarantees efficient and timely delivery of services. Together with competitiveness programs and sectoral development strategies to be developed, they will be the means for implementing the priority industrial subsectors, supporting existing industries, and introducing and leveraging new industrial niches.

The objective is to directly *upgrade* the skills of the current and immediate entrants of labour into the MSEs industrial sector. This will be achieved through targeted training activities in the existing subsectors, upon the demand of industrial units. At this stage, close partnership with the private sector is key to the articulation of demanded training. It is noted that significant improvement of skills for the already-employed workforce is made less possible by the short span for training. Further deepening of skills is thus deemed as the consecutive target.

The Kenya Industrial Training Institute needs to collaborate with local such as National Industrial Training Authority (NITA) and the new Technical and Vocational Education and Training Program Authority (TVETA) and International Institutions in order for it to be relevant to the Industry.

Public-private partnerships will be the key for adopting a demand driven approach for designing training services, whereas public-private competition will be the module for service delivery. Partnership and competition between public and private organs will be a synergy that synthesizes a robust industrial training paradigm.

There is need to re-engineer a shift in the skill structure in order to induce a shift in the skill structure towards higher proportion of medium and highly-skilled labour. The ultimate objective is building an *innovation-oriented society*. Engaging in new industrial niches entails growing deeper skills to match the demand of medium technology manufacturing. This stage requires further focusing on technological skills as well as leveraging managerial and entrepreneurial skills. The inevitable tool for this strategy is the serious revisiting of the education system. It is the role of the Government to bring about the shift in quality, as well as the structure of skills in the prospective industrial labour force. This will be made possible through the forward planning of industrial training that immediately starts with the inception of the implementation of the current plan.

5.5.1. Strategic objective: To enhance capacity of Micro, Small, and Medium Enterprises

Strategies:

- Create conducive policy, legal and regulatory environment
 - Implementation of the Micro and Small Enterprise Act 2012;
 - Facilitate implementation of provisions of the MSE Act
 - Establish the Micro and Small Enterprise Tribunal;
- Enhance the capacity of the Micro and Small Enterprise Authority;
 - Facilitate recruitment to achieve optimal staffing level
 - Facilitate review the organizational structure
- Collaborate with stakeholders to promote youth and women owned enterprises;
 - Implement the preference and reservation regulation 2013
- Infrastructure upgrade and development
 - Facilitate the development of SME parks
 - Facilitate the development of new SME worksites
 - Upgrade existing SME worksites
- Enhancing business registration for MSMEs

- Develop a ‘One-Stop-Shop’;
- Decentralize registration of MSEs and cooperatives to counties;
- Develop the capacity and capability of MSMEs
 - Mainstream Business Development Services (BDS) and Technical Assistance (TA) to support graduation of MSMEs; and
- Finalize the restructuring Kenya Industrial Training Institute to offer relevant technical skills for industry
 - Create linkages with NITA, TVETA, national and International training Institutions
 - Diagnostic Analysis of Industry-Related Skills Gap
 - Upgrade KITI infrastructure
- Establish a Micro and Small Enterprise Fund;
- Create awareness on the investment monitoring platform
 - Improved capacities of national and regional institutions to use the platform for evidence-based policy and strategy formulation and targeted investor servicing.
- Implement the National MSEs upgrading and modernization program
 - Improve Institutional frameworks, the business environment and financial instruments
 - Strengthen the capacities of technical support Institutions providing assistance to SMEs, promoting investments and job creation in East Africa
 - Support manufacturing SMEs in priority sectors to improve their competitiveness
 - Facilitate transfer of industrial technologies and best production innovation practices
- Create sub-contracting linkages between MSEs and Large Industries
- Establish a packaging centre
 - Host the EastAfripack, “ The processing, packaging and converting technologies Exhibition in the East Africa Region”
- Provide BDS in collaboration with ILO/YEF
 - Carry out training in GYBI, SYB and IYB

5.6. Strategic issues: Low investment in the industrial and enterprise sub-sectors

Kenya is strategically positioned to be a regional hub for trade, investment and industrial development within the East African Community (EAC) and Common Market for Eastern and Southern Africa (COMESA). There is need therefore to exploit this advantage to promote Kenya as a regional manufacturing hub.

Foreign Direct Investment is a key vehicle not only for providing sufficient finance for developing the industrial sector, but more essentially for the transfer of cutting-edge

knowledge and know-how, in addition to fostering linkages with international export markets. FDI is also important for linking to regional and global value chains and international production networks. Successful industrialization experience has proven that partnerships with multi-national corporations are key to success.

With the promotion of new industrial niches, FDI is important for an industrial takeoff. For existing industries, FDI would bring about the much-needed technological upgrading which leads to higher value added. Modalities for targeting FDI will focus on approaching key players in international production networks within the framework of a clear sectoral strategy.

5.4.1. Strategic objective: Attract Local and Foreign Direct Investments

Foreign Direct Investment (FDI) contributes to the growth of in the economy through physical capital formation, technology transfer, and human capital formation, stimulation of productivity, augmentation of output, and promotion of foreign trade and improvement of competitiveness of indigenous entrepreneurs. Kenya has witnessed declining FDI in the industrial sector over the recent past. The poor business environment, poor physical infrastructure, insecurity; and governance issues have contributed to low FDI inflows into Kenya and high outflows of investors from Kenya to the neighbouring countries. Over the last five years, the country attracted few local and foreign investments in the manufacturing sector despite existing incentives. This has led to minimal growth of the sector and generation of employment opportunities in the formal sector. In addition, local investments have declined due to inadequate mobilization of local resources for investment and incentives, lack of reserved land for industrial development.

Strategies

- Improve the operating business environment for private sector led industrialization and enterprise development
 - Review the mandate and restructure Kenya Investment Authority;
 - Review the existing investment incentive package to attract domestic and Foreign Direct Investments;
 - Develop an FDI policy to maximize on the economic linkages
 - Establish and maintain legal systems that promote Foreign Direct Investment;
 - Enhance bilateral, regional and multi-lateral trade arrangements by developing negotiation capacity;
 - Liaison with relevant agencies to provide market information;
 - Strengthen the negotiation capacity of Kenyan negotiators
- Enhance investment promotion through Public-Private Partnerships
 - Hold investment promotion forums
 - Prepare sector investment profiles

5.4.2. Promotion of Special Economic Zones, Free Trade Zones, Industrial Clusters, SME Parks, Industrial and Technology Parks and Incubation Centers.

- Identify and facilitate the development infrastructural facilities
- Develop master plans for SEZ at Dongo Kundu, FTZ at Mariakani, SME Parks at Mombasa, Nairobi, Kisumu, Nakuru, Taveta and Eldoret,
- provide incentives to attract investors to SEZ, FTZ, Industrial and Technology Parks, Incubation Centers

- Carry out a feasibility study for the establishment of national sovereign wealth funds for industrialization
- Environmental protection for Industrialization
 - Review and appraisal of Environmental impact Assessment reports related to industries
 - Liaison with NEMA and other stakeholders to prepare the Annual State of Environment (SOE) report
- Resource endowment mapping
 - Carry out resource surveys to document the quantities and quality of available resources countrywide
 - Identify potential investment opportunities
 - Map the resource endowments and investment opportunities
 - Hold County investment for a on investment opportunities
 - Create appropriate incentive packages for the establishment and dispersion of industries across counties
- Provision of Industrial Land
 - Zone and avail Industrial Land in all 47 Counties
 - Creation of Industrial Land Bank for economic development

5.7. Strategic Issue: Low levels of savings and investments

The issue of finance is of paramount importance to realize the envisaged growth targets. In the past few years, the industrial sector relied mostly on banks to finance new investments and the expansion of existing projects. The complimentary roles of commercial banks, development finance institutions, micro finance institutions, capital market, and Savings and Credit Cooperative Societies (SACCOS) will remain critical in availing both short and long term capital.

The commercial banks will be engaged to consider adopting a cash-flow based approach in which the viability of financing projects is based on feasibility studies with sound cash-flow projections as opposed to operating with a collateral-based approach. Furthermore, specialized mechanisms for MSMEs financing will be

implemented including operationalization of the MSE Fund and encouraging the listing of MSEs at the Nairobi Security Exchange.

In order to improve access to credit to enable firms to invest in growth, innovation, and export participation, incubation facilities will be provided for MSMEs. In addition, promoting the use of moveable assets such as capital stock, crops will be explored as collateral while at the same time putting in place legislation to enable banks to offer leasing and factoring products to MSMEs.

The realization of sustainable and meaningful Industrial and enterprise development in the country requires high levels savings and access to affordable long-term finance and credit facilities. Low level of national savings has stifled the investment in the country. The gross national savings needed to finance the envisaged investment levels in the country has been below the targeted 21 % resulting to slow growth in investment. Access to affordable long-term finance and credit facilities is also crucial to the growth and development of industries, including MSMEs. The financial sector in the country is relatively well-developed. However, there is limited access to long term financing which inhibits the growth and competitiveness of the industrial and enterprises sector.

The bureaucracies and collateral requirements banks impose serves to screen out the vast majority of SMEs. In addition, the level of interest rate spread is high and this has increased the cost of doing business. Further, the Development Financial Institutions (DFIs) have not been able to adequately fund the industrial sector financial needs due to inadequate resources to meet the increased demand. There will be need to recapitalize existing DFIs to provide long term industrial financing.

5.7.1. Strategic Objective: To mobilize savings and investment resources for industrial and enterprise development

Strategies:

- Mobilize Develop long-term capitalization instruments;
 - Feasibility study and establishment of financing schemes to facilitate access of local SMEs to the funding
- Establish a Industrial, enterprise, cooperative Development Fund;
- Provide incentives for establishment of venture capital supportive of industrial investment;
- Encourage cooperatives to go into Cooperative - Private Partnerships, mergers and subsidiaries
- Strengthen and restructure the DFIs
 - Review and restructure the ICDC and KIE
 - Recapitalize existing DFIs to provide long term industrial financing
- Mobilize Diaspora funds for industrial investment
 - Provide incentives for investments from the Diaspora
 - Promote registration of Diaspora Saccos

- Cooperatives participation in the capital markets
 - Facilitate the creation of a cooperative market segment
- Mobilize co-operative and Pension funds for industrial development
 - Develop policy guidelines

5.8. Strategic Issue: Limited market research and innovation

Research and Development play an important role in a modern economy and is essential in developing innovative capacity and commercializing research findings for increased efficiency and productivity. This is essential for creation of niche products, increasing the products base, improvement of production processing and packaging technology. Low technology utilization, lack of innovation and use of obsolete technology has led to low productivity and competitiveness in the manufacturing sector. There are weak linkages between the technology and research providers and the market. Moreover, low funding for R&D has also contributed to poor adaptability of technology. Further Inadequate awareness of the role of intellectual property rights in fostering socio economic development is hindering the commercialization, registration and protection of new innovations in the manufacturing sector and patent mining for technological development. Resource Efficient and Cleaner Production (RECP) is an integral part of sustainable industrial development and ensures cleaner production practices in industries and environmental conservation.

5.8.1. Strategic Objective: Promotion of Research and Development (R&D), Innovation and Technology Adoption

Strategies:

- (i) Commercialization of research findings;
 - Develop a policy framework to support commercialization
 - Build a database on research finding
 - Create linkages between industry and Universities and R&D institutions;
- (ii) Enhance technology-transfer, adoption and development;
 - Promote reverse Engineering
 - Implement 5K initiative
 - Set up a world class standard Technology Transfer and Diffusion Centre
- (iii) Mobilize resources for industrial research, development and innovation;
 - Develop bankable industrial research proposals and programs
 - Advocate for the increase of Industrial R & D Government funding
 - Promote the national system of innovation survey
 - Establish an innovation fund, that will provide seed money for new innovations
 - Initiate an innovation award scheme
 - Provide incentives for R&D undertaken by enterprises in co-operation with universities and institutions

- Creating consortia of SMEs to reduce the cost of doing research at the enterprise level, with attractive fiscal and non-fiscal incentive
- (iv) Transformation of Kenya Industrial Research Institute into world class Industrial Research, Development and innovation institute
 - Upgrade the Institute's equipment and laboratories
 - Construct state-of-the art research facilities at KIRDI sites.
 - Recruit of addition Research staff
 - Benchmark with other world class R & D Institutions
 - Provide opportunities for industrial attachment for researchers
- (v) Mainstream Resource Efficiency and Cleaner Production in manufacturing
 - Develop a National Resource Efficiency and Cleaner Production Policy
 - Create awareness on RECP
 - Conducting energy, resource and waste in-plant assessment (audits).
 - Identification of RECP opportunities in enterprises targeting energy, water and material efficiency and pollution reduction activities
 - Mainstream the operations of Kenya National Cleaner Production Centre (KNPC) into the ministry responsible for industrialization

5.9. Inadequate capacity for quality service delivery

The Ministry of Industrialization and Enterprise Development takes lead in catalyzing industrial development in Kenya by delivering quality service to its various stakeholders, and will be ensuring that industries have the capacity to develop and grow. To do this, the ministry will implement the following strategies

5.9.7. Strategic Objective: To enhance the Ministry's capacity for quality service delivery

Strategies

- (i) Improvement of service delivery to customers
 - Pursue ISO certification
 - Prepare and implement Ministerial service delivery charter
 - Establish customers' relation desks
 - Conduct customer satisfaction surveys and implement the findings
- (ii) Effective and improved communication
 - Prepare Ministerial Communication strategy
 - Upgrade and continuously update the ministry's website
- (iii) Institutional Capacity Building
 - Review the organizational structure
 - Undertake team building activities
- Provision of conducive working environment

- Provide working tools, equipments, vehicle and office space
- Conduct work environment surveys and implement the findings
- Staff recruitment, competency development, promotion and retention
 - Recruit to achieve optimal staffing levels
 - Conduct a Training Need assessment and implement the findings
 - Implement human resource management information system
 - Conduct the employee satisfaction survey and implement the findings
- Strengthen extension services for MSEs and Cooperatives
 - Train on BDS
 - Prepare county industrial profiles
- Streamline cooperative education and training
 - Developing CSR guidelines in the sector
 - Review curriculum on Cooperative Education
- Enhance the use of ICT in the operations of the Ministry and MSEs and Cooperatives
 - Train staff on use of ICT
 - Install the necessary ICT infrastructure
 - Develop and implement Ministerial ICT policy
- Ensuring that all stakeholders in particular states, firms (Industrial Enterprises and SMEs) and civil society embrace the principles of CSR.
- Development of human resource capacity for Industrial development
 - Facilitate the training of Engineers, Technologists, Technicians, Craftsmen and Artisans
 - Develop Skills Transfer and Retention Strategies
 - Re-engineering a shift in the skill structure
 - Plan the training and the curriculum necessary by involving industry in the planning
 - Create the inter-face between on-the job training and internships and qualifications
 - Review the incentive systems to upscale reward on-the job training companies
 - Create the link between training and on-the job training in artisan skills
- Mainstream cross-cutting issues
 - Sensitize staff on the Code of Ethics, the Public Officers' Ethics Act, and Anti-Corruption and Economic crimes Act and the Constitution;
 - Develop and implement Ministerial Corruption Prevention Policy
 - Develop and implement Ministerial drug and substance abuse policy
 - Develop and implement Ministerial gender policy

5.10. Strategic Issue: Non-conformity to standards, inadequate quality infrastructure and low capacity for intellectual property rights (IPR) non-protection of IPR.

Standards play a critical role in national, regional and international trade. Kenya will need to strengthen quality assurance institutions to ensure that imports, exports of goods sold in the domestic, regionally and internationally markets are of the highest quality standards. For Kenya's products to be competitive in the global market, the country must adhere to quality standards and IPR protection. The entry into the local market of sub standard, counterfeit and contraband products has impacted negatively on the performance of the industrial and enterprise sector. Furthermore, counterfeit trade has also discouraged innovation and reduced national revenue base. Moreover, low capacity for intellectual property rights is a disincentive to innovation in the sector. In order to enhance standards and quality infrastructure and promote protection of intellectual rights the following measures will be pursued during the plan period:

5.10.1. Strategic Objective: Enhanced standards and quality infrastructure; and IPR protection

Strategies

- Harmonization of EAC and COMESA common quality standards
 - Implement the SQMT Act
 - Participate in the development of the EAC Anti-Counterfeit Bill;
 - Fast track the enactment of Kenya's Trade Remedy Bill, 2012;
 - Review the National Quality Standards
- Strengthen the Intellectual Property Tribunal and Standards Tribunal to enhance their effectiveness;
 - Build Capacity of the Tribunals
- Strengthen the Anti-Counterfeit Agency
 - Build capacity
 - Create networks with other institutions involved in the fight against counterfeit goods;
 - Review the Anti-counterfeit Policy
- Strengthen institutional capacity for IPR and increase knowledge and awareness of IPR issues and its importance to industrial investors.
 - Finalize the National Intellectual Property Policy
- Enhance conformity assessment
Building accreditation capacity for the relevant institutions in the Ministry

5.11. Low productivity in the industrial sector

Industrial policy ingredients need to be collectively and effectively delivered at the enterprise level. Enterprise competitiveness programs will be carefully designed to cater for the various needs of the industrial enterprises, recognizing the different type of support needed for each size, activity, and readiness of an enterprise.

The Ministry will facilitate business development programs for competitiveness at three levels; namely, (i) the Local Competitiveness Program; (ii) the National Competitiveness Program; and (iii) the Global Competitiveness Program. Each successfully implemented program will entitle the benefiting enterprise to join the next, therefore, eventually succeeding in creating more jobs, exporting and competing in international markets.

The core programs will include comprehensive business development plans that address key areas of enterprise competitiveness such as management; production operations; quality management; financial management; information, communication and technology; and human resource development. All participating companies will undergo full assessment prior to implementation and agree on a memorandum of understanding on the company's development plan and commitments to the implementation.

Competitiveness programs will go hand in hand with sectoral development strategies that should cater for cross-cutting issues within each sector. Competitiveness programs, sectoral development strategies, and industrial parks should constitute a set of "efficiently" integrated tools that are directly targeted at leveraging the capabilities of Kenyan industrial enterprises.

At present, the domestic market is insufficient to achieve the foreseen growth rates in industrial production as it remains constrained by the low purchasing power dictated by low per capita incomes.

More than 50 percent of manufacturing exports go to regional markets, with 43 percent going to the EAC alone (mainly to Uganda and Tanzania). While this is partly explained by the competitiveness of Kenyan exporters in these markets, it could also reflect a failure to compete more broadly in global markets.

Relying on export markets opens new opportunities for sustaining an export-oriented manufacturing growth strategy. Not only will this help manufacturing enterprises enjoy economies of scale in production, but also induce them to invest in skills and quality upgrading. Export-orientation also allows domestic enterprises for joining global value chains where most of global trade activity takes place. The objective is not only to increase the level of manufactured exports, but also to reinvigorate the technological structure of manufactured exports to increase the base of medium and high technology manufactured exports.

5.11.1. Strategic Objective: To enhance productivity and competitiveness

Strategies

- (i) Facilitate the private sector to address underutilization of installed capacity;

- Develop Local Competitiveness Program;
- Develop National Competitiveness Program;
- Develop Global Competitiveness Program

(ii) Reducing the cost of doing business

- Use of modern technology
- Human resource development
- Reduction on duties on input for industry
- Review the tax regimes

5.12. Strategic Issue: Unfavorable business environment for private sector growth and competitiveness.

The Government recognizes the Private Sector as the engine for economic growth. Nevertheless, there is weak constructive dialogue between the public and private sectors. This has contributed to uncoordinated development initiatives, duplication of efforts and the development of policies that are not responsive to the needs of the private development. The Business environment in any economy is an important factor in determining the level of private sector investments that take place, expansion plans for businesses, employment levels, revenue collected and the general well being of the society. The cost of doing business in Kenya has continued to rise over the last few years, making it very difficult for private sector businesses to expand and grow. Private sector investment levels has been low partly due to low returns attributable to the high cost of doing business – both direct and indirect cost e.g. labour, capital, transportation, energy, crime, insecurity and burdensome engagement with regulators and government service provider.

5.12.1. Strategic objective: To enhance private sector growth and competitiveness.

Strategies

- create a conducive business environment
 - Develop the Private Sector Strategy 2013 -2017

CHAPTER 6: CO-ORDINATION AND IMPLEMENTATION OF THE PLAN

The Ministry is key in facilitating the realization a robust, diversified, and competitive industrial and enterprise sector through restructuring key local industries that use local raw materials but are currently uncompetitive, exploiting opportunities in value addition to local raw materials and adding value to intermediate imports. Further, the Ministry is playing a major role in streamlining informal finance and Savings and Credit Co-operative Organizations, as well as micro-finance institutions.

6.1. Institutional and Organizational Framework

The Ministry of Industrialization and Enterprise Development brought together functions of former two Ministries of Industrialization, Co-operative Development and Marketing, the Department of Micro and Small Enterprises (MSEs) from the Ministry of Labour. The Executive Order No.2 of 20th May 2013 brought under the Ministry 17 state corporations and three tribunals. Based on the mandate and the harmonized functions, the proposed structure of the Ministry comprises four technical directorates and the administration and support services Directorate.

The following are the proposed directorates and their respective divisions as well as the corresponding functions.

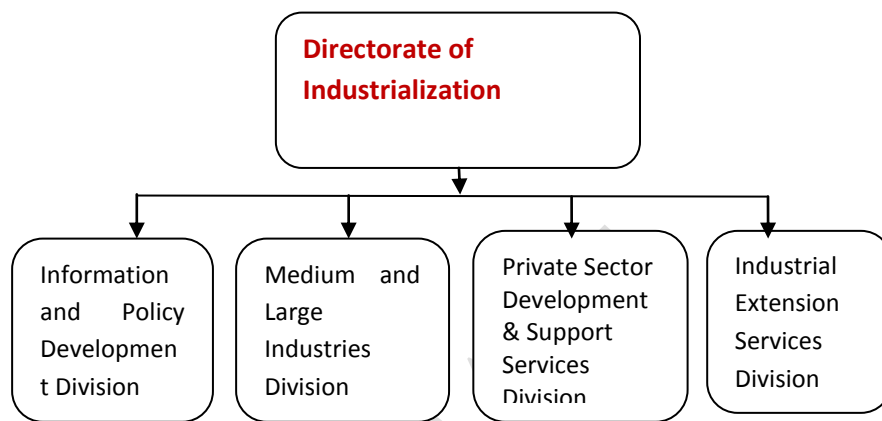
6.2. Directorate of Industrialization

The directorate will be responsible for the following functions:

- (i) Formulation, co-ordination, and implementation of the National Industrialization Policy
- (ii) Formulation, co-ordination, implementation of Industrial Property Rights Policy for protection and use of industrial property and combating counterfeits;
- (iii) Promotion, coordination and facilitation of the development and enforcement of quality standards and accreditation services;
- (iv) Facilitation of the development of technical, entrepreneurial and managerial skills for enterprise development;
- (v) Promotion, coordination and facilitation of Industrial Research and Development, Innovation, Technology Transfer and Cleaner Production;
- (vi) Formulation, co-ordination, and implementation of polices and strategies to enhance market access for locally manufactured goods
- (vii) Promotion and facilitation of subcontracting linkages and worksites
- (viii) Promotion and facilitation of Strategic industries

- (ix) Facilitation and promotion of value addition, private sector growth and competitiveness
- (x) Formulation, co-ordination, and implementation of the Special Economic Zones
- (xi) Promotion and facilitation of creation of enabling environment for domestic and foreign direct investment”.
- (xii) Facilitation of access to short, medium and long-term loan and equity financing, and management support and consultancy services.

Below is the organizational Structure of the Proposed Directorate of Industrialization



The following are the Divisions under the Directorate of Industrialization:

6.2.1 Information and Policy Development Division

The Division of Information and Policy Development will be headed by a Director, who will be answerable to the Director General. The division will be responsible for the following functions:

- (i) Coordination of formulation and review of National Industrialization and Enterprise Development policies
- (ii) Collection, processing, analyzing, storage, retrieval and dissemination of information
- (iii) Coordination of the formulation and review of legislation and regulations on industrialization and Enterprise Development
- (iv) Coordination and harmonization/rationalization of the incentives and proposals on taxes and tariffs

The following are the sections under this division and their respective functions

Statistics

- (i) Collection, processing, analyzing, storage, retrieval
- (ii) Building an industrial and enterprises database

Research and Policy Development

- (i) Coordination of formulation and review of National Industrialization and Enterprise Development policies
- (ii) Coordination of the formulation and review of legislation and regulations on industrialization and Enterprise Development
- (iii) Coordination and harmonization/rationalization of the incentives and proposals on taxes and tariffs

Resource Centre

- (i) Dissemination of industrial and enterprise information
- (ii) Sourcing of information materials
- (iii) Preparation of documentation and bulletins

6.2.2 Medium and Large Industries Division

The Division will be headed by a Director, who will be answerable to the Director General. The division will be responsible for the following functions:

- (i) Promotion and facilitation of industrial investment opportunities
- (ii) Coordination of the formulation, implementation and review of incentive schemes for medium and large industries
- (iii) Promotion and facilitation of sustainable industrial and enterprise development and competitiveness Facilitation of market access for locally manufactured products

The following are the sections under this division and their respective functions:-

Agro Based Enterprises Section

- (i) Formulation, coordination and Implementation of agro-based Medium and Large Industries (MLIs) policies strategies, and programmes;
- (ii) Coordination of the formulation, implementation and review of incentive schemes for agro-based MLIs
- (iii) Promotion and facilitation of industrial investment opportunities in agro-based MLIs
- (iv) Promotion and facilitation of sustainable industrial and enterprise development and competitiveness in agro-based MLIs
- (v) Facilitation of market access for locally manufactured products from agro-based MLIs
- (vi) Promotion and facilitation of subcontracting programmes for agro-based MLIs

Chemicals & Minerals Section

- (i) Formulation, coordination and Implementation of chemicals and Minerals-based Medium and Large Industries (ML Is) policies strategies, and programmes;
- (ii) Coordination of the formulation, implementation and review of incentive schemes for chemicals and Minerals –based MLIs
- (iii) Promotion and facilitation of industrial investment opportunities in chemicals and Minerals -based industries
- (iv) Promotion and facilitation of sustainable industrial and enterprise development and competitiveness in chemicals and Minerals –based MLIs
- (v) Facilitation of market access for locally manufactured products from chemicals and Minerals –based MLIs
- (vi) Promotion and facilitation of subcontracting programmes for chemicals and Minerals –based MLIs

Engineering & Construction Section

- (i) Formulation, coordination and Implementation of Engineering & Construction -based Medium and Large Industries (ML Is) policies strategies, and programmes;
- (ii) Coordination of the formulation, implementation and review of incentive schemes for Engineering & Construction –based MLIs
- (iii) Promotion and facilitation of industrial investment opportunities in Engineering & Construction -based MLIs
- (iv) Promotion and facilitation of sustainable industrial and enterprise development and competitiveness in Engineering & Construction –based MLIs
- (v) Facilitation of market access for locally manufactured products from Engineering & Construction –based MLIs
- (vi) Promotion and facilitation of subcontracting programmes for Engineering & Construction –based MLIs

6.2.3 Private Sector Development & Support Services Division

The Division will be headed by a Director, Job Group ‘T’ who will be answerable to the Director General. The division will be responsible for the following functions:

- (i) Identification of under-performing Enterprises and areas of facilitation and the revival of strategic enterprises
- (ii) Facilitation of Private Public Partnerships (PPPs)
- (iii) Coordination of the implementation of the Private Sector Development Strategy
- (iv) Facilitation and promotion of private sector growth and competitiveness

- (v) The following are the sections under this division and their respective functions:-

Industrial Support Services Section

- (i) Identification of under-performing Industries and areas of facilitation
- (ii) Facilitation of revival of strategic Industries

Public Partnerships Section

- (i) Facilitation of Private Public Partnerships (PPPs)
- (ii) Coordination of the implementation of the Private Sector Development Strategy
- (iii) Facilitation and promotion of private sector growth and competitiveness
- (iv) Facilitation of implementation of Special Economic Zones
- (v) Staff requirement for the department of medium and large industries (DLI)

6.2.4 Industrial Extension Services Division

The Division will be headed by a Director, Job Group 'T' who will be answerable to the Director General. The division will be responsible for the coordination of directorate's functions at the county level. The specific functions include:-

- (i) Implementation of ministerial industrial policies and strategies;
- (ii) provision of advisory services to potential and existing entrepreneurs;
- (iii) carrying out resource surveys and resource endowment mapping in the sub-county and identifying opportunities for industrial investment;
- (iv) compilation of county industrial development profiles;
- (v) collection, processing, analysis and dissemination of industrial statistics and information to facilitate investors in manufacturing sectors to develop and expand new business opportunities in the sub-county;
- (vi) planning, organizing, controlling and coordinating of industrial and investment activities within the counties; and
- (vii) implementing policies and strategies applicable to industrial promotion.

6.3. Directorate of Enterprise Development

The directorate will be responsible for the following functions:

- (i) Initiation, formulation, implementation, and monitoring of MSEs strategies, projects and plans
- (ii) Provision of Business Development Services (BDS) for MSEs

- (iii) Promotion of investment, development, growth, graduation and market access for MSEs
- (iv) Facilitate linkages with service providers such quality standards, technology, skills, funding, protection of intellectual property rights, environmentally friendly industrial programmes
- (v) Promotion of the adoption and commercialization of innovation and research findings
- (vi) Promotion and facilitation of the development enterprise incubation programmes
- (vii) Micro and small enterprises Development
- (viii) Small and Medium Enterprises Training
- (ix) Development of Micro and Small Businesses
- (x) Creation and Promotion of Market
- (xi) Facilitation of access to finance
- (xii) Initiation and promotion of enterprise programmes and projects

The following are the sections under this division and their respective functions

6.3.1. Micro and Small Enterprises Division

- (i) Formulation, coordination and Implementation of agro-based MSEs policies strategies, and programmes;
- (ii) Promotion of investment, development, growth, graduation and market access for agro-based MSEs
- (iii) Facilitate linkages with service providers such quality standards, technology, skills, funding, protection of intellectual property rights, environmentally friendly industrial programmes for agro-based MSEs
- (iv) Promotion of the adoption and commercialization of innovation and research findings for agro-based MSEs
- (v) Promotion and facilitation of incubation programmes for agro-based MSEs

6.3.2. Medium and Large Enterprises Division

The Division will be headed by a Director, who will be answerable to the Director General. The division will be responsible for the following functions:

- (i) Promotion and facilitation of investment opportunities
- (ii) Coordination of the formulation, implementation and review of incentive schemes for
- (iii) medium and large enterprises

- (iv) Promotion and facilitation of sustainable enterprise development and competitiveness Facilitation of market access for locally manufactured products

The following are the sections under this division and their respective functions:-

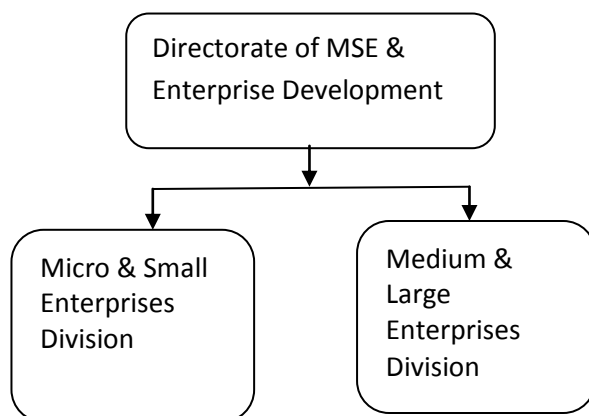
Agro Based Enterprises Section

- (i) The Division will be headed by a Director, who will be answerable to the Director General. The division will be responsible for the following functions:
- (ii) Formulation, coordination and Implementation of agro-based Medium and Large (MLEs) policies strategies, and programmes;
- (iii) Coordination of the formulation, implementation and review of incentive schemes for agro-based MLEs
- (iv) Promotion and facilitation of investment opportunities in MLEs agro-based enterprises
- (v) Promotion and facilitation of sustainable industrial and enterprise development and competitiveness in agro-based MLEs
- (vi) Facilitation of market access for locally manufactured products from agro-based MLEs
- (vii) Promotion and facilitation of subcontracting programmes for agro-based MLEs and MSEs

Chemical, Mineral & Metallurgy Enterprises Section

- (i) Formulation, coordination and Implementation of agro-based Medium and Large
- (ii) (MLEs) policies strategies, and programmes;
- (iii) Coordination of the formulation, implementation and review of incentive schemes for agro-based MLEs
- (iv) Promotion and facilitation of industrial investment opportunities in MLEs agrobased
- (v) industries
- (vi) Promotion and facilitation of sustainable industrial and enterprise development and competitiveness in agro-based MLEs
- (vii) Facilitation of market access for locally manufactured products from agro-based MLEs

Proposed MSME Directorate organizational Structure



6.4. The Directorate of Co-operative Development and Marketing

The directorate will be headed by a Commissioner General for Co-operative Development, who will be answerable to the Principal Secretary for the overall management of the Directorate. The restructured directorate will comprise of Six (6) technical divisions namely Co-operative Registration and Legal Services, Co-operative Extension and Support Services, Co-operative Savings and Finance, Co-operative Production, Marketing and Value addition Division, Co-operative Education and Training and Co-operative Audit Services.

The following are the overall functions:-

- (i) Formulation of co-operative development Policy
- (ii) Co-operative legislation and support services
- (iii) Mainstreaming of good corporate governance
- (iv) Registration of co-operative societies
- (v) Regulation and provision of Audit services
- (vi) Coordination of development programs in the co-operative sub-sector
- (vii) Promotion of co-operative ventures and value addition
- (viii) Co-operative marketing and research
- (ix) Regulating co-operative institutions
- (x) Co-operative education and training
- (xi) Co-operative production, marketing and industrial development.
- (xii) Co-operative savings, credit and other financial services
- (xiii) Promotion of financial investment and product developments
- (xiv) Promotion of co-operative insurance services
- (xv) Co-operatives consultancy services

- (xvi) Co-operative development fund; and
- (xvii) Inter-governmental co-operative collaboration and support services.
- (xviii) Co-operative financing Policy

6.4.1. Co-operative Registration and Legal Services Division

The Division will be headed by Commissioner for Co-operative Registration and Legal Services, who will be answerable to the Commissioner General for the overall management of the Division. The Functions of the division will be undertaken through two (2) Sections each headed by a Deputy Commissioner.

Cooperative Registration Services Section

- (i) Registration and de-registration of Co-operative Societies;
- (ii) Liquidation of Co-operative Societies;
- (iii) Interpretation of Co-operative societies Act (Cap 490) amended in 2004, Rules (2004) and Society By-Laws;
- (iv) Inquiries into affairs of Co-operative Societies;
- (v) Inspection of Co-operative Societies;
- (vi) Surcharge of Society Officials involved in mismanagement of society resources;
- (vii) Handling litigation matters for the Ministry;
- (viii) Providing legal guidance in all matters on Policy Formulation and Implementation;
- (ix) Monitor and Evaluate non-remittance of dues by employers;
- (x) Scrutiny of By-Laws before registration of Co-operative Societies to ensure they are not in conflict with the Act and Rules;
- (xi) Reviewing the Co-operative Act in line with emerging social, economic, technological and political trends

Legal Services Section

- (xii) Co-operative Policy formulation
- (xiii) Handling litigation matters for the Ministry.
- (xiv) Providing legal guidance on all matters on policy formulation and implementation.
- (xv) Suing on behalf of SACCO Societies for non-remittance of dues by employers.
- (xvi) Scrutiny of By-Laws before registration of Cooperative Societies to ensure they are not in conflict with the Act and the Rules.
- (xvii) Providing legal opinion to the Directorate in line with emerging social, economic, technological and political trends

6.4.2. Co-operative Savings and Finance Division

The Division will be headed by a Commissioner for Co-operative Finance, who will be answerable to the Commissioner General for Co-operative Development and Marketing for the overall administration of the Division. The Divisions will be divided into three (3) Sections and each will be headed by Deputy Commissioner. The Division of Cooperative Savings and Finance will provide an enabling environment through formulation and implementation of policies and guidelines that are aimed at sustaining, financially sound, efficiently managed Cooperative Societies. Specific functions will entail:

- (i) Formulation, coordination, and implementation of cooperative policies for SACCOs
- (ii) Formulation, coordination and implementation of cooperative financing policy
- (iii) Regularly issuing operational guidelines and regulations for SACCO Societies
- (iv) Maintaining and managing savings and credit data bank
- (v) Offering consultancy services on new savings, credit, Sacco products and services
- (vi) Conduct of continuous SACCO inspections.
- (vii) Undertaking continuous Cooperative Societies Insurance needs assessment
- (viii) Providing investment advisory services thus enabling SACCOs to offer their members' new products and services that are competitive.
- (ix) Promotion of Financial Product development.
- (x) Developing prudential guidelines on financial products diversification, credit and savings mobilization policies.

Each of the three (3) sections will be charged with the following functions:

▪ **Co-operative Credit Section**

- (xi) External Rural and Urban Finance Services
- (xii) Internal Finance Services

▪ **SACCO Development Section**

- (xiii) Salary based SACCO development
- (xiv) Community based SACCO development
- (xv) Informal Sector SACCO development
- (xvi) Diaspora SACCO Development

▪ **Inspection Section**

- (xvii) SACCO Inspectorate Services
- (xviii) SACCO Development Services

6.4.3. Co-operative Marketing and Value addition Division

The Division will be headed by a Commissioner for Co-operative Production, Marketing and Value addition, who will be answerable to the Commissioner General for Co-operative Development and Marketing for the overall administration of the Division. The Divisions will be divided into three (3) Sections and each will be headed by Deputy Commissioner. The functions of the Co-operative Marketing and Value addition Division include:

- (i) Carrying out continuous market research and dissemination of research findings to co-operatives.
- (ii) Promoting cooperative value addition processing.
- (iii) Coordinating marketing functions with marketing boards
- (iv) Coordinating marketing functions with apex organizations
- (v) Establishing marketing systems for Co-operative Societies dealing in commodities and services.
- (vi) Promoting cooperative ventures

Research & Information Section

This Section will be responsible for:

- (i) Conducting market research
- (ii) Providing market intelligence to co-operatives
- (iii) Offering market advisory services
- (iv) Design a systematic data collection process, analysis and storage
- (v) Collect data, store, analyse and disseminate information
- (vi) Coordinate and conduct evidence based market research
- (vii) Establish a Data Bank on the Co-operative Marketing information
- (viii) Strengthen the Marketing Intelligence Systems in the Co-operative Societies
- (ix) establish Linkages with Marketing Agencies such as Kenya Agricultural Commodity Exchange (KACE)
- (x) Conduct Impact Assessment and Evaluation on Marketing Programs and Policies
- (xi) Information dissemination of commodity prices
- (xii) Coordinating of information available for commodity markets available locally, regionally and globally.

Co-operative Marketing, Ventures and Value Addition Section

This Section will be responsible for innovation, modernization and improvement of procedures and services for:

- (i) Co-operative Products and activity diversification

- (ii) Promoting the development of Marketing Systems for Co-operatives.
- (iii) Value Addition for agricultural commodities.
- (iv) Participation in trade fairs
- (v) Develop a Standardized Business Models for Co-operatives
- (vi) Develop Cost Effective and Efficient ways of implementing Value Chain concepts in Commodity Marketing Co-operatives
- (vii) Develop Commodity Based Marketing Models for Value Addition in Co-operative Societies.
- (viii) Promotion of Cooperative Investments

6.4.4. Co-operative Extension and Support Services Division

The Division will be headed by a Commissioner for Co-operative Extension, who will be answerable to the Commissioner General for Co-operative Development and Marketing for the overall administration of the Division. The Divisions will be divided into three (3) Sections and each will be headed by Deputy Commissioner.

Extension Services Section

- (i) Offering advisory services to the Cooperative Movement on development of accounting procedures, Entrepreneurship, ICT and Management practices.
- (ii) Identifying opportunities for Cooperatives to participate in the industrialization process, acquisition of required capital and value addition.
- (iii) Facilitating dialogue between stakeholders on how to create a sustainable cooperative structure.
- (iv) Ensuring compliance with provisions of the Cooperative Societies Act, SACCO Act, Rules, By-Laws and relevant legislations.
- (v) Offering Cooperative Support Services to the Counties

Co-operative Policy, Projects and Information Section

Co-operative Policy, Projects and Information will involve;

- (i) Promotion of Cooperative Development Projects
- (ii) Policy formulation, analysis and review
- (iii) Project identification and preparation
- (iv) Conducting feasibility studies, appraisal of projects and programmes
- (v) Undertake Monitoring and Evaluation of projects
- (vi) Coordination of Vision 2030 Co-operative flagships projects
- (vii) Co-operative Statistics
- (viii) Annual Reports and Publications

Youth Co-operatives and Enterprise Development

- (i) Youth Empowerment through Co-operative Enterprise

- (ii) Coordination of youth co-operative enterprises
- (iii) Facilitate identification of business opportunities
- (iv) Build management and leadership capacity for youth co-operative enterprises

6.4.5. Co-operative Audit Division

The division will be headed by Director of Co-operative Audit, who will be answerable to the Principal Secretary for overall management and administration of the Division. The Division will be divided into three (3) Sections, each to be headed by a Deputy Director of Cooperative Audit. The overall functions of the Department will include:

- (i) Provision of Co-operative Audit Policy and Operational guidelines.
- (ii) Annual certification audit for co-operative societies.
- (iii) Provision of continuous and compliance audit.
- (iv) Registration of audited societies accounts.
- (v) Development of co-operative audit and accounting manuals.
- (vi) Dealing with Co-operative Societies taxation matters.
- (vii) Raising, collecting and accounting for A.I.A.

Each of the Sections will be charged with the following functions:

Registration of Audit Section

- (i) Ensuring correctness of disclosures in accounts.
- (ii) Adherence to statutory requirements and international accounting and reporting standards.
- (iii) Acceleration of interpretation of accounts.
- (iv) Timely advice on financial matters.
- (v) Collection and accounting of A-in-A

Certification of Audit Section

- (i) Legitimization of business transactions
- (ii) To report to members on their findings and opinion on the financial statements.
- (iii) Registration of Approved private Audit firms to audit Co-operative societies.
- (iv) Provision of continuous and compliance audit.
- (v) Liquidations

Audit Standardization Section

This section is responsible for:

- (i) Development and review of Co-operative Audit policy
- (ii) Standardization of systems and reporting procedures.
- (iii) Assisting in certification of Audits.
- (iv) Development of accounting and auditing manuals.
- (v) Handling taxation matters on behalf of the Cooperative Movement.
- (vi) Regular updates of development in the audit profession.
- (vii) Development and review of Co-operatives Accounts formats.

6.4.6. Co-operative Policy, Education and Training Division

The Division will be headed by a Commissioner for Co-operative, Education and Training, who will be answerable to the Commissioner – General for Co-operatives Development and Marketing for the overall management of the Division. The Division will be divided into four (4) Sections and each will be headed by a Deputy Commissioner for Cooperative Education and Training. Cooperative Education and Training will involve overall sensitization of the Co-operative Movement on importance of co-operatives to economic development, leadership and management.

- (i) Co-operative Curriculum Development
- (ii) Co-operative Development Policy, Statistics and Information
- (iii) Co-operative Consultancy and External Collaboration, and
- (iv) Co-operative Standardization, Quality Assurance, Attestation and Certification

The Division will also be responsible for the following functions:

- (i) Empowering members to understand and apply the Co-operative Societies Act and Co-operative Development Policies.
- (ii) Development and administration of training programmes aimed at integrating good corporate governance.
- (iii) Co-operative Development Policy, statistics and information
- (iv) Disseminating relevant information on the development of Co-operatives.
- (v) Co-operative Movement staff development.
- (vi) Training manuals" development.
- (vii) Setting Co-operative education and training standards.
- (viii) Strengthening co-operative international collaboration in support of the country's economic diplomacy

Co-operative Curriculum Development Section

1. Co-operative Curriculum Development will involve overall curriculum development, cooperative movement training, collaboration with training institutions and The Kenya Institute of Curriculum Development (KICD) on co-operative education and training. It will prepare training programmes and sensitize the Co-operative Movement. The four units will be
 - (i) Curriculum Development for Co-operative Movement Training
 - (ii) Co-operative Movement Training
 - (iii) Co-operative Movement Human Resource Development
 - (iv) Development of training and Management Manuals

Co-operative Consultancy and External Collaboration Section

Co-operative Consultancy and External Collaboration will involve overall supervision and implementation of the Co-operative Development Fund, support to the Government's economic diplomacy and knowledge dissemination. The functions of this section are:

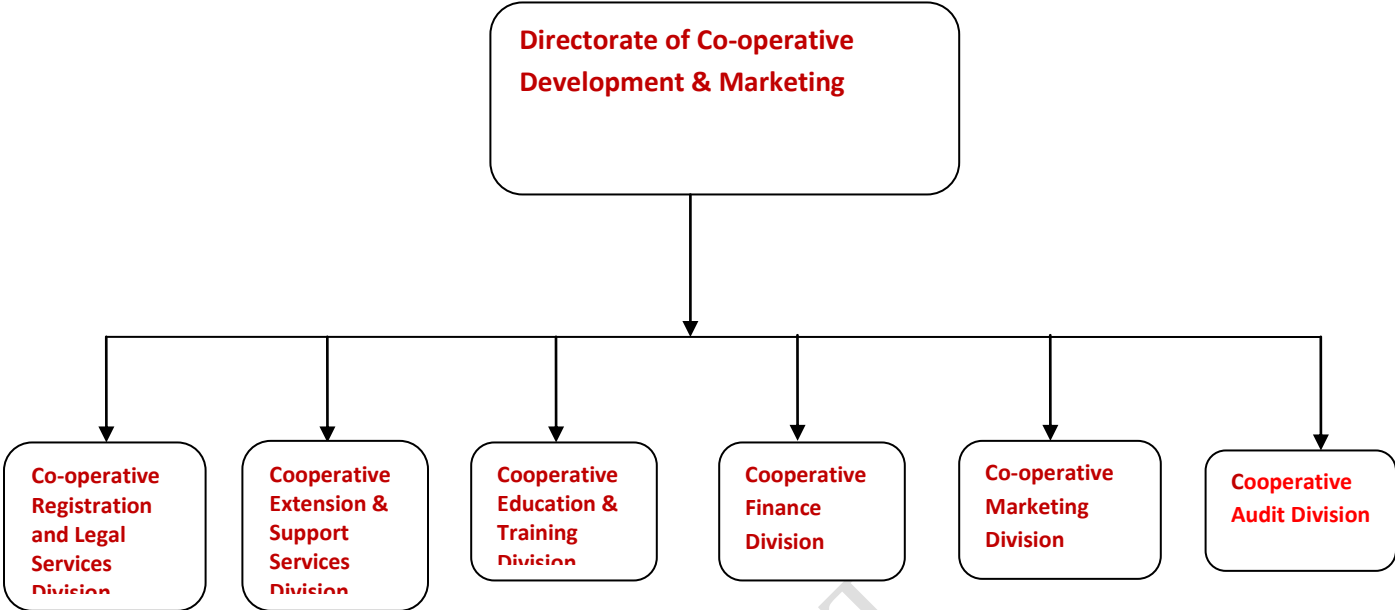
- (i) Co-operative Consultancy and Research
- (ii) External collaboration and support to other countries
- (iii) Wellness and Gender mainstreaming
- (iv) Support to training in Kenya Slum Upgrading Programme.

Co-operative Training Standardization, Quality Assurance, Attestation and Certification Section

Co-operative Training Standardization, Quality Assurance, Attestation and Certification will involve overall training standards, quality, education and training service providers' registration and certification. It will keep a register of all co-operative education and training service providers and data. The three units will be

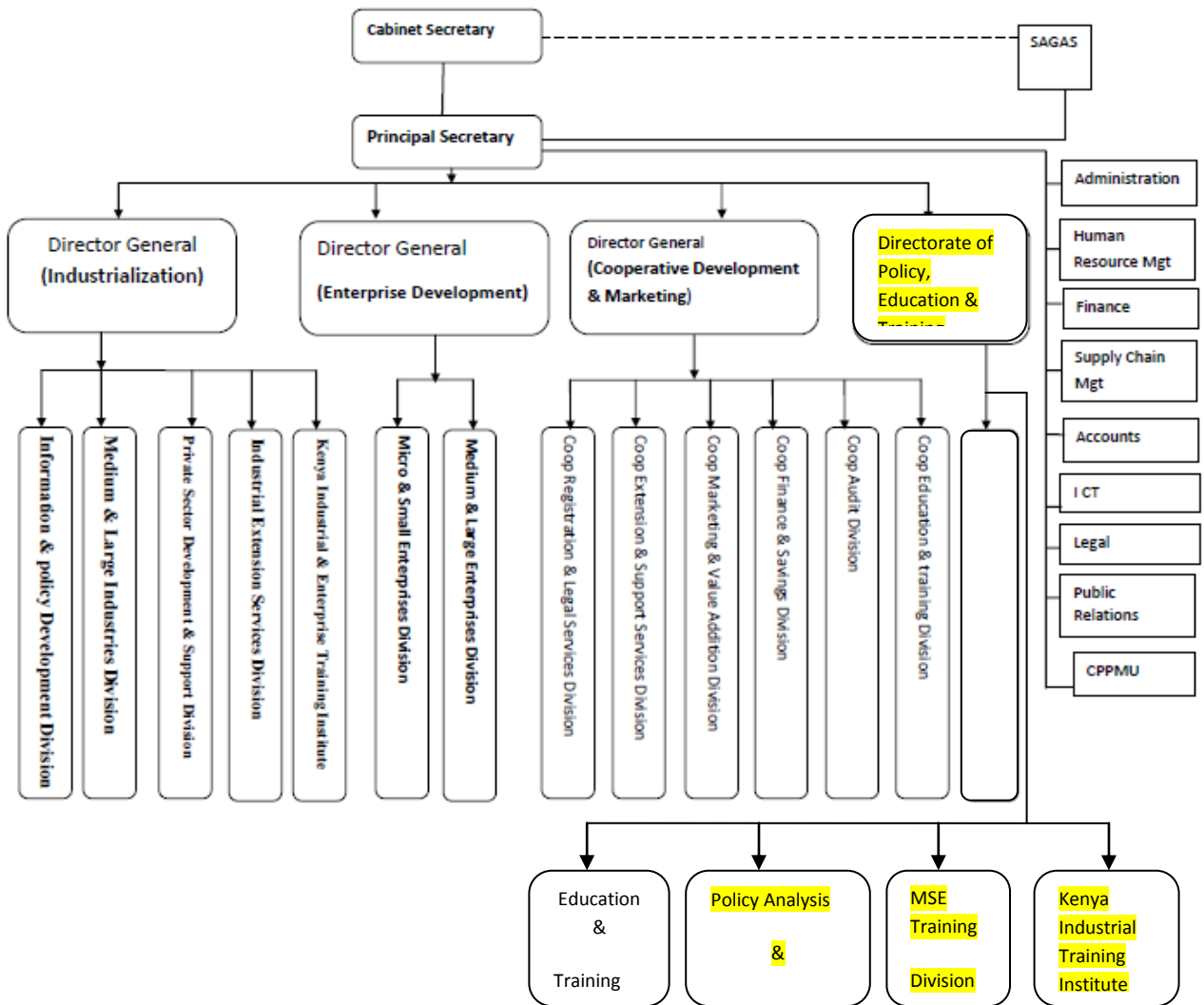
- (i) Co-operative Quality Assurance
- (ii) Co-operative Education Standardization
- (iii) Co-operative Certification and accreditation

Proposed Cooperative Development Directorate Organizational Structure



Proposed organization chart for Ministry of Industrialization and Enterprise Development

Organizational Chart for the Ministry of Industrialization and Enterprise Development



6.5. Role of Key SAGAs

The Ministry of Industrialization and Enterprise Development has several State Corporations including semi-autonomous Government Agencies (SAGAs) and institutions, which are key in the implementation of its mandates and functions. Some of the SAGAs are regulatory (ACA, KEBS, KIPI, KENAS, SASRA, ECCOS and MSEA) some others are for dispute settlements arising from the operations of the regulatory SAGAs (Industrial Property Tribunal, Standards Tribunal and the Cooperatives Tribunal) and others facilitate development of commercial and Industrial undertakings (KIRDI, KIE, NMC, EAPCC, IDB Capital KLDC, KWAL, ICDC, New KCC). Collectively the Ministry and its parastatals aim to facilitate and promote the realization of diversified globally competitive and sustainable industrial, enterprise and cooperative sectors.

6.5.1. Kenya Industrial Property Institute (KIPI)

KIPI was established by the Industrial Property Act 2001 as a body corporate under the Ministry to modernize the protection of industrial property in Kenya and to improve the administration and management of the Office.

6.5.1. Kenya Bureau of Standards (KEBS)

The Kenya Bureau of Standards (KEBS) is the National Standards body in Kenya, established through “*The Standards Act*” Cap. 496 of the Laws of Kenya and started its operations on 12th July 1974. Its mandate is to:

- (i) promote the competitiveness of Kenyan goods and services;
- (ii) improve the quality of life through the application of Standardization, metrology and Conformity Assessment
- (iii) support governmental policies such as:
 - Reduction of trade barriers & Promotion of fair trade practices;
 - Competitiveness and Consumer protection;
 - Health, Safety and Environmental protection;
 - Public procurement and investment.

6.5.2. Kenya Industrial Research and Development Institute (KIRDI)

In 1979, an Act of parliament establishing the National Council of Science and Technology (NCST) was amended to establish KIRDI and five other research institutes. KIRDI is mandated to undertake research and development in all industrial and allied technologies, including mechanical, civil and chemical engineering; food, textile, leather, ceramics & clay technologies; industrial chemistry, power resources, environment, among others

6.5.3. Kenya Industrial Estates (KIE)

KIE was established in 1967, with the mandate to support indigenous enterprise development throughout the country by way of providing industrial workspace (parks/sheds/incubators/ open spaces), credit finance-loans, Business Development Services (BDS), facilitating Sub-contracting and Exchange/Linkages and agency banking.

6.5.4. Numerical Machining Complex (NMC)

The Numerical Machining Complex (NMC) was established with the mandate of Production of steel; Engineering design; and Development of Machinery and components.

6.5.5. East African Portland Cement Company (EAPCC)

6.5.6. Anti-Counterfeit Agency (ACA)

ACA was established as a state corporation in Kenya's Ministry of Industrialization under the Anti- Counterfeit Act, 2008 and it became operational in June, 2010. The role of ACA is to combat counterfeiting and prohibit trade in counterfeit goods through training, research, consumer awareness and coordination with national, regional and International organizations in the effective enforcement of intellectual property rights. The Agency role includes:

- (i) Educating and informing the public on matters relating to counterfeiting by devising and promoting training programmes on issues of counterfeiting;
- (ii) Enforcing the Anti-Counterfeit Act by combating trade and other dealings in counterfeit goods in Kenya; and
- (iii) Eliminating counterfeiting by enforcing the Anti-Counterfeit Act, coordinating with national, regional and international organizations involved in combating counterfeiting, and carrying out any other function as stipulated by the Act.

6.5.7. Kenya National Accreditation Services (KENAS).

The role of KENAS is to:

- (i) Develop, regulate & review criteria or requirements for accreditation of Conformity Assessment Bodies (CAB's)
- (ii) Accredite CAB's
- (iii) Open, maintain & update register of accredited CAB's

- (iv) Design & issue identification numbers & certificates to all accredited CAB's
- (v) Gazettement of all accredited CAB's within a particular year, annually
- (vi) Promote use of accreditation marks & certificates issued to accredited CAB's
- (vii) Promote competence & equivalence of results of accredited CAB's
- (viii) Establish & nurture relations & cooperation with regional & international levels in furtherance of its objectives &
- (ix) Promote accreditation as a means of facilitating trade & enhancing economic performance & transformation (industrialization)
- (x) Participate in the formulation of regional & international guidelines, standards to facilitate the accreditation process
- (xi) Raise awareness on the importance and purpose of Accreditation
- (xii) Promote KENAS as the sole National Accreditation Body (NAB) in the scope of accreditation

6.5.8. Savings and Credit Societies Regulatory Authority (SASRA Act, 2008);

SASRA regulates and enforces SACCO Societies Act, licenses deposit taking SACCOs.

6.5.9. Ethics Commission for Cooperative Societies (ECCOS)

To promote and enforce Ethical conduct and anti-corruption reforms within the cooperative movement, through responsive education, advise, investigations and financial disclosure processes

6.5.10. New Kenya Co-operatives Creameries Ltd. (Cap. 446)

The New Kenya Co-operative Creameries (New KCC) Ltd was incorporated as a limited company with 100 percent Government share holding on 19th November 2004, thus effectively converting its status to a State Corporation.

6.5.11. Micro and Small Enterprises Authority (MSEA)

The role of the Authority is the promotion, development, and regulation of micro and small enterprises.

6.5.12. Kenya Leather Development Council (KLDC)

6.5.13. Kenya Wine Agencies Limited, (KWAL Act)

KWAL was incorporated in May 1969 with the objective of consolidating importation and distribution of Wines and Spirits from foreign owned companies and enable indigenous Kenyans take control the importation and distribution of Wines and Spirits in the country from hitherto foreign owned companies.

6.5.14. Industrial, Commercial and Development Corporation (ICDC).

Facilitating industrial and economical development of Kenya by the initiation, assistance or expansion or by aiding in the initiation or assistance or expansion of industrial, commercial or other undertakings or enterprises in Kenya or elsewhere as detailed in the ICDC Act, (CAP 445) Laws of Kenya

6.6. Tribunals:

6.6.1. Industrial Property Tribunal (IPT)

The Tribunal was established in 1989 under the Industrial Property Act (Cap 509) of the Laws of Kenya which was later repealed by the Industrial Property Act, 2001. The Tribunal is a court dealing with disputes and other applications in specialized areas of intellectual property amongst them (i) Patents; (ii) industrial Designs; (iii) Utility Models; and (iv) Technovations

6.6.2. Standards Tribunal

The Standards Tribunal was established under section 16A of the Standards Act Cap 496 Laws of Kenya with the mandate of:

- (i) Promote KENAS as the sole National Accreditation Body (NAB) in the scope of accreditation
- (ii) hearing appeals from any person aggrieved by a decision of the Kenya Bureau of Standards or the National standards Council;
- (iii) give general directions on reference to the Director of KEBS on matters involving a point of law or an unusual importance or complexity

6.6.3. Co-operative Tribunal

The Tribunal is charged with the responsibility of settling disputes arising from Co-operative Societies

6.7. Interface and collaboration framework

This Collaborative Framework has been developed to bring together industrialization, Cooperatives and Enterprises development activities and provide a framework to support the overarching objectives of enhancing Productivity and competitiveness; market development; high value addition and diversification; regional dispersion; technology and innovation; fair trade practices; growth and graduation of MSMEs; employment creation; environmental sustainability; compliance with the Kenya's Constitution; and education and human resource development. The framework outlines the shared commitment and principles that will support a common goal of collaborating to facilitate and promote industrialization, cooperatives and enterprise development. The framework also sets out some specific outcome measures for the collaborative partnership.

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CHAPTER 7: REFORMS, RESOURCE REQUIREMENTS AND MOBILIZATION

7.1. RESOURCE REQUIREMENT

The Ministry of Industrialization and Enterprise Development has the Mandate to provide a policy framework and a conducive environment for Co-operatives and Industrialization in Kenya. In order to discharge this Mandate an overall capacity building programme for the Ministry is critical. The Ministry through its constituent Directorates has been undertaking progressive capacity building initiatives to enable it deliver on its mandate. The Ministry will therefore undertake a capacity assessment to identify capacity gaps. The capacity building will not only be directed towards improving staff performance, but also towards ensuring the availability of adequate resources and the infrastructure and equipment that will enable the ministry realize its strategic objectives and efficient service delivery.

In addition, Capacity Development Strategies will be important in ensuring a comprehensive improvement of the overall ministerial performance. The Ministry will therefore prepare a *Capacity Building Strategy* which will not only highlight the centrality of Human Resource Development through training, but also the necessity for the provision of physical facilities. The Ministry's capacity building strategy will be geared towards addressing the existing shortage of staff, carrying out focused training to providing appropriate facilities and equipments for effective handling of the Ministry's Mandate. It will also look into the legal and regulatory framework necessary for the Ministry to achieve its Mandate.

7.2. Human Resource Management and Development

The Ministry of Industrialization and Enterprise Development is currently divided into two Directorates: Co-operatives and that of Industrialization. In the two directorates we have Technical and Support Services. The Technical Services consists of Industry, Kenya Industrial Training Institute, Co-operatives and SAGA's. Based on a recent workload analysis, the staff requirements for various departments were:

Table 7.1. Analysis of authorized and in-post

CATEGORY	AUTHORIZED No.	IN-POST No.	VARIANCE No.
Technical Officers	1887	901	986
Support Services	2128	459	1669
KITI	188	94	94
TOTAL	4115	1454	2671

Out of the Authorized establishment of 4115 for technical and support services the Ministry has an in-post of 1454 officers, which translates to 35.3% of staff requirement. This numbers have persistently been low over the years due to non-facilitation of the Ministry by Treasury to recruit, officers exiting from the civil service to the private while some have exited through natural attrition. Of greater concern, is the Technical Staff who are the drivers of the Ministry's Mandate: out of the Authorized Establishment of 1887 the Ministry has an in-post of 901 which translates to 47.7% the bulk of which are in Co-operatives (45.1%) while Industrialization has 2.6%. From the above scenario a workload analysis will be undertaken to determine the optimal staffing levels for the Ministry. The workload analysis will enable the Ministry identify the gaps, duplications and overlaps which will be then forwarded to Treasury for resource allocation to enable the Ministry recruit and or deploy.

Table 7.2. Additional staff and financial requirement

	2013/14	2014/15	2015/16	2016/17
Staff (No)	250	400	280	290
Amount (Kshs in M.)	342	550	410	430

The Ministry of Industrialization and Enterprise Development is also in charge of several Parastatals and SAGA's which are expected to prepare their own strategic plans in line with this general framework since they draw their Mandate from the Ministry.

7.2.1. Training and Development

The Ministry recognizes that the new Strategic direction by the Government will demand new and enhanced skills, attitudes and competencies at various levels within the Ministry. Over the years, there has been a lot of effort done on skills development for various functions of the Ministry, but more is required particularly in

research, ICT and professional/technical competency development. The training has however, been done within the framework laid down by government training procedures and resources which are not adequate to conduct all the programmed courses.

Training has been need based; people go for training due to career progression and personal gains rather than acquiring the necessary skills required for their day-to-day operations. It has also been noted that skills acquired have not been put into practice because the officers are not given the necessary support or have been deployed where they can least apply those skills acquired. The Training and MHRMAC Committee's also lack capacity to handle training and MHRMAC matters. The training unit will organize a training to mentor the committee members in handling both MHRMAC and MTC matters.

In order to addressing the above the Ministry will conduct a Training Needs Assessment (TNA) with a view to establish and develop a comprehensive Training and Development Programme for the staff of the Ministry, ensure training is skill driven and that the resources are directed to effective and priority training. This will be conducted using Government Training Policy which gives guidelines for carrying out a TNA. After attending the training and acquiring the necessary critical skills, attitude and values, a Training Evaluation will be conducted to determine the effectiveness of the training in performance improvement. After the evaluation, regular training audit must be conducted in the Ministry. This will be used to feed back into the training process thus necessitating another TNA to be conducted.

The specific training and development activities will include:

- (i) Exchange programmes; inter-professional, inter-departmental, inter-institutional etc.
- (ii) Induction and sensitization
- (iii) Competency development
- (iv) Team building
- (v) Career advancement/Performance enhancement
- (vi) Attachment, Internships and voluntary services
- (vii) Mentorship, coaching and apprenticeship activities
- (viii) Professional membership training
- (ix) Monitoring and Evaluation
- (x) Technical Skills /Development transfer
- (xi) Succession Management
- (xii) Building capacity for Exit and post-work programmes

Table 7.3. Projection of training financial requirements in Kshs

PROGRAM	2013/14	2014/15	2015/16	2016/17	2017/18
Team Building	3,000,000	3,000,000	4,000,000	4,000,000	5,000,000
Competency Development	2,000,000	3,000,000	5,000,000	7,000,000	8,000,000
Induction and sensitization	2,000,000	3,000,000	5,000,000	5,000,000	6,000,000
Career/Performance enhancement	4,000,000	5,000,000	7,500,000	10,000,000	12,000,000
Mentorship, coaching and apprenticeship	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Professional Membership Training	500,000	500,000	750,000	1,000,000	1,200,000
Technical Skills transfer/Development	5,000,000	7,000,000	10,000,000	12,000,000	12,000,000
Public Private Partnership/Negotiation skills	1,000,000	1,500,000	3,000,000	3,500,000	3,500,000
Exit Management and Post-Work Programmes	300,000	500,000	750,000	1,000,000	1,200,000
Monitoring and Evaluation	1,200,000	1,500,000	1,750,000	2,000,000	1,200,000
TOTALS	20,700,000	27,000,000	40,750,000	59,250,000	62,900,00

Note: The above courses will be conducted across all cadres throughout the five year period.

7.3. Overview of Budget Allocation/Actual Expenditure

The Ministry of Industrialization and Enterprise Development will rely more on Government funding through the MTEF budgeting process to implement its programmes, projects and activities. However, the allocated resources are inadequate to achieve the various agreed strategic objectives in the planned period. A review of 2012/13 financial year expenditures indicates that the ministry utilized its allocated resources as follows:

VOTE	Allocation	Expenditure	%Expenditure
Recurrent			
Development			
Total			

7.4. Projected Financial Resource Requirement for Strategic Plan Implementation

The strategic objectives of this Strategic plan fall under the following six programmes: Industrial Planning and Administration, Promotion of Industrial Development and Investment, Standards and Business Incubation, policy planning and administration for cooperatives, Cooperative Development & Management and Co-operative Marketing. The resource requirements will be based on the sub-programmes of each programme. The sub-programmes of each programme are as follows:

7.4.1. Industrial Planning and Administration

- (i) Coordination of policies: Industrial Development policy; Private Sector Development policy; and Buy Kenya policy

7.4.2. Promotion of Industrial Development and Investment

- (i) Industrial development and investment
- (ii) Industrial training
- (iii) Promotion of investment opportunities
- (iv) Promotion of leather products
- (v) Promotion of exports under AGOA Scheme.
- (vi) Promotion of industrial zones
- (vii) Promotion micro and small industries
- (viii) Promotion of private sector development

7.4.3. Standards and Business Incubation

- (i) Development of Standards Infrastructure
- (ii) Enhancing the capacity of the Anti-Counterfeit Agency
- (iii) Development of Industrial Incubation sheds, provision of Business Development Services, and development of micro and small businesses

7.4.4. Policy planning and administration for cooperatives

- (i) Administrative Support Services
- (ii) Planning and Feasibility studies
- (iii) Finance and Procurement

7.4.5. Cooperative Development & Management

- (i) Co-operative Governance and Accountability
- (ii) Cooperative Advisory and Extension services
- (iii) Cooperative Education and Training

7.4.6. Co-operative Marketing

- (i) Value addition and Market Access
- (ii) Co-operative Ventures

7.5. Approach to Resource Mobilization

In the plan period the following strategies will be used to enhance the mobilization of funds for implementation of the Ministry's programmes, projects and activities.

7.5.1. Government Funding

The Ministry of Industrialization and Enterprise Development will rely more on resources from the Government of Kenya budgetary provisions through the MTEF process to finance the programmes, projects and activities contained in this plan.

7.5.2. Donor and Development Partners

The Ministry intends to mobilize additional financial resources from Development Partners through developing programmes that are geared towards the achievement of Vision 2030 goals. Such grants will supplement government resources in ensuring realization of the goals and objectives of this strategic plan. In order to achieve value for money, it is prudent that technical officers be provided with the necessary negotiation skills.

7.5.3. Public Private Sector Partnership

Public Private Partnerships (PPPs) are effective mechanisms for funding development projects. During the plan period, the ministry will be implement key priority programmes and projects including the flagship projects which require massive financial resources. These projects may not be adequately funded under the MTEF budgetary process. The Government has adopted the PPPs strategy and enacted the PPP legislation which is expected to strengthen the legal framework for public and private sector partnerships in investment and funding of the programmes.

The ministry will collaborate closely with private sector and other public institutions in the development of the industry and enterprise subsectors. Through PPPs, the key priority flagship projects such as development of SEZs, Industrial and Science Parks; Industrial Clustering and development of Incubations facilities can be undertaken. These can be done through: Build-Operate-Transfer or Build-Own-Transfer (BOT); corporatization; Lease and/or management Contracts; and Concessions.

CHAPTER EIGHT: MONITORING, EVALUATION AND REPORTING

8.1. Monitoring, evaluation and reporting framework

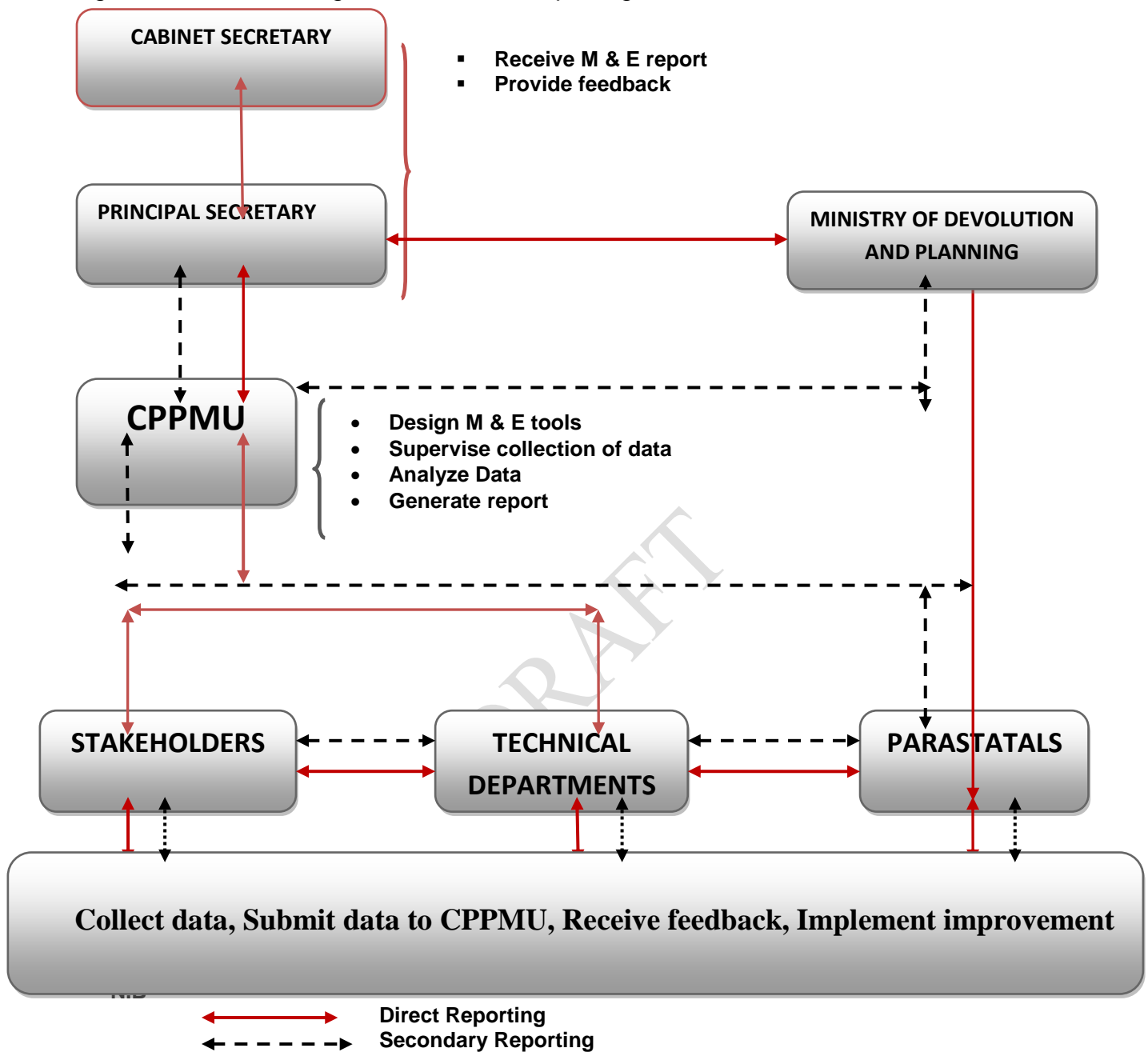
Monitoring, evaluation and reporting will form a critical feature of the implementation of this strategic plan. The plan will be implemented by the Ministry's departments and its State Corporations. This will entail routine data regular collection and analysis on the progress made in the implementation of this plan. The output of the process will be used to inform decision-making, including taking corrective action from the lessons learnt.

The Cabinet Secretary and Principal Secretary are responsible for overall policy decisions and actions, including those that require collaboration with other Ministries, agencies and the private sector. The Principal Secretary will also be responsible for overall resource mobilization for the Industrialization and Enterprise Development programmes and projects as outlined in this Strategic Plan. Administrative matters will be addressed by the Principal Secretary and the Heads of Administration while technical issues will be addressed by the respective heads of the Industrial and Co-operative Directorates and the State Corporations. Matters pertaining to Human Resources will be handled by the Head of Human Resource Management while the Financial Management aspects of the Strategic Plan will be the responsibility of the Finance Officer and the Head of Accounts. The Head of the Central Planning and Project Monitoring Unit (CPPMU) will be responsible for overall Monitoring, Evaluation and Reporting.

Table 8.1. Monitoring, evaluation and reporting responsibilities

No	TASKS	RESPONSIBILITIES
1.	Policy, resource mobilization, and collaboration with other stakeholders, receiving M & E reports, providing feedback and taking action	Cabinet Secretary and Principal Secretary
2.	Design M & E tools and coordinate and Supervise data collection, analyze data, Generate M & E reports	CPPMU
3.	Implement Strategic Plan, collect data, receive feedback, and Implement decisions and prepare reports.	HoDs

Figure 8.1 Monitoring, evaluation and reporting framework



The specific training and development activities will include:

The Central Planning and Project monitoring Unit (CPPMU) is expected to coordinate the monitoring and evaluation of the implementation of all projects under the Ministry and relay the information in line with the National Integrated Monitoring and Evaluation System (NIMES) requirements. The indicators will be

based on the key performance indicators developed from the objectives of the Ministry. For this noble role to be achieved, the Ministry will develop and maintain a baseline data of key indicators under its programmes, projects and activities. The Strategic Plan activities will be monitored and evaluated during the plan period through the annual work plans to gauge the extent of achievement of the intended results. The evaluation will be useful and will be used to inform a mid-term review of the plan. An implementation framework will be developed to assist in the tracking progress of the implementation.

8.2. Monitoring and Evaluation (M & E) Tools

The following tools will be used in the monitoring and evaluation process;

- (i) Interviews schedules,
- (ii) Questionnaires,
- (iii) Observations,
- (iv) Minutes of meetings,
- (v) Seminar reports,
- (vi) Desk review reports and records,
- (vii) Documentary evidence,
- (viii) Action Plans.

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Table 8.2: Monitoring and Evaluation (M & E) Indicators

STRATEGIC OBJECTIVE 1: To undertake Policy, legal and institutional reforms for industrialization, co-operatives and enterprise Development		
STRATEGY	OUTCOME	OUTCOME INDICATOR
Realign with the existing policies and laws with the constitution and harmonize them; <ul style="list-style-type: none"> ○ Develop and review various policies and relevant Acts ○ Fast track the enactment of the National Industrial Incubation; and National Industrial Sub-contracting Policies; ○ Establish policies, programmes and regulatory framework to support and promote energy efficiency in industry 	Legal framework enabling a good working environment for industrial and enterprise development and a thriving co-operative movement.	Percentage increase in level of industrial and enterprise development.
Restructure and strengthen industrial, co-operative and enterprise institutions; <ul style="list-style-type: none"> ○ Review and harmonize mandates of various institutions under the Ministry 	Clear institutional mandates	Increased efficiency in service delivery.
Strengthen the institutional linkages between Government agencies and other stakeholders at national level and county governments; <ul style="list-style-type: none"> ○ Establish structural linkages between national and county Governments 	Established linkages	Expanded linkages.
STRATEGIC OBJECTIVE 2: To Attract Domestic and Foreign Direct Investment for industrialization		
STRATEGY	OUTCOME	OUTCOME INDICATOR
Improve the operating business environment for private sector led industrialization and enterprise development; <ul style="list-style-type: none"> ○ Review the mandate and restructure Kenya Investment Authority; ○ Review the existing investment incentive package to attract domestic and Foreign Direct Investments; ○ Develop an FDI policy to maximize on the economic linkages ○ Establish and maintain legal systems that promote Foreign Direct Investment; ○ Enhance bilateral, regional and multi-lateral trade arrangements by developing negotiation capacity; ○ Liaison with relevant agencies to provide market information; 	Industrial growth Investment packages developed	Increased percentage of direct and foreign direct investments
Enhance investment promotion through Public-Private Partnerships <ul style="list-style-type: none"> ○ Hold investment promotion forums ○ Prepare sector investment profiles 	Increased investments. Well established PPPs	Percentage increase in number of PPPs investments
Promotion of Special Economic Zones, Free Trade Zones, Industrial Clusters, SME Parks, Industrial and Technology Parks and Incubation Centres. <ul style="list-style-type: none"> ○ Identify and facilitate the development infrastructural facilities 	Increased Developed infrastructural facilities and incentive packages	Number of enterprises in the designated areas increased. establishments and incentive packages developed

<ul style="list-style-type: none"> ○ Provide incentives to attract investors to SEZ, FTZ, Industrial and Technology Parks, Incubation Centres 		
Carry out a feasibility study for the establishment of national sovereign wealth funds for industrialization	Feasibility Report	Establishment of the fund.
Environmental protection for Industrialization <ul style="list-style-type: none"> ○ Review and appraisal of Environmental impact Assessment reports related to industries ○ Liaison with NEMA and other stakeholders to prepare the Annual State of Environment (SOE) report 	Clean environment	Reduced environmental degradation.
Resource endowment mapping <ul style="list-style-type: none"> ○ Carry out resource surveys to document the quantities and quality of available resources countrywide ○ Identify potential investment opportunities ○ Map the resource endowments and investment opportunities ○ Hold County investment for a on investment opportunities 	Status of resource endowment for enterprise/industrial development	Percentage increase in investments.
Provision of Industrial Land <ul style="list-style-type: none"> ○ Identify Industrial Land in all 47 Counties ○ Creation of Industrial Land Data Bank 	Industrial sites identified	Data Bank of industrial sites
STRATEGIC OBJECTIVE 3: To mobilize savings and investment resources for industrial and enterprise development		
STRATEGY	OUTCOME	OUTCOME INDICATOR
Mobilize Develop long-term capitalization instruments; <ul style="list-style-type: none"> ○ Feasibility study and establishment of financing schemes to facilitate access of local SMEs to the funding 	Increased savings for investment	Percentage increase in investments
Establish a Industrial, enterprise, cooperative Development Fund;	Increased available funds for investment	Percentage increase in investments
Provide incentives for establishment of venture capital supportive of industrial investment;		
Encourage cooperatives to go into Cooperative - Private Partnerships, mergers and subsidiaries		
Strengthen and restructure the DFIs <ul style="list-style-type: none"> ○ Review and restructure the ICDC and KIE ○ Recapitalize existing DFIs to provide long term industrial financing 		
Mobilize Diaspora funds for industrial investment <ul style="list-style-type: none"> ○ Provide incentives for investments from the Diaspora ○ Promote registration of Diaspora Saccos 	Increased available funds for investment	Percentage increase in investments
Cooperatives participation in the capital markets <ul style="list-style-type: none"> ○ Facilitate the creation of a cooperative market segment 	Open a window in the NSE for co-operative societies	Market value for co-operative shares
Mobilize Co-operative and Pension funds for industrial/enterprise development <ul style="list-style-type: none"> ○ Develop policy guidelines 	Increased available funds for investment	Percentage increase in investments

STRATEGIC OBJECTIVE 4: To Promote Micro, Small and Medium (MSMEs) and large enterprises		
STRATEGY	OUTCOME	OUTCOME INDICATOR
Create conducive policy, legal and regulatory environment <ul style="list-style-type: none"> ○ Implementation of the Micro and Small Enterprise Act 2012; <ul style="list-style-type: none"> ✚ Facilitate implementation of provisions of the MSE Act ✚ Establish the Micro and Small Enterprise Tribunal; 	Conducive environment	Percentage growth in MSMEs and large enterprises
Enhance the capacity of the Micro and Small Enterprise Authority; <ul style="list-style-type: none"> ○ Facilitate recruitment to achieve optimal staffing level ○ Facilitate review of the organizational structure (Activity??) 		
Collaborate with stakeholders to promote youth and women owned enterprises; <ul style="list-style-type: none"> ○ Implement the preference and reservation regulations 2013 	Business opportunities for youth and women	Percentage increase in youth and women participation
Infrastructure upgrade and development <ul style="list-style-type: none"> ○ Facilitate the development of SME parks (r2) ○ Facilitate the development of new SME worksites ○ Upgrade existing SME worksites (Activity??) 		
Enhancing business registration for MSMEs <ul style="list-style-type: none"> ○ Develop a 'One-Stop-Shop' ○ Decentralize registration of MSEs and cooperatives to counties; 	Established business registration centres in the counties	No. increase in registered businesses and co-operatives
Finalize the restructuring of Kenya Industrial Training Institute to offer relevant technical skills for industry <ul style="list-style-type: none"> ○ Plan the training and the curriculum necessary by involving industry in the planning ○ Create the inter-face between on-the job training and internships and qualifications ○ Create the incentive systems to reward on-the job training companies ○ Create the link between training and on-the job training in artisan skills ○ Establish a process of accreditation for tacit and embedded skills ○ Establish a Micro and Small Enterprise Fund ; <ul style="list-style-type: none"> ▪ Create awareness on the investment monitoring platform ▪ Improved capacities of national and regional institutions to use the platform for evidence-based policy and strategy formulation and targeted investor servicing. ▪ Develop upgrading and modernization intervention projects ▪ Create sub-contracting linkages between MSEs and Large Industries (misplaced) 	Technical skills available for the job market	Percentage increased in uptake in the job market

Establish a packaging centre <ul style="list-style-type: none"> Host the EastAfripack, “ The processing, packaging and converting technologies Exhibition in the East Africa Region” 	Centre established	Percentage increase in market participation
Provide BDS in collaboration with ILO/YEF <ul style="list-style-type: none"> Carry out training in GYBI, SYB and IYB 	Growth of enterprises	increase in No. of industrial and enterprise development
STRATEGIC OBJECTIVE 5 To Promote Research and Development (R&D), innovation and technology adoption		
STRATEGY	OUTCOME	OUTCOME INDICATOR
Commercialization of research findings; <ul style="list-style-type: none"> Develop a policy, legal and institutional framework to support commercialization Build a database on research finding Create linkages between industry and Universities and R&D institutions 	Start ups of investments	Percentage increase in growth of commercialization.
Enhance technology-transfer, adoption and development; <ul style="list-style-type: none"> Promote reverse Engineering Implement 5 K initiative Set up a world class standard Technology Transfer and Diffusion Centre 	Productivity and competitiveness	Growth index of local products in the trading blocks
Mobilize resources for industrial research, development and innovation; <ul style="list-style-type: none"> Develop bankable industrial research proposals and programs Advocate for the increase of Industrial R & D Government funding Promote the national system of innovation survey (?) Establish an innovation fund, that will provide seed money for new innovations Initiate an innovation award scheme Provide incentives for R&D undertaken by enterprises in co-operation with universities and institutions Creating consortia of SMEs to reduce the cost of doing research at the enterprise level, with attractive fiscal and non-fiscal incentives 	Industrial and enterprise development	Percentage increase of innovation products and ventures
Transformation of Kenya Industrial Research Institute into world class Industrial Research, Development and innovation institute <ul style="list-style-type: none"> Upgrade the Institute’s equipment and laboratories Construct state-of-the art research facilities at KIRDI sites. Recruit of addition Research staff Benchmark with other world class R & D Institutions Provide opportunities for industrial attachment for researchers 	<ul style="list-style-type: none"> Competitive industrial R & D institution Conducive industrial research and development environment 	Growth in technology transfer (technology incubation, innovations industrial processes)
Mainstream Resource Efficiency and Cleaner Production in manufacturing <ul style="list-style-type: none"> Develop a National Resource Efficiency and Cleaner Production Policy 	<ul style="list-style-type: none"> Comparative market advantage of our products in the market 	Percentage increase in productivity

<ul style="list-style-type: none"> ○ Create awareness on RECP ○ Conducting energy, resource and waste in-plant assessment (audits). ○ Identification of RECP opportunities in enterprises targeting energy, water and material efficiency and pollution reduction activities ○ Mainstream the operations of Kenya National Cleaner Production Centre (KNPC) into the ministry responsible for industrialization 	<ul style="list-style-type: none"> ▪ A clean environment 	
STRATEGIC OBJECTIVE 6 Capacity building for industrial and enterprise development and quality service delivery		
STRATEGY	OUTCOME	OUTCOME INDICATOR
Improvement of service delivery to customers <ul style="list-style-type: none"> ○ Pursue ISO certification ○ Prepare and implement Ministerial service delivery charter ○ Establish customers' relation desks ○ Conduct customer satisfaction surveys and implement the findings 	Quality service delivery	Customer satisfaction index
Effective and improved communication <ul style="list-style-type: none"> ○ Prepare Ministerial Communication strategy ○ Upgrade and continuously update the ministry's website 	<ul style="list-style-type: none"> • Quality communication processes • Timely decision making 	Percentage increase in performance index
Institutional Capacity Building <ul style="list-style-type: none"> ○ Review the organizational structure ○ Undertake team building activities 	Established institutional structure	Percentage increase in performance index
Provision of conducive working environment <ul style="list-style-type: none"> ○ Provide working tools, equipments, vehicle and office space ○ Conduct work environment surveys and implement the findings 		
Staff recruitment, competency development, promotion and retention <ul style="list-style-type: none"> ○ Recruit to achieve optimal staffing levels ○ Conduct a Training Need assessment and implement the findings ○ Implement human resource management information system ○ Conduct the employee satisfaction survey and implement the findings (Activities ?)		
Strengthen extension services for MSEs and Cooperatives <ul style="list-style-type: none"> ○ Train on BDS ○ Prepare county industrial profiles 		
Streamline cooperative education and training <ul style="list-style-type: none"> ○ Developing CSR guidelines in the sector ○ Review curriculum on Cooperative Education 		
Enhance the use of ICT in the operations of the Ministry and MSEs and Cooperatives <ul style="list-style-type: none"> ○ Train staff on use of ICT ○ Install the necessary ICT infrastructure 		

<ul style="list-style-type: none"> ○ Develop and implement Ministerial ICT policy 		
Ensuring that all stakeholders in particular states, firms (Industrial Enterprises and SMEs) and civil society embrace the principles of CSR.	CSR projects and programmes	No. of projects/programmes
Mainstream cross-cutting issues <ul style="list-style-type: none"> ○ Sensitize staff on the Code of Ethics, the Public Officers' Ethics Act, and Anti-Corruption and Economic crimes Act and the Constitution; ○ Develop and implement Ministerial Corruption Prevention Policy ○ Develop and implement Ministerial drug and substance abuse policy ○ Develop and implement Ministerial gender policy (Activities) 		
STRATEGIC OBJECTIVE 7: To promote high value addition, product development, diversification		
STRATEGY	OUTCOME	OUTCOME INDICATOR
Promote value addition in agro-processing industries (cotton; textile and clothing, leather and leather products, food processing, furniture) <ul style="list-style-type: none"> ○ Create awareness to the “buy Kenya build Kenya” initiative for cotton; textile and clothing, leather and leather products, furniture and food processing. ○ Coordinate the implementation of the Preference and Reservations Regulation 2012 for cotton; textile and clothing, leather and leather products and furniture ○ Review the import duty on imported textile and apparels, furniture 	Proliferation of value added products	Increase in No. of products
Leather and leather products <ul style="list-style-type: none"> ○ Capacity building for leather institutions ○ Transfer of Training and Production Center for the Shoe Industry (TPCSI) from private to public for capacity building ○ Establishment of more mini tanneries and completion of the existing ones in ASAL areas as a means development of industries and job creation in the rural areas. ○ Carry out a Baseline Survey on the meat and leather value chain industry in Kenya. ○ Development of regional Meat and Leather Clusters Prepare master plans for meat and leather clusters	High value of leather and leather products	Percentage increase in high value leather products. Percentage increase in performance index
Furniture <ul style="list-style-type: none"> ○ Upgrade skills for furniture production ○ Develop furniture standards 	Productivity and competiveness	Percentage increase in youth and women participation

<p>Promote medium to high technology sectors (Iron and steel, Machine tools and spares, Agro Machinery and farm Implements, and Pharmaceuticals)</p> <p>Iron and steel</p> <ul style="list-style-type: none"> ○ Identify an investor to partner with the Government of Kenya to develop an iron and steel mill among other projects. ○ Formulate a legal and institutional framework for development of the sector. ○ Conduct baseline studies to establish the quantities and qualities of ferrous scrap and iron ore available in the country 	<p>Established legal and institutional framework</p>	<p>Growth in iron and steel industry.</p>
<p>Food processing</p> <ul style="list-style-type: none"> ○ Creation of Small Food Processing enterprises through formation of Cooperatives and through other entrepreneurs ○ Facilitation of sub-contracting between SMEs and Large/Medium for food processing 	<p>Production and Competitiveness on value added products</p>	<p>Percentage increase of value added products in the markets</p>
<p>Development of niche products</p> <ul style="list-style-type: none"> ○ Identify the niche areas for product development ○ Attract investors in the identified niche products ○ Offer attractive incentives to bring new skills and technologies on the identified niche products 	<p>Production and Competitiveness on value added unique products</p>	<p>Percentage increase of value added products in the markets</p>
<p>Development of product diversification programmes.</p> <ul style="list-style-type: none"> ○ Identify areas of diversification 		
<p>Adopt an Integrated Value-Chain approach to value-addition</p> <ul style="list-style-type: none"> ○ Study industry value chains and select specific value chains according to national priorities; ○ Prepare an inventory of value-added products and processes in relevant value chains 		
<p>Upscale and mainstream OVOP initiative</p> <ul style="list-style-type: none"> ○ Promote One Village One Product initiative in the 47 counties 		
<p>Promotion of traceability (country of origin) programmes for specific and priority products having high exports potential.</p> <ul style="list-style-type: none"> ○ Facilitate the development of certification programs ○ Facilitate branding and marketing of product 		
<p>STRATEGIC OBJECTIVE 8: To Enhance standards, quality infrastructure and IPR protection</p>		
<p>STRATEGY</p>	<p>OUTCOME</p>	<p>OUTCOME INDICATOR</p>
<p>Promotion of traceability (country of origin) programmes for specific and priority products having high export potential.</p> <ul style="list-style-type: none"> ○ Facilitate the development of certification programs ○ Facilitate branding and marketing of product 	<p>Production and Competitiveness on value added on local products</p>	<p>Percentage increase of value added locally produced products in the markets</p>
<p>Strengthen the Anti-Counterfeit Agency</p> <ul style="list-style-type: none"> ○ Build capacity ○ Create networks with other institutions involved in the fight against counterfeit goods; 		

<ul style="list-style-type: none"> ○ Review the Anti-counterfeit Policy 		
<p>Strengthen institutional capacity for IPR and increase knowledge and awareness of IPR issues and its importance to industrial investors.</p> <ul style="list-style-type: none"> ○ Finalize the National Intellectual Property Policy 		
<p>Enhance conformity assessment</p> <ul style="list-style-type: none"> ○ Building accreditation capacity for the relevant institutions in the Ministry 		
<p>STRATEGIC OBJECTIVE 9: To enhance productivity and competitiveness in the industrial, enterprise and cooperative sector for market access</p>		
STRATEGY	OUTCOME	OUTCOME INDICATOR
<p>Facilitate the private sector to address underutilization of installed capacity</p>	Market share of local products	Percentage increase of local products in the market
<p>Reducing the cost of doing business</p> <ul style="list-style-type: none"> ○ Use of modern technology ○ Human resource development ○ Reduction on duties on input for industry ○ Review the tax regimes 		
<p>STRATEGIC OBJECTIVE 10 To create a conducive business environment to enhance private sector growth and competitiveness.</p>		
STRATEGY	OUTCOME	OUTCOME INDICATOR
<p>Create a conducive business environment</p> <ul style="list-style-type: none"> ○ Develop the Private Sector Strategy 2013 - 2017 	Private sector Investment	Percentage increase in private sector.

8.3. Reporting

Comprehensive reports on the implementation of the SP 2013-17 will be compiled by all departments and agencies and submitted to the Central Planning and Project Monitoring Unit (CPPMU). CPPMU will report on the progress in implementing the accountability framework and in achieving the results in the Strategic Plan as part of the reporting on the strategic plan. CPPMU shall prepare a report on the progress and completion of projects and programmes on quarterly basis and prepare an annual report. The projects and programmes will evaluate in terms of impact. The annual reports will evaluate the impact of the projects by reflecting on issues such as reliability, up-scaling and sustainability.

8.3.1. Ministry Level Monitoring

The implementation of this Strategic Plan will be closely monitored to ensure that the strategic objectives are being realized as planned. The monitoring process will help determine whether the implementation is on course and establish the need for any adjustment in light of the ever-changing socio-economic and political environment. Monitoring, follow-up and control systems will be emphasized at all levels. These will include progress reports, review meetings and reports, budgets and budgeting control systems and reports from special committees/ task forces among others. The Ministry will conduct surveys to determine the impact of various programmes. Data will be analysed and results disseminated to improve plan implementation.

The plan will also be monitored through monthly and quarterly reports from the various implementing agencies both at headquarter and field level offices. The overall success of the plan will be assessed based on the planned activities. Quarterly review meetings will be held between the senior staff and the Principal Secretary (PS). During these meetings, the PS will receive and review progress reports from the directors indicating overall progress made on key strategic objectives. The nature and scope of reporting will include:

- (a) Progress made against plan
- (b) Causes of deviation from plan
- (c) Areas of difficulties and alternative solutions to problems that may adversely affect implementation.

Tracking of specific activities associated with the implementation of the plan will be quarterly, so that adjustments can be made where necessary. The Ministry will adopt results-based management and rapid results initiatives to achieve its objectives. Furthermore, a midterm-review will be conducted in the third year of the plan period to assess progress. The Ministry will also conduct action based research on various Industrial and Enterprise development related issues. The research areas will be

determined by the needs assessment exercises carried out on a regular basis in the various strategic themes.

8.3.2. Departmental level

Monitoring and evaluation provides the back up necessary to ensure that objectives are achieved. During the formulation of strategies, implementation plan indicators and projections were provided. These however may change in the course of the implementation and thus a management control system will be necessary to ensure the plan stays on course. In carrying out the management control function, the following measures will be considered.

- (a) Performance standards and targets
 - (b) Performance measurement indicators
 - (c) Performance evaluation, (midterm and annual), based on the Performance appraisal system (PAS) targets.
2. The strategic control mechanism will embrace an evaluation of action plans, assessment of performance appraisal targets and change management.

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