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 1

Providing rapid analysis to support the Government of Kenya's economic response to COVID-19

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 the Cabinet Secretary of the National Treasury and the Cabinet Secretary of MoITED co-chair. Its members are appointed from MoITED by the Government.

The COVID-19 pandemic will have far-reaching implications for global economies and populations. Kenya is no exception. The pandemic could decrease Kenya's GDP by up to 10 percentage points.

In manufacturing, 50-80% formal and informal jobs are likely to suffer reduced wages, hours or incomes, with 15,000-30,000 formal jobs at risk and 2-2.5 million jobs becoming vulnerable.

THE CHALLENGE

The manufacturing sector is experiencing major challenges. According to a survey conducted in March 2020 when the pandemic broke out in Kenya, essential goods manufacturers reported experiencing a decline in demand of up to 74%, while non-essential goods manufacturers experienced a decline of up to 91%. Over 50% of factories were operating at less than 50% and up to 70% of factories had logistics challenges. Rising transport and raw material prices have driven up supply chain costs. Companies were struggling to pay fixed costs and payment cycles were averaging 120-150 days. By May 2020, 75% of factories had implemented measures to reduce labour costs and 40% had put staff on unpaid leave.
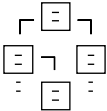
OUR SUPPORT AND IMPACT

From March to June 2020, Manufacturing Africa provided a team of analysts to support the BSR by providing structure and systems, conducting deep stakeholder consultations, drawing on global COVID-19 response expertise and conducting detailed analysis to support and accelerate fact-based decision-making at Cabinet level. Below are examples of the work we did:

> *This was the best thing to have happened to us out of COVID-19. I want to say how grateful we are to have had the chance to work with the Manufacturing Africa team.*
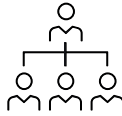>
> **MICHAEL MANDU**
> CO-CHAIR, BSR
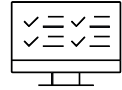
1. OPERATIONS AND COMMUNICATIONS

To increase the BSR's efficiency, we:

Developed a simple Excel template with the Food Security War Room (FSWR) to prioritise food, fuel and medical commodities on the Government's list of essential goods and services. MoITED's officers in 35 counties have adopted the template and are now systematically submitting commodity prices.

Proposed an operations and communications structure including regular calls, agile ways of working and an online Google Sheets dashboard to track activities. This structure has eliminated duplication and created links to contacts in and outside MoITED.
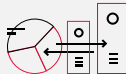
Included a complaints resolution tracker in the online dashboard to enable systematic review of unresolved complaints, resolution decision-making and weekly reporting, e.g., police harassment. At the end of our support, 100% of complaints had been resolved and there were no reports of police harassment in June 2020.

2. STIMULUS PACKAGE ANALYSIS

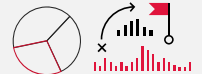We helped the Government understand the impact of its stimulus packages by:

Mapping post-COVID-19 GDP scenarios to show that GDP could drop by 3-10 percentage points. Kenya's stimulus package of 1.5% of GDP is lower than the emerging economy average of 4%.

Modelling the expected impact of the stimulus package across these scenarios. The estimated impact of KES 76-108 billion would leave a GDP gap of KES 392-925 billion that future stimulus packages may need to fill.

Estimating how many jobs in each sector would benefit from the packages and how the Government should prioritise sectors for future packages.

Assessing distribution channels to reach different demographics (households and businesses), including banks, utility companies, social benefits, company and tax registries, cash distribution, non-cash vouchers and basic goods distribution.

The Treasury used our models to help structure the second stimulus package (23 May, 2020) and our work will continue to contribute to Government thinking on the size, measures, priority sectors and distribution channels of future packages.

3. MANUFACTURING SECTOR SUPPORT

We helped the Government define priority measures for the manufacturing sector by:
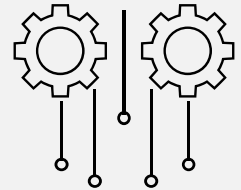
- **Distilling** over 15 **proposals** and 70 intervention suggestions from the sector.

- **Conducting extensive, rapid stakeholder consultation**

- **Providing 12 priority options** with estimated costs and impact for MoITED to consider and to improve Cabinet decision-making.

- **Thinking about how to help the sector recover** after COVID-19, e.g., analysing sub-sector growth potential, assessing the impact of COVID-19 to select the best investment opportunities, and crystallising interventions for each sub-sector.

Our work contributed to a Cabinet memorandum and policy change decision-making and the Office of the President requested a summary of measures for the annual budget cycle.

4. STANDARD OPERATING PROCEDURES (SOPs)

We helped the BSR develop SOPs to provide clear guidelines on how businesses in different sub-sectors can operate and make their protocols safer under COVID-19. We syndicated these with a broad range of organisations to test their practicality then refined and issued them publicly. The Government used the SOPs to develop broader guidelines on re-opening the economy.
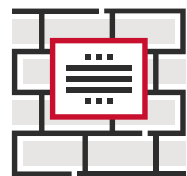
5. MSMEs

We helped the BSR to develop measures to support MSMEs by:

Aligning on key principles for MSME interventions. We hosted two workshops for representatives of major business associations and screened over 50 proposals to align stakeholders on three principles: maximising limited financial resources, keeping viable businesses going, and preparing for recovery after COVID-19.

Developing an MSME financial support programme. We surveyed MSME owners to understand their financial needs and hosted 10+ design workshops with lenders to align on a potential design for the MSME credit guarantee facility. As a result, the National Treasury accelerated establishment of the Kenya Credit Guarantee Company (KCGC), which received KES 3 billion seed funding in May 2020.

Designing non-financial MSME interventions. We helped draft a set of guidelines for MSMEs to enable markets to open and businesses to continue, and created a communication portal to provide guidelines and other resources to MSMEs.

Perhaps the most significant impact from the team's work with the BSR was that the proposals that we turned around landed on the plate of the national Government and became components of the national stimulus package for MSMEs and businesses. We developed guidelines for counties and businesses to operate safely. The businesses are very happy and they are saying "the place to go is the Ministry of Industry and Trade".

PATRICIA ARUWA, CO-CHAIR, BSR

6. PERSONAL PROTECTIVE EQUIPMENT (PPE)

We helped the BSR to support manufacturers pivoting their production to make PPE by:

- **Establishing a database** of local PPE manufacturers;
- **Contacting local manufacturers** to understand how/where they needed support;
- **Setting up a committee** to share updates and resolve manufacturers' immediate problems;
- **Creating transparency on the PPE supply side** by liaising with the Ministry of Health to forecast PPE demand and flagging shortage risks;
- **Co-hosting the first PPE manufacturing webinar** to answer manufacturers' questions with speakers from McKinsey & Company, IFC, Gerber Technology, Msingi and DFS Africa.

The webinar was extremely useful. The panel had a wealth of information. I interacted with McKinsey, Gerber Technology and Msingi to find out what types of machines to use for stitching. Lots of information and an enormous help.
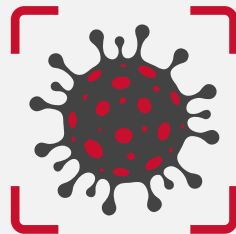
AJUL SHAH
KAM TEXTILE AND APPAREL LEAD AND PPE PRODUCER

7. COVID-19 INITIATIVES

To help the Post-COVID-19 Recovery Committee make informed and sound decisions, we developed a prioritisation tool in Excel and trained BSR members how to use it.

The tool assesses proposed measures against four main criteria: impact, cost to implement, time to execute and potential to be foundational for long-term growth. It also provides an independent method to analyse and prioritise initiatives and enables the Committee to rank the initiatives and make clear, fact-based recommendations to the Government. The logical process eliminates political bias towards any particular initiative.

CONTACT US

Christoph Zipfel, Manufacturing Africa Lead   Email: info@manufacturingafrica.org