COUNTY BUSINESS DEVELOPMENT CENTRES

Delivery mechanism connecting national and county level actors for Micro and Small Enterprises Development

Ministry of Devolution & Planning
Ministry of Industrialization and Enterprise Development and UNDP
1. Background

The rapid growth of the Kenyan population coupled with a sluggish economic growth has resulted in fewer opportunities for formal employment in the traditional areas such as the civil service, and the formal private sector. To reverse this trend, emphatic efforts must now be placed on strategies to develop both production and entrepreneurial capacities of the country targeting especially the youth and women, who are often the most vulnerable segments of the society during periods of economic difficulties.

In Kenya, unemployment remains an important area of policy concern. The country’s employment problem is manifested in terms of 12.7 per cent open unemployment rate, a 21 per cent under-employment rate and a working poor of 46 per cent of the employed. The country’s employment challenge is a youth issue, with the youth being at least three times as likely as adults to be hit by open unemployment. It is projected that the number of unemployed young people will double by 2050. Young females are hard hit by unemployment rate of close to 50 per cent as compared to about 30 per cent for young males. At a higher age, the female youth are three times more likely to be unemployed than the male youth. In terms of the rural-urban divide, urban areas represent a greater youth employment challenge, particularly amongst the youngest of the young. Urban youth unemployment ranges between 35 and 60 per cent for the youth aged 15 to 25 years compared to between 20 and 25 per cent for rural areas. Similar dynamics are reflected in the counties.

Micro, small and medium-sized enterprises (MSME) generate roughly 85% of employment and 20% of GDP (African Economic Outlook 2012, Kenya). However, the majority of Kenya’s companies are unregistered, small in size and hence non-competitive, due to limited access to basic infrastructure and finance and lack of economies of scale. Furthermore, linkages between informal and formal, micro and large, domestic and foreign companies are very weak, further limiting companies’ potential to expand, diversify, innovate and build up skills. Limited focus on value addition of raw materials and commodities remain a major stumbling block as well as the access to markets. Micro and small enterprises also have limited access to quality business development services.

MSEs, especially those operating in the rural areas, are thus disadvantaged and operate in environments characterized by fragmented and incomplete information with very low awareness in regard to access to markets, innovative technologies, policy, regulations and financial services.

Accordingly, the Government of Kenya and its development partners have identified the need to support micro and small enterprise development in order to create more jobs, and increase productivity and income security.

2. Rationale for County Business Development Centres

Several initiatives and programs have been implemented in the past targeting the weaknesses of the MSE sector, but with insufficient impacts. The remaining challenges faced by MSEs that require interventions and support include:

- The quality and outreach of market focused business development services (MFBDS),
- The quality of institutional infrastructure for Jua kali (informal) sector enterprise development,
- Inadequate county policies to harmonize national and county roles and functions for a common purpose to develop the MSE sector,
- Minimal outreach and unsustainability in donor of NGO-driven business Development Services,
- Inadequate facilities, infrastructure, materials and human resources in vocational and technical kills in training, institutions and mismatch in the curriculum offered with industry requirements (unskilled labour and skills miss-match between formal training and industry requirements),
- Weak representation of Professional Associations in the Districts,
- Limited or inadequate or non-availability of land and designated work sites,
- Lack of access to credit.

There is a need for a well-coordinated, demand-driven and needs based response to support the coordination and provision of business development services at the devolved level.
3. Approach of the County Business Development Centres

The key objective of establishing County Business Development Centers (CBDCs) is to promote inclusive economic growth and job creation at the county level through empowering MSEs, small holders, youth and women to access and leverage economic opportunities.

Previous national and global experience regarding business development centers has highlighted the importance of experienced private sector center management, focus on building market linkages and opportunities instead of just focusing on capacity building, mobilization of multiple resources, active and extensive private sector leadership, and network building.

Therefore, the centers shall actively build partnerships with public, private and civil society/donor organizations engaged in supporting MSEs, youth and women. They shall specifically promote partnerships that create forward and backward linkages and markets for MSEs to grow at the county, national and regional levels, and enhance their access to capacity building, technology transfer, finance, value chain development initiatives, innovations and industrial development programs including for example industrial clusters, special economic zones and industry parks.

The key objectives of the Centers are to:

- Contribute to private sector policy development and support public-private sector collaboration at the national and decentralized levels. This is aimed at improving the business environment thereby resulting in increased business startups, expansion and growth of the MSE sector (with emphasis on youth, women and Jua Kali friendly policies) particularly at the county levels,

- Cultivate entrepreneurial culture and vocational skills development amongst youth, women and the informal sector (Jua Kali) by institutionalizing and decentralizing the provision of quality and sustained business development services, and

- Build forward and backward market linkages in collaboration with lead companies within key value chains to increase formal sector opportunities for the target groups.

Key target beneficiaries are established micro and small enterprises, aspiring entrepreneurs and MSE associations and/or small-holder communities, with specific focus on youth and woman. Other beneficiaries include medium sized and large enterprises engaged in inclusive business approaches or value chain development programs driving backward – forward market linkages, local business development service providers and financial institutions.

Centers’ operations will be aligned to and support the implementation of MSE programs and activities of the MTP II, County Integrated Development Plans as well as county level and sector specific needs and priorities. Accordingly, Centers’ service portfolios will reflect county level demand, resulting, for instance, in some centers having a stronger focus on agribusiness and others in a different sector and/or service. Centers will be established in close cooperation with the main implementing partners, Ministry of Devolution and Planning (MoDP), Ministry of Industrialization and Enterprise Development (MoIED) and county governments to ensure alignment with GoK frameworks and plans for MSE development and county empowerment.

Essentially, the County Business Development Centres (CBDCs) will thus provide a one-stop-shop integrated mix of business development services to the youth and women with a view to enabling and supporting them to take up self-employment within the MSE sector and thus catalyze employment creation and economic growth in the Counties especially in the rural areas.

Whereas financial support shall be provided by partners including the county governments at the initial stages, this support will continue diminishing as the delivery model will continuously shift from the mixed blend of conventional and market driven approach to pure market focused /demand driven approach to provision of business development services. This therefore implies that these Centres shall established under a public-private sector partnership model and shall operate within the private sector orientation in the provision of business development services.

The County Business Development Centres will therefore augment the efforts by the national government by enhancing the provision of quality business development services at national and county levels. Importantly, the services offered by the Centres will be tailored to county level needs and focus on key productive sectors.
Some of the key services to be provided by the County Business Development Centres include:

- Establishing a public-private sector forum at the county levels to inform related and relevant policy development and lobby for improvement of enabling business policies and facilitative regulations thereby providing a favorable environment for business transactions,

- Provision of information on markets investment opportunities and technologies,

- Identification of untapped business potential and business opportunities with the focus counties through County/Sub-County business opportunity mapping and identification exercise,

- Upscale entrepreneurship development training for different categories and levels using tested and approved curriculum. This will include business startup training through basic entrepreneurship development training, business skills and entrepreneurship development training including business experiencing attachment, business growth and expansion training including business mentoring/incubation and innovation; and business advisory and training services,

- Linkages to financial services and credit (Micro-Finance Institutions, banks, Uwezo Fund, Local County Business support funds amongst others),

- Development of rural markets and building of backward and forward market linkages within and outside the counties.

It is envisaged that the contribution by the Centres to the provision of the business development services shall improve accessibility and significantly improve the modes of doing business amongst youth, women and the Jua Kalis’ (informal sector) thereby resulting in increased number of enterprises in the MSE sector in the focus counties, the number of people going into self-employment and thus the economic base in the rural areas. Further, this will also increase the income levels of the county governments through licensing fees thereby empowering them to improve the business environment for MSEs to thrive.

Notably, the success of the County Business Development Centre concept shall not primarily depend on the national government, development partners or donors but instead on the County Governments, private sector and the receptiveness of business start-ups and existing MSE operators including the host communities.

4. Partnerships and collaboration with Stakeholders

The establishment of the CBDCs is spearheaded by UNDP in collaboration with the Ministry of Devolution and Planning whereas the operationalization shall be fast-tracked by the Ministry of Industry and Enterprise Development. However, the ownership shall be vested in the focus County Government in partnership with the County Private Sector players including the national Chamber of Commerce and Industry amongst others.

It is envisaged that County Governments shall express interest and fully support the establishment of the Business Centres including premises, running costs, personnel and equipment amongst other requirements. However, at the initial stages, UNDP shall provide some seed capital and the required technical support and back up. Further, partners shall take advantage of their varied networks and support the establishment and operationalization of the Business Centres by attracting external resources through mobilization of both financial and human resources.

5. Programme Scope

During the 2014-2018 plan period, the twenty (20) County Business development Centres will have been established. The process for establishing these centres shall be on a demand driven basis and subject to support by the focus County Government. It is anticipated that by close of year 2014, two business centres will have been established and negotiations for establishing another two centres commenced.

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