

MEMORANDUM TO THE TRADE, INDUSTRY AND COOPERATIVES COMMITTEE

OF THE NATIONAL ASSEMBLY

ON THE BUDGET ESTIMATES 2020/21

Trade and Industry

This memorandum was prepared as a submission to inform deliberations on the proposed budget estimates for 2020/21 that are currently under review in the National Assembly. It was prepared by organizations in private sector and civil society

Introduction

In the wake of COVID-19, the global supply chain of trade has been disrupted. Due to this, the world has witnessed a slowdown of businesses leading to loss of revenue for Government, decline in Foreign Direct Investment, and loss of employment. The government needs to have measures in place to ensure that businesses are operational despite the difficult circumstances we are in. Government needs to bolster business operations to prevent further losses during COVID-19 pandemic.

We acknowledge the work that the ministry responsible for trade and industry has done during the preparation of the draft estimates as tabled in the National Assembly. The draft estimates provide for the allocation of funds and the number of targets under different delivery units for the Micro and Small Medium Enterprises (SME), development of SME policy, and ease of doing business under which submission focusses on.

Key observations

- The draft estimates note that the State Department for Industrialization intends to provide credit facilities to Small and Medium Enterprises under the Standards and Incubation Program. However, the number of SMEs benefiting from this facility is not provided. Therefore, it would be difficult to hold the state department accountable for the funds allocated.
- We note that the development of the Small and Medium Enterprises policy is being developed and reviewed by the different sub-programmes within the State Department for Industrialization. The mandate to develop such vests with the Micro, Small and Enterprises Authority.
- We note that state department is spearheading improvement of ease of doing business in the country through the Presidential Round Table Meeting with the Private Sector Players. However, the how of representation of Small and Medium Enterprises in the PRT is not provided for in the estimates or the sector reports
- We note that the delivery units such as the Music Copyright Board and Kenya Film Classification Board under the Film Development Services Program have construction of roads as their major key performance indicators and outputs and which there is no nexus between the delivery services program for film and the construction of roads.

Detailed Analysis

State Department for Industrialization

The State Department for Industrialization has the mandate to provide an enabling environment for rapid and sustainable development and has been allocated Kes 9, 729,072,955 in the draft estimates for the FY 2020/21.

The department has three primary programs: namely Industrial Development and Investments, Standards and Business Incubation and General Administration, Planning, and Support Services.

The State for Industrialization has the following issues in it.

- a) **Credit to SMEs:** The Kenya Industrial Estates has been allocated Kes 1.2 billion for onward disbursement to SMEs. However, the number of SMEs intended to be beneficiaries have not been identified in the document. Secondly, delivery unit (Development of various small and medium enterprises in Kenya) has been provided with an allocation of Ksh800 Million to be disbursed to SMEs as credit. The total available resources for disbursement to SMES under these two units is Ksh 2 billion. However, there is no clarity where on the beneficiaries.
- b) **Development of Small and Medium Enterprises Policy:** The department intends to develop an SME policy. The objective of the policy is to help improve the business environment. The department proposes that the Policy be developed by different sub-programmes, namely, promotion of industrial development and investment, business financing and incubation of MSMEs. There is also the promotion of industrial products. In addition, the policy is being reviewed under the promotion of industrial products. The Micro and Small Enterprises Authority derives its mandate to develop an SME policy under Section 31(a) of the Micro and Small Enterprises Act, 2012. However, in this case, we observe that the authority's mandate is being delegated to other entities within The State Department for Industrialization.
- c) **Ease of doing business.** The department intends to have one Presidential Round-Table Meeting with the Private Sector. The critical output in this program is to improve the business environment. There is no clear indicator of the participants during the round table meeting.
- d) **Recovery of SMEs post COVID19.** According to the 2020 Economic Survey, 846,000 jobs were created in 2019 with 767,000 being created in the informal sector. In the wake of the COVID-19 pandemic, businesses especially those in the informal sector are greatly affected, most of them closing down. In the draft FY2020/21 Budget Estimates, we observe that the department makes no mention of the measures put in place to ensure that the SMEs recover from the impacts of COVID19.

State Department for Trade

The State Department for Trade has the mandate to ensure that Kenyan products perform competitively in the global market. The mandate of the department is to formulate and review trade-related policies, facilitate retail and wholesale trade, and ensure fair trade practices and consumer protection. The department has been allocated Ksh1, 687,424,227.

The department has two primary programs:

- The General Administration and Support Services
- Trade Development and Promotion.

The State for Trade has this issue in it:

Kenya Consumer Protection Advisory Committee: The Kenya Consumer Protection Advisory Committee is mandated to protect consumers from exploitative trade practices. The department intends to hold 10 awareness forums in the Financial Year 2020/2021. The key output is to protect consumers against exploitation and unfair trade. It is not clear where the forums will be held for accountability purposes.

We would like to appreciate the efforts of the department in creating the Kenya Trade Remedies Agency. The Kenya Trade Remedies Agency is a creation Section 3(1) of the Kenya Trade Remedies Act 2017. The purpose is to investigate and evaluate allegations of dumping and subsidization of imported products in Kenya. This would mean that employment opportunities have been created.

State Department for Information Communication Technology

The Mandate of this Ministry is to develop Information Communication Technology (ICT) infrastructure for the provision of universal access to ICT services in the country. The Ministry has been allocated Ksh15, 673,929,648.

The Ministry has 4 major programmes:

- Infrastructure development
- E-Government Services
- Film development Services Program
- General administration planning and support services.

The State for Information Communication and Technology has the following issue:

The Film Development Services Program. The programme's objective is to develop, regulate, promote, and market the film industry locally and internationally through the identification and facilitation of growth of the industry. The delivery units of the programme have kilometres of road constructed as the key performance indicators and key outputs. We would like to seek clarification on how the construction of kilometres of road is related to the implementation of the Film Development Services Program.

Propositions

We propose the following recommendations:

State Department for Industrialization

a) Credit to SMEs

In order to promote accountability and transparency in the disbursement of the credit to SMEs, the number of beneficiaries of the funds should be indicated. Further, the responsibility of the disbursement of funds should vest with the Kenya Industrial Estates.

b) Development of the SME policy

The department should delegate the responsibility of developing the SME policy to the Micro Small and Medium Enterprises Authority.

c) Ease of doing business

We implore upon the National Assembly to seek clarity on representation in the Presidential Round Table Meeting. This will ensure that there is inclusion of all players in private sector including those from the SME space.

d) Recovery of SMEs post COVID-19

We call upon the National Assembly to ensure that the department puts measures in place to support SMEs recovery from the effects of COVID19. This can be done by including a programme with the department to offer the necessary assistance to the SMEs.

State Department for Trade

a) Kenya Consumer Protection Advisory Committee

The awareness creation forums should be held both at the National and County levels and their intervals should be indicated. This would enable the sector players to organize the county level members to contribute to the national processes.

Ministry of Information Communication Technology

a) The Film Development Services Program

We implore upon the National Assembly to seek clarity from the State Department for Information Communication Technology on the key outputs as well as the key performance indicators in the Film Development Services Program. This will help to bring understanding on what the programme seeks to achieve in FY2020/21.

Participants.

Name	Organization	Email
Maryanne Wanjiku	IPFK	mwanjiku@ipfkenya.or.ke
Bernice Mwangi	Kenya National Chamber of Commerce and Industry	bernicemwangi@gmail.com

