



- UNIDO is the specialized agency of the United Nations that promotes industrial development for poverty reduction, inclusive globalization and environmental sustainability.
- As of April 2019, 170 states as members
- Mission is to **promote and accelerate inclusive and sustainable industrial development (ISID)** in Member States.
- Mandate recognized in SDG 9 as “Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation”
- Programmatic focus structured around four strategic priority areas
 - **Creating shared prosperity**
 - **Advancing economic competitiveness**
 - **Safeguarding the environment**
 - **Strengthening knowledge and institutions**



- MSMEs create employment that lifts people out of poverty and arguably provide the highest number of employment opportunities in the country. The sector is particularly important for providing job and income opportunities for economically excluded segments of the population including youth, women, persons with disabilities, and low-skilled persons, who experience disproportionately high unemployment.
- A large proportion of the labor force in Kenya derive their livelihood from the MSME sector. The sector, therefore, provides income for the poor and presents an avenue for reducing poverty, which remains a key policy priority in Kenya. According to a KNBS MSME Survey, the SMEs in manufacturing employ between 10 and 100 people and play an essential role in reducing the socio-economic gap.



- MSMEs in Kenya are characterized by low managerial, financial, technical, technological, and industry-relevant skills. Despite the presence of numerous learning institutions and centers of vocational training, there is a weak link between the curricula and the practical skillset required in the industry. Even the courses which supposedly offer practical skills to meet the current dynamics lack a practical orientation intended to equip learners with relevant skills. Moreover, the available curricula in learning institutions and other capacity-building programs have not been fully designed to accommodate PWDs. Further, there is a lack of a framework to effectively recognize and certify industry-relevant skills gained by artisans through practical experiences.



- On Innovation, the uptake of innovation among MSMEs in Kenya is low. From the 2016 MSME Survey, about 0.7% of microenterprises and 0.2% of small enterprises invest in innovation-related activities. Limited skills contribute to weak MSME human and institutional capacity to undertake innovation required to boost productivity. A weak resource base, uncertainties associated with the success of such ideas, and lack of operating history of such businesses pose various challenges to the entrepreneurs. Promoting start-ups, therefore, is essential to promote and develop innovative business ideas through financing, incubation facilities, centers of excellence, uptake of intellectual property rights, and commercialization of the innovations.
- The contribution of SMEs to innovation has increased in recent decades thanks to changes in the way innovation takes place in the economy. Enterprise innovation is no longer limited to corporate R&D labs and is often the outcome of collaborative efforts in which businesses interact and exchange knowledge and information with other partners as part of broader innovation systems. This shift towards an 'open innovation' paradigm has reduced the need for innovation-related capital investments, making business innovation more accessible to SMEs



- SMEs are also often unaware of the close link between business innovation and business survival and growth, or may not be cognizant of how to engage in innovation; for example, small enterprise owners are often unaware of the extent to which digitalization can improve their business
- Small businesses may also be discouraged to innovate if large (international) players have dominant market positions, which may well be the case in an economy where technology leaders increasingly capture most market shares due to “winner-takes-all” dynamics
- Globalization has increased the importance of cross-border collaboration in innovation, but SMEs find it difficult to identify and connect to appropriate knowledge partners and networks at the local, national and global levels
- Finally, government innovation policy may not be suited to the way SMEs innovate. For example, R&D tax credits, one of the most common forms of innovation policy, often unintendedly favor large firms because R&D activity is highly concentrated in a few, mostly large, firms, and because of their administrative complexity.



- The adoption and effective use of ICT hardware and software is a form of business innovation, but also a prerequisite and further driver of other forms of business innovation. Certain management software (e.g., customer relationship management or enterprise resource planning) can support the professionalization of small business management, but may require upstream improvements in managerial skills through training and consulting
- Thus, to support policies, programmes and decision making for the Micro, small and medium enterprises (MSME) sector, UNIDO carried out various surveys on the impact of COVID- 19 on MSMEs in select African countries including Kenya. These included surveys on the impact of the COVID-19 pandemic on MSMEs in the a) industrial sector b) targeted survey on the agro-food manufacturing SMEs and on c) impact of COVID-19 on industrial policy making. The results of these survey are being used to design appropriate policies and programmes to support MSME recovery.
- UNIDO therefore looks forward to collaborating with government, development partners, private sector and academia to implement the recommendations from these surveys and support the MSME sector in Kenya.



- Government can foster innovation in established SMEs, in co-operation with the other main stakeholders of the national innovation ecosystem, by providing a business environment that is conducive to growth; and supporting the development of strategic assets and resources at the firm level (skills, ICT, access to finance, etc.).
 - **Upgrading workforce skills in SMEs.**
 - **Helping SMEs adopt ICT and adapt to the digital revolution.**
 - **Ensuring that R&D policy is inclusive of SMEs.**
 - **Developing an effective and inclusive national innovation system.**



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INDUSTRY, INNOVATION AND INFRASTRUCTURE

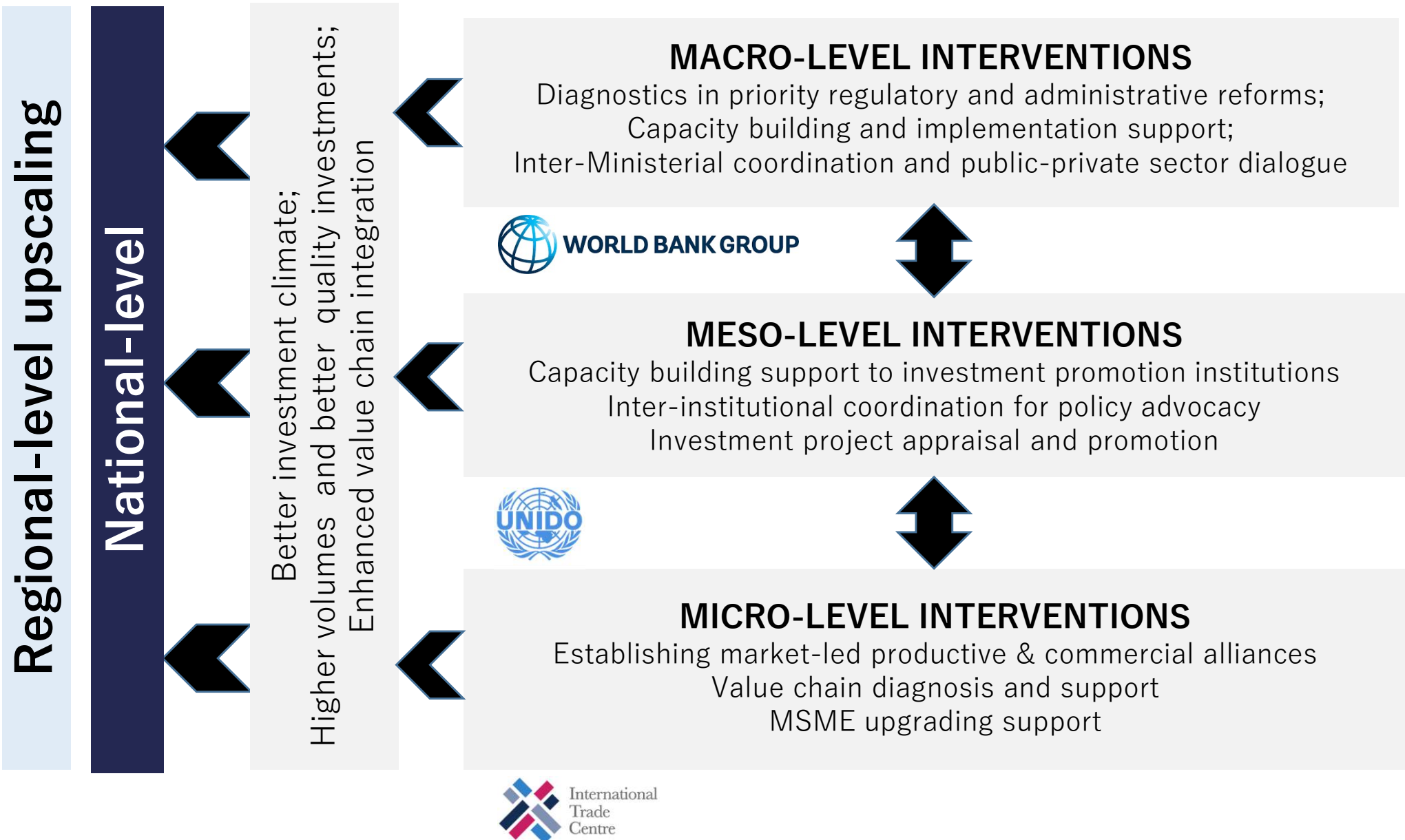
Programme to Support Business Friendly and Inclusive National and Regional Policies and Strengthen Productive Capacities and Value Chains



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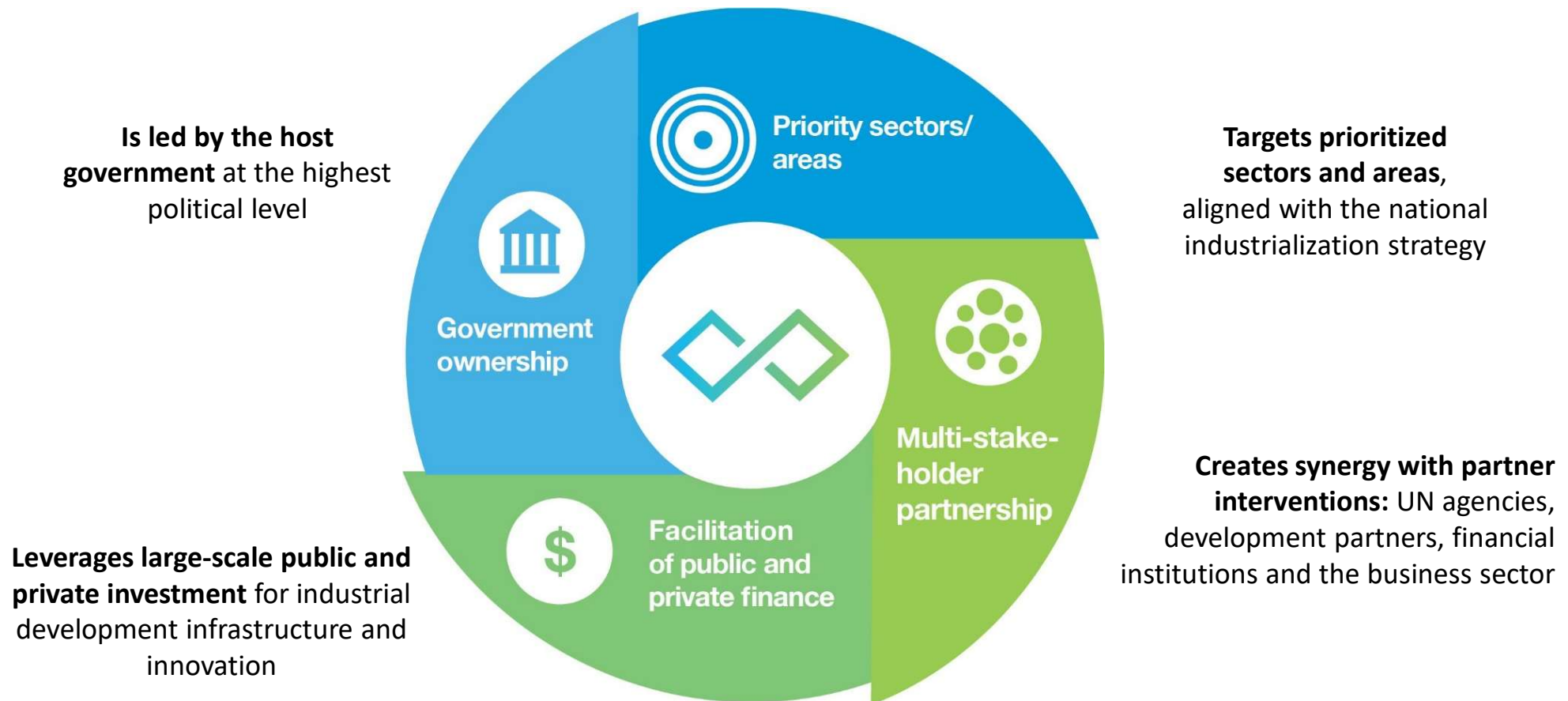


PROGRAMME THEORY OF CHANGE





Key features of the Programme for Country Partnership (PCP)





Kenya as Self- Starter PCP country

- The Government of Kenya has adopted the PCP model to implement her industrialization agenda.
- PCP was launched in January 2021 by **H.E. President Uhuru Kenyatta and joint declaration for its implementation signed in September 2021**
- **Flagship Nyamira Integrated Agro-Industrial Park also launched**
- The Government of Kenya has committed to taking a **leading role in the implementation of the PCP**
- The PCP will operationalize the industrial components of the country's development blueprints: **Vision 2030, MTP III, Big 4 agenda, Kenya Industrial Transformation Programme and the Post COVID- 19 Economic Recovery Strategy**



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THANK YOU!
