REPUBLIC OF KENYA

Ministry of Investments, Trade and Industry
State Department for Industry

ASSESSMENT REPORT

Of Manufacturing Opportunities For Industrial Growth In Nairobi City County — JUNE 2025

Presented To:

The Principal Secretary,
State Department For Industry
Att: Project Coordinator
Kenya Industry & Entrepreneurship Project (KIEP)

REPUBLIC OF KENYA
Ministry of Investments, Trade and Industry
State Department for Industry

REPUBLIC OF KENYA
MINISTRY OF CO-OPERATIVES AND MICRO, SMALL AND MEDIUM ENTERPRISES (MSMEs) DEVELOPMENT

ASSESSMENT REPORT OF MANUFACTURING OPPORTUNITIES FOR INDUSTRIAL GROWTH IN NAIROBI CITY COUNTY

KENYA INDUSTRIAL ESTATES LIMITED

KENYA INDUSTRY ENTREPRENEURSHIP PROJECT (KIE-KIEP)

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KENYA INDUSTRIAL ESTATES

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FOREWORD

The manufacturing sector holds immense potential as a catalyst for sustainable economic transformation, job creation, and technological advancement. In the context of Nairobi County—Kenya's economic nerve center—manufacturing stands not only as a pillar of the national development agenda but also as a key to unlocking inclusive industrial growth at the county level.

Nairobi County stands at the cusp of transformative industrial growth. As Kenya's capital and a regional economic powerhouse, Nairobi holds strategic potential to harness manufacturing as a driver of inclusive development, innovation, and employment creation. It is in this context that the present assessment report has been commissioned—to uncover and analyze manufacturing opportunities that can unlock Nairobi's industrial promise

This assessment report on manufacturing opportunities in Nairobi County comes at a defining moment. As our urban landscape continues to evolve, the need for diversified economic activity and localized value addition becomes ever more urgent. Nairobi, with its strategic location, skilled workforce, vibrant innovative ecosystem, and developed infrastructure, is uniquely positioned to lead the country's next wave of industrial expansion.

The report presents a comprehensive mapping of Nairobi's existing manufacturing base, identifies sector-specific opportunities, and highlights critical enablers and constraints. It explores areas ranging from agro-processing and textiles to green manufacturing, pharmaceuticals, and light engineering. The findings are intended to inform decision-makers in government, private sector, academia, and civil society with actionable insights that will drive evidence-based planning, targeted investment, and partnership development.

Most importantly, this report underscores the importance of collaboration. The path to a resilient and thriving manufacturing economy cannot be charted by one actor alone. It demands concerted efforts by public and private stakeholders to create a policy environment that fosters enterprise growth, invests in modern industrial infrastructure, and enhances access to finance and skills development.

This report is intended to guide public policy, inform private sector decision-making, and support development partnerships aimed at catalyzing industrial growth. It offers practical insights and recommendations that reflect the realities and aspirations of stakeholders across Nairobi's industrial ecosystem.

We recognize that realizing Nairobi's manufacturing potential will demand sustained collaboration among county and national governments, the private sector, academia, and civil society. Only through coordinated action can Nairobi transition into a resilient, innovation-driven, and globally connected manufacturing hub.

I commend the dedicated teams and partners who contributed their expertise and time to produce this timely analysis. It is my hope that the insights shared herein will serve as a springboard for strategic action—positioning Nairobi County as a beacon of industrial innovation and sustainable growth, both within the East African region and beyond.

Dr. Juma Mukhwana, PhD, CBS,
PRINCIPAL SECRETARY,
STATE DEPARTMENT FOR INDUSTRY,
MINISTRY OF INVESTMENTS, TRADE AND INDUSTRY.

PREFACE

This assessment report on manufacturing opportunities for industrial growth in Nairobi County emerges from a shared aspiration to foster sustainable economic development, generate employment, and position Nairobi as a regional hub for industrial innovation. The dynamic shifts in global production, regional trade, and urbanization patterns underscore the urgency of reimagining Nairobi's manufacturing potential in ways that are both inclusive and forward-looking.

The objective of this study is to provide a comprehensive overview of the current manufacturing landscape within Nairobi County, while identifying high-impact opportunities across priority sectors. The report draws on data analysis, stakeholder consultations, and sectoral reviews to chart out pathways for industrial expansion that align with Nairobi's comparative advantages and future development goals.

This initiative is grounded in the understanding that manufacturing is not merely a sector—it is an enabler of value addition, skill formation, and economic diversification. Nairobi's centrality in Kenya's innovation ecosystem, proximity to regional markets, and a growing population of talented youth provide a strong foundation upon which to build a resilient and globally competitive manufacturing base.

The findings contained in this report are intended to support policymakers, investors, development partners, and local industry players with strategic insights and practical recommendations. Whether through expanding agro-processing capacity, supporting green manufacturing, fostering enterprise zones, or leveraging digital technologies, this report seeks to illuminate actionable opportunities that will drive Nairobi's industrial agenda forward.

We extend our gratitude to all contributors who shared their expertise and perspectives, enabling a holistic and impactful assessment. It is our hope that this report inspires bold, collaborative action to unlock the full industrial promise of Nairobi County.

Prof. Erastus Gatebe, PhD, MBS,
INDUSTRIALIZATION SECRETARY,
STATE DEPARTMENT FOR INDUSTRY,
MINISTRY OF INVESTMENTS, TRADE AND INDUSTRY.

ACKNOWLEDGEMENT

The successful completion of this assessment report on manufacturing opportunities for industrial growth in Nairobi County is the result of the collective effort, insights, and commitment of numerous stakeholders. It is with deep appreciation that we recognize the individuals and institutions who made this undertaking possible.

First and foremost, we extend our sincere gratitude to the leadership of Nairobi County Government for their vision, guidance, and unwavering support throughout the development of this report. Their recognition of manufacturing as a strategic driver for economic transformation was instrumental in shaping the scope and direction of this study.

We also acknowledge the invaluable contributions of the technical teams and sector specialists who provided rigorous analysis, data interpretation, and contextual insights. Their dedication to delivering a high-quality, evidence-based report has ensured that the findings and recommendations reflect both current realities and future possibilities.

Our appreciation goes to the representatives from industry, academia, development partners, and civil society organizations who participated in consultations, shared experiences, and offered constructive feedback. Their diverse perspectives helped enrich the report and ground it in practical, stakeholder-driven priorities.

Special thanks are due to the research and coordination team whose tireless efforts—through data collection, stakeholder engagement, and content development—ensured the timely delivery of this comprehensive assessment.

Lastly, we recognize the citizens and entrepreneurs of Nairobi County whose innovation, resilience, and drive continue to shape the city's industrial identity. It is our hope that this report will serve their aspirations and contribute meaningfully to a more inclusive and prosperous manufacturing sector.

To all who contributed in ways big and small, we express our heartfelt thanks.

CPA Charles Mativo
Ag, MANAGING DIRECTOR
KENYA INDUSTRIAL ESTATES

ACRONYMS AND ABBREVIATIONS

AGOA	AFRICAN GROWTH AND OPPORTUNITY ACT
AfDB	THE AFRICAN DEVELOPMENT FUND
AFCFTA)	AFRICAN CONTINENTAL FREE TRADE AREA
BETA	BOTTOM-UP ECONOMIC TRANSFORMATION AGENDA
CEEC	CENTRE FOR ENERGY EFFICIENCY AND CONSERVATION
COMESA	COMMON MARKET FOR EASTERN AND SOUTHERN AFRICA
DFIs	DEVELOPMENT FINANCE INSTITUTIONS
EAC	EAST AFRICA COMMUNITY
EVS	ELECTRIC VEHICLES
FMCG	FAST-MOVING CONSUMER GOODS
IDA	INTERNATIONAL DEVELOPMENT ASSOCIATION
ICD	INLAND CONTAINER DEPOT
KIEP	KENYA INDUSTRY AND ENTREPRENEURSHIP PROJECT
EAC	EAST AFRICAN COMMUNITY
KAM	KENYA ASSOCIATION OF MANUFACTURERS
SDI	STATE DEPARTMENT FOR INDUSTRIALIZATION
KNBS	KENYA NATIONAL BUREAU OF STATISTICS
KIE	KENYA INDUSTRIAL ESTATES
MSMES	MICRO, SMALL AND MEDIUM-SIZED ENTERPRISES
SEZS	SPECIAL ECONOMIC ZONES
EPZS	EXPORT PROCESSING ZONES
SMES	SMALL AND MEDIUM ENTREPRISES
SGR	STANDARD GAUGE RAILWAY

WB	WORLD BANK
NCIDP	NAIROBI COUNTY INTEGRATED DEVELOPMENT PLAN
KenInvest	KENYA INVESTMENT AUTHORITY
KIRDI	KENYA INDUSTRIAL RESEARCH AND DEVELOPMENT INSTITUTE
KDC	KENYA DEVELOPMENT CORPORATION
TVET	TECHNICAL AND VOCATIONAL EDUCATION AND TRAINING
R&D	REASERCH AND DEVELOPEMNT
MSEA	MICRO AND SMALL ENTERPRISE AUTHORITY
UNIDO	UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANISATION
GIZ	GERMAN CORPORATION FOR INTERNATIONAL COOPERATION
CAIPs	COUNTY AGGREGATION AND INDUSTRIAL PARKS
ICT	INFOMRATION COMMUNICATION TECHNOLOGY
SEZ/EPZ	SPECIAL ECONOMIC ZONE AND EPZ EXPORT PROCESSING ZONE
SADC	SOUTHERN AFRICAN DEVELOPMENT COMMUNITY
ISO	INTERNATIONAL ORGANIZATION FOR STANDARDIZATION
NIMP	NAIROBI INDUSTRIAL MASTER PLAN
PPEs	PERSONAL PROTECTIVE EQUIPMENT
KENIA	KENYA NATIONAL INNOVATION AGENCY
KITP	KENYA INDUSTRIAL TRANSFORMATION PROGRAMME
MFIs	MICROFINANCE INSTITUTIONS
PPPs	PUBLIC-PRIVATE PARTNERSHIPS
FSC	FOREST STEWARDSHIP COUNCIL
NIMP	NAIROBI INDUSTRIAL MASTER PLAN

GLOSSARY

Term	Definition
Agro-processing	The transformation of agricultural products into semi-finished or finished goods, such as packaged food, beverages, and dairy products.
AfCFTA (African Continental Free Trade Area)	A trade agreement among African Union member states aimed at creating a single continental market for goods and services.
Bottom-Up Economic Transformation Agenda (BETA)	Kenya's national strategy focused on empowering MSMEs and decentralizing economic growth.
Circular Economy	A model that emphasizes reusing, recycling, and regenerating materials to create a closed-loop system, minimizing waste.
Export Processing Zones (EPZs)	Designated areas that offer incentives to export-oriented manufacturers, including tax exemptions and infrastructure support.
Fast-Moving Consumer Goods (FMCG)	Products that are sold quickly and at relatively low cost, such as food, beverages, and household supplies.
Green Manufacturing	Environmentally friendly production processes that reduce waste, emissions, and energy use.
Industry 4.0	The integration of digital technologies like IoT, AI, and robotics into manufacturing processes.
Jua Kali	A Swahili term referring to Kenya's informal sector artisans and small-scale manufacturers, often operating in open-air workshops.
Kenya Industrial Estates (KIE)	A state corporation that provides MSMEs with access to workspace, credit, and business advisory services.
Micro, Small, and Medium Enterprises (MSMEs)	Businesses that fall below certain thresholds in terms of employees, turnover, and capital investment.
Nairobi Industrial Master Plan (NIMP)	A proposed framework for structured industrial development and spatial planning within Nairobi County.
Special Economic Zones (SEZs)	Geographic zones designated to attract investment through tax and regulatory incentives focused on manufacturing and export.
Value Chain	The full range of activities involved in producing and delivering a product or service, from raw material to end consumer.

EXECUTIVE SUMMARY

The Government of Kenya received funds from the International Development Association (IDA) of the World Bank to finance implementation of the Kenya Industry and Entrepreneurship Project (KIEP) for a six-year period-2018 to 2024. The project, implemented by the State Department for Industry (SDI) seeks to increase innovation and productivity in select private sector firms. The project's role spans industrialization landscape hence the department can leverage on its financing to spearhead the industrial acceleration agenda. In order to increase innovation and productivity for accelerated growth and competitiveness, the project has deployed multi-pronged instruments including the firm-level support, industrial transformation, capacity enhancement of technical skills, building linkages between traditional industries and startups, upgrading equipment and technology to strengthen the entrepreneurship ecosystem, interlinking SMEs to curtail headwinds in the industrial ecosystem and restructuring the manufacturing landscape in the country so as to midwife a nascent path for economic growth and shared prosperity.

One of the key deliverables in the project is to assess the manufacturing opportunities for industrial growth in Nairobi County to support the increase in innovation and productivity in select private sector firms. This assessment report therefore, presents an in-depth analysis of manufacturing opportunities for industrial growth in Nairobi County. Anchored in the broader national development goals outlined in Kenya Vision 2030 and the Bottom-Up Economic Transformation Agenda (BETA), the report underscores Nairobi's unique potential to spearhead industrial transformation in the country and the wider East African region.

With its strong infrastructure backbone, a youthful and growing workforce, access to regional and international markets, and a thriving innovation ecosystem, Nairobi County is well-positioned to become a manufacturing powerhouse that drives inclusive and sustainable economic development. The report highlights the existing high-potential manufacturing opportunities available that include agro-processing, textiles and apparel, building materials, pharmaceuticals and medical supplies, leather and footwear, plastics and packaging: the rapid growth in fast-moving consumer goods (FMCG) and green manufacturing.

> With its strong infrastructure backbone, a youthful and growing workforce, access to regional and international markets, and a thriving innovation ecosystem, Nairobi County is well-positioned to become a manufacturing powerhouse that drives inclusive and sustainable economic development.

CHAPTER 01

INTRODUCTION

Nairobi County, as Kenya's capital and a dynamic urban center, presents a distinctive blend of challenges and opportunities in its pursuit of sustainable industrial development. As the epicenter of commerce, innovation, and governance, Nairobi plays a critical role in shaping the national economic agenda, particularly through its potential to catalyze growth within the manufacturing sector. This assessment report on manufacturing opportunities for industrial growth in Nairobi County seeks to unpack the underlying factors shaping the region's industrial trajectory, identify high-potential sectors for strategic investment, and propose actionable recommendations for stakeholders engaged in economic planning, policy formulation, and enterprise development. With an expanding population, rapidly evolving infrastructure, and growing regional integration under the East African Community (EAC) and African Continental Free Trade Area (AfCFTA), Nairobi is strategically positioned to emerge as a leading manufacturing hub in sub-Saharan Africa.

The report is informed by the outcome of Mapping and Geo-location of Industries done during the month of June by the a multi-agency team from State Department of Industrialization (SDI), Kenya National Bureau of Statistics(KNBS) and Kenya Industrial Estates(KIE) and a thorough analysis of Nairobi's current manufacturing landscape, which reveals a sector marked by both promise and persistent structural limitations. On one hand, Nairobi is home to a wide spectrum of industries, from food and beverage processing and garment production to pharmaceuticals and electronics assembly. These activities are bolstered by a diverse and skilled labour force, access to national and regional transport corridors, and a vibrant entrepreneurial culture. On the other hand, recurring bottlenecks—including infrastructural deficits, high cost of inputs, limited technological upgrading, regulatory inefficiencies, and challenges in access to affordable finance—continue to inhibit the sector's competitiveness and inclusive growth. Thus, this report recognizes the need for a nuanced, evidence-based approach to reimagining the county's industrial future.

Central to this report is the understanding that manufacturing is more than a standalone sector—it is a driver of economic diversification, employment creation, technological innovation, and structural transformation. By deepening and broadening its manufacturing base, Nairobi County can significantly reduce dependence on imports, enhance domestic value addition, generate stable jobs for its rapidly growing youth population, and contribute meaningfully to national and regional development targets. In pursuit of this vision, the report evaluates key manufacturing value chains, assesses the performance of industrial support ecosystems, and explores policy options to accelerate industrial productivity and resilience. These insights are critical in the current context of global economic volatility, changing trade dynamics, and the increasing urgency of climate-resilient development pathways.

The assessment was undertaken using a participatory and interdisciplinary methodology that incorporated desk research, quantitative data analysis, stakeholder interviews, and case study reviews. Emphasis was placed on understanding both formal and informal manufacturing activities, capturing the voices of micro, small and medium-sized enterprises (MSMEs), and highlighting innovation-driven models that can scale. Key sectors analyzed include include agro-processing, textiles and apparel, building materials, pharmaceuticals and medical supplies, leather and footwear, plastics and packaging: the rapid growth in fast-moving consumer goods (FMCG) and green manufacturing. Each of these sectors offers unique opportunities for industrial growth, given Nairobi's locational advantages, demographic trends, policy frameworks, and connectivity to regional markets.

“By deepening and broadening its manufacturing base, Nairobi County can significantly reduce dependence on imports, enhance domestic value addition, generate stable jobs for its rapidly growing youth population, and contribute meaningfully to national and regional development targets. In pursuit of this vision, the report evaluates key manufacturing value chains, assesses the performance of industrial support ecosystems, and explores policy options to accelerate industrial productivity and resilience.

1.1 Objectives of the Report

The objectives of coming out with an assessment report of manufacturing opportunities for industrial growth in Nairobi County are:

01 Map Out
To map out the current manufacturing landscape in Nairobi County

02 Identify
To identify sector-specific Opportunities

03 Evaluate
To evaluate enabling infrastructure and policy environment

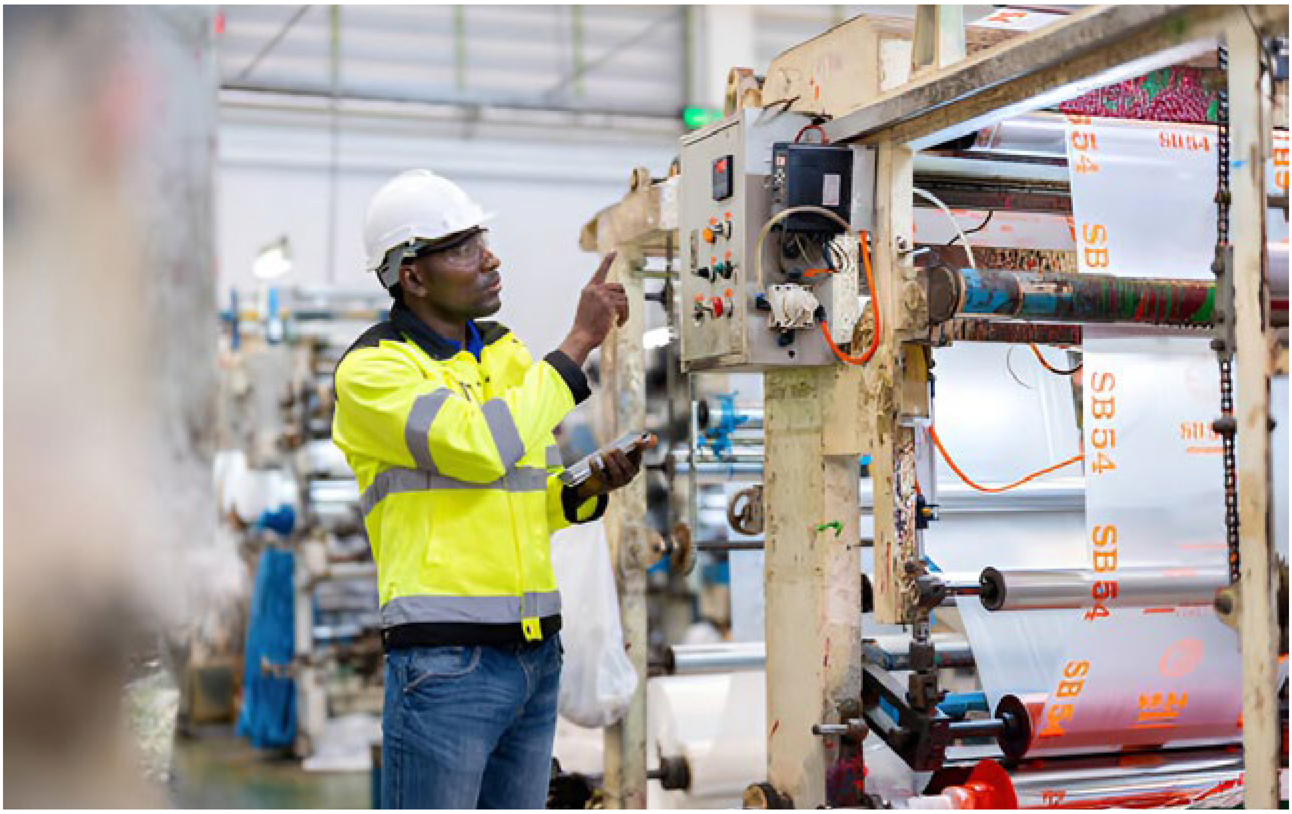
04 Investment
To analyse investment and finance landscape

05 Sustainability
To gauge environmental sustainability and circular economy potential

06 Reccomendation
To provide strategic recommendations

07 Development
To promote inclusive industrial development

> **Justice is not only about the law. It's about equity, fairness, and the ability of institutions to inspire public trust."**
>
> — Thuli Madonsela
> (Former Public Protector, South Africa)



1.2 Context and Rationale of the Assessment

The study was undertaken to identify sector-specific manufacturing opportunities that align with Nairobi's economic priorities, environmental sustainability goals, and social equity aspirations. Manufacturing has been recognized as a key pillar for structural transformation due to its capacity to generate employment, foster value addition, promote exports, and support the growth of ancillary sectors. However, Nairobi's current manufacturing landscape remains under-leveraged, with limited diversification, informal sector dominance, and inadequate support for small and medium enterprises (SMEs). The report, therefore, seeks to inform policies, investments, and partnerships that can unlock scalable and high-impact industrial growth.

Nairobi County occupies a central place in Kenya's socio-economic structure. As the capital city and a regional commercial hub, it is home to a large share of national formal employment, business registrations, and infrastructural investment. With a population exceeding 4.3 million and growing rapidly, Nairobi is experiencing heightened demand for jobs, goods, and services—pressures that require an effective economic strategy grounded in inclusive and sustainable growth. In this context, the manufacturing sector emerges as a pivotal anchor capable of addressing employment needs, promoting technological advancement, and stimulating domestic value addition. However, Nairobi's manufacturing landscape is currently under-leveraged, unevenly distributed, and fraught with systemic constraints that hinder its full potential. Conducting a targeted assessment of manufacturing opportunities in the county is, therefore, not only timely but necessary for reshaping Nairobi's economic future.

The rationale for this assessment is driven by a combination of national priorities, global trends, and local realities. At the national level, Kenya Vision 2030 and the Bottom-Up Economic Transformation Agenda (BETA) both place significant emphasis on industrialization as a means to achieve broad-based economic empowerment. Nairobi, with its comparative advantages in infrastructure, skilled labor, access to markets, and institutional capital, is well-positioned to lead this industrial resurgence. Moreover, the government's commitment to fostering Special Economic Zones (SEZs), Export Processing Zones (EPZs), and innovation hubs—many of which are anchored in or near Nairobi—underscores the need for localized industrial strategies tailored to the county's assets and challenges.

On a global scale, Nairobi stands to benefit from the shifting dynamics in international manufacturing value chains. The COVID-19 pandemic, geopolitical tensions, and climate change have sparked renewed interest in regional production systems, resilience in supply chains, and environmentally sustainable manufacturing practices. Nairobi's proximity to emerging consumer markets in East and Central Africa, alongside its strong logistics and digital infrastructure, offers a strategic opportunity to attract and retain industrial investment. Furthermore, Nairobi's participation in regional frameworks such as the African Continental Free Trade Area (AfCFTA) enhances its potential to serve as a gateway for intra-African trade in manufactured goods.

Locally, there is a pressing need to transform Nairobi's economic base from a service-driven model to one that more deliberately integrates industry. Despite hosting a significant share of Kenya's formal manufacturing enterprises, the sector in Nairobi remains highly concentrated in specific zones, e,g. Starehe Sub-County has a concentration of 38% of industrial establishment in Nairobi, with limited integration of small and medium-sized enterprises (SMEs), inadequate technology adoption, and weak linkages to value-added exports. Informal manufacturing—particularly within the "Jua Kali" sector—continues to operate outside the formal policy frameworks, limiting its capacity to scale and innovate. This fragmented industrial ecosystem requires an assessment that can bridge these gaps, promote coherence, and provide a roadmap toward inclusive industrial growth.

The rationale also extends to the social dimension: Nairobi faces high levels of youth unemployment and economic inequality. Manufacturing can serve as a productive outlet for engaging young people and women in meaningful employment, skill formation, and entrepreneurship. However, to realize this, tailored interventions are required—grounded in empirical evidence and shaped by diverse stakeholder input. The assessment thus aims to generate a holistic understanding of both enablers and barriers to manufacturing growth, identify promising sub-sectors for strategic focus, and recommend actionable policy and investment directions.

This assessment report is both a diagnostic and strategic planning tool. It will help government agencies, development partners, investors, and local communities to reimagine Nairobi County's manufacturing pathway in a manner that aligns with national development goals, global industrial shifts, and the needs of Nairobi's rapidly evolving economy and society. By doing so, it positions Nairobi not just as a consumer city, but as a center of production, innovation, and shared prosperity for Kenya and the region at large.

1.3 Methodology

The assessment draws on a mixed-methods approach that combines quantitative data analysis, industry surveys, stakeholder consultations, and sector mapping. A multi-sector lens was applied to identify comparative advantages across priority value chains and to assess enabling factors such as infrastructure, labour skills, innovation, finance, and regulatory frameworks. This evidence-based process was guided by engagement with public institutions, private sector associations, industry players and community representatives

CHAPTER 02

Assessment Report of Manufacturing Opportunities for Industrial Growth In Nairobi County

2.1 Introduction

The government recognizes the importance of the manufacturing sector in economic growth. The Ministry of Investments, Trade, and Industry has set a target to increase the sector's GDP contribution to 15% by 2027, with a long-term goal of reaching 20% by 2030. This strategy includes the establishment of 30 additional County Aggregation and Industrial Parks to stimulate industrial growth. Due to its strategic location, growing middle class, regional integration, and improving infrastructure, Kenya presents a range of opportunities in manufacturing. The key Sub-sectors in manufacturing that provide the greatest opportunities in manufacturing in Kenya are agro-processing, textiles and apparel, cement, chemicals, plastics, leather, and metalwork. In terms of location advantages for Kenya include:

01. As a member of EAC and COMESA creates a large market for manufactured goods and service

02. The Port of Mombasa is the gateway to East and Central Africa, and

03. Nairobi is a regional logistics and innovation hub

2.2 The current manufacturing landscape in Nairobi County

Nairobi County is a pivotal player in Kenya's manufacturing landscape, accounting for a substantial share of national output, formal industrial establishments, and employment. Its strategic location, extensive infrastructure, and proximity to regional and international markets give it a competitive edge. The county hosts a diverse manufacturing base spanning traditional sectors such as food and beverage processing, textile and apparel, chemicals, and printing, to more modern and emerging sectors like pharmaceuticals, light engineering, and digital fabrication.

The existing high-Potential Manufacturing opportunities include:-

01. Agro-Processing:

Agriculture employs about 70% of Kenyans, but value addition is low. The government's focus on improving food security and reducing post-harvest losses supports investment in this sector. Leveraging Kenya's strong agricultural base, there are opportunities in processing cereals; fruit and vegetable processing (juices, dried fruits); dairy processing;meat processing; edible oils (e.g., sunflower, avocado); beverages (tea, coffee), and spices packaging/export. Food and beverage manufacturing is an area within the agro-processing and is the one of the most mature and vibrant sectors in Nairobi. Companies in this category range from large-scale multinationals to home-grown SMEs, producing dairy products, bakery goods, meat processing, alcoholic and non-alcoholic beverages. Proximity to agricultural producers and urban consumers facilitates a reliable supply chain and strong demand.

03. Building and Construction Materials:

The growing urbanization and infrastructure investment (e.g., roads, housing) creates opportunities for:

01. Cement, steel, aluminium
02. Tiles and sanitary ware
03. Prefabricated housing components

02. Textiles and Apparel:

The textile and apparel industry, benefiting from preferential trade agreements such as AGOA, continues to grow, particularly within export processing zones in the metropolitan periphery. While Nairobi no longer hosts as many large textile mills as in previous decades, a resurgence of interest in fashion, tailoring, and small-scale garment workshops—especially among youth and women—has brought new life to the sector. This subsector enjoys good AGOA market (duty-free access to U.S.) and low labour costs. Opportunities exist in the cotton-textile-apparel value chain development for the Garment manufacturing for export and PPEs/Workwear and uniforms for regional markets. In addition, Kenya's textile sector is embracing sustainable practices, including the use of eco-friendly materials and ethical production methods. This shift aligns with global trends towards sustainable fashion and offers opportunities for growth in both local and international markets.

04. Pharmaceuticals and Medical Supplies:

Pharmaceutical manufacturing is gaining traction, with Nairobi serving as a hub for both generic medicine production and health product distribution. Recent government incentives and global interest in local pharmaceutical value chains—accelerated by the COVID-19 pandemic—have attracted new investments and partnerships. There is high import dependency and demand for affordable generics. Thus, it creates opportunities for:

- Local drug manufacturing including vaccines (especially generics)
- Medical equipment assembly
- Health and hygiene products

05. Leather and Footwear:

Kenya has abundant livestock, but exports mainly raw hides that create opportunities for:

- Tanning, leather goods, and footwear
- Leather furniture and industrial uses

06. Plastics and Packaging:

The rapid growth in Fast-Moving Consumer Goods (FMCG) and e-commerce sectors creates opportunities for:

- Food-grade packaging
- Industrial packaging (bottles, jerrycans)
- Biodegradable plastics
  (due to plastic bag ban)

07. Green Manufacturing:

The green transition aligns with the nation's economic goals, aiming to boost industrial output, create jobs, and enhance environmental resilience. Kenya's green economy is projected to create between 40,000 and 240,000 jobs by 2030, with a significant portion being skilled or specialized positions. This growth is expected to contribute to sustainable economic development and poverty reduction. Opportunities exist for:

- **Renewable Energy Equipment Manufacturing**

Kenya's commitment to renewable energy-primarily geothermal, wind, and solar-creates demand for locally produced equipment such as solar panels, wind turbines, and energy storage systems. Investing in these areas can capitalize on the country's clean energy infrastructure.

- **Recycling and Circular Economy**

Opportunities exist for Innovative and investment in recycling plastic waste into construction materials and bricks. These initiatives not only address waste management but also provide sustainable building solutions. en.wikipedia.org+1en.wikipedia.org+1

- **Electric Mobility and Clean Transportation**

With Nairobi's electricity grid predominantly powered by renewable sources, the adoption of Electric Vehicles (EVs) presents a viable and sustainable transportation alternative.

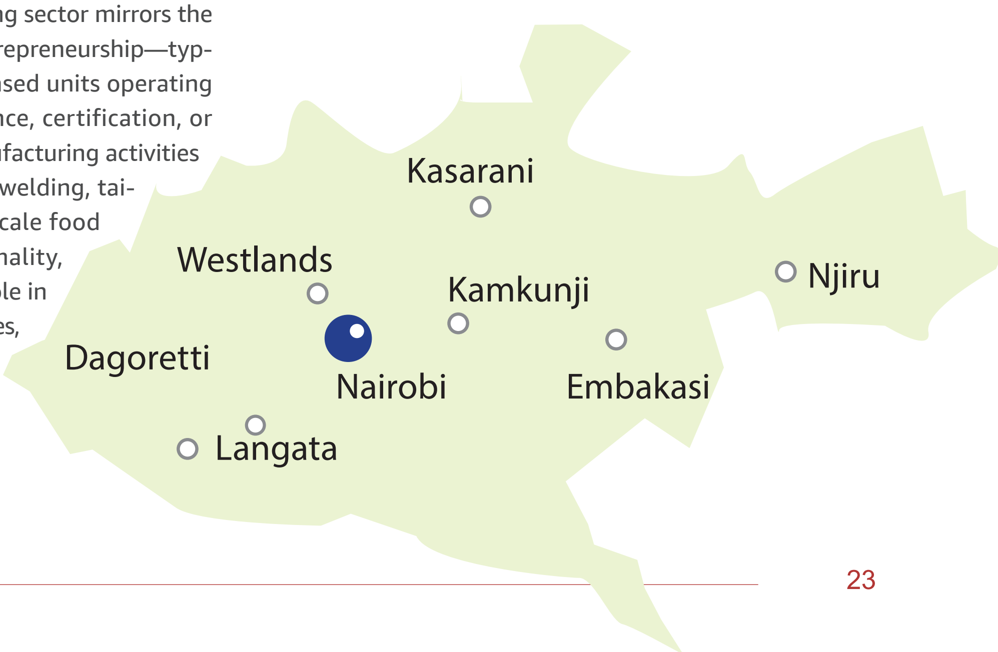
The manufacturing landscape in Nairobi County reveals a complex interplay between formal industrial establishments and a vibrant informal sector. Together, these sectors form a diverse and evolving industrial ecosystem, although characterized by uneven growth, spatial concentration, and sectoral fragmentation.

- **In terms of size of the manufacturing sector,** Nairobi accounts for a significant share of Kenya's manufacturing output—estimated at approximately 25–30% of national manufacturing value added. It is home to over 1,500 registered manufacturing firms operating across various sub-sectors, including food and beverage processing, textiles and apparel, pharmaceuticals, chemicals, metal fabrication, and printing. The sector is a major employer within the county, providing jobs to over 250,000 people in the formal sector, according to previous reports by the Kenya Association of Manufacturers (KAM) and county statistical profiles. Complementing this formal base is a vast informal manufacturing segment, most prominently represented by the Jua Kali sector. This informal network of workshops, artisans, and micro-enterprises employs hundreds of thousands more, although exact figures fluctuate due to limited registration and documentation. The informal sector is characterized by low capital intensity, basic technologies, high labor absorption, and deep localization in low-income neighbourhoods.

- **In terms of structure,** the study revealed that Nairobi's manufacturing sector is dominated by small and medium-sized enterprises (SMEs), which make up over 70% of all manufacturing establishments. However, a smaller number of large firms dominate in terms of output, employment, and export orientation. These firms tend to operate in capital-intensive industries such as pharmaceuticals, plastics, metal works, and processed foods. The informal manufacturing sector mirrors the structure of necessity-driven entrepreneurship—typically family-run or individual-based units operating with little access to formal finance, certification, or training. Common informal manufacturing activities include furniture making, metal welding, tailoring, leatherwork, and small-scale food production. Despite their informality, these enterprises play a critical role in providing affordable goods, services, and employment to Nairobi's lower-income populations.

- **In terms of Spatial Distribution,** manufacturing in Nairobi is spatially uneven, concentrated around key industrial zones, and shaped by historical zoning policies, infrastructure access, and land use regulations. This is highlighted as follows:

  - **Established Industrial Zones:** Traditional manufacturing hubs are located in Industrial Area, Baba Dogo, Ruaraka, and the Embakasi area. These zones host medium to large-scale enterprises and benefit from proximity to major roads, railways, and utilities.
  - **Emerging Corridors and Satellite Zones:** The expansion of the Nairobi Metropolitan area has spurred industrial growth in areas such as Athi River, Syokimau, and Kikuyu, fuelled by increased investment in industrial parks and Export Processing Zones (EPZs).
  - **Informal Clusters:** Jua Kali operations are concentrated in places like Gikomba, Kariobangi, Umoja, and Ngong Road. These zones are often self-organized, highly congested, and underserved in terms of basic infrastructure and public services. Yet they are crucial nodes of employment and grassroots innovation.
  - **Tech and Innovation Spaces:** A new spatial pattern is emerging with the integration of technology into manufacturing. Light industrial innovation hubs and fabrication labs have appeared in areas like Kilimani, Westlands, and along Mombasa Road, often linked to Nairobi's tech startup scene.



The manufacturing spatial footprint continues to evolve, but access to affordable industrial land, urban planning constraints, and infrastructural limitations remain barriers to broader distribution. Bridging the divide between formal and informal manufacturing, and integrating the spatial economy into industrial development policies, will be critical to unleashing the sector's full growth potential. Nairobi County's manufacturing sector reflects a dynamic mix of traditional industries, emerging innovation-led enterprises, and a robust informal economy. Within this landscape, several leading sub-sectors have surfaced based on their contribution to output, employment, and export potential:

01. Food and Beverage Processing:

This is the most dominant sub-sector in terms of both value addition and employment. Major players include processors of dairy, meat, cereals, bakery goods, snacks, bottled drinks, and alcoholic beverages. It benefits from Nairobi's proximity to agricultural counties and urban demand.

- **Employment:** Tens of thousands are employed formally, with significant additional numbers in informal food manufacturing (e.g. bakeries, juice vendors, small-scale millers). We were not able to get the actual numbers as some firms refused to disclose the numbers during data collection exercise.
- **Demographics:** Includes large multinational corporations, SMEs supplying niche products (organic, health-conscious, etc.), and informal micro-enterprises run by families and youth.

02. Textiles and Apparel:

The textile and apparel sector has seen revitalization through domestic fashion demand and trade agreements like AGOA. Activities include garment assembly, tailoring, uniform production, and fashion design.

- **Employment:** Thousands work in EPZ-based factories and local workshops; informal tailoring alone supports a substantial labor force—often dominated by women and youth.
- **Demographics:** Mix of export-oriented firms and informal tailors, with growing participation from women-led start-ups and fashion incubators.

03. Pharmaceuticals and Health Products:

Nairobi serves as a hub for local pharmaceutical production and distribution. The sector includes manufacturers of generics, sanitizers, medical supplies, and veterinary products.

- **Employment:** Employs a smaller but technically skilled workforce, primarily in formal firms.
- **Demographics:** Dominated by licensed manufacturers, often working closely with the Kenya Pharmacy and Poisons Board and other regulatory agencies.

04. Chemicals, Plastics, and Packaging:

Firms manufacture cosmetics, detergents, industrial chemicals, plastic containers, and flexible packaging materials used across industries.

- **Employment:** Medium-sized in workforce size, employing several thousand people.
- **Demographics:** Mostly formal SMEs and large firms clustered in industrial zones like Embakasi and Baba Dogo.

05. Light Engineering and Metal Fabrication:

This includes small-scale engineering, automotive body-building, metal works, and fabrication of equipment for agriculture, construction, and infrastructure.

- **Employment:** High in informal clusters, especially within the Jua Kali sector in areas like Kariobangi and Gikomba.
- **Demographics:** Predominantly male-led artisans, often with limited formal education but strong technical skills acquired through apprenticeship.

Other observations made during the data collection exercises:

01

SIZE:
Nairobi's manufacturing enterprises are predominantly micro to medium-sized. Over 70% are considered SMEs.

02

OWNERSHIP:
A growing share are youth- and women-led enterprises, especially in food processing, crafts, and tailoring.

03

FORMALITY:
Informal enterprises dominate numerically, especially in sectors like metalwork, textiles, and food preparation. As much as the survey was on formal establishment, this is a situation we could physically observed during the exercise. It was also noted that formal firms account for higher productivity and more stable employment.

The sectoral mix, while vibrant, reveals dual challenges of formal–informal fragmentation and uneven sectoral upgrading. Targeted policies that support formalization, skill development, cluster growth, and financing access could significantly transform these demographics into engines of inclusive industrial growth.

In conclusion the assessment revealed that despite this diversity in the manufacturing landscape, the manufacturing sector in Nairobi faces significant challenges. Infrastructure bottlenecks—such as intermittent power supply, traffic congestion, and limited industrial space—remain major hurdles. High costs of utilities and land, coupled with regulatory inefficiencies, deter new entrants and restrict SME growth. Additionally, many informal manufacturers, particularly within the Jua Kali sector, operate with limited access to capital, technology, and formal markets.

Technology adoption across the sector remains uneven. While some firms integrate automation, digital design, and quality control systems, the majority rely on traditional production techniques. However, Nairobi's status as Kenya's tech epicenter offers potential for stronger linkages between tech startups and manufacturing enterprises, particularly through Industry 4.0 technologies and digital manufacturing platforms.

Employment-wise, manufacturing remains a key economic contributor, yet its share in Nairobi's total employment has stagnated due to limited sectoral growth and slow industrial upgrading. Nonetheless, the potential to expand decent jobs exists—particularly through value chain development, export growth, and investment in high-productivity sectors.

Its important to note that Nairobi County's manufacturing sector is diverse and moderately developed but constrained by structural and systemic barriers. To fully unlock its potential, targeted investment, regulatory reform, infrastructure upgrades, and inclusive industrial policy are urgently needed. With the right interventions, Nairobi can emerge as an industrial powerhouse not only within Kenya but across the East African region.

2.3 Some of the Sector-Specific Opportunities

Nairobi County, as Kenya's economic and innovation capital, hosts a diverse manufacturing base with numerous sector-specific opportunities that can be scaled to drive industrial growth. Some of the sector-specific that offer great manufacturing opportunities for targeted investment and value chain expansion include:

01.

Agro-Processing:

Agro-processing is one of Nairobi's most promising manufacturing sub-sectors due to the county's strategic location near high-output agricultural zones and its access to urban consumer markets. Opportunities available are:

Value addition to fresh produce—such as fruits, vegetables, dairy, and cereals—sourced from counties like Kiambu, Kajiado, Kirinyaga, Narok, Nyandarua, Nakuru, Machakos, and Murang'a.

- o Development of packaged convenience foods, juices, and health-based snacks for middle-class consumers.
- o Cold storage solutions and post-harvest handling systems to reduce spoilage and facilitate distribution.
- o Niche markets in organic, fortified, or health-oriented food products.
- o This sector can also stimulate rural-urban linkages and support smallholder farmers, while reducing import dependence on food products.

02.

Textiles and Apparel:

Once a flagship industry in Kenya, the textile sector is being revived by local demand, creative talent, and international trade preferences such as the African Growth and Opportunity Act (AGOA). Key prospects are:

- o Garment manufacturing for export and domestic retail (e.g. school uniforms, workwear).
- o Fashion and design-led SMEs targeting bespoke and ready-to-wear clothing markets.
- o Investment in eco-friendly dyes, sustainable fabrics, and digital pattern design technologies.
- o Expansion of tailoring hubs in informal settlements through toolkits, training, and market access.

03.

Green Manufacturing and Circular Economy:

As environmental sustainability gains global traction, Nairobi can become a leader in climate-smart manufacturing. This sub-sector is cross-cutting and has potential to attract green finance, reduce pollution, and stimulate innovation among SMEs and start-ups. Areas of opportunity are:

- o Waste-to-energy technologies and biomass conversion systems.
- o Plastic and metal recycling into finished goods like furniture, tiles, insulation materials, and tools.
- o Production of biodegradable and eco-packaging materials for agriculture, food, and logistics sectors.
- o Assembly of solar systems, energy-saving appliances, and sustainable construction materials.

04. Pharmaceuticals and Medical Equipment:

Nairobi has increasingly become a hub for pharmaceutical production and distribution in East Africa. The sector is critical to national health security and import substitution, and it can enhance Kenya's standing as a regional pharmaceutical centre. Opportunities cited include:

- Local manufacturing of generic drugs, antiseptics, and over-the-counter medications.
- Development of capacity for health product packaging and labeling.
- Domestic production or assembly of basic diagnostic kits and medical devices.
- Partnerships in research, quality control, and regulatory services with local universities and regulators.

05. Light Engineering and Metal Fabrication:

With Nairobi's large informal economy and construction boom, light engineering offers diverse low-entry and high-scale investment opportunities. This is a labour-intensive sector with great potential for upskilling artisans and integrating informal manufacturers into formal markets. Notable opportunity areas include:

- Production of construction-related tools and fabricated materials such as gates, grills, windows, and frames.
- Assembly of bicycles, wheelbarrows, and carts for logistics and transport.
- Machinery repair, maintenance, and retrofitting services for agriculture and industry.
- Training centres and fab-labs to integrate digital fabrication and CNC-based machining.

06. Chemicals, Plastics, and Packaging:

Nairobi remains a national leader in chemical and packaging production, supplying major FMCG, agriculture, and industrial clients. With the increasing demand for safe, durable, and sustainable packaging, this sector is poised for modernization. Opportunities available are:

- Manufacture of detergents, personal care products, paints, and industrial solvents.
- Plastic moulding for containers, pipes, packaging films, and retail packaging.
- Innovation in biodegradable and compostable alternatives.
- Localization of input supply chains for chemicals and polymers through regional sourcing.

07. ICT-Enabled and Digital Manufacturing:

Leveraging Nairobi's tech ecosystem—often dubbed "Silicon Savannah"—manufacturing can integrate digital tools for efficiency and competitiveness. Blending traditional industries with digital capabilities will be vital for Nairobi's industrial future. Emerging opportunities are:

- 3D printing and rapid prototyping in health, automotive, fashion, and tooling sectors.
- Software solutions for supply chain, production scheduling, and inventory management.
- IoT-enabled smart manufacturing to reduce costs and monitor energy usage.
- Incubation hubs for industrial innovation linked to youth technical colleges and universities.

It's noted that sector-specific opportunities for manufacturing in Nairobi are wide-ranging, each with unique strengths and developmental potential. From agro-processing and pharmaceuticals to green manufacturing and digital production, Nairobi's comparative advantages—access to talent, logistics, market proximity, and innovation—provide a solid foundation for industrial advancement. Unlocking these opportunities requires coordinated investment, enabling infrastructure, skills development, and policies that support both formal and informal actors in the manufacturing space.

2.4 Enabling Infrastructure and Policy Environment for Manufacturing Opportunities in Nairobi County, Kenya

Nairobi County offers a range of infrastructural and policy-based enablers that support and shape the potential for robust manufacturing growth. While gaps and systemic bottlenecks persist, there are clear foundations upon which a competitive, inclusive, and sustainable manufacturing ecosystem can be built. During the survey the following were observed:

01. Transport and Logistics Infrastructure:

Nairobi's road, rail, and air connectivity serve as critical pillars of its manufacturing potential. These include:

- **Road Network:** The county is a junction for national and regional highways, notably the Nairobi–Mombasa Highway (A109), and the Thika Superhighway. These corridors facilitate movement of raw materials, finished goods, and labor to and from industrial zones.
- **Rail Infrastructure:** The Standard Gauge Railway (SGR) links Nairobi to the Port of Mombasa and the Inland Container Depot (ICD) in Embakasi. This reduces freight costs and delivery times for manufacturers reliant on imports and exports.
- **Air Connectivity:** Jomo Kenyatta International Airport (JKIA) and Wilson Airport provide logistics support for high-value and time-sensitive goods such as pharmaceuticals and horticultural products.

However, it was observed that urban congestion, last-mile connectivity issues, and inconsistent road maintenance remain constraints, especially for firms operating in unidentified industrial areas.

02. Energy and Utilities:

Reliable and affordable electricity is a prerequisite for industrial growth. Ongoing investments in renewable energy and independent power producers offer medium- to long-term solutions to ease the cost of utilities. The following were noted during the survey

- **Electricity Access:** Kenya Power supplies Nairobi with relatively high electricity access rates compared to rural counties. Major industrial zones like Embakasi, Ruaraka, and Industrial Area have better grid stability.
- **Challenges:** High electricity tariffs and occasional outages still affect production costs and reliability. Some firms resort to self-generation via diesel or solar systems.
- **Water and Sanitation:** Water scarcity and inconsistent supply can hamper manufacturing operations, particularly in agro-processing and chemical sub-sectors. Industrial waste management also lacks uniform regulation.

03. Industrial and ICT Infrastructure:

These Include:

- **Industrial Parks and SEZs:** Nairobi hosts several traditional industrial estates, including the Nairobi Industrial Area, Baba Dogo, and Kariobangi Light Industries. Athi River and Konza, though technically outside the county boundary, **are also important spillover zones.**
- **Special Economic Zones (SEZs) and Export Processing Zones (EPZs)** provide tax incentives and streamlined procedures to attract investors, though land access, utility constraints, and coordination challenges remain.
- **Digital Infrastructure:** Nairobi boasts one of the most developed ICT backbones in East Africa. Fiber internet, mobile money penetration, and cloud services support manufacturers through supply chain digitization, e-commerce, and smart production tools.

The observation was that this digital advantage positions Nairobi well for embracing Industry 4.0 and IoT applications in manufacturing.

04. Human Capital and Skills Ecosystem:

This situation did not come out during survey but it's noted that:

- Nairobi hosts a dense concentration of universities, technical training institutions, and workforce development centres. Youthful graduates provide a strong labour pool for industries that require both technical and managerial skills.
- **Skill Gaps:** However, there is often a mismatch between training curricula and industry needs—particularly in modern machining, automation, and process control. Strengthening vocational training and linking institutions to industrial firms remains a priority.

05. Regulatory and Policy Frameworks:

Several national and county-level policies are aimed at supporting industrial development. The impact is always observed in Nairobi due to high concentration of labour force. These include:

- **Kenya Vision 2030 and BETA:** These set a clear agenda for industrialization as a national priority, with focus on job creation, SME empowerment, and value addition.
- **Kenya Industrial Transformation Programme (KITP):** Identifies Nairobi among priority counties for cluster development in textiles, agro-processing, and construction materials.
- **Nairobi County Integrated Development Plan (CIDP):** Provides a strategic outline for urban planning, infrastructure upgrades, and industrial support at the local level.
- **Business Regulatory Reforms:** Ongoing efforts to digitalize business registration, simplify tax procedures, and enhance transparency are beneficial, especially for SMEs.

However, enforcement inconsistencies, bureaucracy in land and licensing approvals, and inter-agency coordination gaps persist as challenges towards effective regulatory and policy frameworks.

06. Financial and Investment Instruments:

Nairobi hosts several banks, investment firms, and microfinance institutions that support manufacturing enterprises. Despite their presence, manufacturing SMEs still struggle to meet collateral requirements, scale operations, and navigate complex loan procedures. These are:

- **Government-led Financing Initiatives:** Programs like the Kenya Development Corporation (KDC), Kenya Industrial Estates (KIE), Youth Enterprise Fund, and Women Enterprise Fund among others that offer targeted support, although uptake and accessibility need improvement.
- **Private Sector Partnerships:** Blended finance models and venture capital funding—especially in agro-processing and clean-tech manufacturing—are on the rise.
- **Innovation Financing:** Nairobi's role as a startup hub has enabled the growth of innovation labs and incubators, which increasingly intersect with light manufacturing and fabrication technologies.

07. Presence of Institutional Support and Stakeholder Networks

That Strengthens the institutional linkages and ensuring better policy implementation at the county level among the firms sustaining growth. Nairobi's enabling environment for manufacturing presents a promising foundation for industrial expansion—underpinned by solid transport, digital and energy infrastructure; a dense pool of human capital; and supportive if still-evolving policy frameworks. Bridging remaining gaps—such as cost barriers, regulatory inefficiencies, and spatial imbalances—will require collaborative effort across public and private sectors. Done right, Nairobi can transition from a service-dominated economy to a regional industrial hub with deep, resilient, and inclusive manufacturing value chains. The key institutional support and stakeholder networks present include:

- **Key Institutions:** Kenya Association of Manufacturers (KAM), Kenya Investment Authority (KenInvest), and Kenya Industrial Research and Development Institute (KIRDI) provide advocacy, investor support, and R&D services.
- **Academic-Industry Linkages:** Universities and research institutions in Nairobi, such as the University of Nairobi and Technical University of Kenya, are playing a growing role in industrial innovation and human capital development.
- **Public-Private Collaboration:** Initiatives like the Kenya National Innovation Agency (KENIA) and county-level enterprise hubs aim to foster dialogue and co-investment opportunities across sectors.

2.5 Investment and financial landscape for Manufacturing in Nairobi County

Access to finance is a foundational pillar for the growth, competitiveness, and sustainability of manufacturing enterprises. In Nairobi County, where manufacturing spans a spectrum from informal micro-enterprises to export-oriented industries, the financing ecosystem plays a crucial role in enabling firms to seize opportunities, adopt technologies, scale production, and integrate into regional and global value chains. This section explores how access to finance shapes manufacturing opportunities in Nairobi, highlights systemic barriers, and identifies prospects for mobilizing both domestic and foreign investment to fuel industrial development. Finance serves as the lifeblood of manufacturing, influencing a firm's ability to:

01. Acquire capital equipment and machinery
02. Secure industrial premises or land
03. Invest in product research and development (R&D)
04. Maintain inventory and working capital
05. Upskill human resources and incorporate technology
06. Comply with quality, safety, and regulatory standards
07. Expand into new markets, including exports

> In Nairobi County, where manufacturing spans a spectrum from informal micro-enterprises to export-oriented industries, the financing ecosystem plays a crucial role in enabling firms to seize opportunities, adopt technologies, scale production, and integrate into regional and global value chains.

In Nairobi, where rapid urbanization, consumer sophistication, and regional trade integration offer growing demand, manufacturers need substantial and well-structured financial resources to respond effectively and sustainably.

Financial Landscape: Manufacturers in Nairobi typically seek finance from multiple sources:

- **Commercial Banks:** Kenya has a relatively developed banking sector, and Nairobi houses the headquarters of most major banks. These institutions offer asset financing, term loans, working capital facilities, and letters of credit for importing machinery or raw materials.
- **Development Finance Institutions (DFIs):** National bodies such as the Kenya Industrial Estates (KIE) and Kenya Development Corporation (KDC) provide targeted funding for manufacturing SMEs, often with concessional terms.
- **Microfinance Institutions (MFIs) and SACCOs:** These cater mainly to small and informal manufacturers, including artisans and Jua Kali operators, offering small-ticket loans and rotating savings arrangements.
- **Equity and Venture Capital:** Nairobi is emerging as a regional hub for venture capital, with increasing interest from impact investors, particularly in clean-tech, agro-processing, and tech-enabled light manufacturing.
- **Government Funds:** Initiatives like the Youth Enterprise Fund, Uwezo Fund, Women Enterprise Fund, and Hustler Fund aim to promote financial inclusion by providing low-interest credit to underrepresented entrepreneurs in manufacturing and allied sectors.
- **Diaspora and Angel Investors:** High-net-worth individuals and diaspora groups are increasingly exploring opportunities to back local manufacturing ventures with equity or flexible debt.

Despite the availability, there are key barriers to accessing finance that include:

Collateral Requirements and Risk Perception: Commercial banks often require substantial collateral—such as titled land, machinery, or buildings—which many manufacturing SMEs and informal enterprises cannot provide. High default risks associated with manufacturing—due to capital intensity, long payback periods, and market volatility—make lenders cautious. As a result, many firms either fail to qualify for formal loans or are only able to secure short-term credit with high interest rates.

High Interest Rates and Unfavourable Terms: Interest rates for SMEs often range between 12% and 18% annually, depending on creditworthiness, loan size, and tenure. Such costs are prohibitive, particularly for early-stage or recovering enterprises. Lack of tailored products—such as grace periods for machinery acquisition or production cycles—further exacerbates mismatch between financing needs and lender offerings.

Financial Literacy and Documentation Barriers: Many small manufacturers, especially in the informal sector, do not maintain audited financial statements, formal business plans, or tax compliance records—all prerequisites for accessing bank loans and institutional investment. Limited financial literacy also affects their ability to navigate loan applications, manage cash flows, and present viable proposals.

Limited Reach of Alternative Financing Models: Although Nairobi is at the forefront of Kenya's fintech revolution, peer-to-peer lending, digital credit platforms, and crowdfunding have yet to gain meaningful traction in manufacturing. Moreover, venture capital flows tend to favour tech startups over asset-heavy industries like manufacturing.

However, there are opportunities for domestic investment mobilization for investors to seek opportunities within the manufacturing sector: Nairobi offers fertile ground for unlocking new sources of domestic capital despite the challenges. These include:

Industrial Bonds and Green Finance: Nairobi Securities Exchange (NSE) can be leveraged to raise long-term capital via corporate bonds for manufacturers, especially in sectors like renewable energy and sustainable packaging.

Pension and Insurance Funds: These institutions collectively control billions of shillings in assets but allocate only a small fraction to industry. Policy incentives and risk mitigation instruments (like credit guarantees) could unlock these funds for long-term manufacturing investment.

County-Level Enterprise Funds and PPPs: The Nairobi County Government could operationalize revolving funds and blended finance instruments to support MSMEs in industrial clusters. Public-private partnerships (PPPs) for infrastructure, tool libraries, and shared logistics can reduce costs and attract co-financing from domestic investors.

Foreign Investment Prospects and Constraints: Nairobi is widely regarded as an investment gateway to East Africa and presents a strong value proposition for foreign investors in manufacturing:

- Strategic location with access to EAC and AfCFTA markets
- Skilled labor pool and dynamic business environment
- Ongoing infrastructure development (SGR, SEZs, roads, and industrial parks)
- Regional headquarters of many multinational firms and donor agencies

Investment Opportunities that promote manufacturing opportunities in Nairobi are:

- Equity stakes in SME manufacturers with high growth potential
- Joint ventures to produce pharmaceuticals, electronics, textiles, and agri-based products
- Leasing models for advanced machinery and production lines
- Establishing assembly or finishing lines for regional exports

The following need to be available within the investment ecosystem to support the optimization of the financial and investment landscape for manufacturing in Nairobi:

- **Deepen Financial Inclusion for SMEs:** Expand credit guarantee schemes, promote mobile-based loan scoring models, and offer capacity building on investment readiness.
- **Diversify Funding Instruments:** Encourage mezzanine finance, equipment leasing, cooperative financing, and diaspora bonds tailored to manufacturing enterprises.
- **Incentivize Long-Term Investment:** Provide tax rebates, innovation grants, and depreciation allowances for manufacturers investing in productivity-enhancing assets.
- **Institutional Reforms:** Streamline regulatory compliance, enforce investor protection laws, and enhance transparency in land allocation and procurement.

Access to finance is a decisive factor in enabling manufacturing firms in Nairobi to capitalize on market opportunities, innovate, and grow. While the ecosystem offers diverse funding sources, significant constraints in terms of access, cost, and suitability limit their effectiveness—particularly for MSMEs and informal manufacturers. However, by expanding targeted financial instruments, mobilizing domestic capital, de-risking industrial lending, and attracting responsible foreign investment, Nairobi County can unlock the financial foundation required to ignite an inclusive and sustainable manufacturing renaissance thereby offering a wide range of manufacturing opportunities.

2.6 Environmental Sustainability and Circular Economy Potential

Environmental sustainability and the principles of the circular economy are increasingly becoming central to the evaluation and development of manufacturing opportunities in Nairobi County. As global trends shift toward greener production models, and as climate resilience becomes a top priority for governments and investors alike, Nairobi has a timely opportunity to embed sustainability into its industrial growth strategy. Assessing manufacturing readiness through the lens of climate-smart technologies, resource efficiency, waste valorization, and renewable energy use not only ensures alignment with global standards but also enhances competitiveness, innovation, and environmental stewardship.

▶ **Readiness for Climate-Smart and Resource-Efficient Manufacturing:** Nairobi's manufacturing sector faces growing pressure to adopt climate-resilient and energy-efficient production models due to rising energy costs, urban pollution, and environmental regulatory expectations. Fortunately, the county already displays early signs of readiness in several areas:

▶ **Policy Framework:** Kenya's National Climate Change Action Plan and Green Economy Strategy provide an enabling backdrop. Nairobi County's planning instruments, such as the County Environment Action Plan and development codes, increasingly integrate environmental sustainability goals.

- **Innovation Ecosystem:** Nairobi's vibrant startup culture and tech hubs provide fertile ground for developing and piloting green manufacturing technologies—ranging from smart energy monitoring systems to material recovery innovations.
- **Industry Willingness**: Larger manufacturing firms have begun adopting ISO 14001 environmental management systems, while small firms are increasingly interested in cost-saving green practices, particularly in energy and water use.

▶ **Promotion of Waste Valorization:** Waste valorization—the process of turning waste into value-added products—is a key pillar of the circular economy. Nairobi's high waste generation levels, coupled with active recycling communities, provide significant opportunities:

▶ **Industrial Symbiosis:** Manufacturing firms can share by-products and waste streams, transforming one firm's output into another's input. For instance, food processing waste can be repurposed for bioenergy or animal feed; textile offcuts can be used in insulation or upholstery.

▶ **Plastic and E-waste Recycling:** Nairobi has informal and formal enterprises specializing in plastic, rubber, and electronic waste recycling. Strengthening these through investment, regulation, and integration into formal value chains can create green jobs and reduce landfill pressure.

▶ **Innovation in Materials:** SMEs are increasingly producing construction blocks from industrial sludge, crafting furniture from plastic waste, and creating paper from agricultural residue—demonstrating scalable models of waste valorization.

▶ **Use of Renewable Energy:** The adoption of renewable energy in Nairobi's manufacturing sector is gaining momentum, supported by national energy policy, decreasing technology costs, and a growing ecosystem of green energy providers.

- **Solar Energy:** With high solar irradiation, many factories—especially in food processing and textiles—are investing in rooftop solar systems to supplement grid electricity or power auxiliary operations.
- **Biogas and Biomass:** Organic waste from markets and agro-industries presents opportunities for biogas production, both for internal energy use and grid contribution. Biomass gasifiers and briquettes made from agricultural residues are also being explored as clean alternatives to fossil fuels.
- **Energy Efficiency Initiatives:** Programs led by the Kenya Association of Manufacturers (KAM), like the Centre for Energy Efficiency and Conservation (CEEC), support industries in energy audits and adoption of efficient technologies.

▶ **Compliance with Green Standards and Sustainable Certification:** Environmental compliance is becoming a business imperative, especially for firms targeting global markets or engaging in public procurement.

- o **Environmental Impact Assessment (EIA)** is mandatory for new manufacturing establishments under Kenyan law. However, enforcement quality and awareness among smaller manufacturers need strengthening.
- o **Certifications:** International certifications such as ISO 14001 (environmental management), Fair Trade, FSC (for wood and paper), and organic certifications are increasingly demanded in agro-processing, textiles, and packaging sectors. These standards enhance market access and consumer trust.
- o **Green Building Codes and Industrial Zoning:** Nairobi County's push for green building compliance and sustainable zoning practices can influence the layout, energy use, and waste management of new manufacturing parks.

▶ County-level authorities have a critical role to play in offering clear guidelines, incentives, and capacity-building programs for manufacturers seeking to comply with such standards. These include:

- o Strategic Opportunities Through Circular Economy Models: Moving beyond linear production to regenerative systems opens multiple opportunities:
- o Shared Infrastructure: Industrial parks can develop shared treatment plants, logistics systems, or energy solutions (e.g. solar farms), reducing costs and environmental footprints.
- o Eco-design and Product Lifecycle Thinking: Encouraging manufacturers to design products for reusability, recyclability, or biodegradability fosters innovation and long-term competitiveness.
- o Public Procurement for Green Goods: Government agencies can drive demand for sustainable products by prioritizing locally manufactured eco-friendly goods in their procurement strategies—ranging from packaging to furniture and uniforms.

Embedding these models into Nairobi's industrial development plan will not only meet sustainability goals but also open doors to climate finance and global partnerships to support in identifying manufacturing opportunities within the County. Incorporating environmental sustainability and circular economy principles into the assessment of manufacturing opportunities in Nairobi County offers a powerful lens to unlock new value, improve competitiveness, and align with global market trends. Climate-smart manufacturing, renewable energy use, waste valorization, and compliance with green standards are not merely optional add-ons—they are essential drivers of resilient, inclusive, and future-proof industrial growth.

"by expanding targeted financial instruments, mobilizing domestic capital, de-risking industrial lending, and attracting responsible foreign investment, Nairobi County can unlock the financial foundation required to ignite an inclusive and sustainable manufacturing renaissance thereby offering a wide range of manufacturing opportunities.

2.7 Strategic Recommendations for Advancing Manufacturing Opportunities in Nairobi County

To unlock Nairobi County's manufacturing potential, strategic, evidence-based interventions are essential across the domains of industrial planning, cluster development, and enterprise support. These recommendations aim to address systemic barriers, capitalize on local strengths, and provide a practical roadmap for both short-term gains and long-term transformation.

i. Industrial Planning and Spatial Development

- **Develop and Implement a Nairobi Industrial Master Plan (NIMP):**

  This county-level blueprint should align with the national Vision 2030 and Bottom-Up Economic Transformation Agenda, detailing zoning, infrastructure investments, and sector prioritization. It would:

  - Identify designated industrial corridors and mixed-use enterprise zones.
  - Integrate transport and utility planning for seamless logistics and energy access.
  - Set targets for carbon-neutral and climate-resilient industrial areas.

- **Upgrade and Expand Existing Industrial Estates:** Traditional zones like Industrial Area, Ruaraka, and Baba Dogo require revitalization through:

  - Infrastructure improvements (roads, waste systems, digital connectivity).
  - Affordable industrial workspaces for SMEs and start-ups.
  - Streamlined licensing and compliance processes for businesses.

- Integrate Land Use Planning with Enterprise Needs: Facilitate faster access to serviced industrial land by:

  - Resolving land tenure and title issues.
  - Creating a public land inventory for manufacturing development.
  - Introducing flexible land-use policies that support emerging sectors (e.g., eco-manufacturing, fabrication hubs).

ii. Cluster Development and Value Chain Strengthening. These Clusters should offer shared infrastructure, incubation support, access to utilities, and tailored financial products.

- **Establish Sector-Specific Industrial Clusters:**
  Prioritize cluster formation in high-potential sectors such as:
  - Agro-processing in Dagoretti and Embakasi (linked to regional food supply).
  - Textiles and Apparel in Eastlands and along the Thika Road corridor.
  - Green Manufacturing in satellite zones near Gikambura and Syokimau.
  - Pharmaceuticals near research institutions and major hospitals.
- Promote Industrial Symbiosis and Circular Economy Practices:
  Encourage firms within clusters to share resources and by-products, reducing costs and environmental footprints. County incentives could include:
  - Tax rebates for firms using recycled inputs or renewable energy.
  - Support for joint waste processing and material recovery facilities.
  - Public-private partnerships in waste-to-product ventures.
- **Strengthen Backward and Forward Linkages:** Support integration of small producers and informal manufacturers into larger industrial value chains by:
  - Facilitating supplier development programs.
  - Introducing SME certification support and quality assurance training.
  - Connecting artisans to e-commerce platforms and modern packaging tools.

iii. Enterprise Support and Innovation Promotion

- **Expand Targeted Financial Access Programs:** Tailor financial instruments to meet the needs of SMEs and informal manufacturers, including:
  - Low-interest loans through Nairobi County Enterprise Fund.
  - Credit guarantees for first-time borrowers in productive sectors.
  - Equipment leasing schemes for capital-intensive industries.
- **Launch Industrial Skills and Apprenticeship Hubs:** Collaborate with TVETs, polytechnics, and private firms to:
  - Offer demand-driven short courses (e.g. machine maintenance, digital fabrication).
  - Match trainees with cluster-based manufacturers for hands-on experience.
  - Promote youth entrepreneurship in manufacturing through innovation challenges and grants.
- **Support Digital Transition of Manufacturers:** Promote uptake of digital tools for production, logistics, and sales by:
  - Facilitating e-commerce onboarding for small firms.
  - Subsidizing ERP, design, and automation software licenses.
  - Offering training on cybersecurity and digital marketing.

iv. Policy Reforms and Institutional Strengthening

- **Streamline Business and Regulatory Processes:** Simplify county-level procedures by:
    - Consolidating permits into a single-window digital system.
    - Establishing a Nairobi Manufacturing Help Desk for investor support.
    - Reviewing and harmonizing compliance costs with national frameworks.
- **Enhance Inter-Agency Coordination:** Create an Industrial Development Coordination Committee forum that ensure coherent policy execution, monitor progress, and address emerging challenges and that brings together:
    - County economic planning departments
    - Kenya Association of Manufacturers (KAM)
    - Financial institutions
    - Academia and technical institutions
    - Informal sector leaders (e.g. Jua Kali associations)
- **Strengthen Monitoring and Data Systems:** Introduce a Manufacturing Performance Dashboard for Nairobi County tracking that has a reliable data and is critical for adaptive policy-making and investor confidence. These include: firm demographics, job creation trends, investment flows and environmental indicators

v. Pilot Projects and Quick-Win Interventions

- **Nairobi Green Manufacturing Hub (NGMH) – Pilot Project.** Setting up a dedicated eco-industrial park that hosts SMEs in clean-tech, recycling, and sustainable packaging. Supported with green financing incentives, shared solar energy systems and circular resource management models
- **Kariobangi Jua Kali Cluster Centre of Excellency Upgrade:** Modernize one of the city's informal industrial hotspots through: tool banks and mobile fabrication equipment, open-air covered workspaces with essential amenities and linkages to quality assurance services and digital payment solutions
- **Youth in Industry Fellowship Program:** Partner with private sector and academia to place skilled youth in Nairobi manufacturing firms for 6–12 months, focusing on: machine operations, quality control and product innovation. This would accelerate skills absorption and foster youth entrepreneurship in manufacturing.
- **Promotion of Women-Led Agro-Processing Cooperatives.** Launch support packages (grants, training, branding support) for groups of women entrepreneurs in food processing, especially in peri-urban areas like Dagoretti and Lang'ata. These cooperatives can specialize in niche products (e.g. organic teas, dried fruits, natural condiments) and supply both local and export markets.

2.8 Promotion of Inclusive Industrial Development in Nairobi County

Nairobi County's path toward sustainable and resilient industrial growth must be intentionally inclusive designed to uplift historically marginalized groups such as women, youth, and informal sector entrepreneurs. These groups represent not only a significant share of the county's population but also hold vast untapped potential for driving innovation, enterprise growth, and social cohesion. Integrating them into industrial value chains is both a developmental imperative and an economic opportunity, essential for realizing equitable and socially responsible industrialization.

01. Opportunities for Women Integration

- Despite constituting nearly half the labor force, women remain underrepresented in manufacturing—particularly in leadership, ownership, and higher-value segments of industrial activity. However, a shift is underway, supported by growth in women-led SMEs and cooperative enterprises in food processing, textiles, handicrafts, cosmetics, and green manufacturing. Key integration opportunities include:
- Agro-processing and food manufacturing, where women already play major roles in post-harvest handling and small-scale production, can be formalized and scaled through shared kitchens, training, and marketing cooperatives.
- Crafts and textiles, especially informal tailoring, beadwork, and leather goods, offer export potential if linked with formal value chains through design partnerships, quality assurance, and branding support.
- Eco-industries, such as biodegradable packaging, organic skincare products, and recycling ventures, offer low-barrier entry points with growing market demand.

02. Opportunities for Youth Integration

With over 60% of Nairobi's population under the age of 35, youth inclusion is a cornerstone of any sustainable industrial strategy. Many young people face barriers to formal employment but possess creativity, digital fluency, and entrepreneurial drive that can transform the manufacturing sector. Emerging youth-driven opportunities include:

- Digital fabrication and 3D printing, leveraging youth-led innovation hubs for rapid prototyping of spare parts, fashion accessories, and tools.
- Tech-enhanced production, with youth engaging in logistics, inventory management, and quality control using mobile and cloud-based systems.
- Green manufacturing, where young innovators are building solar appliances, eco-furniture, and circular economy solutions.
- Light manufacturing enterprises, such as carpentry, metalwork, or electronics repair, can benefit from youth apprenticeships, tool libraries, and digital platforms for marketing.

03. Opportunities in the Informal Sector

Nairobi's informal manufacturing ecosystem—commonly known as the Jua Kali sector—is a powerhouse of economic activity and livelihoods. It supports hundreds of thousands through metalwork, tailoring, carpentry, repair services, and artisanal crafts. Integrating informal actors into formal value chains can boost product quality, job security, and economic resilience. Opportunities include:

- Linking Jua Kali clusters to formal industrial zones via subcontracting, business development services, and shared infrastructure.
- Upgrading product standards and branding so that informal sector products can meet quality specifications for institutional buyers or export.
- Digitizing informal business practices, including mobile payments, e-commerce, and digital record-keeping, to expand market access and financial inclusion.
- Providing clustering support, where informal enterprises share tools, workspace, and utilities through cooperatives or county-supported enterprise centers.

04. Policy Recommendations for Inclusive and Socially Responsible Industrialization

To realize the potential of these groups, Nairobi County can adopt the following policies and initiatives:

- Inclusive Industrial Zoning and Infrastructure
  - o Establish mixed-use enterprise zones that offer affordable workspaces, tool-sharing facilities, and flexible tenancy models for women- and youth-led enterprises.
  - o Allocate serviced industrial land specifically for cooperatives or clusters involving marginalized groups.
- Targeted Skills and Enterprise Development
  - o Expand TVET and apprenticeship programs tailored to informal manufacturers and women/youth entrepreneurs in manufacturing.
  - o Partner with industry to co-develop curricula emphasizing production efficiency, safety standards, digital tools, and market trends.
  - o Launch mentorship and incubation programs pairing young innovators with established industrialists.
- Access to Finance and Markets
  - o Establish a Nairobi Manufacturing Inclusion Fund, with concessional financing for women, youth, and informal enterprises in high-potential sectors.
  - o Offer seed grants and credit guarantee schemes for micro and small manufacturers seeking to transition into formal markets.
  - o Support participation in trade fairs, exhibitions, and e-commerce platforms to broaden market reach and visibility.
- Regulatory Simplification and Formalization Incentives
  - o Simplify business registration for micro-enterprises through mobile platforms and one-stop service centres.
  - o Introduce tiered compliance regimes that allow gradual adoption of formal standards without deterring small players.
  - o Provide tax relief or compliance vouchers for first-time formalization of women- or youth-led businesses.
  - o Promotion of Social Enterprise and Ethical Manufacturing
  - o Encourage the formation of social enterprises that prioritize social inclusion, fair wages, and community impact.
  - o Integrate social procurement policies that prioritize goods and services from inclusive enterprises in county tenders.
  - o Support certification programs for fair trade, environmentally sustainable, and socially responsible production practices.

05. Short-Term Interventions and Pilot Initiatives

To catalyse immediate progress, Nairobi County could consider launching:

- **Women in Agro-Industry Accelerators:** Provide training, compliance support, and capital for women-led food processing cooperatives.
- **Youth FabLab Expansion:** Set up fabrication labs in informal settlements offering access to tools, training, and seed funding for product development.
- **Jua Kali Formalization Drive:** Use mobile vans for business registration and quality assurance outreach in informal manufacturing hubs.
- **Inclusive Industrial Voucher Scheme:** Provide vouchers for raw materials, energy, or certification costs to inclusive enterprises starting production.

Inclusive and socially responsible industrialization in Nairobi requires more than infrastructure and investment—it demands a deliberate effort to elevate the participation and contributions of women, youth, and informal sector players. By embedding these stakeholders into industrial value chains through targeted policy, finance, skills development, and infrastructure support, Nairobi can build a manufacturing ecosystem that is not only competitive but also equitable, resilient, and reflective of the county's human potential.

> **Inclusive and socially responsible industrialization in Nairobi requires more than infrastructure and investment—it demands a deliberate effort to elevate the participation and contributions of women, youth, and informal sector players.**

CHAPTER 03

Key Enablers And Incentives For Manufacturing Sector In Nairobi County

Several key enablers and incentives can support the identification and realization of manufacturing opportunities in Nairobi County. These mechanisms span infrastructure, policy frameworks, fiscal measures, innovation systems, and human capital. Collectively, they form the ecosystem necessary for attracting investment, fostering enterprise growth, and promoting industrial competitiveness.

Policy and Regulatory Enablers

- **Kenya Vision 2030 & Bottom-Up Economic Transformation Agenda (BETA):** These national strategies prioritize industrialization and manufacturing as key pillars of economic development, providing a policy backdrop for county-level action.
- **Nairobi County Integrated Development Plan (CIDP):** This plan lays out infrastructure upgrades and sectoral priorities, including industrial parks, MSME support, and youth enterprise development. Nairobi County Government As the primary local authority, the county government drives spatial planning, business licensing, enterprise development, and infrastructure investment. Through its departments of trade, industry, and urban planning, it can: facilitate industrial zoning and serviced land access, develop and support MSME programs and promote inclusive cluster-based industrial development.
- **Special Economic Zones (SEZs) and Export Processing Zones (EPZs):** These zones offer preferential

treatment for qualifying manufacturers—such as simplified regulations, tax holidays, and infrastructural support—encouraging clustering and value addition.

- **Ease of Doing Business Reforms:** Initiatives such as single-window business registration and digital licensing platforms help reduce bureaucratic barriers and support investor entry.

Fiscal and Financial Incentives

- **Tax Incentives:** Eligible manufacturing firms can benefit from reduced corporate income tax rates, capital allowance deductions on industrial equipment, and VAT exemptions on raw materials or machinery.
- **Credit Guarantee Schemes:** These de-risk SME lending by commercial banks, making it easier for small-scale manufacturers to access financing.
- **Blended Finance Models:** Partnerships between government, development partners, and private investors offer concessional loans or matching grants to priority sectors such as agro-processing, pharmaceuticals, or green manufacturing.
- **County Enterprise Development Funds:** Nairobi County can expand targeted funds offering low-interest credit to youth- and women-led manufacturing start-ups.

Infrastructure and Logistics Enablers

- **Strategic Transport Connectivity:** Nairobi benefits from proximity to Jomo Kenyatta International Airport (JKIA), the Inland Container Depot, and the Standard Gauge Railway—enhancing export competitiveness.
- **Industrial Parks and Workspaces:** Upgrading existing zones (Industrial Area, Ruaraka) and establishing new parks with shared services and utilities can accelerate enterprise development.
- **Digital Infrastructure:** Nairobi's extensive broadband coverage and fintech services create platforms for supply chain optimization, digital manufacturing, and e-commerce access.

Innovation and Technology Ecosystem

- **Public-Private Research Institutions:** Entities like KIRDI (Kenya Industrial Research and Development Institute) and various university labs offer technical support, product testing, and technology transfer.
- **Incubation and Fab Labs:** Maker spaces and innovation hubs in Nairobi allow youth and SMEs to experiment with 3D printing, prototyping, and green production methods.
- **Technology Uptake Incentives:** Government and donor programs offer subsidized access to productivity-enhancing tools and support for Industry 4.0 adoption.

Skills Development and Human Capital Enablers

- **TVET and Apprenticeship Programs:** Technical and vocational institutions across Nairobi are increasingly collaborating with industry to match training with labor market needs.
- **Youth Skills Grants and Placement Schemes:** Programs that place youth in manufacturing firms support experiential learning and transition to full-time employment.
- **Innovation Competitions and Capacity Building:** Targeted support for women and youth-led enterprises promotes inclusivity in industrial value chains.

These enablers and incentives—if coordinated effectively—provide a comprehensive platform for identifying and accelerating manufacturing opportunities in Nairobi County. Leveraging them in sector-specific strategies (such as agro-processing, green manufacturing, or digital fabrication) can drive Nairobi's industrial growth while fostering inclusive, sustainable development. Identifying and catalyzing manufacturing opportunities in Nairobi County relies on a network of strategic enablers—institutions and actors that provide policy guidance, infrastructure, financing, skills, and innovation support. Some of the most influential enablers currently playing a role or with the potential to support manufacturing development in the county include:

- Government Ministries and their agencies involve in the promotion of industrialization like Ministry of Investment, Trade and Industry, Ministry of Cooperatives and Micro, Small and Medium Entreprises Development among others
- **Kenya Association of Manufacturers (KAM):** KAM is the leading private sector body representing manufacturing firms nationwide. In Nairobi, it plays a key role by: conducting sector-specific research and opportunity mapping, advocating for pro-industry policies and

regulatory reforms and coordinating industrial energy efficiency and competitiveness programs. The Kenya Association of Manufacturers (KAM) has launched the "Kenya Manufacturing 20by30" initiative, aiming to increase the sector's contribution to GDP to 20% by 2030. This plan emphasizes export-led industrialization, SME growth, and green manufacturing practices

- **Kenya Investment Authority (KenInvest):** KenInvest supports domestic and foreign investors through: market and opportunity analysis for priority manufacturing sectors, investor facilitation and aftercare services and promotion of special Economic Zones (SEZs) and industrial parks.
- **Kenya Industrial Research and Development Institute (KIRDI):** KIRDI provides vital technical support to manufacturers by: offering R&D, product testing, and quality certification, supporting technology upgrading and process innovation and Incubating SMEs in agro-processing and chemical manufacturing.
- Kenya Development Corporation (KDC); KDC and other development finance institutions like Kenya Industrial Estates (KIE) and ICDC help manufacturers by: providing long-term capital and industrial loans; supporting start-ups and SMEs in strategic value chains and promoting industrial park development and enterprise clustering.
- Universities and Technical Training Institutions. Institutions like the University of Nairobi, Technical University of Kenya, and TVET colleges act as engines of human capital and innovation by: developing industry-aligned curricula and training, partnering with enterprises on R&D and technology transfer and incubating student-led manufacturing ventures.
- **Micro and Small Enterprise Authority (MSEA):** MSEA supports Nairobi's informal and small manufacturers (especially in Jua Kali sectors) by: facilitating access to workspaces and common manufacturing facilities, coordinating enterprise registration and formalization programs and providing tools, training, and entrepreneurship mentorship.
- **Kenya Industrial Estates (KIE):** KIE support promotion of industrialization through facilitation of MSMEs by offering working spaces known as incubation space's, affordable credit and a number of business advisory services that help in growth, development and sustainability
- **Development Partners and Donors:** Organizations like UNIDO, GIZ, AfDB, and the World Bank engage in: industrial policy support and diagnostics; infrastructure and cluster development funding and inclusive manufacturing initiatives (gender, green industry, youth enterprise).
- **Financial Institutions and SACCOs:** Commercial banks, microfinance institutions, and cooperatives offer: asset and working capital financing for manufacturers; innovation grants and blended finance instruments and de-risking mechanisms for SME lending.

Other notable enablers and incentives for manufacturing include:

- **Special Economic Zones (SEZs):** Tax holidays, duty exemptions
- **Export Processing Zones (EPZs):** Ideal for export-focused manufacturing
- Kenanie Leather Park in Athi River
- Public-private partnerships (PPPs) encouraged
- **Government support:** "Buy Kenya, Build Kenya" initiative
- Improved power supply and roads infrastructure in the city: e.g., cheaper geothermal energy
- **County Aggregation and Industrial Parks (CAIPs):** The government plans to establish 47 industrial parks across the country by 2027. These parks aim to enhance value addition, boost regional economies, and provide infrastructure support for green manufacturing initiatives.
- **Innovation Hubs and Industry Associations:** entities like iHub, Gearbox, Nairobi Garage, and sector-specific associations (e.g., agro-processors, pharmaceutical manufacturers) contribute by: enabling product prototyping and digital fabrication.
- Promoting technology adoption in manufacturing; and networking entrepreneurs with markets and investors.

Taken together, these enablers offer a robust ecosystem for identifying, nurturing, and scaling manufacturing opportunities across Nairobi. Strengthening coordination among them can unlock industrial pathways that are inclusive, sustainable, and globally competitive.

CHAPTER 04

Key Findings from the Assessment Report of Manufacturing Opportunities for Industrial Growth in Nairobi County

Key findings from the report are:

On Manufacturing Landscape Overview:

Nairobi hosts a wide array of manufacturing sectors—including food and beverage processing, textiles and apparel, pharmaceuticals, plastics, light engineering, and printing. However, the sector is largely concentrated in traditional zones like Industrial Area and Embakasi, with limited spatial integration or outreach to informal areas. Nairobi hosts over 30% of Kenya's formal manufacturing enterprises and is home to a wide range of sub-sectors, including food and beverage processing, textiles and apparel, pharmaceuticals, chemicals, plastics, and light engineering. Nevertheless, most manufacturing activity remains concentrated within limited zones, with low levels of technological sophistication and value retention.

Growth Opportunities by Sector The report identifies several high-potential sectors:

- **Agro-processing:** Leveraging Nairobi's logistics networks to add value to agricultural produce from surrounding counties;
- **Textiles and Apparel:** Building on recent investments under the African Growth and Opportunity Act (AGOA) and increasing demand for locally made products;
- **Green Manufacturing:** Tapping into the circular economy through waste-to-energy, recycling, and clean-tech ventures;
- **Pharmaceuticals and Medical Equipment:** Enhancing domestic production capabilities for essential medicines and health supplies; and
- **Light Manufacturing and Assembly:** Exploiting Nairobi's position as a trade and logistics hub to develop local assembly industries for consumer electronics, household goods, and machinery.

Enabling Environment and Constraints

- **Strengths:** Nairobi benefits from advanced road and digital infrastructure, proximity to markets, an educated workforce, and innovation hubs such as Konza Technopolis and Nairobi Innovation Week.
- **Challenges:** High cost of energy, land access constraints, limited access to affordable credit, skill mismatches, and regulatory bottlenecks hinder industrial expansion.

Vibrant Informal Sector, Limited Formal Linkages within the SMEs and Informal Sector.

Nairobi's Jua Kali sector remains a vibrant source of entrepreneurship and employment. The informal manufacturing ecosystem—especially the Jua Kali sector—plays a vital economic role but lacks formal value chain integration, access to finance, and business development services. Without targeted support, this sector remains underleveraged. However, the sector potential remains largely untapped due to insufficient formalization support, weak value chain integration, and limited access to finance and technology.

Policy Framework is supportive, but implementation is inconsistent.

While supportive policies such as the Special Economic Zones (SEZs) framework and industrial park development plans exist, gaps in implementation, inter-agency coordination, enforcement, communication between agencies and policy coherence were noted. Institutional reforms and consistent enforcement are necessary to create a more enabling industrial environment., Investors report delays in approvals, opaque processes, and uncertain land-use regulations.

Infrastructure Bottlenecks Persist.

While Nairobi benefits from transport and ICT infrastructure, challenges remain: high electricity costs and occasional outages; inadequate industrial water and waste services and congestion in older industrial zones. These factors constrain scalability and cost-effectiveness.

Skills Gaps and Misalignment:

Despite the presence of technical institutions and universities, generally there is a disconnect between industry needs and training curricula. Small and medium manufacturers struggle to find skilled labour in key areas such as machining, automation, and process control.

Access to Finance Remains a Barrier:

Most small and mid-sized manufacturers face difficulties accessing credit due to high collateral demands, limited financial literacy, and lack of tailored loan products. Meanwhile, venture capital and green finance opportunities are underutilized by industrial entrepreneurs.

Underdeveloped Industrial Clusters:

Nairobi's industrial zones often lack the economies of scale and shared services associated with productive clusters. Opportunities exist to develop sector-focused clusters (e.g. agro-processing, textiles) with common utilities, training hubs, and logistics systems.

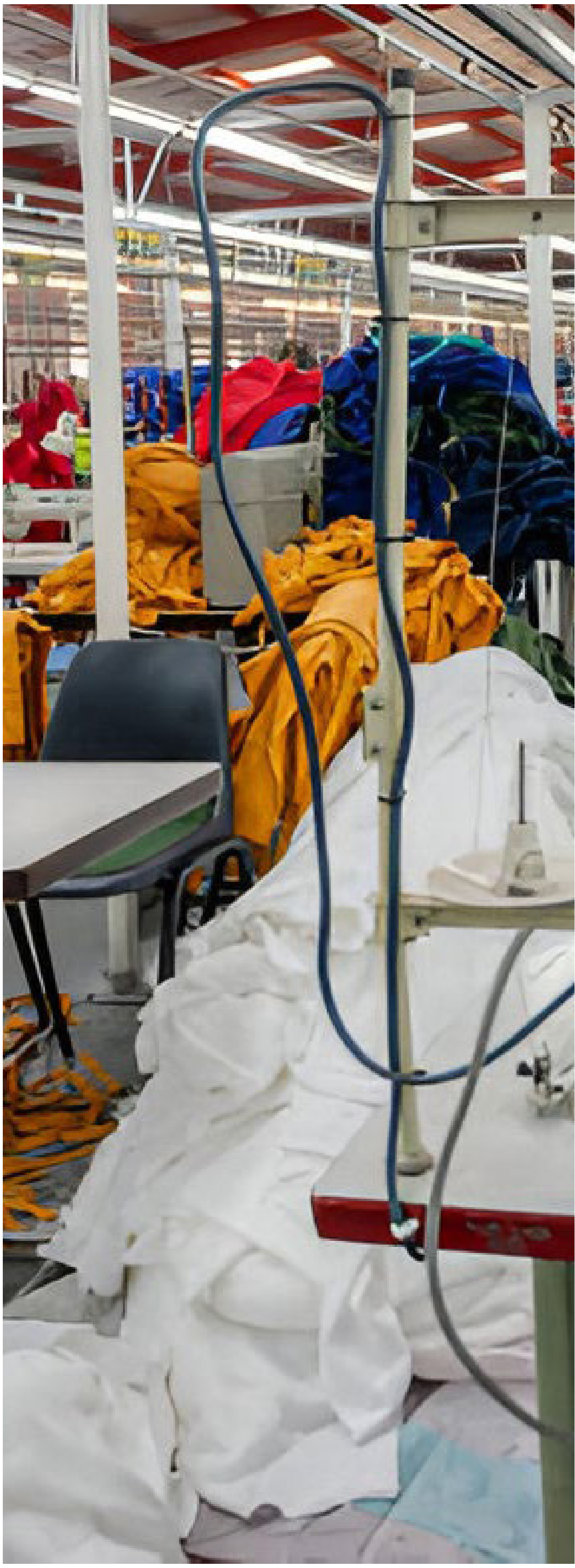
Environmental Sustainability is Emerging but Uneven:

Some firms have adopted ISO 14001 standards or use renewable energy (e.g. solar), but most manufacturers—especially SMEs—lack support for cleaner production, waste valorization, or green certification.

Strong Innovation Ecosystem but Weak Industry Linkages:

Nairobi is home to vibrant tech and innovation hubs, yet these are not well-integrated with manufacturing. There is untapped potential for digital manufacturing, rapid prototyping, and tech-enabled supply chain management.

These findings point to both systemic challenges and actionable opportunities. Strengthening industrial planning, improving infrastructure, incentivizing innovation, and promoting inclusion will be critical for accelerating Nairobi's transition into a competitive, equitable, and sustainable manufacturing hub



CHAPTER 05

CONCLUSION AND RECOMMENDATIONS

Nairobi County's industrial future lies in harnessing its comparative advantages while addressing structural and institutional bottlenecks. By embracing a coordinated and inclusive approach to manufacturing development, the county can unlock opportunities that create jobs, boost exports, and accelerate socio-economic transformation. This report provides a roadmap for translating potential into action and catalysing a new era of industrial growth that resonates beyond the borders of Nairobi. However, the assessment report on manufacturing opportunities for industrial growth in Nairobi County presents several strategic and actionable recommendations designed to accelerate inclusive, sustainable, and competitive industrial development. These recommendations, if implemented systematically and inclusively, could reposition Nairobi as a manufacturing leader in the region—driving employment, export growth, technological innovation, and sustainable urban-industrial development.

The report proposes strategic interventions across the following pillars:

01.

Develop a County-Level Industrial Master Plan:

Formulate a Nairobi County Industrial Development Strategy that aligns with national goals (Vision 2030, BETA) and prioritizes spatial planning, value chain development, environmental sustainability, and job creation.

02.

Policy and Regulation:

Streamlining and strengthening regulatory requirements, enhancing incentives for domestic manufacturers, and developing sector-specific industrial policies aligned with Nairobi's urban development plans. This can be achieved by setting up an Industrial Development Coordination Unit within the county government to harmonize policies, monitor progress, and liaise with investors, and enhancing coordination between national and county agencies on land use, SEZ/EPZ development, and regulatory enforcement.

03.

Infrastructure and Utilities:

Expanding access to affordable and reliable energy, upgrading industrial parks and export processing zones, and improving last-mile connectivity for freight and labor mobility. Upgrade existing industrial zones (e.g. Ruaraka, Industrial Area) with improved roads, drainage, power supply, and broadband connectivity and expand access to affordable and reliable utilities, especially electricity and water, and explore renewable energy integration for SMEs.

04.

Skills and Innovation:

Strengthening linkages between technical training institutions and industry needs, fostering innovation through incubators and technology transfer platforms, and supporting digital manufacturing.

05.

Access to Finance:

Scaling up targeted financing for SMEs and start-ups, and de-risking industrial investments through public-private partnerships and blended finance. Strengthen credit guarantee schemes, leasing programs, and blended finance models for SMEs and start-ups. Incentivize green and impact investing through county-level fiscal policies and mobilize diaspora capital and encourage private equity in priority sectors.

06.

Cluster Development:

Promoting localized industrial clusters and enterprise zones with shared services to enhance competitiveness, innovation diffusion, and supply chain efficiencies. Promote the formation and formalization of sector-specific industrial clusters—such as agro-processing in Dagoretti, textiles in Eastlands, and green manufacturing in Embakasi—complete with shared infrastructure, training centers, and business development services.

07.

Establishing partnerships:

Leverage market knowledge and government support.

08.

Export orientation:

Take advantage of regional trade blocs e.g EAC, COMESA SADC, ACFTA and AGOA among others.

09.

Leverage technology:

Especially in precision agriculture, automation, and green manufacturing.

10.

Focus on sustainability:

Eco-friendly products and circular manufacturing are increasingly supported.

11.

Integrate Women, Youth, and Informal Enterprises:

Support formalization of the Jua Kali sector through tool banks, digital business registration, and cluster-based upgrading, launch targeted funds and training programs for women- and youth-led enterprises in light manufacturing and agro-processing and foster inclusive procurement and product certification schemes.

12.

Modernize Skills Development and Industrial Training:

Expand TVET-industry linkages and practical apprenticeships in engineering, product design, and quality management and establish industrial incubation hubs in collaboration with technical institutions and private firms.

13.

Advance Circular Economy and Environmental Compliance

Through promotion and adoption of cleaner production technologies, waste valorization, and resource-efficient systems, support small manufacturers with green certification (e.g. ISO 14001) and environmental audits and incentivize eco-innovation through grants and public procurement preferences.

14.

Digital Transformation of Manufacturing Enterprises

By supporting SMEs in adopting digital technologies for inventory, design, supply chain, and market access and promoting industry-specific ICT platforms, especially for traceability, e-commerce, and production planning.

15.

Pilot Quick-Impact Projects:

Launch demonstration projects in green manufacturing, youth fabrication hubs, and agro-industrial cooperatives to showcase scalable, inclusive, and high-impact industrial models.

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