Kenya's Experience on Industrialization

Job K. Ngetich,

University of Eldoret,
P.O BOX 1125-30100, Eldoret, Kenya

ngetichjob@yahoo.com

***Abstract*[1]**

Since independence in 1963, Kenya has pursued different pathways in its industrialization agenda. Import substitution and export orientated industrial establishment strategies were among the pioneer industrial policies. The current industrialization strategy revolves around vision 2030 which aims at making Kenya globally competitive and prosperous country. Special attention being given to manufacturing sector involving development of integrated iron and steel mills that will lead to the local supply of machines and equipment. Currently Kenya's industrialization is driven by food processing, mining, textiles manufacture, horticulture, oil refining, and aluminum industries, steel, lead as well as cement industries. Most of these industries are concentrated in the urban areas including, Nairobi, Mombasa, Kisumu, Thika, and Eldoret. While, the rural parts are dominated by cottage industries which offer socio-economic support to over 6 million people but with no single and affirmative industrialization policy that targets participation of rural communities. However, with discovery of oil in Turkana, Northern part of Kenya and subsequent prospecting, Kenya's industrial sector's future is bright as the oil, a source of energy is anticipated to have a rejuvenating effect on industrialization and the national and global economy.

1 This paper should be cited as follows: Job K. Ngetich, J.K.,(2018): Kenya's Experience on Industrialization, in *Kinyashi, G.F., Mwang'onda,* E., *Mdendemi, T.R.K., Mandara, C.G., and Hauli, E., (eds.), Conference Proceedings for an International Conference on Planning and Development under the theme Towards Industrialisation in the Global South: Making Rural Regions Inclusive, held at the Institute of Rural Development Planning-Dodoma June 28-30, 2018..*

© IRDP, 2018 ***ISBN 978-9976-9974-0-8***

1. Introduction

Since independence in 1963, Kenya has pursued different pathways in its industrialization agenda. Import substitution and export orientated industrial establishment strategies were among the pioneer industrial policies. The growth in the industrial sector has been at a slower pace over the years (Ronge, 2000). The major sources of Gross Domestic Product (GDP) in Kenya are; agriculture, forestry and fishing(15.2%), real estate (12.3%),transport and storage (9.7%), construction (8.2%),financial services (7.3%), manufacturing (6.3%), and information and communication (6.1%).The structure of Kenya's manufacturing sector comprises mainly of micro, small, medium and large firms. The share of medium and large firms is less than 5 per cent but their contribution to sector's GDP is above 60 per cent. About 95 percent of manufacturing firms are micro and small, contributing only about 20 per cent of the sector's GDP (KIPPRA, 2017). The future of industrialization in Kenya is bright, following the discovery of oil which is expected to revolutionize the industrial sector.

2. Kenya's Industrialization Policies and Strategies

Industrialization policies and strategies since independence have been documented by Chege *et. al* (2017). The current Kenya's industrialization policies and strategies are inbuilt in Vision 2030, Jubilee Manifesto and the Big Four agenda. Under the Jubilee Manifesto, the vision of the industrial sector is, to develop Kenya into a modern industrial hub with the focus on delivery of projects that will achieve quick and measurable results in bringing in revenues and employment growth. The priority sectors include agro-processing, fisheries, textiles and apparel, leather, construction materials and services, oil and gas and mining services, Information Technology (IT), tourism, wholesale and retail and small and medium enterprises. Under Vision 2030; A number of interventions are proposed in the vision which will lead Kenya to be globally competitive and prosperous including;

a) Development of the iron and steel industry through establishment of an integrated steel mill.
b) Development of small and medium enterprise (SME) parks, industrial and technology parks, industrial manufacturing clusters, and
c) Upgrading of products from small and medium enterprises (Kenya, 2017).

© IRDP, 2018
ISBN 978-9976-9974-0-8

The Big Four Agenda seeks to promote the competitiveness of the manufacturing sector with the aim of enhancing product diversity and complexity, improving the business environment, developing relevant infrastructure, enhancing credit and market access, strengthening technology transfer and innovation, and building an industrial culture (KIPPRA, 2018).

In terms of implementation of industrialization policies and strategies, the Ministry of Industrialization and Enterprise development has institutional policies and instruments for implementation. A number of state corporations are mandated to execute industrialization policies and they include;

a) A Counterfeiting Agency(ACA)

b) East African Portland Cement Company(EAPCC)

c) Export Proving Zone Authority(EPZA)

d) Kenya Accreditation Service(KENAS)

e) Kenya Bureau of Standards(KEBS)

f) Kenya Industrial Estates(KIE)

g) Kenya Industrial Property Institute(KIPI)

h) Kenya Industrial Research &Development Institute(KIRDI)

i) Kenya Investment Authority(KIA)

j) Kenya Wine Agencies(KWAL)

k) Micro and Small Enterprises Authority (MSEA)

l) New Kenya Co-operative Creamers(New KCC)

m) Numerical Machining Complex(NMC)

n) Sacco Society Regulatory Authority(SASRA)(Kenya,2018)

3. Performance of industrial sector

The manufacturing sector's real value added rose marginally by 0.2 per cent in 2017 compared to a growth of 2.7 per cent in 2016. The volume of output of the sector

© IRDP, 2018 ***ISBN 978-9976-9974-0-8***

contracted by 1.1 per cent attributed mainly to decline in food products, beverages and tobacco, leather and related products, rubber and plastics and non-metallic minerals sub-sectors. The sector was negatively affected by uncertainties relating to general elections, rise in inflation, high production costs and competition from imported goods. The ban on production and use of plastic carrier bags also had adverse effects on the volume of output of the sector. The food sub-sector declined by 10.8 per cent mainly due to low availability of raw materials for some key agro-based industries resulting from unfavorable weather conditions in the year. The total approved credit to the sector rose to KSh 311.8 billion in 2017 from KSh 275.8 billion in 2016 (KNBS, 2018).

Key performance indicators under the Export Processing Zone (EPZ) program which include number of gazetted zones, operating enterprises, employment and cumulative investment recorded growths in 2017. The number of local employees engaged by EPZ enterprises increased to 54,622 persons in 2017 from 52,947 persons in 2016. The cumulative capital investment increased to KSh 92.3 billion in 2017. However, total sales decreased in 2017due to reduced exports. Formal employment in the manufacturing sector rose at a slower rate of 0.8 per cent in 2017 compared to 1.8 per cent growth in 2016. The sector's formal employment was 303.3 thousand persons in 2017 and accounted for 11.4 per cent of the total formal employment. The value of output grew by 4.0 per cent to KSh 2,204.8 billion while intermediate consumption increased by 6.1 per cent to KSh 1,556.4 billion in 2017. This resulted to a 0.8 per cent decrease in the value added to KSh 648.4 billion in the same period (KNBS, 2018).

Overall, manufacture of food products declined by 10.8 per cent in 2017 on account of shortfalls in the domestic supply of some key raw materials such as sugarcane, tea, milk and rice paddy. Production of sugar declined significantly by 41.2 per cent from 639.7 thousand tonnes in 2016 to 376.1 thousand tonnes in 2017 mainly attributed to low cane deliveries by farmers. In addition, the dairy sub-sector production volumes contracted by 12.1 per cent in 2017. The quantity of processed milk dropped from 448.5 million litres in 2016 to 383.2 million litres in 2017. This was mainly due to reduced milk intake by the processors. Likewise, production of yoghurt and other fermented milk dropped by 3.5 per cent in the same period. Other food products not elsewhere classified reduced by 7.2 per cent in 2017. This decline was mainly due to a drop in the quantities of processed tea and

© IRDP, 2018 *ISBN 978-9976-9974-0-8*

semi -processed coffee. Production of tea dropped by 7.0 per cent from 473.0 thousand tonnes in 2016 to 439.8 thousand tonnes in 2017. Semi-processed coffee dropped by 15.1 per cent to 33.7 thousand tonnes in 2017. The quantity of milled rice dropped by 20.0 per cent, while prepared, and preserved fruits and vegetables dropped by 1.5 per cent over the same period. Fish processing declined by 3.3 per cent in 2017.

Grain milling sub-sector recorded a growth of 8.3 per cent in 2017. There was the introduction of duty-free imports of maize by flour millers in 2017. This resulted to a 9.8 per cent increase in production of maize flour to 669.4 thousand tonnes in 2017. Production of wheat flour by formal establishments also rose by 9.2 per cent to 1,237.0 thousand tonnes in 2017 from 1,133.1 thousand tonnes in 2016. Manufacture of animal feeds, which are by-products of grain milling, went up by 8.7 per cent in 2017 (KNBS, 2018).

The quantity of bakery products increased by 8.1 per cent in 2017; the growth was attributed to the 8.2 per cent and 7.4 per cent increase in the quantities of bread and biscuits produced, respectively in the year under review. Production of cocoa, chocolate and sugar confectionery increased by 12.3 per cent; and meat and meat products sub-sector recorded a 6.1 per cent growth in 2017 mainly driven by a 10.2 per cent increase in the quantity of sausages processed. Manufacture of vegetable fats and oils went up by 2.2 per cent in 2017. Table 1.shows Production of Selected Commodities (KNBS, 2018).

Table 1. Production of Selected Commodities from 2013 to 2017

Commodity	Unit	2013	2014	2015	2016	2017
Processed Milk	Million Litres	350.4	419.1	437.5	448.5	383.2
Wheat Flour	000 Tonnes	884.2	988.7	1,103.8	1,133.1	1,237.0
Maize Flour	“	562.5	571.2	570.7	609.7	669.4
Biscuit	“	12.3	10.6	12.2	12.1	13.0
Cooking Oil	“	162.8	186.1	208.2	208.3	215.0
Edible Fats and Margarine	“	235.6	265.2	255.6	256.1	258.8
Sugar	“	600.2	592.7	635.7	639.7	376.1
Coffee-milled	“	39.8	49.5	41.6	39.7	33.7
Tea	“	432.4	445.1	399.1	473.0	439.8
Soft Drinks	Million Litres	407.4	462.1	551.4	505.1	557.8
Blankets	000 Number	7,048.4	2,339.1	2,873.7	2,930.2	2,670.7
Assembled Vehicles	Number	7,026.0	9,514.0	10,181.0	6,541.0	4,877.0
Galvanized Sheets	000 Tonnes	305.2	284.5	256.8	268.7	262.8

© IRDP, 2018 *ISBN 978-9976-9974-0-8*

Source: Economic Survey, 2018

The beverages and tobacco sub-sector declined by 0.9 per cent. Production of beverages declined marginally on account of a 5.2 per cent drop in the quantity of beer produced in 2017. In addition, tobacco products dropped by 4.4 per cent as a result of a 4.1 per cent decline in production of cigarettes in 2017. Production of carbonated soft drinks (soda) and spirits went up by 10.4 per cent and 8.9 per cent, respectively 2017.

The textile sub-sector recorded a decline of 1.7 per cent mainly attributed to a drop of 8.9 per cent and 2.2 per cent in the production of blankets; and twine, cordage and rope, respectively in 2017. However, production of woven fabrics and textile yarn; and threads increased by 11.1 per cent and 8.8 per cent, respectively. During the same period, production of wearing apparel increased by 5.6 per cent due to a growth of 10.4 per cent in the production of T-shirts (KNBS, 2018).

Leather and related products recorded a decline of 12.0 per cent during the review period. This was attributed to reduced production of finished leather and shoes with uppers of leather, which decreased by 13.3 per cent and 8.2 per cent, respectively. Manufacture of wood and products of wood dropped further by 13.2 per cent in 2017. The production of plywood and ceiling board decreased by 18.1 per cent and 4.5 per cent, respectively in 2017. The paper and paper product sub-sector registered a 4.2 per cent growth in 2017. This growth was mainly driven by an increase of 10.7 per cent and 5.5 per cent in the production of toilet paper and exercise books, respectively (KNBS, 2018).

The chemical and chemical products sub-sector grew marginally in 2017. Production of paints went up by 2.1 per cent while that of soaps, detergent and shoe polish increased by 6.2, 4.8 and 1.9 per cent, respectively in the period under review. However, manufacture of vanishes dropped by 6.5 per cent. Production of industrial gases dropped by 18.8 per cent in the review period while production of pharmaceutical products decreased by 1.1 per cent in 2017. This was on account of a 7.7 per cent drop in production of capsules. On the contrary, production of tablets and syrup rose by 6.9 per cent and 1.6 per cent, respectively over the same period. Output volumes of plastic products declined by 3.8 per cent in 2017 mainly due to a decrease of 21.8 per cent in the production of plastic bags attributed to a ban on production of plastic carrier bags in August 2017. Production of plastic pipes

© IRDP, 2018 **ISBN 978-9976-9974-0-8**

decreased by 2.8 per cent in 2017, however, production of plastic tanks increased by 9.4 per cent in 2007 (KNBS, 2018).

The production of basic metals increased by 4.0 per cent in 2017 attributable to an increase of 12.0 per cent in the volumes of iron bars and rods produced. However, there was a 2.2 per cent decline in the output volumes of corrugated iron sheets to 262.8 thousand tonnes. In the same period, fabricated metal products, which include aluminum circles/sufurias, metal structures and nails increased by 0.6 per cent. Production of metal structures increased by 4.5 per cent while that of nails increased by 2.4 per cent during the same period. The quantity of sufurias produced also declined by 9.1 per cent in 2017. Production of electrical equipment in 2017 remained largely unchanged compared to the volumes recorded in 2016. Manufacture of primary batteries registered a 25.8 per cent growth in 2017. However, there was a 20.4 per cent decline in manufacture of cables over the same period. Motor vehicles, trailer and semi-trailers production registered a drop of 16.4 per cent in 2017. This was mainly attributed to a decline in the number of assembled vehicles which dropped by 25.4 per cent and a 4.9 per cent reduction in trailer and semi-trailer body making. Manufacture of furniture registered a decline of 4.4 per cent in 2017. This was as a result of a drop in the production of mattresses, which went down by 6.3 per cent. Production of other non-metallic minerals registered a decline of 7.9 per cent in 2017 due to a drop in the production of both cement and glass bottles(KNBS, 2018).Figure 1 shows the spatial distribution of industrial activities in Kenya.

© IRDP, 2018 *ISBN 978-9976-9974-0-8*

Figure1: Spatial Distribution of Industrial Activities in Kenya

Source: http://www.mapcruzin 15/6/2018

4. Export Processing Zones

The concept of Export Processing Zones in Kenya has gained momentum in Kenya. The key performance indicators under the EPZ program, which include the number of gazetted zones, operating enterprises, employment, cumulative capital investment; and local purchase of goods and services recorded growths in 2017 as shown in Table 2.

© IRDP, 2018 *ISBN 978-9976-9974-0-8*

Table 2: Selected EPZ Performance Indicators, 2013-2017

	Unit	2013	2014	2015	2016	2017
Gazetted Zones	Number	50	52	56	65	71
Enterprises Operating	“	85	86	89	111	131
Employment Locals	“	39,961	46,221	50,302	52,947	54,622
Expatriates	“	472	517	597	618	717
Total Workers	“	**40,433**	**46,738**	**50,899**	**53,565**	**55,339**
Export	Kshs Million	44,427	51,377	60,879	64,151	60,377
Domestic Sales	“	5,867	5,815	4,018	4,418	6,512
Total Sales	“	**50,294**	**57,192**	**64,897**	**68,569**	**66,889**
Imports	“	27,413	29,461	31,370	30,160	20,738
Local Purchases of Goods& Services	“	7,721	8,170	8,815	10,742	10,945
Capital Investments	“	48,004	42,218	48,128	88,977	92,289

Source: Economic Survey, 2018

The number of gazetted zones increased to 71 in 2017 from 65 in 2016. The gazetted zones were distributed as follows: 24 in Mombasa, 10 in Kilifi, 7 in Nairobi, 6 in Machakos, 4 in Bomet, Kiambu, Nakuru and Kwale each had 3 zones while Kajiado, Taita Taveta, Murang’a, Elgeyo/ Marakwet, Uasin Gishu, Laikipia, Nandi, Meru, Embu, Narok and Homa bay counties each had one gazette zone. In the period under review, five zones were public while the rest were owned and operated privately. The number of operating enterprises rose notably from 111 in 2016 to 131 in 2017. Total sales by EPZ enterprises dropped from KSh 68.6 billion in 2016 to KSh 66.9 billion in 2017 mainly due to a 5.9 per cent decrease in exports to KSh 60.4 billion in 2017. The decline was mainly attributed to drought which affected supply of raw materials to agro- processing industries, global competition and anxiety over the 2017 general elections. However, domestic sales rose to KSh 6.5 billion in 2017 from KSh 4.4 billion in 2016. Local purchases increased marginally from KSh 10.7 billion to KSh 10.9 billion during the same period. Imports decreased further by 1.4 per cent to KSh 29.7 billion in 2017 (KNBS, 2018).

Local employees engaged by EPZ enterprises increased from 52,947 persons in 2016 to 54,622 persons in 2017. Cumulative capital investments, which include equipment, machinery and zone infrastructure, has exhibited an upward trend since 2015 and stood at KSh 92.3 billion in 2017.In terms of African Growth and Opportunity Act (AGOA), which is an initiative of the United States of America (USA) meant to increase exports especially of apparel from accredited Sub-Saharan Africa (SSA) countries. Direct employment generated by the sub-sector increased by 3.5 per cent to 43,987 persons in 2017. The value of exports reduced for a second consecutive year from KSh 34.4 billion in 2016 to KSh

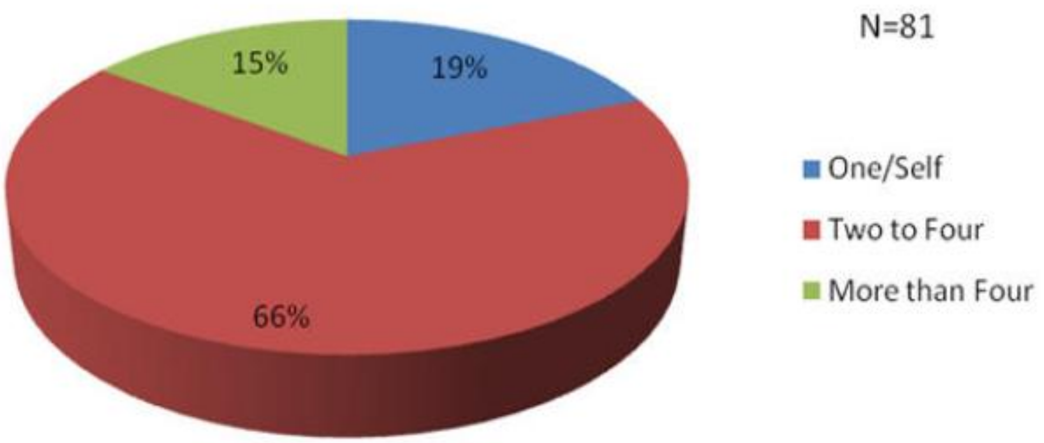
© IRDP, 2018 *ISBN 978-9976-9974-0-8*

32.8 billion in 2017. Similarly, capital investment reduced to KSh 14.1 billion in 2017 (KNBS, 2018).

5. Cottage Industries in Rural Kenya

The rural areas in Kenya have traditional industries which are Home-based industries, also referred to as cottage industries, which are units of production that are located in homesteads, and which rely on human- or animal-propelled skills and technology. The examples of home-based industries are: pottery, crude sugar production, brick-making, liquor production, quarrying and masonry, carpentry, traditional medicine production, charcoal production, basketry and weaving, baking, bicycle repair, flour-grinding, and shoe-making and repair. These industries provide skill training and development, products for rural and urban consumption, employment opportunities, and contribute to development. The cottage industries generally referred to as the micro-industries, provide direct employment to more than 6 million Kenyans (Makokha, 2014). According to a study done in Kakamega County, Kenya, 66% of Cottage industries employ between two to four operatives, while those with more than fourworkers, and single handedly managed cottage industries were 15% and 19% respectively, as shown in Figure 2.

Figure 2: Number of people Engaged in Cottage Industries



Source: Makokha, 2014

© IRDP, 2018
ISBN 978-9976-9974-0-8

6. Milestones in Industrial development Strategies

The country already has developed Industrial Transformation Programme, which is a comprehensive policy framework to guide Kenya on its path to industrialisation. Laws have been enacted that have attracted new investors, creating linkages and opportunities for local suppliers and enhanced economic activities across the country. The number of Export Processing Zones (EPZ) have increased from 47 in 10 counties in 2013 to 59 Export Processing Zones in 20 counties which support 572,000 direct and indirect jobs (Jubilee, 2017).

The Kenya Leather Park in Machakos has been built to accommodate over 7,000 Small and Medium Enterprises, as well as setting up the Leather Cluster Common Manufacturing Facility in Kariokor and the Athi River Textile City Industrial Sheds which will create employment opportunities for 22,000 Kenyan Women and Youth in the textile and apparel sector. A number of industries have been revived and transformed which can support economic growth and job creation including the transformation of the Kenya Cooperative Creameries Ltd, Pan paper (renamed RAI paper), Mumias sugar, the coffee sector and the blue economy (fisheries and the shipping line) which, if fully exploited, has the potential to generate revenues of about Ksh 500 billion a year up from the current Ksh178.8bn.These efforts are increasing earnings and expanding employment opportunities not just within the industries but all the way down to communities, small businesses and individuals (Jubilee, 2017).

Automobile industry has been re-established to support job creation and make new vehicles more affordable to Kenyans. Industrial linkages have been established with leather, textiles, tyre and other parts industries and business to widen the circle of job and business creation. Volkswagen, Toyota and Peugeot on the right path towards local production and Toyota's highly adaptable and low-cost Mobius is already being produced for the local market. The industry will provide avenues for technology and skills transfer supported by a new automotive centre of excellence in Thika. Kenya has been positioned to unlock its mineral wealth by enacting the Mining Act 2016, a first in 75 years, and by establishing a supportive institutional framework for exploration and extraction. Annual royalty revenues from mining activities have increased from Ksh 2mn in 2013 to Ksh1.35bn in 2017 (Jubilee, 2017).

© IRDP, 2018
ISBN 978-9976-9974-0-8

7. Participation of Rural Communities in Industrialization

The constitutions of Kenya in article 10 makes it very clear that citizens must be involved in all projects affecting them including the establishment of industrial concerns in urban and rural areas. This is further strengthened by Environmental Management and Co-ordination Act Chapter 387 of the Laws of Kenya, whereby the proponents of industrial projects are required to carry out Environmental Impact Assessments (EIA) and Environmental Audits (EA) prior to project implementation. As part of EIA methodology, it is a legal requirement that all stakeholders must be consulted through public participation meetings with the purpose of seeking their concurrence on the proposed projects. Additionally, public participation is a key requirement in the budget making process and other economic policy documents as enshrined in the Constitution and Public Finance Management Act No.18 of 2012. Public Finance Act provides that in preparing the County budget and economic policy documents, the County Treasury shall seek and take into account the views of the public, any interested groups. In this regard, at the County level citizens have an opportunity to consider whether to factor in the setting up of new rural industries or otherwise in the County Fiscal Strategy Paper which is prepared annually ahead of the reading of the National Budget by the Minister of Finance.

The Youth and women in Kenya are involved in rural industrialization through two Enterprise Development Funds, notably Youth Enterprise Development Fund and Women Enterprise Development Fund, which are operationally state corporations under the Ministry of Public Service, Gender and Youth Affairs .The Youth Enterprise Development Fund provides; loans to youth owned enterprises; market support to youth enterprises; facilitate youth enterprises to develop linkages with large enterprises; trading premises and worksites and business development services to youth owned enterprises. Two types of loans are accessible to the youths for enterprise development; the Rausha (start-up) and Inua (empower). Rausha is a group loan for startup businesses or other income generating activities. The Loan amount which is given out is about Kshs. 100,000. Rausha loan has a three-month grace period and repayment will be made in twelve (12) equal monthly installments. Inua is a business expansion loan for groups. It is advanced to groups with running businesses. Groups which have fully repaid Rausha or loans from other institutions

© IRDP, 2018 *ISBN 978-9976-9974-0-8*

can apply for Inua. Loan amount starts from Kshs. 200,000 and groups can progressively graduate up to Kshs. 1,000,000. As regards the Women enterprise development Fund, there is a loan product which is available at the constituency known as Constituency Women Enterprise Scheme or Tuinuke (promote). The Tuinuke loan product is given out through registered women groups interested in expanding or starting new businesses. The loan is interest free. These enterprise development funds which are supported by the government offer opportunities for rural communities to industrialize and create jobs.

The public procurement process in Kenya has been tailor-made to cater for the needs of the youth, women and the vulnerable groups. These segments of the population are encouraged to form groups or register companies and firms which are pre-qualified so that they are awarded tenders on affirmative basis for projects and programs to do for the national and County governments. The savings and associated benefits of the awards are re-directed by groups to set up enterprises and thus fast-tracking rural industrialization process. For industrial concerns which have been established in the rural areas, the local communities are considered for employment as well as being provided with the requisite infrastructure and support services as part of the corporate social responsibilities (CSR).

8. Challenges of Industrialization

A number of factors militate against Kenya's quest to become a newly industrialized nation. For example, Kenya's trade surplus in the EAC has been gradually declining since 2011 due to strengthening of the manufacturing sector in partner states and increased competition from imports from India and China into the region. Increased competition from cheap imports into the local and EAC markets, especially from China and India, and the strengthening of the manufacturing sector in the EAC countries pose a major threat to growth of Kenya's manufacturing sector. Competitiveness is further hampered by relatively high cost of production, including power outages and high electricity tariffs compared to regional markets. In addition are challenges of increased incidences of illicit trade, including counterfeits and dumping.

The domestic trade licensing regime is still characterized by multiple charges at the national and county government levels, which are leading to high cost of doing business. MSMEs also face the challenge of inadequate business premises and lack of basic facilities to handle perishable agricultural products for wholesale traders (KIPPRA, 2017).

© IRDP, 2018 *ISBN 978-9976-9974-0-8*

9. Opportunities for Industrialization in Kenya

Despite the challenges facing the industrial sector, there are numerous opportunities and avenues for faster industrialization. Kenya is a major agricultural exporter, however only 16% of exported agricultural output is processed. The rest is exported in raw form. The amount of processed agricultural exports can be doubled to boost agriculture, create an additional jobs and foreign exchange earnings.

Following the discovery of oil and subsequent prospecting, the country is in the process of joining a league of oil producing nations. The revenue from the petroleum sector is to be shared accordingly with the local communities getting 5%, while the County government will be allocated 20% and the National government will retain 75%.Oil is an important source of energy that will be expected to drive industrial complexes in Kenya.

In past decade Kenya has invested heavily on the development of large scale construction programmes such as LAPSSET, Standard Gauge Railway (SGR) and road projects, important for triggering industrial growth and overall national development. Kenya has a well-educated labor force; robust financial services; highly developed ICT capabilities; and advanced infrastructure. The Country has access to vast agricultural resources and is home to some of the most innovative entrepreneurs globally. These are the right ingredients to support fast industrialization and opportunities to create more jobs at every level.

Interest rates in Kenya are stabilizing following the capping of interest rates in 2016 and continued tight monetary policy stance adopted to maintain stability. The capping of interest rate gives an opportunity to well establish and start-up entrepreneurs to access capital for industrial development. The enactment of the Special Economic Zone Act 2015 has facilitated establishment of Special Economic Zones with the purpose of reducing the operational cost for potential investors in production of goods and services. In addition, *Huduma* Centres have been established in various counties, as well as the National Electronic Single-Window System to enhance efficiency in registration and simplify e-commerce transactions (KIPPRA 2017).

At regional level, Kenya has remained an active player in regional and international trade matters. The country is a founder member of the EAC, COMESA, and Intergovernmental Authority for Development (IGAD), African Union (AU), the African, Caribbean and

© IRDP, 2018 **ISBN 978-9976-9974-0-8**

Pacific (ACP) group of states and the World Trade Organization (WTO). Further, the initiative to establish the African Continental Free Trade Area (ACFTA) provides an opportunity for Kenya to penetrate markets outside the EAC and COMESA regions. However, Kenya has to strategically position herself by improving the business environment, promoting value addition and diversifying production (KIPPRA 2017).

10. Conclusion

Kenya needs to put in place interventions to surmount the challenges which confront industrialization. In particular there is need to diversify to medium and high technology products to secure and expand its market share. It is important for the country to focus on reducing the cost of doing business to secure and attract Foreign Direct Investments (FDIs). For example, reduction of energy cost and supply of stable and quality power to enhancing efficiency and productivity in the industrial sector. Increasing productivity of the economy by promoting agro-processing and developing value chains even at regional level, and exploiting extractive resources to diversify sources of growth should be considered. Expansion of export market through diversification of export products and destinations will contribute towards boosting development of industries in the priority sectors in the country. Priority should also be accorded to diversification of manufacturing to medium and high technology products and establishing incubation centres to nurture innovation. This will help in diversifying manufactured exports. There is a need to scale up measures towards least cost energy technologies to support large scale industries, and design a package for infrastructure services hub.

© IRDP, 2018 *ISBN 978-9976-9974-0-8*

References

Chege Jacob et al Scoping paper on Kenyan manufacturing Downloaded from https://www.brookings 14/6/2018,12.00 hrs.

Jubilee (2017): Jubilee Manifesto; Accessed from UhuRuto 2017.co.ke, www.iiste.org,12/6/2018,15.00 hrs

KIPPRA (2017): Sustaining Kenya's Economic Development by Deepening and Expanding Economic Integration in the Region, KIPPRA, Nairobi

Kenya; Map showing Economic Activities; Downloaded fromhttp://www.mapcruzin 15/6/2018, 15hrs

Makokha Paul Peter M (2014): The Place of Home-Based Industries in Rural Kenya's Socio-economic Progress: A Case Study of Kakamega County, Journal of Economics and Sustainable Development accessed from www.iiste.org, 12/6/2018,15.00 hrs

Republic of Kenya (2017): Medium Term Plan 2013-2017, Ministry of Devolution and planning, Nairobi.

Republic of Kenya (2018): Economic Survey, Kenya National Bureau of Statistics, Nairobi.

Republic of Kenya, Youth Enterprise Development Fund ,Ministry of Public Service, Gender and Youth Affairs, downloaded from;http://www. youthfund.go.ke 23/6/2018:6.21 hrs.

Ronge Eric E. and Nyangito O Hezron (2000): A Review of Kenya's Current Industrialization Policy, KIPPRA, Nairobi.

© IRDP, 2018

ISBN 978-9976-9974-0-8