

## Manufacturing

Exciting new businesses are being launched in Kenya with the hope of building the manufacturing industry, but huge challenges must be overcome if they are to succeed.

### How can Kenya invigorate manufacturing?



**K**enya is often referred to as the beating heart of East Africa. Development is tangible there. Everywhere you look in Nairobi, new offices and apartment blocks are being erected. Roundabout billboards announce exciting new travel opportunities. Entrepreneurs are launching new initiatives on an almost daily basis.

It is no surprise the country is developing rapidly: it is a clear leader in the region, with a relatively well educated and motivated workforce, a vibrant telecommunications sector, large ports and a location that makes it the gateway to East Africa.

And yet, the country is not where it should be. According to Howard Stein, a professor at the University of Michigan, whose research includes industrialisation and economic development in East Africa, a big part of this is due to the lacklustre manufacturing industry. "The state of manufacturing in Kenya is not very good. It should have a vibrant, expanding manufacturing

sector, and a commitment to policies that could help this," he says.

A report from the Kenya National Bureau of Statistics shows that manufacturing made up 10.3% of GDP in 2015, which, Stein explains, is incredibly low for a country like Kenya. "[Manufacturing] should be at least 25-30% [of GDP]," he says. Currently, around 80% of Kenya's exports are in commodities, not in products manufactured in Kenya.

Kenya's manufacturing sector is also small relative to agriculture and services in terms of employment. A 2014 World Bank report reveals that "[i]n 2013 the [manufacturing] sector accounted for 12% of total formal employment, with about 280,000 people employed." In developed countries, manufacturing usually makes up a huge proportion of the employment opportunities.

Stein explains, "Manufacturing ought to be the backbone of employment in Kenya, but it's not. It's been really quite disappointing in terms of what Kenya



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# 1m



has achieved. This country should take off! It has all the potential!"

So why is Kenya behind the times, and what is being done to speed up the pace? The challenges across the manufacturing sector, it seems, are huge. Innocent Masira, a market development officer for the Kenya Coconut Development Authority explains that for the coconut industry, attempts to diversify from simply exporting raw coconuts to manufacturing products like coconut oil and coconut butter in country have been hampered by high production costs. "There are lots of factors [causing the high production costs], including poor infrastructure issues and poor electricity."

Kyle Denning, CEO of Kentaste, a small enterprise producing coconut products in Kenya, says, "Some of the major challenges stem from the inefficiency of the infrastructure – transport and power namely. With reduced power costs and a more reliable supply, we would be a much more efficient operation. Transport is one of our most significant costs. Progress in infrastructure would be greatly beneficial to our expansion."

It is the lack of government engagement and follow-through that perpetuates these issues, according to Stein. "Countries like Malaysia get huge amounts of government support to develop these industries. It then becomes difficult for Kenya and Africa more broadly to compete," he says.

Kenya's position lagging behind the global competition is simply not good enough according to the World Bank report. "Kenya needs to increase the competitiveness of the manufacturing sector so that it can grow, export, and create much-needed jobs,"



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said Maria Paulina Mogollon, co-author of the report, at its launch.

The report states that "More than half a million people are joining the labour force in Kenya every year, and this figure is expected to rise to 1 million a year by 2030." Assimilating such a large number of people into the formal sector requires massive employment creation in higher productivity jobs. Given the huge population growth, expanding the manufacturing sector is going to be crucial for the country.

### Big dreams

Despite the stagnant nature of manufacturing, several new initiatives are being pioneered with big dreams of changing the landscape. One such example is Enda (which means "Go" in Swahili), where the team are creating the first world-class Kenyan running shoes, based on the advice of great Kenyan athletes.

"We would like to create a whole line of Enda shoes, for a whole range of runners," says co-founder Weldon Kennedy. "The idea is to create as many jobs as possible in Kenya. It's not just production; there will also be jobs in design and distribution."

This, according to Kennedy, is what Kenya needs more of to succeed: "Enda is about creating wealth and opportunity, creating jobs and industry. It's about building Kenya up and allowing the world to buy a world class product from here."

Other organisations unable to manufacture in country hope to follow suit. Rufus Muturi, an executive at Kenyan technology company BRCK said, "The reason we don't [manufacture] here is because it is expensive. We hope to build our products here in future to pass on the cost savings to our customers and enable the technologies we build to be more accessible."

Developing the skills of locals is also going to be important, according to Muturi. "Having a manufacturing industry here would not just create jobs but also force us to improve our schools and training facilities," he says. "Almost all our staff is Kenyan and we would very much like to have our engineers be world-class. I believe having our own industries would go a long way in making this happen."

These new initiatives might just be the answer to Kenya's stagnant manufacturing industry in the long run. However, as the number of people in Kenya rapidly increases, and demand for jobs goes up, the government is going to have to work much harder, and much faster at addressing the challenges faced if they are to keep East Africa's heart beating.

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