

MANUFACTURING AFRICA – KENYA



Manufacturing Africa aims to reduce poverty in Africa by attracting £1.2 billion of foreign direct investment into manufacturing and creating 90,000 jobs over 7 years (2019-2026). The programme is funded by the UK government through the Foreign, Commonwealth & Development Office (FCDO)



GOVERNMENT SUPPORT – BUSINESS SITUATION ROOM (BSR) PHASE 2

Helping to shape Kenya’s post-COVID-19 economic recovery and grow the manufacturing sector in the long term

The Business Situation Room (BSR) is a think tank mandated to support decision-making on the Government of Kenya’s economic response to the COVID-19 crisis. It sits under the Ministry of Industry, Trade and Enterprise Development (MoITED), and reports to the National Economic Business Response Working Group, which is co-chaired by the Cabinet Secretaries of the National Treasury and MoITED. Its members are appointed from MoITED by the Government.

From March to April 2020, Phase 1 of Manufacturing Africa’s support to the BSR focused on business responses to the COVID-19 pandemic. From July to October 2020, Phase 2 assisted the BSR to shape Kenya’s economic recovery and the long-term growth of the manufacturing sector.

THE CHALLENGE

The Government of Kenya’s list of priorities for the country’s recovery after COVID-19 included identifying opportunities in priority manufacturing sub-sectors to build regional and global manufacturing competitiveness, improving the business environment and investment climate, strengthening the Investment Promotion Agency (IPA) and other MoITED institutions, accelerating the development of industrial parks, and driving a green recovery agenda to create a more sustainable economy.

Given the success of BSR Phase 1, the Government requested Manufacturing Africa to continue supporting MoITED with the country’s COVID-19 recovery and long-term development of the manufacturing sector.

OUR SUPPORT AND IMPACT



Phase 2 of our support to the BSR comprised five major activities.

I. REIMAGINE MANUFACTURING

We prioritised four sub-sectors – pharmaceuticals and medical devices, consumer electronics, agro-processing, and the circular economy – that offered big opportunities for domestic manufacturing growth and investor attraction. We interviewed local and global manufacturers and potential investors, validated the results against trade data and existing manufacturer economics, and created business cases with a menu of options for the Government to consider. We also looked at green manufacturing opportunities for the circular economy, which are high on the UK's and Kenya's agendas. The aim is to make Kenya a hub for sustainable manufacturing in the long term and start to identify and capture trends now. Results of our work by sub-sector are:



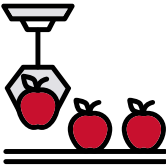
Pharmaceuticals and medical devices

We analysed the potential of active pharmaceutical ingredients (APIs), high-value-add drugs and medical consumables manufacturing, and the potential to scale up high-value-add drugs and basic consumables.



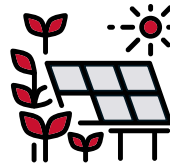
Consumer electronics

We identified opportunities to scale up fridge and TV final assembly and attract international manufacturers to set up end-to-end manufacturing plants in Kenya.



Agro-processing

We identified opportunities in fruit pulp processing, pasta manufacturing and extract oils.



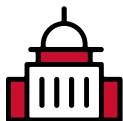
Circular economy and green manufacturing

We developed a framework to think holistically about potential interventions to “grow and green” existing priority sectors and identify new ones and considered expanding green financing and ways to connect local manufacturers to opportunities. We discovered existing proofs of concept by local entrepreneurs in waste management, biofuel, solar irrigation, fertiliser and electric transport.

Our analysis will form the foundation for implementation and was converted into executive briefs that the Cabinet Secretary can circulate within the Government to aid decision-making. We also worked with UK programme LPLS (Local Production, Local Solution) to draft a concept note for a ‘demo day’ to showcase local manufacturers working in sustainability, the circular economy and industrial innovations to the Government.

2. ACCELERATE THE DEVELOPMENT OF INDUSTRIAL PARKS

Industrial parks are a critical component of Kenya's proposed special economic zones (SEZs), as they could attract foreign direct investment (FDI) at scale and accelerate industrialisation. SEZs were established in 2015 but lack of a clear strategy and poor coordination have stalled their progress. To understand the challenges faced by SEZs and drive their implementation, the BSR proposed setting up a Rapid Results Task Team (RRTT) within MoITED. Manufacturing Africa supported the RRTT by:



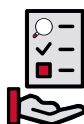
Engaging extensively with all stakeholders (government agencies, donors, investors, developers, lawyers) to identify key structural challenges and specific bottlenecks at two priority parks, Naivasha and Dongo Kundu.



Presenting our findings in an executive brief to the Cabinet Secretary and Principal Secretary who gave the mandate to set up the RRTT.



Drafting the terms of reference for the RRTT that were approved by the Principal Secretary.



Presenting our findings at the first RRTT meeting in September 2020.



Creating an implementation matrix based on our findings and helping to build a multi-agency team to coordinate and address issues.

3. IMPROVE THE BUSINESS AND INVESTMENT ENVIRONMENT

To grow the manufacturing sector and FDI, the BSR set out to identify the biggest obstacles to doing business in Kenya for the Cabinet Secretary. With the support of the British Chamber of Commerce in Kenya (BCKK) and the Kenya Association of Manufacturing (KAM), the BSR conducted an investor sentiment survey and circulated the results to associations and the Department of Industry and Trade (DIT). The Manufacturing Africa team:



Drafted an executive brief on the cost of doing business for the Cabinet Secretary based on input from MoITED, the British High Commission, BCKK, businesses, investors and associations.



Identified areas where Kenya could act to become a more attractive investment destination, including business licensing, tax framework, and access to capital, ports and land.

4. STRENGTHEN MoITED

In support of the Cabinet Secretary's aspiration to leverage the BSR to strengthen MoITED, the Manufacturing Africa team focused on two areas:



Supporting KenInvest

The team worked closely with Managing Director Dr Moses Ikiara and senior officials to develop a roadmap to make KenInvest a best-in-class IPA. We identified four critical issues: lack of a legal mandate, too many government agencies involved in investor attraction, poor staff capacity, and lack of leadership transition. We presented our findings to the Cabinet Secretary and they were used as input to the National Investment Council (NIC) meeting.



Building the capacity of MoITED officers at the county level

The BSR assembled a committee of MoITED directors and senior officials to draft a concept note that included training modules, engaged the relevant agencies for approval and secured resources. Over 130 officers attended the introductory training session in September 2020 in KITI Nakuru, including MoITED county-based officers and county government trade officers. We also worked with the Sustainable Urban Economic Development Programme (SUED) to explore training modules to be shared between SUED municipality officials and MoITED officers.

5. SUPPORT TRADE INFRASTRUCTURE

Trade is an important enabler for the manufacturing sector. Although it does not fall within Manufacturing Africa's immediate remit, we supported the BSR by facilitating a meeting between the FCDO trade team and Principal Secretary Weru in the State Department of Trade to discuss possible areas of support from FCDO beyond Manufacturing Africa. The BSR also collaborated with TradeMark East Africa (TMEA) to share trade updates on logistics and infrastructure.

FURTHER SUPPORT

As an extension of our Phase I work, we also supported some of MoITED's tactical COVID-19 priorities:



PPE manufacturing

Following on from the success of our PPE webinar in June 2020, in August we held a second webinar on gown manufacturing in collaboration with PIGA for 15 local textile manufacturers.



MSME access to finance

Based on the term sheet for an MSME risk guarantee facility of up to KES 100 billion we had drafted in May 2020, in September Treasury launched a guarantee scheme with initial seed capital of KES 10 billion. The scheme is expected to be increased to KES 100 billion and operational by mid-October.



Operational guidelines

The BSR coordinated with the Command Centre on the release of new guidelines to re-open the economy (specifically the alcohol industry) and provided input on the basis of the standard operating procedures (SOPs) drafted in Phase I.

This programme is funded by UK aid from the UK government; however, the views expressed do not necessarily express the UK government's official policies.

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