BRIEF ON VISION 2030 MANUFACTURING SECTOR

The role of the manufacturing sector in Vision 2030 is to create employment and wealth. The sectors overall goal in the MTP is to increase its contribution to the GDP by at least 10% per annum as envisaged in the Vision 2030.

A number of interventions are proposed in the Vision which will lead Kenya to be globally competitive and prosperous. The objectives to be pursued are:

- To strengthen the capacity and local content of domestically manufactured goods
- To increase the generation and utilization of Research and Development results
- To raise the share of products in the regional market from 7% to 15%
- To develop niche products for existing and new markets

To achieve these objectives, a set of key target areas have been identified and specific goals and targets set to steer industrial growth. These include:

1) Development of the iron and Steel Industry through establishment of an Integrated Steel Mill
2) Development of Small and Medium Enterprise (SME) Parks, Industrial and Technology Parks, Industrial Manufacturing Clusters,
3) Upgrading of products from small and medium enterprises
4) Skills Development for the Technical Human Resource for the Manufacturing Sector
5) Commercialization of research and development results, attraction of strategic investors in strategic sectors i.e. iron and steel industries, agro-processing, machine tools and machinery, motor vehicle assembly and manufacture of spare parts.

1. ESTABLISHMENT OF SMALL AND MEDIUM INDUSTRIES (SMIS) PARKS

SMI Parks are self-contained geographical areas with high quality infrastructure facilities, which house businesses of an industrial nature. It is an area zoned and planned for the purpose of industrial development. The SMI parks offer industrial, residential and commercial areas with developed plots/pre-built factories, power, telecom, water, sanitation and other civic amenities such as hospital, sewerage and drainage facilities, security etc.

The main targets of SMI Parks are the high value adding small and medium scale industries, which do not have the wherewithal to invest in developing their own basic infrastructure facilities, but have the capacity to pay for the services provided to them. Infrastructure facilities are provided for and thus a conducive environment is created to attract small and medium scale industries.

The general objectives of the SMI parks is to harness local and international investment opportunities by establishing processing parks in strategic locations with rich raw materials hinterlands.

The specific objectives will be the following:

- To promote the development of Small and Medium Industries
- To enhance value addition to natural and agricultural resources
- To attract local and foreign investment
- To create an enabling environment through improved infrastructure
- To facilitate transfer of technology
To promote productivity and competitiveness of enterprises

In line with the Kenya’s constitution desire to promote equitable development in the country, the Ministry of Industrialization is pursuing the development of 47 SMI parks, one in each county.

The main activities that require funding include the following:

- Acquisition of industrial land,
- Benchmarking with best practices
- Feasibility studies,
- Design of Master plans for the parks
- Infrastructure development
- Publicity
- Marketing

PROGRESS

- Land of 135 acres and 20 acres has been identified in Eldoret and Taveta respectively
- Land surveyed and beaconed in Taita Taveta
- Title Deed for the Taita Land allocated
- Land in Taveta Being fenced

2. DEVELOPMENT OF INDUSTRIAL PARKS

Industrial and Technology parks

Industrial and Technology parks are key elements of the infrastructure supporting the growth of today’s global knowledge economy. By providing a location in which government, private sector and universities cooperate these parks create environments that foster collaboration and innovation. They enhance the development, transfer and commercialization of technology.

Nairobi Industrial and Technology Park

This is a public private partnership project of the Ministry of Industrialization (MOI), Jomo Kenyatta University of Agriculture and Technology (JHUAT). JHUAT as a university of technology has been involved in initiatives that have a bearing on enterprises development. However, a lot of research work in this area remains unimplemented since there did not exist any arrangement to ensure the uptake of this knowledge and its use by industry players. To solve this
problem, the university submitted a proposal to the Ministry to enter into a partnership to develop an Industrial Park within the University.

The main goal of the park is to promote the collaboration between the government, private sector and the university with the aim of facilitating the growth and development of knowledge and technology based enterprises in line with the Vision 2030.

**Strategic Objectives**

The main strategic objectives of the Industrial Technology Park will be to:

- Facilitate transfer of technology and promote local enterprises
- Create an environment for inventiveness and innovativeness
- Stimulate and manage the flow of knowledge and technology amongst university, R&D institutions, companies and markets
- Facilitate the creation and growth of knowledge based enterprises
- Provide other value added services together with high quality space and services
- Translate government policies into sectoral strategies and action plans
- Promote business planning
- Promote productivity and competitiveness of enterprises

The proposed Industrial Park will bring together MOIED, JKUAT, financial institutions, City/municipal councils, and the private sector, among other stakeholders.

The park will act as an incubator for knowledge based growth oriented enterprises that will have a potential to grow to medium level sizes within fairly short periods. The park will, therefore, host enterprises for periods of three to six years after which the already developed medium sized enterprises will exit the park and pave way for new entrants. It is hoped that within this period enterprises will have strengthened enough to survive outside the conditions of the park. This will be exclusively a park for manufacturing and processing knowledge and technology based SMIs

The park will also house a technology museum that will showcase the evolution of various technologies. This will act as an attraction for students, entrepreneurs and the general public bringing in some additional revenue to the park. It is projected that the park will have graduated
500 enterprises in ten years. This is estimated to grow from an initial 50 enterprises. Entrants will strictly be firms involved in manufacturing and processing. Service providers and firms not involved in actual product transformation will not operate in the park. This is because the park seeks to grow the manufacturing and processing potential in the country.

The key milestones of the park will be the following:

- Develop a capacity to host Small & Medium enterprises.
- Develop to an Enterprise City with amenities such as a shopping mall, theatres, restaurants, etc as support amenities to the incubated firms.
- Developing a fully fledged Technology and Science Museum.
- Graduate at Small firms into the medium enterprise category with ability to thrive outside the park and quickly grow to large companies annually.
- Employment both directly and indirectly.
- Link the Park to knowledge sources around the region.

The main activities to be undertaken in the development of the Industrial Technology Park and require funding include the following:

- Project formulation.
- Land acquisition.
- Project negotiation.
- Feasibility study.
- Bench marking study tours.
- Development of basic infrastructure.
- Publicity.
- Marketing.

**PROGRESS**

- 32 acres of land identified at JKUAT.
- A Topographical map was done and beacons established.
- Fencing for the site completed.
3) SKILLS DEVELOPMENT FOR THE TECHNICAL HUMAN RESOURCE FOR THE MANUFACTURING SECTOR

Introduction

It has been observed that there are gaps in the human skills (trainees and trainers), curriculum, and technology and do not adequately address the ever changing skill and technology need for the manufacturing sector.

Furthermore, there is a mismatch between available technical skills and the market demand due to a weak linkage between training institutions and the industry at the three levels of training i.e. universities, tertiary colleges and youth polytechnics.

However, there are various government policy instruments and private sector initiatives that have been developed to address these challenges. Some of the government policy and legal instruments geared towards addressing training at the three levels mentioned above include:

- Education Act Cap 211
- SME Sessional Paper No.2 of 2005
- TIVET Strategy 2008
- TIVET Act
- Industrial Training Act 237
- Employment Act 2007
- Ministry of Youth Affairs and Sports’ Curriculum for Youth Polytechnics – being piloted in 100 Youth Polytechnics.

In order to achieve the country’s Vision of becoming an industrializing nation by 2030, a strong linkage between the training institutions and the industry must be created. It is against this background that upgrading of selected institutions at the three levels to be centres of excellence for manufacturing sector have identified as a flagship project with training of engineers, technologists and technicians being a priority.

The main activities the ministry plans to undertake in the next three years that require funding include the following:
- Organizing stakeholders’ forum
- Carrying out the inventory of the identified institutions at the three levels
- Reviewing the existing policies and developing new ones
- Reviewing and developing curricula suitable for manufacturing sector
- Equipping the selected institutions with modern and appropriate technology
- Capacity building of trainers and trainees
- Bench marking with best practices

It should be noted that training of Engineers and technicians will therefore involve the following milestones.

- Facilitation of setting up of Centers of Excellence that provide competency based training for Engineers and Technicians to meet Skills requirements of the Manufacturing Sector
- Identification of Technology gaps within the Training Institutions with a view to addressing the same
- Linking up Training Institutions with the Manufacturing Sector for technology updates
- Improving the training curriculum of engineers and technicians by addressing the practical aspects of the training and inclusion of entrepreneurship subjects. Diversifying the training in terms of training places and including training exchange programmes with Universities outside Kenya
- Providing incentives to industries to promote industrial research between Universities and Industries for placement of engineering students in research fields and design.
- Improving linkage between the training institutions and the industries.
- Improving the level of funding for research and development in engineering through funds mobilization.

**PROGRESS**

- Strategy paper developed
- A Cabinet memorandum on training of engineers, technologists and technicians has been finalized for Cabinet approval of the strategy paper.
3. PROMOTION OF DEVELOPMENT OF REGIONAL SPECIFIC INDUSTRIAL CLUSTERS IN MOMBASA, KISUMU AND GARISSA

Introduction

The National Economic and Social Council (NESC) during its 17th Council meeting held on May 29-30th 2009 recommended the adoption of a cluster development strategy as part of regional and national competitiveness strategies. Accordingly, priority sectors were identified for the initial implementation of the cluster strategy. These are: transport and logistics at the Port of Mombasa, horticulture, sugar, tea, tourism, marine and inland fisheries, livestock, energy, ICT, maize, cotton and dairy. The Vision 2030 advocates for regional manufacturing and industrial clusters as engines for realizing industrialization. The fourth component of Kenya Private Sector Development Strategy (PSDS) also aims at improving the productivity and competitiveness of enterprises. This will promote development of region specific industrial clusters in selected regions. The Ministry of Industrialization is spearheading the development of the following:

- Fish cluster in Kisumu
- Meat and Leather cluster in Garissa and Kajiado
- Promote development of agro-industrial Clusters in Mombasa

The main activities being undertaken and those planned for the next three years and require funding include the following:

- Development of manufacturing clusters i.e. improving infrastructure, Technology transfer, Research & Development
- Facilitate formation of cluster associations in the three regions
- Stakeholders’ forum for setting the industrial clusters in the three regions
- Training cluster facilitators
- Monitoring and evaluation exercise in the three regions
4. DEVELOPMENT OF IRON AND STEEL INDUSTRY

Steel is the backbone of the economic activity of any country. The per capita steel consumption is an internationally recognized indicator of the level of development of any country. Direct and indirect consumption of steel in Kenya is projected to increase as the country embarks on the development activities as envisioned in the Vision 2030. The major Vision 2030 projects include Lamu port development, railway and roads projects, housing, Industrial parks and the development of the special economic zones all of which utilize steel products. The Iron and Steel industry in Kenya forms about 13 percent of the manufacturing sector, which in turn contributes significantly to the GDP.

The local steel industry is heavily dependent on imported raw materials, as no local sources have been developed to date. The local deposits of iron ore and coal, which are the raw materials for the production of iron, that have been identified in several Locations in the country have not attracted commercial interest.

As a policy initiative the Government has embarked on identifying and addressing the constraints in the sector that hinder full exploitation of the available raw materials that are necessary for the establishment of an Integrated Iron and Steel Industry capable of producing the high grades of steel as required in the construction, Machine tool and Motor vehicle industry with a view to develop the steel industry. This policy initiative is geared towards commercial exploitation of existing iron ore and coal deposits and utilization of locally scrap metal to produce high quality steel in Kenya. It is against this background that the Government restricted the export of scrap metal.

Furthermore it is estimated that the country spends about 60 billion shillings (approximately 750 million US dollars per annum on importation of steel. This import bill can be reduced if high quality steel is produced locally. The development of the iron and steel sector has a spillover effect to other sectors of the economy and has the potential to create employment opportunities to Kenyans. A single steel plant of a capacity to produce 350,000 metric tons of steel per year can generate about 10,000 jobs not to mention the jobs created through other steel related activities. The Ministry of Industrialization is spearheading the development of Iron and Steel
Industries as part of the Vision 2030 flagship projects and the following activities being undertaken and those planned for the next three years and require funding include the following:
• Project formulation
• Feasibility study on Iron ore and Coal deposits
• Feasibility study to determine the viability of an Integrated Steel Mill
• Stakeholder Workshops for the development of the Integrated Steel Mill
• Land acquisition
• Bench marking study tours
• Development of basic infrastructure
• Development of an Integrated Steel Mill
• Monitoring and evaluation exercise