

**Strathmore**  
UNIVERSITY

**SU+ @ Strathmore**  
**University Library**

---

**Electronic Theses and Dissertations**

---

2020

# Examining the effectiveness of micro and small enterprise authority in implementation of the MSE Act, (2012)

Njoki, M. Wangui  
*Strathmore Business School*  
*Strathmore University*

## **Recommended Citation**

Njoki, M. W. (2020). *Examining the effectiveness of micro and small enterprise authority in implementation of the MSE Act, (2012)* [Thesis, Strathmore University]. <http://hdl.handle.net/11071/12140>

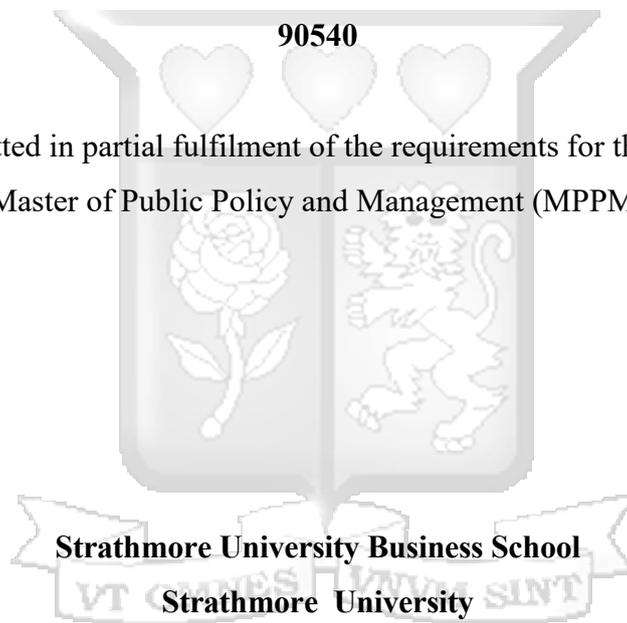
Follow this and additional works at: <http://hdl.handle.net/11071/12140>

**Examining The Effectiveness Of The Micro And Small Enterprise Authority In  
Implementation Of The MSE Act, (2012)**

**Mary Njoki Mwangi**

**90540**

A dissertation submitted in partial fulfilment of the requirements for the award of Degree of  
Master of Public Policy and Management (MPPM)



**Nairobi, Kenya**

**June 2020**

This dissertation is available for Library use on the understanding that it is copyright material and that no quotation from the dissertation may be published without proper acknowledgement.

## DECLARATION

I declare that this work has not been previously submitted and approved for the award of a degree by this or any other University. To the best of my knowledge and belief, the dissertation contains no material previously published or written by another person except where due reference is made in the dissertation itself.

© No part of this thesis/dissertation may be reproduced without the permission of the author and Strathmore University

**Mary Njoki Mwangi**

---

**23<sup>rd</sup> October 2019**

### Approval

The dissertation of Mary Njoki Mwangi was reviewed and approved by the following:

Professor Ruth Kiraka,  
Professor of Strategy and Entrepreneurship, Strathmore University Business School  
Strathmore University

Dr. George Njenga,  
Dean, Strathmore University Business School,  
Strathmore University

Dean, School of Graduate Studies,  
Strathmore University

## ABSTRACT

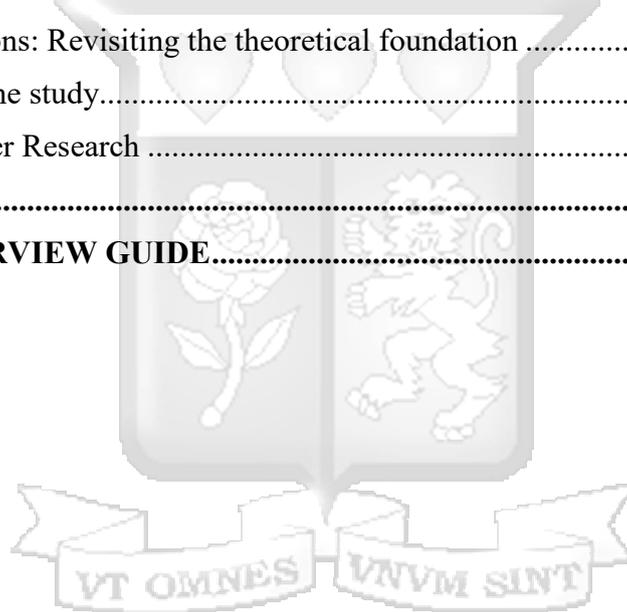
Micro and Small Enterprises (MSEs) create jobs and contribute to innovation and economic development. The *MSE Act, 2012* provides a legal, institutional and regulatory framework for the promotion and development of MSEs in Kenya. The five major objectives of the Act are to provide an enabling business environment, facilitate access to business development services for MSEs, facilitate formalization and upgrading of informal MSEs, promote an entrepreneurial culture and promote representative associations. The Act provides for the creation of the MSE Authority which is responsible for implementing the Act. The purpose of this study was to examine the effectiveness of this Authority in implementing the *MSE Act 2012*. The research objectives were to determine the extent to which the MSE Authority had implemented the Act, to examine the challenges the Authority had faced and how they had moderated its expected outputs and to discuss how the Authority had mitigated these challenges. Using top-down and bottom up theories of policy implementation as a theoretical framework, the thesis of this study was that success or failure of the *MSE Act 2012* depended on how it is implemented. The study applied a qualitative case study design. Using purposive sampling to identify senior officials of the MSE Authority, the researcher identified respondents who could speak to the intentions, plans and performance of the Authority. The data was analysed using framework analysis based on the research questions and the objectives of the Act. The study found that the MSE Authority had only partially implemented the *MSE Act 2012*. The challenges that the Authority faced that moderated its output were the failure to operationalise key provisions of the Act including establishing the Office of the Registrar of MSE Associations and the MSE Fund. The Authority also suffered from chronic underfunding and understaffing. There were other government agencies with similar mandates which resulted in duplication of efforts, wastage of resources and interagency conflict. Recommendations of this study are that objectives of the Act should be clear and consistent, the link between the Act and the intended outcomes should be clear, the provisions of the Act should be fully operationalised, and a timeframe should be established for this, with incentives and sanctions for all agencies and stakeholders involved in the implementation of the Act. The Authority's capacity should be improved by recruiting full time qualified, committed staff with relevant experience. For all of these to happen, support from political leadership is critical.

*Key Words: MSE Act 2012, Policy implementation, MSE policies*

## TABLE OF CONTENTS

<b>DECLARATION</b> .....	<b>ii</b>
<b>ABSTRACT</b> .....	<b>iii</b>
<b>LIST OF FIGURES</b> .....	<b>vi</b>
<b>LIST OF TABLES</b> .....	<b>vii</b>
<b>LIST OF ABBREVIATIONS</b> .....	<b>viii</b>
<b>ACKNOWLEDGEMENT</b> .....	<b>x</b>
<b>CHAPTER 1: INTRODUCTION</b> .....	<b>1</b>
1.1 Background of the Study.....	1
1.2 Overview of the <i>MSE Act 2012</i> .....	2
1.3 Problem Statement .....	3
1.4 Research Objectives .....	4
1.5 Research Questions .....	4
1.6 Scope of the study .....	4
1.7 Significance of the study .....	4
<b>CHAPTER 2: LITERATURE REVIEW</b> .....	<b>5</b>
2.1 Top Down and Bottom Up Theory of Policy implementation.....	5
2.2 Empirical review of Literature .....	7
2.2.1 The role of MSE support agencies in implementing MSE policies .....	7
2.2.2 Challenges faced by MSE support agencies and how these challenges moderate their output.....	14
2.2.3 How MSE Support Agencies mitigate the challenges they face .....	17
2.3 Summary of Literature Review .....	18
2.4 Research Gaps .....	19
2.5 Conceptual Framework .....	19
2.6 Operational definition of the study variables .....	20
<b>CHAPTER 3: RESEARCH METHODOLOGY</b> .....	<b>22</b>
3.1 Research Design.....	22
3.2 Population and Sampling .....	22
3.3 Data Collection Methods.....	22
3.4 Data Analysis .....	22
3.5 Research Quality .....	23
3.6 Ethical Considerations.....	23
<b>CHAPTER 4: PRESENTATION OF FINDINGS</b> .....	<b>25</b>
4.1 Overview of the MSE Authority .....	25

4.2 Presentation of findings.....	26
4.2.1 The extent to which the MSE Authority has implemented the <i>MSE Act 2012</i> .....	27
4.2.2 Challenges faced by the MSE Authority and how they have moderated its outputs .....	33
4.2.3 How the Micro and Small Enterprise Authority has mitigated the challenges .....	38
4.3 Chapter Summary .....	39
<b>CHAPTER 5: DISCUSSIONS, CONCLUSIONS AND RECOMMENDATIONS .....</b>	<b>40</b>
5.1 Discussion of Findings .....	40
5.1.1 Extent to which the MSE Authority has implemented the <i>MSE Act 2012</i> .....	40
5.1.2 Challenges faced by the MSE Authority in implementing the <i>MSE Act 2012</i> .....	43
5.1.3 How the MSE Authority has mitigated challenges .....	45
5.2 Conclusions .....	46
5.3 Recommendations: Revisiting the theoretical foundation .....	47
5.4 Limitations of the study.....	48
5.5 Areas for Further Research .....	49
<b>REFERENCES.....</b>	<b>50</b>
<b>APPENDIX: INTERVIEW GUIDE.....</b>	<b>53</b>



## LIST OF FIGURES

Figure 2.1: Approaches to policy implementation.....	12
Figure 2.2: Conceptual framework.....	24
Figure 4.1: MSEA Organisational Structure.....	25



## LIST OF TABLES

Table 2.1: Indicators for measurement.....25



## LIST OF ABBREVIATIONS

AGPO	Access to Government Procurement Opportunities
BDS	Business Development Services
BEE	Black Economic Empowerment
CEDO	County Enterprise Development Officers
CIDC	Constituency Industrial Development Centre
CORFO	Production Development Corporation (Chile)
CPPP	Community Public Private Partnership Program
EPC	Export Promotion Council
EPZA	Export Processing Zones Authority
G20	Group of 20, an international forum of governments from the 20 biggest economies in the world
KEBS	Kenya Bureau of Standards
KYEOP	Kenya Youth Employment Opportunity Program
KIBT	Kenya Institute of Business Training
KIE	Kenya Industrial Estates
KIPI	Kenya Industrial Property Institute
KEPSA	Kenya Private Sector Alliance
KIPRA	Kenya Institute of Public Policy Research and Analysis
KNBS	Kenya National Bureau of Statistics
MAS	United Kingdom's Manufacturing Advisory Service
MEP	United States of America's Manufacturing Extension Partnership
MSE	Micro and Small Enterprise
MSEA	Micro and Small Enterprise Authority
MSME	Micro, Small and Medium sized Enterprises
NAMAC	National Manufacturing Advisory Centre
NEPA	Ntsika Enterprise Promotion Agency
OECD	Organisation for Economic Cooperation and Development
RFC	Reconstruction Finance Corporation
SACCO	Savings and Credit Cooperative Society
SBA	Small Business Administration

SBC	Small and Medium Business Corporation
SBDA	Small Business Development Agency
SBIC	Small Business Investment Company
SDPA	Small Defense Plants Administration
SEBRAE	Brazilian Micro and Small Business Support Service
SEDA	South Africa Enterprise Development Agency
SEZA	Special Economic Zone Authority
SME	Small and Medium Enterprises
SPRI	Spain's Society for the Competitive Transformation
SWPC	Smaller War Plants Corporation
YEDF	Youth Enterprise Development Fund



## ACKNOWLEDGEMENT

I acknowledge, with gratitude, the respondents to this study, support provided by my Supervisor Prof. Ruth Kiraka, my family and friends and the Almighty God for His unfailing providence.



# CHAPTER 1: INTRODUCTION

## 1.1 Background of the Study

Micro and Small Enterprise regulation can be found around the world. Many countries have specific policies, regulation and/or legislation touching on micro, small and medium sized enterprises (MSMEs). These countries include the United States of America, Brazil, South Korea, South Africa, Chile, Spain and many others (Snijder et al, 2016). A good place to start is to ask why governments are interested in Micro and Small Enterprise (MSE), development policy. Policy makers' interest in MSE development policy is to promote economic growth, innovation and job creation and they see entrepreneurship as a way to achieve these goals (Heinonen & Hytti 2016). Therefore, policy makers view MSE development policy as a tool to improve the entrepreneurship culture and environment within which new firms operate. The main justification for entrepreneurship and small business policy presented by Heinonen and Hytti (2016) are, market failure that inhibits new firm creation, public interest because of technological advancements brought by small firms and their capacity to create jobs. Heinonen and Hytti (2016), also talk about the visionary role of government in growing the economy as a reason for the development of small business policy.

The European Commission (2013), recognizes the importance of entrepreneurship and small business policy and has outlined it in the Entrepreneurship 2020 Plan. Entrepreneurship policy as a means of re-engaging unemployed and marginalised people is a popular approach in Europe. In the United Kingdom as in much of Europe, entrepreneurship policies were adopted as a stop gap measure to absorb workers displaced by reduced industrial production resulting in downsizing (Huggins, Morgan & Williams, 2015). Governments therefore have used entrepreneurship, micro, small and medium size business promotion policies in response to unemployment and to spur economic growth.

The *MSE Act 2012* defines government policy toward Micro and Small Enterprises (MSEs) in Kenya. Micro and Small Enterprises are a subset of the Micro, Small and Medium Enterprises (MSMEs) classification of firms. The *MSE Act 2012* defines a micro enterprise as a firm with an annual turnover of less than five hundred thousand shillings and employs less than ten people. If the firm is in manufacturing, its investment in a plant or machinery or its registered capital is less than ten million shillings. If it is in the farming or service sectors, its investment in equipment or registered capital is less than five million shillings. The Act defines a small

enterprise as a firm with an annual turnover of between five hundred thousand and five million shillings and employs between ten and fifty people. If the firm is in manufacturing, its investment in a plant or machinery or its registered capital is between ten and fifty million shillings. If it is in the farming or service sectors, its investment in equipment or registered capital is between five and twenty million shillings. An amendment to the *MSE Act 2012* was published in July 2015 that sought to include informal businesses that operate without a designated location including vendors, hawkers, market traders, livestock traders, fishmongers, artisans, handcraft traders, sand harvesters, cyclists and public transport operators (Kenya Gazette Supplement No.116, Senate Bills No.12).

Policy in Kenya is determined by government officials or by elected representatives through legislation as is the case with the *MSE Act 2012*. Implementation involves operationalisation of the Act by creating and constituting the agencies or institutions defined by the Act, staffing them, developing governance structures, as defined in the legislation and allocating budget for them to deliver on their mandate. In Kenya, this is the Micro and Small Enterprise (MSE) Authority. In order to determine whether the desired outcomes of policies have been achieved, it is necessary to conduct policy research on the agencies or institutions mandated to implement these policies. The objective of such research is to determine whether these agencies have been set up, how they are governed and resourced and to what extent they are able to deliver on their mandate.

## **1.2 Overview of the *MSE Act 2012***

The purpose of the *MSE Act 2012* was to provide a legal, institutional and regulatory framework for the promotion and development of MSEs in Kenya. There are five major objectives of the Act listed in the first part of the Act: (i) provide an enabling business environment; (ii) facilitate access to business development services for MSEs; (iii) facilitate formalization and upgrading of informal MSEs; (iv) promote an entrepreneurial culture and (v) promote representative associations. The Act defined how representative associations will be promoted by making provision for the creation of an office of the Registrar of Micro and Small Enterprises to register MSEs and MSE associations.

In Part 2 of the Act, it gave instructions for the regulation and conduct of MSE associations and provides a framework for dispute resolutions through the Registrar of MSEs. Part 3 of the Act discusses the Micro and Small Enterprise Authority, how it should be established, its composition, functions, powers and how it should conduct its business. Part 4 of the Act

outlines financial provisions for the operationalization for the Act including establishing the MSE Fund. Part 5 discusses the development and promotion of MSEs. Part 6 proposes how disputes should be settled in the sector by establishing a tribunal and how that tribunal should operate. The final section of the Act, part 7 contains some miscellaneous provisions (*MSE Act 2012*).

### **1.3 Problem Statement**

The Micro and Small Enterprise Survey (2016), estimated that 92.2% of all MSMEs are micro enterprises employing less than 10 people each. Small and Medium sized Enterprises (SMEs) with the ability to create more jobs account for less than 8% of all MSMEs in the country. The survey identified several impediments to growth that have curtailed micro and small enterprises ability to grow and create jobs. Using licensing as a proxy for formalization, the survey found that out of 7.41 million MSMEs, only 21% are licensed. This points to a failure to achieve a key objective of the *MSE Act 2012*, to formalise MSEs. Four years after the passing of the *MSE Act 2012*, the National MSME Survey of 2016 found that 46% of businesses closed within the first year of establishment, while 29.6% of businesses that closed cited lack of adequate funds to sustain the business as the main reason for closure (Kenya National Bureau of Statistics [KNBS], 2016). Improving access to business finance is one of the objects of the *MSE Act 2012*. The survey also established that out of 7.41 million MSMEs 5.85 million are not registered. Micro and Small enterprises account for almost all the unregistered businesses. The survey also found that many of these businesses lacked proper premises for operating their businesses (KNBS, 2016). Formalizing MSEs and ensuring the availability of suitable infrastructure are key objectives of the *MSE Act 2012*. The Kenya Institute of Public Policy Research and Analysis (KIPPRA), (2017) noted that ninety five percent of firms in the manufacturing sector in Kenya were MSEs. The study noted that while these firms contributed the largest number of jobs in the sector, they were mostly informal and low quality. This was a consequence of the failure to support these firms to formalize and upgrade, which was one of the objectives of the Act.

Given these failures seven years after the Act was passed, it was necessary to determine the extent to which the MSE Authority has delivered on its mandate and the challenges it has faced in the promotion, development and regulation of micro and small enterprises in Kenya. This will help to determine the extent to which the Act had been implemented, challenges faced and how those challenged could be overcome. The findings of this study could inform additional amendments to the Act and reforms to the Authority. That was the object of this study.

#### **1.4 Research Objectives**

The main objective of the study was to examine the effectiveness of the MSE Authority in implementing the *MSE Act 2012*.

The objectives of the study were to:

1. Determine the extent to which the MSE Authority had implemented the MSE Act 2012.
2. Examine the challenges faced by the MSE Authority in implementing the MSE Act 2012 and how they moderated its expected outputs.
3. Examine how the MSE Authority had mitigated the challenges it faced.

#### **1.5 Research Questions**

1. To what extent had the MSE Authority implemented the *MSE Act 2012*?
2. What challenges did the MSE Authority face in implementing the *MSE Act 2012* and how did they moderate its expected outputs?
3. How did the MSE Authority mitigate the challenges it faced?

#### **1.6 Scope of the study**

This study focused on the *MSE Act 2012* and the *MSE Amendment Bill (2015)*. The study analyzed the legislation and actions that have resulted from the passing of the law. The study focused on the MSE Authority and examined how effectively it had implemented the Act, the challenges that it had faced in delivering on its mandate and how these challenges had been or could be overcome. The scope was limited to the MSE Authority employees and did not extend to examining how the implementation of the Act had impacted the MSEs themselves.

#### **1.7 Significance of the study**

This study provided an evaluation of the implementation of the *MSE Act 2012* by the MSE Authority with regard to the development, promotion and regulation of MSEs which is the stated purpose of the Act. The study provided insights into the challenges the Authority had faced and provided recommendations on how those challenges could be overcome in order to achieve the objectives of the Act. The study would benefit the MSE Authority itself and policy makers as they develop and revise MSE policies, including possible amendments to the Act. It would also benefit MSEs by highlighting the benefits of the Act to MSEs operating in Kenya. The study would also benefit other governments as they create small business promotion agencies by sharing lessons learnt from the Kenyan experience.

## **CHAPTER 2: LITERATURE REVIEW**

This chapter contains a review of relevant literature on Micro and Small business policies around the world. The chapter begins with a discussion on policy implementation theories. The chapter focused on analyzing literature on institutions that have been created to promote and support entrepreneurship, micro and small businesses. The literature review examines how those policies have been operationalised and the extent to which they have supported micro and small enterprise development. This review has also highlighted best practices and lessons learnt from these institutions in the course of implementing MSE promotion and development policies in their respective contexts.

### **2.1 Top Down and Bottom Up Theory of Policy implementation**

The theoretical foundation of this study was top down-bottom up approaches to policy implementation. The top down and bottom up theory of policy implementation was advanced Van Meter, Van Horn, Nakamura, Smallwood and Mazmanian and Sabatier (Pulzl & Treib, 2017). According to Cerna (2013), the top down approach of the theory focuses on the policy designers as the principal actors in the policy process. Top-down approach tends to be consistent across policy areas. However, policy implementation is viewed as an administrative process and ignores political dimensions of policy implementation. Bottom-up approach on the other hand views policy as made at the local level and therefore more nuanced across policy areas because the principal actors are more diverse. The context within which policies are implemented is taken into account by the bottom up approach because the interests of actors at the local level will influence how policy is implemented. The two approaches are based on two conflicting views of democracy. Top down approach focuses on the traditional representative democracy in which only elected officials have the legitimacy to make policy. Bottom up approach contests this view and argues that bureaucrats at the grassroots level as affected target groups have legitimate concerns that must be taken into account during policy implementation (Pulzl & Treib, 2017). The combined approach attempts to draw the benefits of both top down and bottom up approaches (Cerna, 2013). Ahmad and Hoffman (2008), assert that it is easier to use the top down approach when studying the effectiveness of policies aimed at supporting entrepreneurship and small business development. It is indeed easier to determine the ultimate goals of policy makers in this field as opposed to the individual interests of the myriad of actors involved in the micro and small business environment.

According to Sabatier (1987), top down approaches to policy implementation begin with a policy decision by government – usually central government. In evaluating the implementation of that policy, the policy makers then ask four questions to determine the efficacy of the policy. First, to what extent were the actions of policy implementers and those targeted by the policy consistent with the aims of that policy? Second, to what extent were the results consistent with the objectives of the policy? Third, what factors affected the policy outputs and outcomes, both those factors that were related to policy itself and others that have political significance. Fourth, how was the policy changed over time as a result of what was learnt?

Cerna (2013), surmises that in areas or situations where there is consensus about what the goal should be, for example, improving access to education for disadvantaged groups, but high uncertainty and little consensus about how to achieve the desired goal, use of bottom up approaches to policy implementation is common. In contrast, when there is a lot of conflict about the goal but relatively high certainty about the strategy to achieve the set goal for example taxation, top down approaches are common. In some cases, it may be possible to combine the two approaches to achieve the best possible outcome – the concept of complementarity. Based on Cerna’s (2013) approaches, policy implementation may be viewed in a quadrant, as determined by the levels of consensus and certainty. This is presented in Figure 2.1 below.

**Figure 2.1 Approaches to policy implementation**

<b>Certainty</b>	High	Top-down approach	Complementarity
	Low	No policy implementation	Bottom-up approach
		<b>Consensus</b>	
		Low	High

Adapted from Cerna (2013)

Sabatier (1987), identified seven conditions for effective policy implementation. He identified having clear and consistent objectives as one. Second, he identified a clear causal relationship, which means that there must be a clear link between the policy and the intended social change. Third, he identified the need to create legal structures for implementation to ensure compliance. Fourth, he argued for legal mechanisms that would assign program implementation to agencies

that would prioritize them including creating the necessary incentives and sanctions. These four conditions are created by the law, statute or policy decision itself. The fifth condition was commitment of officials charged with implementation, with support for policy from interest groups, and political leadership being the sixth and seventh conditions. The last three conditions, Sabatier (1987), opined, were a result of political and economic pressure experienced during policy implementation.

This study used the top down approach to policy implementation as a theoretical framework. The thesis of this study is that the success or failure of the *MSE Act 2012* depends on how it is implemented. Using these seven conditions as a basis for discussion, the study examined the extent to which the MSE Authority had been able to implement the Act.

## **2.2 Empirical review of Literature**

This section reviews literature on micro and small business support agencies in different parts of the world to identify the role these agencies have played to implement these policies, challenges these agencies have faced, and how they have mitigated those challenges. Most global literature on micro and small enterprises, does not distinguish between MSEs and SMEs. As such, SME literature may be cited, but the focus of this study remains the MSEs. Studies that have evaluated the performance of small business promotion agencies in other jurisdictions include Snijder et al (2016), Ezell and Atkinson (2011), Parker (2000), Parker (2002), Craig, Jackson and Thomson (2007), ). Heinonen and Hytti (2016) and Bager, Kylvær and Nielson (2015).

### **2.2.1 The role of MSE support agencies in implementing MSE policies**

Snijder et al (2016), discuss the need for promotion policy on enterprises. Market based approaches cannot adequately provide Business Development Services (BDS) due to market failure. Governments respond by creating public or semi-public agencies to promote the growth and development of enterprises. Snijder et al (2016) recommend that countries conduct a market failure analysis in order to target their interventions accordingly.

Ezell and Atkinson (2011), examine the role of government is supporting small enterprises in the manufacturing sector. Their study looked at the role of agencies such as, Australia's Enterprise Connect, Canada's Industrial Research Assistance Partnership, Germany's Fraunhofer Institutes and Steinbeis Centers, Japan's Public Industrial Technology Research Institutes (Kohsetsushi Centers), the United Kingdom's Manufacturing Advisory Service (MAS), and the United States of America's Manufacturing Extension Partnership (MEP). They

also made reference to agencies in Argentina, Austria, China, South Korea and Spain. These agencies run technology acceleration programs to promote the adoption of technology by upcoming enterprises through funding for research and development in the form of grants or competitions or through loans.

In a study on small business policy implementation in Australia, Parker (2002) found that the State operationalised small business policies by sponsoring an institutional framework that created lines of communication between small firms and government for the purpose of negotiating with firms for the public interest and dealing with market risks and uncertainties. Parker (2002), describes the appointment of the Small Business Deregulation Task Force as an attempt by government to reinstate market incentives for new small firm creation. This task force was mandated with documenting the compliance and tax burden borne by small firms. As a result of their work, all federal government agencies were required to produce a Regulation Impact Assessment before enforcing any new regulations affecting small firms in Australia.

Parker (2000), in another study of small enterprise policy in Australia concluded that a very small percentage of small firms were responsible for the contribution to employment and innovation in Australia. She opined that the general deregulation that is characteristic of an enterprise development policy that treats enterprises as a generic class is likely to generate low quality, and low wage employment. She advocated for greater policy attention to the industries within which these enterprises belonged. Enterprise Connect, an Australian government program aimed at supporting enterprises in Australia takes the sector approach recommended by Parker (2002). It works with enterprises in manufacturing, clean technology, natural resource management, defense and the creative sector. Enterprise Connect is a network of 12 manufacturing centers run by the Department of Innovation, Industry, Science and Research, which is the government's primary vehicle for delivering firm level support (Ezell and Atkinson, 2011). They provide business audits for enterprises and coach them through the changes they need to make to achieve their full potential. They also connect small firms to other actors in the innovation ecosystem such as universities and research agencies. In addition, Enterprise Connect also awards discretionary grants to support research and development (Ezell and Atkinson, 2011).

In a study of the US Small Business Administration (SBA), Craig, Jackson and Thomson (2007), discussed the role of the SBA in supporting small firms in USA through their access to

finance programs. The SBA was established in 1953 by the *Small Business Act (1953)*, as an autonomous government agency. The objective of the SBA was to foster economic growth by providing finance in the form of loans and loan guarantees for small businesses in the US. Most of these loans have longer repayment terms compared to loans from commercial banks. The SBA also provides knowledge resources to small business owners in the form of online resources, events and training (*SBA Act, 1953*). The SBA's predecessor was the Reconstruction Finance Corporation (RFC) set up in 1932 to aid small business recovery in response to the Great Depression (Mason, 2001). The US Congress set up the Smaller War Plants Corporation (SWPC) in 1942 during World War 2 to help small businesses benefit from contracts to produce supplies for the war which up until then could only be done by large industries which had the capacity to take advantage of the opportunity. The SWPC among other things offered loans to small firms and advocated for them with government procuring agencies (Anglund, 1991). Another organisation set up with a similar mandate was the Small Defense Plants Administration (SDPA), set up during the Korean War. The only difference was that the SDPA did not give loans but left that up to the RFC. When the RFC was abolished, the SBA was proposed. It was charged with safeguarding the interests of small business in the United States including ensuring small businesses got access to finance, training, technical assistance and an equitable share of government procurement (*SBA Act, 1953*).

The SBA through its loan programs, also assisted businesses affected by natural disasters (McCallum, 1958). The *Investment Company Act (1958)* established the Small Business Investment Company (SBIC) which made it possible for the SBA, a government agency, to invest funds directly into private equity and venture capital funds targeting high risk small businesses making the SBA a fund of funds (Pruitt, 1969). This was in response to a study by the US Federal Reserve that found that small businesses could not be competitive because they faced disproportionate challenges when accessing finance compared to larger firms.

In an attempt to address inequality, the SBA has been running an Equal Opportunity Loan Program since 1964. This program relaxes loan requirements for people living below the poverty line. Other attempts to address inequality through small business assistance by the SBA include programs targeting women, war veterans and minorities (Craig, Jackson & Thomson, 2007). In a study to determine whether the SBA loan guarantee scheme helps minorities access credit and contributed to economic growth, using employment rates as an indicator, Craig, Jackson and Thomson (2007), found a positive relationship between increase in average employment in a market with a high proportion of minority owned businesses that benefited

from the scheme. The SBA administers its programs by contracting out to third party local entities (Snijder et al 2016).

According to Ezell and Atkinson (2011), the National Institute of Standards and technology's Hollings Manufacturing Extension Partnership, MEP, works with small and mid-sized manufacturing firms in the US to create and retain jobs and improve productivity and profitability. MEP is a program of the US department of Commerce and has over 1300 technical experts spread out across all states to act as business advisors to these manufacturing firms. These advisors help the firms in manufacturing accelerate innovation which results in greater productivity, higher tax receipts and the creation of new high paying advanced manufacturing jobs. MEP has created a training program called the Innovation Engineering Management System aimed at helping the firms adopt innovation. MEP also helps firms to connect and collaborate on innovation through the USA National Innovation Marketplace. The online marketplace helps firms promote their capabilities to a wider audience of potential buyers and investors, find experts and find innovation driven business opportunities. Twenty percent of small and mid-sized manufacturing firms that have used the marketplace reported having successfully connected with a buyer, investor or partner (Ezell and Atkinson, 2011).

Heinonen and Hytti (2006), studied small business policy design and implementation in Finland. the government placed emphasis on startup creation, growth and competitiveness of existing firms. Finnish small business policy is unique in the sense that it is both horizontal and cross sectional with each government ministry coordinating its promotion of entrepreneurship within its respective sector. Heinonen and Hytti (2016), analysed entrepreneurship and small business policies in Finland between 1999 and 2016. They looked at who the policy was targeting – the firm or the individual. They also looked at who the primary actors for the policies were – administrators, the entrepreneur or employees of small firms. They also outlined the measures the policies laid out.

Finland's Entrepreneurship Programme (1999/2000) targeted small firms and aimed to reduce the compliance burden while providing BDS to small firms. Some of the measures this program introduced included an electronic marketplace for public tenders that was more accessible to small firms. Through the program the company tax and social security payments due from small firms were also reduced. A business training and counselling program for small firms was also introduced (Heinonen & Hytti 2006). The 1999/2000 program was succeeded by the Finnish Entrepreneurship Policy Programme. According to Heinonen and Hytti (2006), this

program had similar aims to the 1999/2000 program with some nuances. It sought economic growth, job creation and increased investment. This program targeted individual entrepreneurs. Measures introduced by this program included the introduction of entrepreneurship education in the school system, the introduction of a grant system for entrepreneurs, first employment subsidies and a one-stop shop concept for provision of BDS through the Enterprise Finland network that is a collaboration between the Ministry of Economic Affairs and Employment and a network of operators of public services for businesses in Finland. Successful implementation of small business policy requires collaboration across multiple ministries and government agencies. This was the case with the implementation of the 2-year entrepreneurship program in Finland in 1999-2000. This program required the joint effort of nine Ministries and government agencies (Heinonen & Hytti, 2016).

In 2007, the Finnish government developed a program on work, entrepreneurship and work-life. This program aimed at improving welfare in addition to economic growth and employment. This program introduced measures that created broader collaboration between the education and business sectors and additional support for family businesses by introducing reliefs on inheritance taxes. Other relevant policies were found in a project to enhance sustainable economic growth, employment and competitiveness. These policies favoured export-oriented firms, firms in the service sector, creative industries and growth financing (Heinonen & Hytti, 2016).

Snijder et al (2016), reviewed Chile's Corporation de Fomento de la Produccion (Production Development Corporation), CORFO's, performance. CORFO was founded in 1939 to aid industrialization in Chile. CORFO was established by *law number 6334 (29<sup>th</sup> April 1939)*. Following a number of modifications, the legal basis for COFRO was law number 6440 of 10<sup>th</sup> January 1941. It delivered services to small businesses directly through a network of offices and through partners including banks. CORFO's objectives included: promoting innovation and upgrading technology, modernization of enterprises, improving management capacity to enable enterprises to scale to new markets, developing appropriate financial instruments to support enterprise growth and stimulating investment in emerging sector. CORFO redirected its focus toward the small and mid-sized enterprises in the 1990s. It functions under the Ministry of Economic Affairs.

Snijder et al (2016), identified best practice in the setting up of a small business promotion agency in Brazil called SEBRAE. The Servico Brasileiro de Apoio as Micro e Pequenas

Empresas (Brazilian Micro and Small Business Support Service) SEBRAE, in its 2022 strategy outlined its objectives which include increasing competitiveness for small businesses and creating incentives for entrepreneurship, fostering entrepreneurial culture and developing solutions for small businesses to promote their sustainability. They further defined their objectives to include creating a favourable environment for small business development, being a source of knowledge on small business and creating and strengthening a network of strategic partners. Responsibility for SEBRAE shifted between the Ministry of Planning and the Ministry of Industry and Trade before becoming an autonomous non-profit entity in 1990 by presidential decree 99.5700 and supplementing law number 8029. SEBRAE is funded by mandatory contributions by larger enterprises which has enabled it to expand its services across the country. SEBRAE's activities included lobbying and advocacy. SEBRAE played a major role in the creation of a National MSE support policy and led a successful campaign for the creation of a Ministry dedicated to MSEs which was established in 2013. They continue to play a lead role in implementing MSE support measures advanced by the Ministry (Snijder et al, 2016).

Snijder et al (2016), recognized the Small and Medium Business Corporation's role in helping small businesses in South Korea to access export markets. The SBC was founded in 1979. South Korea had an export focused development strategy in the 1970s and SBC was created to support small businesses in the supply chains of large enterprises involved in export. SBC was established as a quasi-government institution by the *Management of Public Agencies Act (2009)* to enable it to manage a fund. It was established in law by the *SME Promotion Act (2010)*. SBC programs are designed collaboratively with the private and public sectors. They operate three subsidiaries: the Small Business Distribution Centre which provides market access for the enterprises, Korea Venture Investment Corporation which is a fund targeting venture start-ups and the Small Business Cooperation Registrar which provide support for the enterprises seeking certification including ISO standards and certification to access the European market. SBC's other services include provision of finance through its fund, information, consulting, training and mentoring, networking and matchmaking, export promotion, events, and market access through an online marketplace (Snijder et al, 2016).

In South Africa, after the fall of the apartheid regime, the newly elected government recognized the role that small businesses would play in Black Economic Empowerment (BEE), a policy designed to address the income inequality between whites who dominated the formal economy and black South Africans who were relegated to micro enterprise and the informal economy.

They passed the *National Small Business Amendment Act (1994)* which led to the creation Small Business Development Agency (SBDA) which was later renamed Ntsika Enterprise Promotion Agency (NEPA). In 2004, the Department of Trade and Industry merged 3 entities – NEPA, National Manufacturing Advisory Center (NAMAC) and the Community Public-Private Partnership Program (CPPP) to create one entity responsible for everything MSE. They later incorporated the Godisa Trust Incubation program, Technology Transfer Program and the SA Quality Institute into SEDA to form the SEDA Technology Program (STP). SEDA's role is to implement government's small business policy. However, there are a number of other government parastatals that also play a role in supporting small businesses at the national and provincial level (Snijder et al, 2016). SEDA is mandated to play a coordinating function to standardize delivery of services to small enterprises in South Africa across these agencies. SEDA has a national office and staff at the provincial level. Services offered by SEDA include information, consultancy, training, mentoring and coaching, networking and matchmaking, export promotion and facilitating access to finance (SEDA, 2017).

In Spain, Sociedad para la Transformación Competitiva, or the Society for the Competitive Transformation (SPRI) was established by law 5/1981 on 10<sup>th</sup> June of the Basque Parliament. The main objectives of SPRI were to promote enterprises by conducting research and providing advisory services, encouraging creation of new firms and expansion of established ones through technology and export promotion, facilitating collaboration between firms and supporting research on new processes and products. SPRI's services include providing business counselling, training, finance, facilitating access to international markets and technology transfer. The Basque government created other agencies that support enterprises related to specific themes such as environment, energy, science and technology. They work with private sector, trade associations, clusters of entrepreneurs and coordinate enterprise support programs for regional governments (Snijder et al, 2016).

The foregoing literature demonstrates that the government and other state agencies have been supporting enterprise development for over half-a-century. It has been true in both developed and developing countries. The support has also been varied – from policy to financial, business development, taxation, access to markets, to training and quality standards. Despite the successes documented, there have also been challenges. These are discussed below.

### **2.2.2 Challenges faced by MSE support agencies and how these challenges moderate their output**

Small business support agencies provide many important services and support functions for small businesses as we have seen in the previous section. However, they face many challenges that affect their ability to deliver on their objectives. These challenges can be internal, pertaining to the management of the agency itself or external relating to the regulatory environment, political interests and other actors in the ecosystem. This section discusses these challenges and how they have impacted the agencies' outcomes.

Small business promotion agencies sometimes face an awareness and visibility challenge. If businesses are not aware that they exist or what services they offer, they will not make use of their services. Olawale and Garwe (2010), noted that most new firms in South Africa were not aware of government efforts to support them such as SEDA. Another challenge facing small business promotion agencies is knowing what works in supporting small businesses. What constitutes effective services that result in the desired growth for small firms? McKenzie and Woodruff (2013), observed that business training is a popular policy option for improving business performance. They noted that evidence from training evaluations carried out indicated that training increased the speed at which prospective entrepreneurs launched new businesses. They also noted that training resulted in a modest improvement in the adoption of good business practices by existing business owners. However, McKenzie and Woodruff (2013), after analyzing a number of training evaluations deduced that few studies were able to demonstrate significant impact on revenues and profits from business training. The content of training programs also varied widely. McKenzie and Woodruff (2013), observed significant divergence in what was offered as business training, how the training was delivered and to who. They also noted that the impact of training depended on the individual characteristics of the entrepreneur receiving the training including factors like the stage of their business and the business challenges they were facing at the time of participating in the training. This points to the need for training needs assessment for business training. OECD (2012), in a study on the implementation of the *Small Business Act for Europe* observed that no country in Europe's Eastern Partnership had an established framework for conducting this business training needs assessment. Many agencies lack monitoring, evaluation and learning frameworks. This was the case with Spain's SPRI. They did not have an evaluation system until 2014 which means they had no way of knowing whether they were achieving their policy objectives (Snijder et al 2016).

While the evidence base for decision making in entrepreneurship policy is growing, as is the understanding of the methods used, policy makers may be tempted to pick the results that best fit their special interests and overall policy agendas (Bager, Kylver & Nielson 2015). The policy shift in Denmark from focusing on increasing the number of start-ups to growing existing firms, won both the government and the Minister in charge of the Economics and Business Ministry and support from the business community as they were seen as champions of entrepreneurship. However, each Ministry favoured a different measurement framework and data source, with the Ministry of Science, Technology and Innovation favouring the more widely used Global Entrepreneurship Monitor (GEM) and the Ministry of Economics and Business creating their own, The Entrepreneurship Index 2004 indicated that Denmark had the same start up levels as USA, a position that GEM did not support (Bager, Kylver & Nielson, 2015). Measuring a country's entrepreneurial performance is challenging because of inconsistencies in definitions and measurements of performance. Different organisations use different measures and report differing results (Bager, Kylver & Nielson 2015). This creates significant challenges for policy and program designers and implementers. Bager, Kylver and Nielson (2015) in their case study on how Danish entrepreneurship policy is arrived at, extrapolated was that if Denmark which has a comparatively better evidence base did not use a system-level rational model for arriving at entrepreneurship policy decisions, it was unlikely that other countries, which did not have good data sets would.

Shifting political interests can greatly affect a small business promotion agency's ability to deliver on its mandate. SEBRAE in Brazil faced this challenge between 1985 and 1990. During this period, the agency was moved from one Ministry to another and was subjected to so much budget instability that at one point they lost 40% of their staff. This seriously hampered their operations (Snijder et al 2016). Lack of adequate resources is another challenge these agencies face. According the Global Entrepreneurship Monitor report (2017), MSMEs in South Africa contributed 36% of GDP in 2015. However, South Africa continued to rank poorly on all 9 entrepreneurial framework conditions. They ranked 50<sup>th</sup> out of 54 ranked countries in government entrepreneurship programs. South Africa's SEDA, has an annual budget of USD 65M to serve an estimated 2.6-6 million MSMEs that are geographically dispersed. This means that they are only able to serve a small subset of MSMEs in that country (Snijder et al 2016). Small business support agencies sometimes run multiple programs which stretch their resources. CORFO for example runs several programs targeting the same set of businesses.

The efficiency and effectiveness of their programs could be improved if they concentrated their efforts on a few effective programs (Snijder et al 2016).

Lack of coordination and competition between implementing agencies is another challenge these agencies face. In some countries like South Korea, SME support activities are carried out by multiple agencies with no clear coordination or focus. This results in significant duplication of efforts and inefficient use of resources (Jones & Kim, 2014). In the Danish model, there was rivalry between the two ministries charged with designing and implementing entrepreneurship and small business policy resulting in a lack of coordinated policy making and implementation (Bager, Kylvær & Nielson, 2015).

These agencies also face challenges related to attracting and retaining qualified staff. Snijder et al (2016) report that in 2013, SEDA lost 85 employees and by 2016, they still had 113 vacancies to fill. The quality of human resource running these institutions and serving firms also need to be interrogated. IFC (2006), in a study of BDS services offered to women in the Western Cape region in South Africa surveyed women entrepreneurs targeted for these services. The women complained that the staff of the institution were out of touch with the problems of small enterprises and did not respect their time, requiring them to fill out multiple forms.

Small business promotion agencies sometimes face legal challenges that impede quality program delivery. The SBA in the US for example is by law prohibited from charging fees. Van Der Kamp (2004), in a study of business development services for enterprises in Guatemala found that the culture of not paying for services impeded the ability of BDS providers to provide market-oriented services. IFC (2006), noted that it was important for businesses to pay all or part of the cost to BDS but ability to pay varied widely from start-ups to more established enterprises. Since the institution offering the services is a public entity, providing public goods, they were forced to offer the services for free to avoid excluding those who could not pay which not only affected the quality of programming but also impacted the agency's financial sustainability by curtailing its ability to generate revenue. The SBA has also faced numerous challenges in Congress and in court. For example, environment lobbies have sued the SBA for what they call its contribution to urban sprawl. They argue that the SBA has failed to disclose and mitigate the effect of its loans to the deterioration of cities, Washington DC in this particular case. Their loans to mini-markets and fast food restaurants have contributed to the degradation of the environment in certain neighborhoods in that city (Baker,

2001). Bean (2001), in a review of the history of the SBA found numerous legal issues. For example, a loan backed by the SBA intended for minorities was part of the Watergate scandal probe that brought down President Ronald Regan. Another president, Republican Dwight Eisenhower used the SBA to deflect attention from the fact that his administration was pro-big business. Democrat, President John F. Kennedy in turn used the SBA to deflect attention from the fact that his administration was not pro-business.

The challenges facing agencies seeking to support MSEs are therefore varied, from legal to, political, financial and human resources, to visibility and credibility. The implication is that they struggle to make the impact they seek, as both the governments funding them and the entrepreneurs seeking to benefit from them question their outreach and relevance.

### **2.2.3 How MSE Support Agencies mitigate the challenges they face**

One of the challenges that small business promotion agencies face is lack of awareness of their existence or their services. Ezell and Atkinson (2011) discuss how MAS centres recognized the need to be proactive in their outreach to small manufacturers. They employed promotion strategies including direct cold calling, email marketing and their website to introduce their services to target enterprises. Offering free diagnostic tools is another effective strategy that has been used to introduce BDS to small business. Productivity Alberta uses free online diagnostic tools to help small business identify troubled or challenging areas in their business and point out how the agency can support them to address these challenges (Ezell & Atkinson 2011).

For small business promotion agencies to be effective, they need to know what works on supporting small businesses. Agencies can also identify what is working by constantly monitoring program implementation and evaluating their programs and using the findings from these evaluations to make improvements to program design. Enterprise promotion agencies such as the MEP in the US and the MAS in the UK, play a connecting role by providing a platform for the enterprises to network with each other, share best practice and broker exchange of products and services between firms through an online portal called the National Innovation Market Place (Ezell & Atkinson, 2011). Many Small Business development agencies including The Canadian Manufacturers and Exporters Association, MEP and Productivity Alberta have identified the need to create formal processes for capturing and sharing best practices. They have created networks and communities of practice for this purpose (Ezell & Atkinson 2011).

Small business promotion agencies are often adversely affected by changing political interests as illustrated by the case of SEBRAE in Brazil. To mitigate this, countries should resolve to set up the agency's budget independent of the federal budget and give the agencies autonomy. SEBRAE became an independent non-profit entity in 1990 (Snijder et al, 2016). There are situations where there are multiple agencies providing support to small businesses. This results in lack of coordination, duplication of efforts and wastage of resources. Snijder et al (2016), surmised that centralizing enterprise promotion efforts under one institution is more efficient and effective than spreading resources across multiple agencies. They also advocate for inclusiveness in the design of enterprise promotion agencies by including all relevant public and private actors.

Lack of adequate funds is a common challenge for small business promotion agencies. In the case of SEDA, Snijder et al (2016), pointed out the ratio of small businesses in South Africa that SEDA was mandated to support as compared to their budgetary allocation. Determining the budget for these agencies in relation to the number of enterprises they need to serve would help alleviate the funding challenge that many of them face. The MSE agencies continue to do the best they can to address the financial, political, outreach and effectiveness challenges they face.

### **2.3 Summary of Literature Review**

Ahmad and Hoffman (2008) and Cerna (2013), discuss the need for top down as a theoretical framework when studying policy implementation especially in addressing complex challenges such as MSE development. Snijder et al (2016) conducted a study of 7 small business promotion agencies which were US SBA, Chile's CORFO, Brazil's SEBRAE, South Korea's SBC, South Africa's SEDA and Spain's SPRI. Snijder et al (2016), tracked these institutions from their formation, the legal frameworks that created them, how they are constituted and the services they offer. Heinonen and Hytti (2006), discussed the Finnish Entrepreneurship Policy Program which was implemented through collaborations like Enterprise Finland, how the program evolved and how it achieved its aims. Ezell and Atkinson (2011), examined the role of government in supporting enterprises in the manufacturing sector through agencies such as, Australia's Enterprise Connect, Canada's Industrial Research Assistance Partnership, Germany's Fraunhofer Institutes and Steinbeis Centers, Japan's Public Industrial Technology Research Institutes (Kohsetsushi Centers), UKs MAS and US's MEP. Ezell and Atkinson (2011), Snider et al, Van der Kamp (2004), Baker (2001), Bean (2001), IFC (2006), Jones and Kim (2014), Bager, Kylver and Nielson (2015) and Mckenzie and Woodruff (2013), discussed

the challenges that agencies set up to support small businesses face. These challenges include, lack of awareness about their existence and the services they provide, legal challenges to their programming, conflicting political interests and interference, challenges around attracting and retaining qualified staff, lack of coordination and competition between agencies and inadequate or non-existent monitoring, evaluation and learning frameworks. However, as outlined by Ezell and Atkinson (2011) and Snijder et al (2016), the agencies are trying to work within their structures to address these challenges as best they can.

## **2.4 Research Gaps**

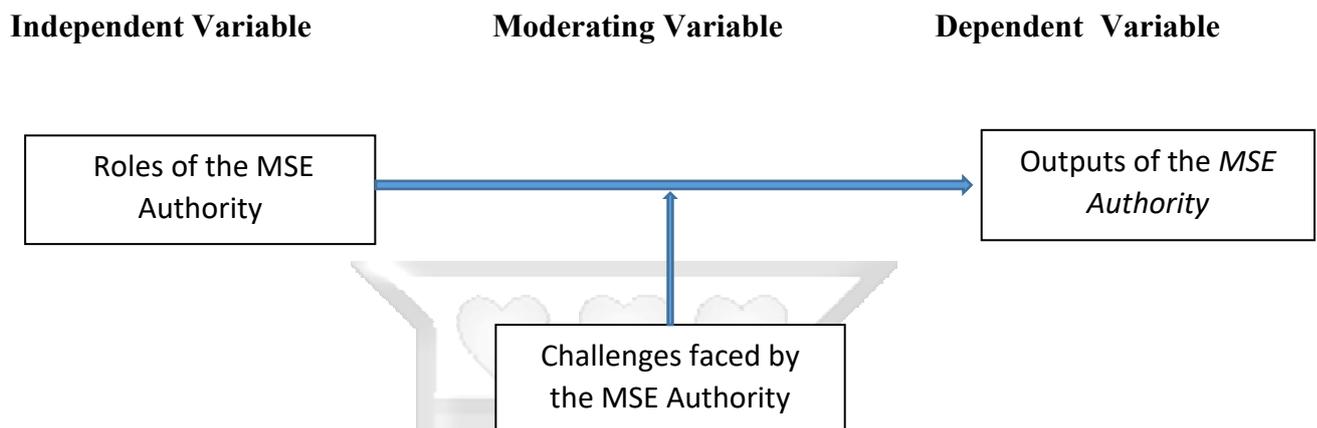
There is available research on agencies set up to support small businesses in other parts of the world. These studies are context specific as each country creates its own agencies with its regulatory framework. Such studies and experiences, therefore, while useful may not be transferable to other jurisdictions owing to differences in legal and regulatory frameworks. In Kenya, the Micro and Small Enterprise Authority in Kenya was set up for this function. Seven years after the passing of the *MSE Act 2012*, it is useful for both policy and practice to determine what the Authority has achieved in its primary role of promoting and developing MSEs in Kenya. This study examined the effectiveness of the Authority in implementing the *MSE Act 2012*, the challenges it has faced and how they were addressed. The study focused on the extent to which the Authority had achieved the objectives of the Act. A discussion of the challenges that the Authority faced would expose the impediments to achieving the aims of the *MSE Act 2012* and could inform future reforms to the Authority and amendments to the Act.

## **2.5 Conceptual Framework**

The objective of the study was to examine the effectiveness of the MSE Authority in implementing the *MSE Act 2012*. The independent variable is represented by the functions of the Authority (i.e., what it was set up to do). The dependent variable is the outputs of the Authority which represents what the Authority has been able to achieve seven years after the passing of the *MSE Act 2012* which provided for the Authority's creation (a comparison between these two aspects defines the extent to which the MSE Authority has implemented the Act (Research Objective 1). MSEs in Kenya still face significant challenges as the National MSME survey of 2016 revealed. Forty-six percent of MSMEs established in Kenya closed within the first year of operations, 29.6% cited limited access to finance as the reason for their business closure, 78.9% of all MSMEs in Kenya are operating informally and only 8% of MSMEs are able to create more than 10 jobs (KNBS, 2016). The *MSE Act 2012* was passed to address these challenges through the MSE Authority. The Authority has faced challenges that

have moderated its ability to deliver on the main objectives of the *MSE Act 2012*. These challenges are the moderating variable in this study (which is reflected in Research Objective 2) and how these challenges can be addressed is reflected in Objective 3. This third objective is not a variable of the framework as it forms the basis for the recommendations of the study.

**Figure 2.2: Conceptual Framework**



Source: Researcher, 2019

### 2.6 Operational definition of the study variables

Table 2.1 below details how the variables were measured, and the data collection tools that were used, in order to answer the research questions.

**Table 2.1 Indicators for measurement**

Research Objective	Indicators to measure	Data sources and collection tools
1. Determine the extent to which the MSE Authority has implemented the <i>MSE Act 2012</i> .	The implemented activities that meet each objective and/or function of the Authority as defined by the Act.	<ul style="list-style-type: none"> <li>– Review of the Act to identify the objectives and functions</li> <li>– Interviews with representatives from the MSE Authority to determine implemented activities.</li> <li>– Secondary data (reports, strategic plan) on the implemented activities</li> </ul>
2. Examine the challenges faced by the MSE Authority and how they have moderated implementation of the <i>MSE Act 2012</i>	<ul style="list-style-type: none"> <li>– Enumerating the Challenges faced by the Authority.</li> <li>– Explaining how the challenges have affected the implementation of the provisions of the Act.</li> </ul>	<ul style="list-style-type: none"> <li>– Interviews with MSE Authority representatives.</li> </ul>

3. Discuss how the MSE Authority has mitigated challenges it has faced.	– Discussing the measures taken to address challenges faced by the Authority.	– Interviews with MSE Authority representatives.



## CHAPTER 3: RESEARCH METHODOLOGY

### 3.1 Research Design

The study adopted a qualitative design to examine how well the MSE Authority had implemented the *MSE Act 2012*. It also adopted a case study research design, where the case study is the MSE Authority. According to Yin (2014), the case study research process is a linear and iterative one. While there is a definite start and end to the research endeavour, the process of gathering data is repetitive and the research will often need to go back to data sources to clarify, verify and build on information to create a fuller picture of the subject of study. Yin (2014), outlined the six elements of case study design: the plan, the design, preparation, data collection, analysis and reporting. This research design allowed the researcher to review the *MSE Act 2012* and the role of the MSE Authority, discuss the challenges the Authority has faced and how it had mitigated those challenges.

### 3.2 Population and Sampling

The unit of analysis for this study was the MSE Authority. The researcher selected a purposive sample of senior officials from the MSE Authority who could elaborate on the objectives and functions of the *MSE Act 2012* and how the Authority had implemented the Act with regard to promoting, developing and regulating MSEs in Kenya. The researcher interviewed four acting heads of departments and a representative from the department for research, policy partnerships and resource mobilization, of the MSE Authority. These respondents were selected because the departments they head are directly involved in implementing the Act and are well versed with the activities of the Authority to date.

### 3.3 Data Collection Methods

The researcher collected primary data by conducting in-depth interviews with the five selected officials of the MSE Authority and reviewing the *MSE Act 2012*, the Authority's strategic plan and available audit reports for 2014-2015 and 2015-2016. The interview guide is provided in Appendix 4.

### 3.4 Data Analysis

According to Loo, Salmiah and Nor (2015), qualitative research involves an interplay between data collection and analysis. After the data was collected, content analysis was conducted. Patel, Doku and Tennakoon (2007), discuss two approaches to data analysis. The first approach examines the data with a pre-defined framework which reflects the research objectives. This is

framework analysis. The second approach allows for the formation of new impressions. This is network analysis. This study used framework analysis based on the research questions. The choice of the framework analysis was also informed by the provisions of the *MSE Act 2012* with regard to functions and objectives MSE Authority. The seven conditions for effective policy implementation that were identified by Sabatier (1987) (as explained in Chapter 2), also guided discussions with respondents on how well the *MSE Act 2012* had been implemented by the MSE Authority. Using content analysis, themes were developed to address each of the research questions.

### **3.5 Research Quality**

According to Leung (2015), validity in a qualitative study refers to appropriateness of the tools, processes and data used and whether the choice of methodology including sampling and data analysis, is appropriate for answering the research question, whereas reliability of research refers to the replicability of the process to get the same results. While exact replicability is challenging for qualitative studies, the researcher ensured reliability by collecting data from interviews using an interview guide and complementing the data with secondary data from the audits reports and strategic plan. According to Sargeant (2012), sampling in qualitative studies is typically purposive, where subjects are selected based on their ability to inform on the research questions. To ensure research quality, the research selected subjects from the MSE Authority that have the seniority to authoritatively respond to the research questions. The researcher employed data triangulation to ensure data quality. Data triangulation refers to the practice of using multiple data collection techniques and sources to determine the accuracy of the data (Saunders, Lewis & Thornhill, 2016). In this study, this included validating the data received from the Authority representatives with secondary data. The researcher also ensured objectivity in selecting respondents to be interviewed to ensure a wide range of viewpoints were incorporated into the study.

### **3.6 Ethical Considerations**

Saunders, Lewis and Thornhill (2016) postulate that research ethics have important implications for the negotiation of access to people, organisations and data. This was especially important in this study. The researcher obtained the necessary permissions from The National Commission for Science, Technology and Innovation (NACOSTI). The research permit can be found in Appendix 2. The researcher also got permission from the Authority from where the respondents were drawn. The researcher also ensured that the purpose of the research was stated explicitly to all selected respondents and that they were given the choice to participate

in the interviews and did not feel obligated or coerced to do so. No enticement was given for participating in study and the researcher obtained informed consent from all respondents. A copy of the consent form may be found in Appendix 3. The research also respected the respondents' right to confidentiality by anonymizing the data as much as is possible. The researcher also applied for and received consent from Strathmore University's Ethical Review Committee. A copy of the Ethical Approval letter may be found in Appendix 1.



## CHAPTER 4: PRESENTATION OF FINDINGS

This chapter contains the findings of the study to examine the effectiveness of the MSE Authority in implementing the *MSE Act 2012*. The study used a case study design and the data presented in this chapter was collected by interviewing senior officers of the MSE Authority and reviewing available documents and reports including the MSE Authority's strategic plan 2013-2017. The findings have been presented based on the objectives of this research. Section 4.1 presents an overview of the Authority as explained by the respondents and section 4.2 presents the findings from the data collection. Section 4.2.1 presents findings for the first research objective which was to examine the extent to which the MSE Authority had implemented the *MSE Act 2012*. Section 4.2.2 presents findings for the second research objective which was to examine the challenges faced by the MSE Authority in implementing the Act and how these challenges have moderated its expected outputs. Section 4.2.3 presents findings for the third research objective which was to discuss how the Authority has mitigated the challenges it has faced.

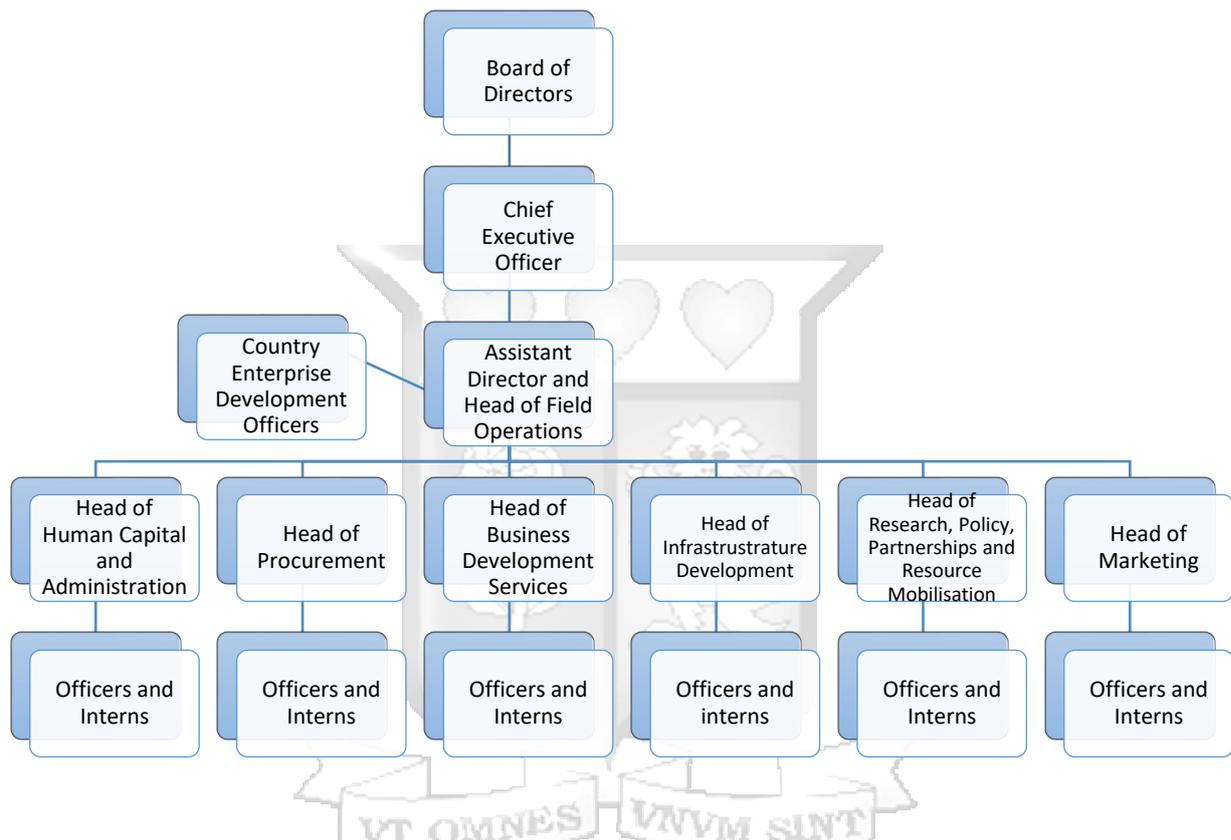
The researcher interviewed five members of the management team of the Authority that were directly involved in activities related to promotion, development and regulation of MSEs which was the overall stated purpose of the *MSE Act 2012*. These respondents were the Acting Heads of four departments at the Authority which were Business Development Services, Marketing, Infrastructure Development, Field Operations and a senior officer in the Research, Policy, Partnerships and Resource Mobilization Department. Four of these respondents had worked with the Authority since its inception in 2013.

### 4.1 Overview of the MSE Authority

The Micro and Small Enterprise Authority was created as a state corporation established by the *Micro and Small Enterprise Act No.55 of 2012* and was domiciled in the then Ministry of Industrialization and Enterprise Development, which was later renamed the Ministry of Industry, Trade and Cooperatives. According the MSEA Strategic plan 2013-2017, the Authority was expected to operate with a staff capacity of five hundred and seventeen by the end of 2017. However, according to one of the respondents, as at May 2019, the Authority was operating with eighty-six staff, eighty-five of them seconded from other ministries and government departments. The Authority was managed by a management team of nine, viz. a CEO and seven heads of departments, that is, the Field Operations, Business Development Services, Infrastructure Development, Research, Policy, Partnerships and Resource

Mobilization, Marketing, Finance and Accounts, Procurement and Human Capital and Administration. Oversight was provided by a board of directors made up of twelve members. According the MSEA Strategic Plan 2013-2017, in 2013 when the Authority was set up, they prepared a budget of KES 740,800,000 and they expected that the Authority’s budget would grow to KES 6,746,000,000 by 2017.

According to the respondents, the organizational structure for the Authority is as shown in Figure 4.1 below.



**Figure 4.1: MSEA Organisational Chart**

#### 4.2 Presentation of findings

The stated purpose and object of the *MSE Act 2012* was to provide a legal and institutional framework for the promotion, development and regulation of micro and small enterprises by: (i) providing an enabling business environment, (ii) facilitating access to business development services for MSEs, (iii) facilitating formalization and upgrading of informal MSEs, (iv) promoting an entrepreneurial culture and (v) promoting representative associations. After the passing of the Act in 2012, the MSE Authority was created in 2013 in the then Ministry of Industrialization and Enterprise Development. The MSE Authority created a strategic plan to guide its activities from 2013-2017. The strategic plan was created to translate the *MSE Act 2012* into an actionable plan for its implementation. This section presents the strategies and

activities outlined in the strategic plan and speaks to how they reflect the five objectives of the *MSE Act 2012* and the extent to which they have been implemented.

#### **4.2.1 The extent to which the MSE Authority has implemented the *MSE Act 2012***

##### ***MSE Act 2012* Objective 1: Provide an enabling business environment**

In order to create an enabling business environment, the MSEA Strategic Plan 2013-2017 identified the need to collaborate with County Governments as a strategic objective to promote MSEs. According to the respondent from the Field Operations department MSEA deployed twenty-two County Enterprise Development Officers (CEDOs) to selected counties. These CEDOs worked closely with County Governments to understand County Development Plans and how MSEs fit into those plans. They played a coordinating function to align the interests of the Counties to those of MSEA. Creating an enabling business environment also required coordination with public and private agencies. The Authority's coordination function was defined in the *MSE Act 2012* article 31 (c). The Acting Head of Business Development Services Department reported that MSEA had collaborated with the Kenya Bureau of Standard (KEBS) and Kenya Industrial Property Institute (KIPI) to train and build capacity for MSEs on product standards and intellectual property. The Head of Field Operations reported that MSEA also collaborated with international organisations such as the World Bank on the Kenya Youth Employment Opportunity Program (KYEOP) on the youth enterprise development portion of the program. The Authority had also worked with the United National Development Program (UNDP) and International Labour Organisation (ILO) on entrepreneurship skills training.

In addition to advising and facilitating other government agencies on work site management policy, article 47 of the *MSE Act 2012* instructed the Authority to develop the necessary infrastructure for MSE development including worksites, business information centres, model centres of excellence and common use facilities. The MSEA 2013-2017 Strategic Plan identified creating a conducive working environment for MSEs as a strategic objective under the key result area of promoting MSEs. The Acting Head of Infrastructure Development spoke to the work MSEA had done in upgrading existing worksites in addition to identifying and developing new worksites. MSEA had identified and developed four hundred *Jua Kali* worksites across the country. This is in addition to one hundred and fifty-eight work sites the Authority inherited from the Department of Micro and Small Industries, a department in the State Department of Investment and Industry in the Ministry of Industry, Trade and Cooperatives. MSEA collaborated on a UNDP project with Huduma Kenya to set up one-stop

information centres in selected counties. Kwale was one of the selected pilot counties for these one-stop-shops known as Biashara Centres.

Another strategy presented in the MSEA Strategic Plan 2013-2017 for promoting MSEs was to enhance market access for MSEs by facilitating participation of MSEs in local and international trade fairs. This strategy aimed to implement article 49 (c) of the *MSE Act 2012* which instructed the Authority to organise trade shows and fairs to promote products generated by MSEs. The respondent from the Acting Head of Marketing reported that MSEA facilitated MSE participation in local fairs including the Agricultural Society of Kenya trade fairs and regional trade fairs such as the annual East African trade fair which was hosted in a different country in the region each year. MSEA hosted the fair in Nairobi in 2013 and in 2018. MSEA also facilitated market access for MSEs by writing introduction letters for MSEs that wanted to engage in cross border trade across the COMESA region.

Another strategy aimed at improving access to markets for MSEs was ensuring implementation of Access to Government Procurement Opportunities (AGPO) policy that earmarked 30% of all public tenders for youth, women and persons with disabilities. The Acting Head of Marketing reported that MSEA had played a key role in sensitizing MSEs run by youth, women and persons with disability on AGPO and provided training on how they could access these tenders. The MSEA Strategic Plan 2013-2017 identified the need to facilitate better links between MSEs and larger enterprises as a strategy for promoting MSEs and improving the business environment. A Senior Officer in the Research, Policy, Partnerships and Resource Mobilization and the Acting Head of Business Development Services listed partnerships that MSEA had formed with large enterprises which included Isuzu Motors, a large commercial car manufacturer and Crown Paints, a paint manufacturer. These partnerships were attempts by these large firms to integrate MSEs into their supply and distribution chains respectively.

### ***MSE Act 2012 Objective 2: Facilitate access to business development services for MSEs***

With regard to facilitating access to business development services, respondents pointed to some initiatives MSEA had undertaken to do this. The MSEA Strategic Plan 2013-2017 identified creating MSE Centres of Excellence as a strategic objective under the key result area of developing MSEs. The Acting Head of Infrastructure Development pointed to the Authority's role in developing the Kariobangi Jua Kali centre which had been in existence since the 1990s into a Centre of Excellence. This centre was selected as a flagship project under Kenya's long-term development agenda, Vision 2030. The Kariobangi Centre of Excellence

had served over one thousand two hundred MSEs in various sectors including light manufacturing, metal work and woodwork and served as a training centre. The Centre also featured a business incubation centre providing incubation for MSEs, offering them services including training on both technical and business skills, product improvement and standardization and access to advisors. The respondent reported that through a partnership with Isuzu Motors, the Authority facilitated access to technical training on the manufacture of standardized motor vehicle parts for MSEs at the Kariobangi Centre of Excellence.

The Authority had partnered with other private and public sector organisations to facilitate training for MSEs. The Acting Head of Business Development Services pointed to a training partnership with Crown paints, a large paint manufacturer who partnered with the Authority to provide technical training for MSE painters, to help them improve the quality of their work. The respondent also mentioned training partnerships with public agencies including KEBS on product safety and standardization. The Acting Head of Business Development Services outlined the Authority's approach toward training and provision of other BDS services. MSEA staff identified topics and themes for training based on their understanding of the needs of MSEs they interacted with then they would offer the training through partners or contract out to independent trainers and consultants. Another approach was that partner organisations, public, private and international organisations would approach MSEA with an offer to provide training to MSEs and the Authority would help mobilize MSEs to receive this training. The latter approach was far more common. The MSE Act 2012 Article 48 (a) stipulates that the Authority will develop and administer certified, demand driven entrepreneurship programs and training. Based on the feedback from the respondents, the researcher found little evidence of this in the Authority's approach toward developing and administering entrepreneurship programs. The Authority's approach was largely reactive to opportunities in the market. According to the Acting Head of Business Development Services, the Authority primarily used the ILO Start and Improve Your Business Curriculum which had been administered to MSEs under different programs. The Head of Field Operations and KYEOP Coordinator reported that MSEA intended to use this curriculum for the KYEOP program. Under KYEOP, MSEA was coordinating a national business plan competition targeting youth. The program also included provision of business development services to selected high potential business ventures selected from the business plan competition.

### ***MSE Act 2012 Objective 3: Facilitate formalization and upgrading of informal MSEs***

Article 50 of the *MSE Act 2012* stipulated that the Authority shall promote technology transfer, acquisition and adaptation. The Acting Head of Infrastructure Development provided some insights into how MSEA was upgrading MSEs. The Authority facilitated the purchase and distribution of lathe machines to Jua Kali worksites. These tools enabled the enterprises working from these sites to produce standardized metal products. Training offered to MSEs to help them access the 30% quota of public tenders included training on how MSEs could get legally registered and comply with tax and regulations according to the Acting Head of Business Development Services. The respondent also reported that training provided in partnership with both public and private organisations including Crown Paints, Isuzu Motors, Kenya Bureau of Standards (KEBS) and Kenya Industrial Property Institute (KIPI), also served to upgrade MSEs by improving their skills and quality of their output. Training from KIPI also helped MSEs understand the importance and process of registering patents and trademarks which helps to protect their intellectual property. This was in line with article 50 (c) of the *MSE Act 2012* which mandated the Authority to facilitate the registration and protection of the intellectual property rights of MSEs.

The Acting Head of Marketing mentioned that when the Authority facilitated MSE participation in local and international trade fairs, they helped MSEs formalise by acquiring the required documentation so that they could access new markets and deliver on orders that came through these fairs. Helping MSEs trade across borders also helps them formalise. Article 49 (a) of the *MSE 2012 Act* mandated the Authority to provide technical assistance for product development for MSEs. MSEA ran a product improvement program in partnership with KEBS and KIPI. This program was called *Ufanisi Wa Bidhaa*. Two hundred and thirty-five products were identified for this program. These MSEs received technical support to improve product quality.

### ***MSE Act 2012 Objective 4: Promote an entrepreneurial culture***

With regards to promoting entrepreneurial culture, the *MSE Act 2012* only mentioned entrepreneurial culture once, as the fifth objective of the Act and did not expound on what was meant by entrepreneurial culture or what the Authority was expected to do to promote entrepreneurial culture. The MSEA 2013-2017 Strategic Plan did not identify any strategic actions to achieve this objective. The plan, however, identified the need to promote an entrepreneurial culture especially among the youth. The main avenue for achieving this was

providing entrepreneurial and management skills training provided to youth and MSE operators. The Authority's output in the area of entrepreneurial training has been discussed under objectives one and two. None of the respondents spoke to how the Authority intended to achieve this objective or anything that the Authority had done to promote an entrepreneurial culture. The understanding of the meaning of this objective appeared to vary widely from one respondent to the other.

### ***MSE Act 2012 Objective 5: Promote representative associations***

The purpose of the Act was to provide a legal and institutional framework for the promotion, development and regulation of MSEs. The Act provides a robust framework for the regulation of MSE Associations. Part 2 of the Act which comprised of Articles 4-27 described in detail the framework within which the MSE association would be formed, registered, governed, and how disputes would be resolved. The Act provided for the creation of an Office of the Registrar of MSE Associations that would be responsible for regulating MSE associations. The Acting Head of Infrastructure Development reported that this office had not been operationalised as at May 2019 and without the registrar in place the framework for regulation of MSE Associations could not be operationalised. MSE Associations were registered by the Registrar of Societies in the Attorney General's office. CEDOs who worked closely with MSE Associations in the counties and in managing worksites encouraged MSE Associations to maintain good governance practices including having regular elections. The MSEA 2013-2017 Strategic Plan identified fifty-six MSE Associations that existed before the formation of the Authority. The Head of Field Operations noted that the Authority provided capacity building for these associations. The Acting Head of Infrastructure Development Department mentioned that the Authority had been working with Women's Self-help groups and had helped them formalise. With regards to infrastructure development, the respondent reported that the Authority played an important role in sensitizing MSE associations on available facilities and worksites and their importance. The Authority worked closely with these associations to manage worksites. According to the MSEA Strategic Plan 2013-2017, the Authority intended to link MSE Association with incubation centres in addition to worksites. However, the Acting Head of Infrastructure Development reported that there was only one incubation centre at the Kariobangi Centre of Excellence, so there were no other incubators to link associations to.

Table 4.1 below summarizes the achievements of the MSE Authority with regard to implementing the Act.

**Table 4.1: Summary of the MSE Objectives achieved so far**

Objective	Activities to achieve it
<p><i>MSE Act 2012</i> Objective 1: Provide an enabling business environment</p>	<ul style="list-style-type: none"> <li>(i) Collaboration with County Governments on their County Development Plans</li> <li>(ii) Collaboration with public and private agencies, e.g., KEBS and KIPI to train and build capacity for MSEs on product standards and intellectual property.</li> <li>(iii) Collaboration with international organisations such as the World Bank on the KYEOP, the UNDP on Huduma Kenya Biashara centres and ILO on entrepreneurship skills training.</li> <li>(iv) Advising and facilitating other government agencies on work site management policy</li> <li>(v) Upgrading existing worksites and identifying and developing new worksites.</li> <li>(vi) Facilitating participation of MSEs in local and international trade fairs.</li> <li>(vii) Promoting implementation of Access to Government Procurement Opportunities (AGPO) policy</li> <li>(viii) Facilitating links with larger enterprises such as Isuzu Motors and Crown Paints to benefit from the value chain.</li> </ul>
<p><i>MSE Act 2012</i> Objective 2: Facilitate access to business development services for MSEs</p>	<ul style="list-style-type: none"> <li>(i) Development of the Kariobangi Jua Kali centre as a Centre of Excellence for business incubation, training, product improvement and standardization and access to advisors.</li> <li>(ii) Partnerships for training, e.g., with Crown paints on quality and KEBS on product safety and standardization.</li> <li>(iii) Offered the ILO Start and Improve Your Business Curriculum through different agencies.</li> <li>(iv) Coordinating a national business plan competition targeting youth.</li> </ul>
<p><i>MSE Act 2012</i> Objective 3: Facilitate formalization and upgrading of informal MSEs</p>	<ul style="list-style-type: none"> <li>(i) Facilitating the purchase and distribution of lathe machines to Jua Kali worksites to help upgrade their operations and quality.</li> <li>(ii) Training on how to get business registration, why it was important and how to comply with tax regulations</li> <li>(iii) Training from KIPI on the importance and process of registering patents and trademarks</li> <li>(iv) Facilitating technical support through KEBS and KIPI to improve product quality.</li> </ul>
<p><i>MSE Act 2012</i> Objective 4: Promote an entrepreneurial culture</p>	<p>Nothing had been achieved. The objective was not well understood.</p>
<p><i>MSE Act 2012</i> Objective 5: Promote representative associations</p>	<ul style="list-style-type: none"> <li>(i) Office of the Registrar of MSE Associations not yet established</li> <li>(ii) Working with 56 MSE Associations existing in the counties</li> <li>(iii) Facilitated Women’s Self-help groups to formalise.</li> <li>(iv) Linking county MSE Associations to the Kariobangi incubation centre and worksites.</li> </ul>

#### **4.2.2 Challenges faced by the MSE Authority and how they have moderated its outputs**

The MSE Authority is a state corporation domiciled in the Ministry of Industry, Trade and Cooperatives. It was created in 2013, a year after enactment of the *MSE Act 2012*. The Senior Officer from the department of Research Policy, Partnerships and Resource Mobilisation referenced a delinking report that was prepared by the then Ministry of Industrialization and Enterprise Development that detailed how the Authority would be delinked from the parent ministry, the assets that would be transferred to the Authority and their value. However, according to the respondent, the delinking report was not fully implemented, and this resulted in a number of challenges for the Authority. First, the Acting Head of Infrastructure Development and Centre of Excellence Manager under whose docket the Constituency Industrial Development Centres (CIDCs) fell reported that when the CIDCs were transferred to the Authority, there was incomplete information about where these sites were located and their value. As a result of this lack of information, MSEA did not have reliable records of its assets. The Auditor General made reference to the failure by MSEA to avail this delinking report in the 2014-2015 audit report. The MSEA 2015-2016 Audit Report also noted that the Authority did not have a reliable register of fixed assets and the value of the assets held by the Authority for onward transmission to the CIDCs could not be determined. The Authority inherited debts that could not be verified such as unpaid bills for security services to secure the CIDCs. This formed part of the basis of a qualified opinion on MSEA's 2015-2016 accounts from the Auditor General.

The delinking report that stipulated how the Authority should be set up including detailing how many staff would be required to run each department of the newly created Authority was not adhered to. These staff were to be assigned from the parent Ministry and other relevant Ministries until MSEA was able to conduct its own staff recruitment. This recommendation was not followed which resulted in the Authority being severely understaffed and unable to fully deliver on its mandate. The Research, Policy, Partnerships and Resource Mobilization department representative for example, reported that the department was meant to have twelve staff. It only had three. According to the MSEA Strategic Plan 2013-2017, the Authority intended to have five hundred and eighteen staff by the end of 2017. In 2013 staff were deployed from other parts of civil service to help operationalise the Authority in preparation for staff recruitment that was to be done in 2014 but never happened. As at May 2019, they had eighty-six staff working directly with the Authority, all but one, the CEO, seconded from

other departments and ministries. The Head of Field Operations who was also the Assistant Director of MSEA reported that MSEA was ran by staff from the Ministry of Labour, Ministry of Trade Industry and Cooperatives, Ministry of Finance, Ministry of Public Service, Youth and Gender Affairs, the Attorney General's Office. In reality, these staff could be recalled at any time.

The MSE Authority had eight functioning departments: Field Operations, Infrastructure Development, Business Development Services, Marketing, Research, Policy, Partnerships & Resource Mobilization Human Capital and Administration, Finance and Accounts and Procurement. All departments were led by Acting Heads of Department except the Head of Field Operations who was also the Assistant Director of MSEA. The Infrastructure Development, Business Development Services and Marketing departments were all staffed by interns who lacked the skills and competencies required to effectively implement the Act. Policy, Partnerships and Resource Mobilization has a team of three including the acting head of department. The Authority had twenty-two County Enterprise Development Officers who were located in selected Counties to coordinate MSE promotion and development activities with the County governments. These officers reported to the Head of Field Operations. Ideally, there should have been at least one CEDO for each of the forty-seven counties. The Authority was coordinating the entrepreneurship portion of the World Bank funded, KYEOP. The Authority had contracted an Operations Manager for the program. The acting heads of departments of the Authority also had roles and responsibilities in the KYEOP program which further stretched their capacity to deliver. Related to staff challenges, the MSE Authority experienced some management challenges. According to Judicial Review Cause 5 of 2018, the immediate former CEO of MSEA was seeking an order from the courts to bar his removal from office. This was after he was sent on compulsory leave by the board of directors. This legal action caused a delay in recruiting his replacement. This pointed to management challenges at the Authority. Information on why the CEO was terminated was not forthcoming but respondents pointed to disagreements at the board level.

The Authority faced conflicts with other government agencies, departments and ministries who had similar mandates. This was reported by the Acting Head of Infrastructure. The *MSE Act 2012* prescribed different functions for the MSE Authority. Some of these functions were already in the remit of other departments and agencies. This created conflicts between the Authority and these agencies. One such conflict was between the Department of Micro and Small Industries under the Ministry of Industry, Trade and Cooperatives and MSEA in the

development of infrastructure for MSEs. The Department of Micro and Small Industries was managing Constituency Industrial Development Centers (CIDCs) while MSEA was trying to develop work sites in the same areas. It was not until 2016, three years after the creation of the Authority, when these CIDCs were handed over to MSEA for operationalisation and management. This resulted in duplication of efforts, and wastage of resources. This duplication of functions was also evident in the Authority's mandate to develop industrial parks whereas another agency, the Special Economic Zones Authority, existed for that same function. The work done by the Youth Enterprise Development Fund (YEDF) and Uwezo Fund, supporting enterprises led by youth and women respectively was also to a large extent duplicating what MSEA was meant to do in promoting and developing MSEs.

Article 51 of *MSE Act 2012* provided for the creation of an MSE Development Fund. The fund was meant to finance the operationalisation and implementation of the Act, to improve access to affordable credit for MSEs, fund capacity building of MSEs and fund research innovation and technology transfer to develop MSEs. The Head of Field Operations reported that the government intended to merge all funds focused on enterprise development including the Youth Enterprise Development Fund (YEDF) and Uwezo Fund for women into one fund called Biashara Kenya. Plans to operationalise the MSE Fund were therefore put on hold. Government eventually shelved plans for Biashara Kenya. As at May 2019 the MSE Development Fund had not yet been operationalised but plans were underway to do so. The respondent also reported that getting regulations and other proposals reviewed by the Attorney General's Office took very long and these impeded their ability to operationalise parts of the Act including the Fund.

Devolution presented unique challenges for the MSE Authority according to respondents. While the *MSE Act 2012* was enacted after the promulgation of the *Constitution of Kenya 2010* that created a devolved government structure, it was developed in the context of a centralized government. After the promulgation of the Constitution, certain functions were devolved to the County governments including MSME promotion and development. While national economic policy and planning remained a national government function, some functions involved in economic development policy such as trade promotion and development and regulation of enterprise were devolved. These included services such as regulation of enterprises through issuing of licenses and building, provision or allocation of markets. Article 49 of the MSE Act mandated the Authority to provide markets which became a devolved function. This role overlapped with that of County governments. County governments were

also responsible for zoning of land including land for markets and worksites for MSEs. The implementation of the *MSE Act 2012* therefore had to be done in consultation and coordination with Country Governments. These slowed implementation of key provisions of the Act significantly. The development of worksites for example depended on the County governments taking over the CIDs from local and municipal authorities first, then reviewing the mandates and allocations that had been made with regard to developing these worksites before allowing MSEA to come in and standardize and upgrade the site.

All respondents reported that the Authority's budgetary allocation was inadequate. Every departmental head cited inadequate budgetary allocation as a major impediment to the implementation of the *MSE Act 2012*. This was identified as a weakness in the situational analysis presented in the 2013-2017 strategic plan and the challenge had persisted. None of the respondents interviewed could speak to the magnitude of the underfunding. With regard to management of available finance, the 2014-2015 audit report noted that MSEA had weak internal controls. The report pointed out that MSEA did not have full control of its staff since all but one of the staff were seconded from other departments and ministries. MSEA also lacked an internal audit function. There was also a report of failure to comply with public procurement laws and regulations which was cited as the basis for a qualified report by the Auditor General.

Lack of reliable data on MSEs was another challenge the Authority faced. This was a weakness identified in the situational analysis presented in the MSEA 2013-2017 strategic plan. The informal nature of most micro enterprises meant that many of them operated under the government's radar. National MSME surveys were a good source of data on MSEs but only one had been conducted in 2016. This affected the Authority's ability to design programs and other interventions that needed reliable evidence of MSEs needs and the scope of those needs.

With regard to MSE associations, MSEA faced challenges managing the associations due to lack of an institutional framework to do so. The legal framework had been provided for by the *MSE Act 2012* but had not been operationalised as discussed in the previous section. The Acting Head of Infrastructure whose department works closely with MSE associations reported that failure to create the Office of the Registrar of MSE Associations had negatively impacted their ability to work with these associations. MSE Associations were registered by the Registrar of Societies in the Office of the Attorney General, under the *Societies Act Cap 108* as opposed to the *MSE Act 2012* as was intended. Over-politicization of the associations had also led to challenges in management of the associations and had destabilized some. The strategic plan

2013-2017 identified infiltration of associations by politicians who interfered with the association's management as a political factor affecting MSEA's work. Since the MSE associations were not registered or regulated by the Authority, MSEA lacked the Authority to intervene when disputes arose at associations and lacked the ability to enforce compliance to good governance practices within MSE associations. MSE associations lacked the necessary incentives to comply to the guidelines provided in the *MSE Act 2012*.

The Authority's ability to implement the Act was also affected by shifting National Government priorities. This was evident in a number of areas. First in the moratorium on enterprise development funds that was placed in favour of merging them into one fund, then lifted without the creation of the planned unitary fund. Second in the failure to give powers to the Authority to hire staff despite the Act having been passed and strategic plan approved, and third, in the failure to confirm seconded staff who had been running departments at the Authority for six years in an acting capacity.

MSEA faced significant challenges securing land earmarked for the worksites. This was reported by the Acting Head of Infrastructure. This challenge was three-fold. First, Municipal and County Councils before 2010 would designate land for work sites. This would be done through council meetings and captured in the meeting minutes. These minutes were then to be presented to the Ministry of Lands so that the said land could be gazetted as work sites and title documents issued. This process was not always followed which resulted in MSEA inheriting worksites that lacked proper documentation. This left the parcels of land vulnerable to land grabbing. Corruption at national, local and county governments also contributed to loss of assets to double allocation and fraudulent acquisition of title documents. The second challenge related to the location of some worksites. Land for CIDCs was allocated by Constituencies. Some Members of Parliament chose parts of their constituencies that were marginalized and lacked basic infrastructure such as roads and electricity under the mistaken belief that the Ministry through the Department of Micro and Small Industries would bring these crucial infrastructure with them as they developed the CIDCs which would open up parts marginalized parts of their constituency. The third challenge was the cost of hiring security to guard the sites. In 2016, MSEA inherited a debt of fifty million shillings in unpaid fees for security services contracted to secure CIDCs.

### **4.2.3 How the Micro and Small Enterprise Authority has mitigated the challenges**

Secondment of staff from other Ministries was intended as a stop gap measure, but these staff, though many were operating in an acting capacity, had demonstrated commitment to the Authority and the aims of the *MSE Act 2012*. MSEA has tried to address their staffing constraints by using interns. Every department takes on a number of interns to manage the workload as and when needed, but this is also only a temporary solution.

To resolve inter-agency conflict, the MSE Authority sought to collaborate with agencies and government departments that have a similar mandate. This was reiterated by respondents representing the Research, Policy, Partnerships and Resource Mobilization and Infrastructure Department. In the development of infrastructure, the Authority has collaborated with the Department of Micro and Small Industries who were managing 154 CIDCs. The Department of Micro and Small Industries had begun developing the work sites but struggled to get MSEs to move into the sites. The MSE Authority, had facilitated the creation of MSE Associations and maintained close relationships with them through the CEDOs, were able to leverage these relationships to mobilize the associations to encourage their members to take advantage of the available facilities. The Authority also took over some of the worksites from the Department of Micro and Small Industries to facilitate their upgrading. MSEA worked closely with other government agencies including the Attorney General's office where the Office of the Registrar of Societies is domiciled to ensure that MSE Associations got registered.

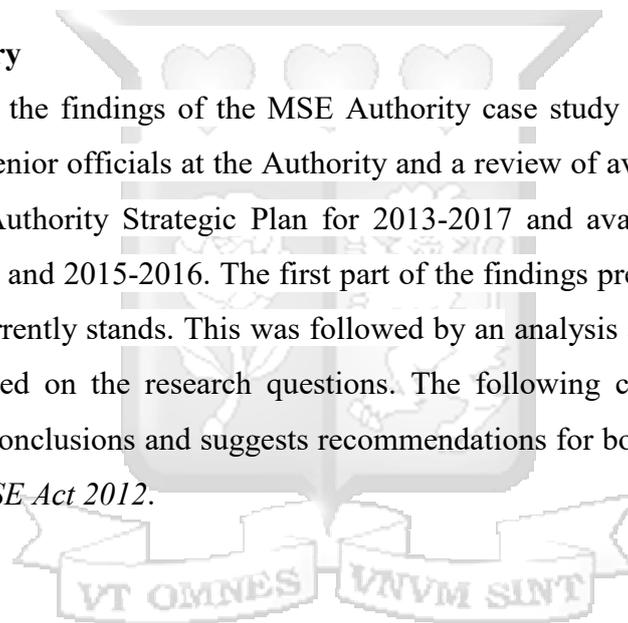
To deliver on their mandate to promote and develop MSEs, the Authority leveraged their limited resources to identify partners both within government, in the private sector and development partners, who were aligned with the objectives of the Act that they could work with. MSEA leveraged its close relationships with individual MSEs and MSE Associations to play a mobilizing role for these identified partners to connect these MSEs with training and resources that these partners were offering. These partners included ILO, UNDP, Isuzu Motors, Crown Paints, KEBS and KIPI. MSEA used ILO's Start and Improve Your Business Curriculum to deliver training to MSEs. MSEA had collaborated with the UNDP who helped establish County Business Development Centres known as County Biashara Centres to provide one-stop access to business development services for small businesses in selected counties. Kwale was one of the pilot counties for the UNDP Economic Empowerment Program. MSEA worked with Isuzu Motors who trained MSEs operating in the Kariobangi Centre of Excellence to produce standardized motor vehicle parts. The Authority worked with Crown Paints to train painters to improve the quality of their work. MSEA also engaged KEBS and KIPI to conduct

training for MSEs on standards and intellectual property respectively. In most of these collaborations, MSEA's role was primarily to mobilize MSEs to access these training and services.

To address budget constraints, the Authority sought program funding to meet the shortfall. They pursued funding opportunities such as the KYEOP Program by the World Bank. The program's objectives were aligned with the Authority's mandate. MSEA also worked with the KNBS on the National MSME survey to get data on MSEs in Kenya. To address the challenge of securing land allocated for worksites the MSE Authority worked with the National Lands Commission to designate a desk officer at the Commission who managed all queries for the Authority and helped the Authority manage the process of recovering and securing land designated for worksites that had been misallocated or grabbed.

### **4.3 Chapter Summary**

This chapter contains the findings of the MSE Authority case study which are made up of responses from five senior officials at the Authority and a review of available secondary data including the MSE Authority Strategic Plan for 2013-2017 and available audit reports of MSEA for 2014-2015 and 2015-2016. The first part of the findings presented an overview of the Authority as it currently stands. This was followed by an analysis and presentation of the research findings based on the research questions. The following chapter discusses these findings, makes key conclusions and suggests recommendations for both the MSE Authority, and changes to the *MSE Act 2012*.



## CHAPTER 5: DISCUSSIONS, CONCLUSIONS AND RECOMMENDATIONS

The main objective of the study was to examine the effectiveness of the MSE Authority in implementing the *MSE Act 2012*. The study determined the extent to which the MSE Authority had implemented the *MSE Act 2012*, examined the challenges it had faced and how they had moderated its outputs and discussed how the Authority had attempted to mitigate those challenges. This chapter presents the discussions, conclusions and recommendations for this study based on the findings presented in chapter four.

### 5.1 Discussion of Findings

#### 5.1.1 Extent to which the MSE Authority has implemented the *MSE Act 2012*

In chapter four the research outlined the extent to which the Authority had achieved the five objectives of the *MSE Act 2012*. This study used the top down approach to policy implementation as a theoretical framework. The thesis of this study is that the success or failure of the *MSE Act 2012* depended on how it was implemented. The first objective of the Act was providing an enabling business environment. It was not clear what constituted an enabling business environment. Nonetheless, the Authority identified strategies that could create an enabling business environment for MSEs. The Authority primarily tried to meet this objective by creating conducive physical spaces for MSEs to work in and collaborating with others to make knowledge, financial resources and access to markets available to MSEs. The conducive physical spaces were the work sites that were created or upgraded by the Authority. These sites have been effective in giving MSEs access to workspace and equipment. This is in contrast with strategies that other MSE promotion agencies have employed. Enterprise Connect in Australia for example opted to connect firms to other actors in the ecosystem, some of who could provide physical infrastructure for manufacturing such as universities and research agencies ((Ezell and Atkinson, 2011). However, these sites appear to have benefited only a subset of MSEs, mostly micro enterprises involved in light manufacturing, woodwork and metal work. Collaborating with others to make knowledge and financial resources available to MSEs was only partially effective. This is because the Authority was more reactive than proactive in identifying who to collaborate with and how to structure those partnerships to maximize benefit for MSEs. Organisations the Authority had partnered with would approach the Authority with a program they had already designed and wanted to implement with MSEs and the Authority's role was primarily mobilizing the MSEs to receive training or participate in the program. This reactive approach meant that the training and programs offered to MSEs in this way were not always based on what the MSE needed but what the partner wanted to

achieve. Failure to operationalise the MSE Development Fund also meant that MSEs continued to struggle with limited access to affordable credit. Access to markets through providing introduction letters and facilitating MSE participation in local and regional trade fairs, has provided business opportunities for a few MSEs. However, the impact of these activities is likely to be limited because the Authority is doing it on an individual MSE basis, meaning only a few of the 6.8 million MSEs benefit from these fairs and introductions. MSE promotion agencies in other jurisdictions have been more effective in providing knowledge and financial resources to firms. For example the SBA in the USA, CORFO in Chile and SBC in South Korea have been effective in providing finance to small firms. MEP in the USA has effectively connected firms to clients and investors through an online marketplace (Ezell and Atkinson, 2011).

The second objective of the Act was to facilitate access to business development services. The Authority's approach toward this objective was primarily providing training. The training that was provided to MSEs by the Authority tended to be opportunistic and not based on an analysis of what the MSEs needed. This was in contrast to observations made by Mckenzie and Woodruff (2013), on the importance of conducting training needs analysis before offering training. The Authority's role was mainly to mobilize MSEs for partners, public and private institutions that had an interest in working with MSEs. The scale of these trainings was also limited to MSEs who were part of already established associations, who were in certain sectors of interest to the partners such as light manufacturing. The Act mandated the Authority to create model centres of excellence. These centres were intended to provide incubation for MSEs in addition to access to other business development services. No new centres have been created since the Authority was created. This objective was therefore only partially implemented. Other MSE promotion agencies have been effective in providing tailored business development services including training, consulting, mentoring, incubation and export promotion. These agencies include SBC in South Korea, SPRI in Spain and SEDA in South Africa (Snijder et al, 2016). Finland's Entrepreneurship Program also successfully implemented the one stop centre concept to provide information and business development services to small firms (Heinonen &Hytti, 2016).

The third objective of the Act was to facilitate formalizing and upgrading of informal MSEs. Formalization could have been understood to mean the development of internal structuring of work and processes within a business as understood by Hanks and Chandler (1995), or informality in relation to visibility and interaction with government institutions as understood

by Malesky and Taussig (2009). This objective lacked clarity. The Authority's approach to achieving this objective appears to have focused on upgrading MSEs. The Authority focused on facilitating technology acquisition through distribution of equipment to worksites, facilitating access to technical training and technical assistance for product improvement. These activities were limited in scope and impact, given the small number of MSEs that benefited from them. Some of the Authority's activities such as facilitating access to trade fairs and cross border trade and government procurement through selection and training may have resulted in MSEs formalizing as understood by Malesky and Taussig (2009), but the scope and impact of these was also limited given the number of MSEs involved and formalizing was not the primary goal of these activities. Achievement of this objective was therefore also limited. The fourth objective of the Act was promoting an entrepreneurial culture. The objective lacked clarity and consistency. None of the respondents could give a clear definition of what entrepreneurial culture meant as per the Act. Furthermore, no strategies were identified in the MSEA 2013-2017 Strategic Plan to achieve this objective. Entrepreneurial culture was also only mentioned once in the Act as an objective with no unpacking of what a good entrepreneurial culture would look like or what promoting a good entrepreneurial culture would entail. Studies done in Brazil by Snijder et al, (2016) where the Brazilian Micro and Small Business Support Service was also required to foster an entrepreneurial culture also lacked explication of what this would entail. This suggests that the objective continues to be obscure, making it difficult to achieve.

The fifth objective of the Act was promoting representative associations. The Act was explicit about how MSE Associations would be regulated but was not clear about what constituted representativeness. The office of the registrar of societies had not been operationalised by the time of the writing of this dissertation and this critically affected the Authority's ability to achieve this objective. The CEDOs deployed to the twenty-two counties played a critical role in engaging existing MSE Associations and encouraging formalization through registration with the Registrar of Societies and encouraging them to adopt good governance practices such as holding regular elections. The CEDOs also helped to connect associations to opportunities and resources. However, without the legal framework to regulate MSE associations as prescribed by the Act, this objective has only been partially achieved. Despite not having a legal framework, the MSE Authority has done well on this objective relative to other jurisdictions examined in the literature review. In Australia, Brazil, Canada, Finland, Germany, Japan, the UK and the USA, Ezell and Atkinson (2011) found that government agencies had set up agencies to support MSEs. However, none of them had any clearly established MSE

associations to promote the needs and advocate for the rights of the MSEs. The MSE Authority could therefore provide lessons for others in this regard.

### **5.1.2 Challenges faced by the MSE Authority in implementing the *MSE Act 2012***

The study found that many of the challenges facing the Authority stem from a failure to fully implement the delinking report. This resulted in MSEA operating with inadequate staff capacity, and incomplete information about the Authority's assets and liabilities. Lack of adequate financial resources was also a major problem for MSEA. Underfunding hampered the Authority's ability to design and deliver effective programs that would have the desired outcomes and the ability to impact more than a small fraction of the MSEs in the country with those programs. Other small business promotion agencies such as South Africa's SEDA had also suffered from underfunding which hampered its ability to deliver on its mandate especially in relation to the scale of their impact. They were only able to serve a small fraction of small businesses in South Africa given the size of their budget allocation relative to the number of small businesses in the country. This was further compounded by SEDA's inability to maintain full staff capacity (Snijder et al 2016). Competition with other government agencies with a similar mandate was a challenge for MSEA. South Korea's SBC experienced a similar challenge with multiple government agencies serving the same set of businesses with no coordination (Jones & Kim, 2014). This not only led to fragmented ineffective programs but was also a duplication of programs and activities resulting in a waste of limited resources. The YEDF and Uwezo fund run programs that were seen as competing with MSEA's offering. The Department of Micro and Small Industries, the SEZA and EPZA were all government departments or agencies whose mandates overlap with MSEA. In addition to wastage of resources, this could lead to inter-agency rivalry and conflict as was the case in Denmark with the two ministries that were both designing and implementing entrepreneurship and small business policy (Bager, Kylvær & Nielson, 2015).

MSEA also suffered from a lack of adequate qualified staff. This challenge stemmed from the fact that the delinking report which recommended the number of staff that was required for the Authority to function was not fully implemented as discussed but in addition, the Authority was never allowed to hire staff and was forced to operate with staff borrowed from other ministries. In addition to this MSEA lacked employer brand awareness due to the fact that they had not invested in their corporate image. The findings of this research pointed to a situation where if they eventually got permission to hire, they would struggle to find the best talent in

the sector because few people knew about the Authority or their work. South Africa's SEDA experienced a similar challenge and continued to struggle to fill vacancies year after year (Snijder et al 2016).

The MSE Authority was not able to perform its functions with regards to regulating MSEs because the provisions of the Act that would have allowed them to perform this function were yet to be operationalised. The operationalisation of provisions to create the Office of the Registrar of MSE Associations required support from the Office of the Attorney General. There appeared to have been delays in harmonizing the laws that would allow the Authority to set up this function in-house. The MSE Fund that would provide access to affordable credit which would help to develop MSEs and support the functioning of the Authority had also not been operationalised. Inadequate access to affordable credit was cited as one of the biggest challenges facing MSEs in the National MSME Survey (2016). Failure to operationalise the fund left MSEs with limited options for financing and was a major impediment for the development of MSEs.

The Authority faced a number of challenges related to worksites. First, having a department in the same Ministry that was also developing worksites presented a challenge and wasted resources that could have been channelled to the Authority. The Department of Micro and Small Industries did not have the relationships and good rapport with Associations. The location of CIDCs was another challenge. This was a result of misalignment of incentives. CIDCs located in remote areas where there was no viable market did not attract MSEs and remained dormant even after the investment in developing the sites. The assumption that the Ministry had the budget to bring crucial infrastructure to these remote areas was also false and many of these CIDCs were either not developed at all and abandoned mid-way when funds ran out. These empty or abandoned facilities were vulnerable to land grabbing or vandalizing and the Department of Micro and Small Industries contracted a security firm to guard these sites. The Ministry failed to clear the debt owed to the security firm before handing over the CIDCs to the Authority, a debt that was highlighted in the MSEA 2014–2015 and 2015–2016 audit reports. MSEA, itself being resource constraint could not operationalise all of these CIDCs but instead focused on the ones located in areas with a viable market that could attract MSEs.

Devolution changed the structure of government. A clash between the roles of the newly created county governments around promoting, developing and regulating MSEs with some of the roles of the MSE Authority was inevitable. The Authority through its CEDOs attempted

to work with County Governments to understand their development plans and find opportunities to work together to promote and develop MSEs. Given the Authority's limited capacity and budget, their contribution tended to be limited to sharing information and opportunities that could benefit MSEs in the county and mobilizing MSEs for them, liaising with and supporting MSE Association, and overseeing the management of worksites. Other agencies such as SEDA in South Africa and the SBA in the USA have navigated similar challenges with multi-layer governments with some success mainly resulting from adopting bottom up approaches to policy implementation by collaborating with local governments to identify priorities for MSE promotion and development and translating national priorities into localized, contextual plans developed through consensus building with local governments and agencies and where necessary creating local structures to implement programs (Snijder. Et al. 2016)

### **5.1.3 How the MSE Authority has mitigated challenges**

MSEA attempted to mitigate some of the challenges they faced. The secondment of staff from other parts of government to operationalize the Authority, though was originally intended to be temporary helped the Authority get off the ground. The seconded staff have remained consistent with many of them remaining with the Authority for the past six years which has supported continuity of the Authority's programs and activities. To fill gaps in staff capacity, the programmatic departments relied on interns. This strategy has proved to be less effective as the interns lack the skills required.

MSEA deployed CEDOs to counties to work as liaisons with County Governments. These staff working with local governments and MSEs at the local level are able to build good relationships that they leveraged to operationalise dormant CIDs that were handed over by the Department of Micro and Small Industries. This decentralized approach was similar to the strategy adopted by the Manufacturing Extension Partnership (MEP) in USA which had over a thousand business advisors spread out across the country (Ezell & Atkinson, 2011).

Another effective strategy employed by other MSE promotion agencies was developing effecting monitoring evaluation and learning strategies that would translate lessons learnt from implementing policies and programs into inputs for improving on the policy itself and implementation strategies.

A low resource intensive strategy that has been employed by other agencies like MAS in the UK is using their online presence to not only raise awareness about their existence and services with target enterprises but also an effective means of delivering programs. MAS used an online

diagnostic to conduct a needs assessment of enterprises and point them to resources they could benefit from (Ezell & Atkinson, 2011). Conducting an online diagnostic is a relatively low cost accurate way to determine what MSEs need that can allow MSEA to design and deploy interventions that MSEs need just when they need them. The MSEA has also used partnerships with agencies such as Kenya Bureau of Standards (KEBS) and private sector players such as Isuzu Motors and Crown Paints to help address their resource constraints and meet their objectives.

MSEA experienced chronic underfunding and other challenges related to lack of support from political leadership and shifting government priorities such as the Biashara Fund that never was. The experience is similar to Brazil's small business promotion agency, SEBRAE, that moved from one ministry to another which destabilized the agency and impeded its ability to deliver on its mandate until it was set up as an autonomous nonprofit by presidential decree in 1990 (Snijder et al, 2016). An argument could be made that small business promotion agencies may be more effective when they operate independent of government. Other challenges that the Authority has been able to mitigate include interagency conflict which has been addressed through partnerships and collaborative projects.

## **5.2 Conclusions**

The conclusion of this study is that the Micro and Small Enterprise Authority has been largely ineffective in implementing the *MSE Act 2012*. MSEA's impact has been limited at best. Their challenges were mainly related to under resourcing. Even with the programs and activities that they have implemented, they have only managed to achieve limited scale and therefore limited impact.

The Authority has been unable to fully implement the Act. For the first research objective regarding the extent to which MSEA has implemented the *MSE Act 2012*, this study found that MSEA has only partially implemented the Act as shown in Table 4.1. MSEA appears to have initiatives to implement objectives 1, 2 and 3 of the Act, objective 5 is weakly addressed, while 4 is not addressed at all. Additionally, the activities used to address the first three objectives such as training and establishment of worksites seem to overlap across the objectives. This raises the question of just how distinct and clear the objectives themselves are.

For the second research objective, an examination of the challenges the Authority has faced in implementing the Act and how those challenges have moderated expected outputs, the study

found that because the Authority has suffered from chronic under-resourcing, this had severely impeded its ability to implement the Act. The third research objective was to discuss how the Authority had mitigated the challenges it had faced. The study found that the Authority had attempted to make the most of their limited human and financial resources by focusing on what their resources could allow. The Authority partnered with other organisations to deliver programs to MSEs and they leveraged their relationships with MSEs and MSE Associations to mobilize them to benefit from these programs.

Overall, therefore, it may be observed that MSEA's impact has been limited at best. Their challenges were mainly related to under resourcing. As such, even with the programs and activities that they had implemented, they only managed to achieve limited scale and therefore limited impact.

### **5.3 Recommendations: Revisiting the theoretical foundation**

At its foundation, this study sought to determine the extent to which the MSE Authority had implemented the *MSE Act 2012*. Revisiting Sabatier's (1987), seven conditions for effective policy implementation, which are discussed in Chapter 2 of this dissertation, this section makes recommendations by using these conditions to determine what needs to be done for effective implementation of the *MSE Act 2012*. As already noted, the objectives of the *MSE Act 2012* lacked clarity. This created ambiguity and meant that four out of the five objectives of the Act could not be accurately defined and measured. The only objective that meets Sabatier (1987), first condition of effective policy implementation is objective two (facilitating access to BDS). This study recommends that the Act is amended to make the objectives clear and operationalise the variables defined in the objectives into measurable factors. With regards to creating a clear link between the policy and the intended change, the Act alludes to the intended change (such as entrepreneurial culture or upgraded MSEs) but failed to adequately define the links between provisions of the Act and the intended outcomes. The study recommends that the Authority develop a clear results chain for the Act to make these links clear. In other words, the outcomes of implementing the Act should be tangible and clear. With regards to Sabatier's (1987) third condition of creating legal structures for implementation, the Registrar of MSE Associations and the MSE Development Fund had not been operationalised because these structures had not been created. The study recommends the immediate operationalization of provisions of the Act that would create the Office of the Registrar of MSE Associations and the MSE Development Fund. The fourth condition of assigning program implementation to agencies that would prioritize them including creating the necessary incentives and sanctions was partially met. The

study recommends a review of the functions of the Authority to identify where there are overlaps with other agencies. Agencies should be assigned responsibility for implementing the Act based on their experience, expertise and institutional mandate. This would lead to proposed amendments to the Act and reforms to the setup of the MSE Authority.

Sabatier's (1987) fifth condition was commitment of officials charged with implementation. The officers interviewed for this study demonstrated personal commitment to the objectives of the Act, however, it was noted that all of the staff of the Authority except one were in effect not employees of the Authority but were seconded from other ministries meaning they could be recalled at any time. This presented a significant implementation risk for the Act. The study recommends that the Authority conduct a recruitment exercise to staff the Authority and the staff who have been working at the Authority on secondment should be given the opportunity to apply for their current roles and any other vacant positions at the Authority. The sixth condition was support for policy from interest groups. This appeared to have been present with the Act receiving broad support from public, private and development partners evidenced by their willingness to collaborate with the Authority. The willingness of MSE Associations to work with the Authority even when the Authority was not in effect their regulator because the Office of the Registrar of MSE Associations had not been implemented is also evidence that they supported the policy. The seventh condition was support from political leadership. This appeared to have been lacking. The failure to operationalise key requirements of the Act such as the Office of Registrar of MSEs and the MSE Fund and the slow pace of implementation of the Act demonstrated the lack of political will to meet the objectives of the Act. The study recommends that the Authority should receive and be seen to receive support from the highest political office so as to fast track amendments to the Act, reforms to the Authority and implementation of the Act. Support from the highest political office would help to prioritize the MSE agenda across all government agencies.

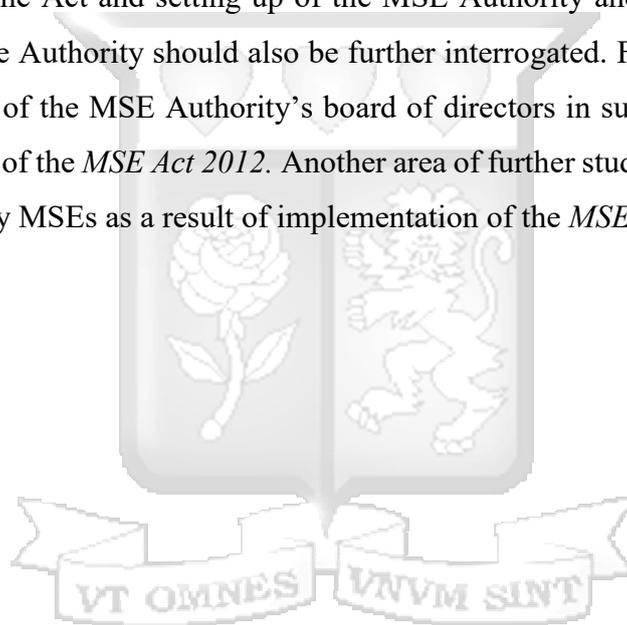
#### **5.4 Limitations of the study**

Some of the limitations of this study were the inaccessibility of some key documents such as the delinking report from the Authority's parent Ministry. This report would have added to the content of this case study and provided valuable insights. Access to performance contracts the Authority has signed with the Ministry of Industry Trade and Cooperatives would have also added to the study. The researcher was also only able to access five out of the nine people working at the Authority. There may have been additional insights from the respondents who could not be reached. Despite the challenges, valuable information and clarity on the

implementation of the *MSE Act 2012* has been presented. The objectives of the study have therefore been achieved.

### **5.5 Areas for Further Research**

The study has revealed gaps in the implementation of the *MSE Act 2012* by the MSE Authority and the existence of other government agencies that also play a role in implementing the Act. Further research could examine the roles of these agencies, ministries and departments including the Department of Micro and Small Industries, Kenya Institute of Business Training, SEZA, Export Processing Zones Authority, the Youth Enterprise Development Fund, Uwezo Fund and the Office of the Attorney General in implementing the Act and achieving the objectives of the Act. The role of the Ministry of Industry Trade and Cooperatives, in operationalisation of the Act and setting up of the MSE Authority and the role the Ministry plays in supporting the Authority should also be further interrogated. Further research should also examine the role of the MSE Authority's board of directors in supporting the Authority achieve the objectives of the *MSE Act 2012*. Another area of further study would be to evaluate the benefits accrued by MSEs as a result of implementation of the *MSE Act 2012*.

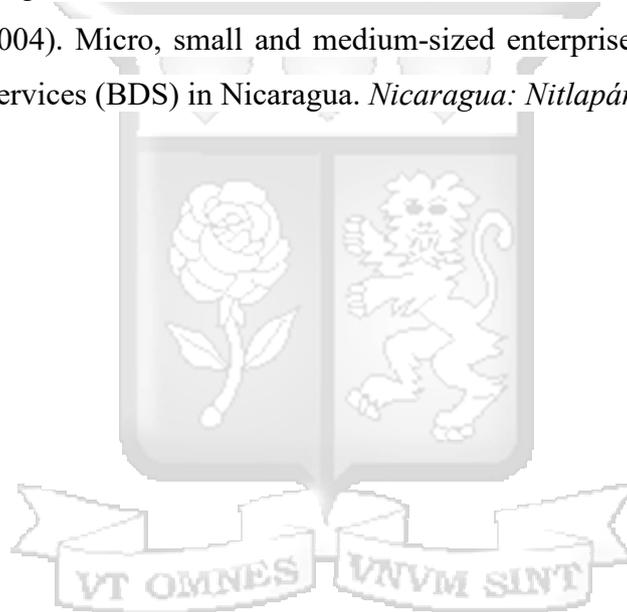


## REFERENCES

- Ahmad, N., & Hoffmann, A. (2008). *A framework for addressing and measuring entrepreneurship*. Paris, OECD Publishing
- Anglund, S. M. (1999). Policy feedback: the comparison effect and small business procurement policy. *Policy Studies Journal*, 27(1), 11-27.
- Bager, T. E, Klyver, K., & Nielsen, P. S. (2015). Special interest in decision making in entrepreneurship policy. *Journal of Small Business and Enterprise Development*, 22(4), 680–697. doi:10.1108/jsbed-07-2012-0083
- Baker, B. (2001). Environmentalists Sue Small Business Administration over Urban Sprawl. *BioScience*. 51(1), 14-14.
- Bean, J. (2001). *Big Government and Affirmative Action: The Scandalous History of the Small Business Administration*. University Press of Kentucky. Retrieved from <http://www.jstor.org/stable/j.ctt130hqrn>
- Cerna, L. (2013). *The nature of policy change and implementation: a review of different theoretical approaches*. Organisation for Economic Cooperation and Development (OECD) report.
- Craig, B., Jackson, W., & Thomson, J. (2007). Small Firm Credit Market Discrimination, Small Business Administration Guaranteed Lending, and Local Market Economic Performance. *The Annals of the American Academy of Political and Social Science*, 613, 73-94.
- Ezell, S. J., & Atkinson, R. D. (2011). International benchmarking of countries' policies and programs supporting SME manufacturers. *ITIF*, September.
- Global Entrepreneurship Monitor (2018). Global Report 2017/18. *Global Entrepreneurship*
- Hanks, S. H., & Chandler, G. N. (1995). Patterns of formalization in emerging business ventures. *Frontiers of Entrepreneurship Research*, 13.
- Heinonen, J., & Hytti U. (2016). Entrepreneurship mission and content in Finnish policy Programmes. *Journal of Small Business and Enterprise Development*, Vol. 23 Iss 1 pp. 149 – 162
- Hollweck, T. (2015). Robert K. Yin.(2014). *Case Study Research Design and Methods* . Thousand Oaks, CA: Sage. 282 pages. *Canadian Journal of Program Evaluation*, 30(1).
- Huggins, R., Morgan, B., & Williams, N. (2015). Regional entrepreneurship and the evolution of public policy and governance. *Journal of Small Business and Enterprise Development*. 22(3), 473-511.

- IFC. (2006). Accessing Financing for Women Entrepreneurs in South Africa. IFC. Washington DC. Retrieved on 21<sup>st</sup> April 2019
- Jones, R. S. & Kim M. (2014), "Promoting the Financing of SMEs and Start-ups in Korea", *OECD Economics Department Working Papers, No. 1162*, OECD Publishing.
- KIPPRA. (2017). Kenya Economic Report 2017: Sustaining Kenya's Economic Development by Deepening and Expanding Economic Integration in the Region. Nairobi: *Kenya Institute for Public Policy Research and Analysis (KIPPRA)*.
- Loo, M. K. Salmiah, M. A. & Nor, S, A. R. (2015). The sources and the impacts of occupational stress among manufacturing workers. *International Journal of Current Research and Academic Review*, 2, 166-173.
- Mason, J. R. (2001). Do lender of last resort policies matter? The effects of reconstruction finance corporation assistance to banks during the Great Depression. *Journal of Financial Services Research*, 20 (1), 77-95.
- Malesky, E. & taussig, M. (2009). Out of the Gray; The Impact of Provincial Institutions on Business Formalization in Vietnam. *Journal of East Asian Studies*, 9 (2), 249-290
- McCalum, P. (1958). Loans by the Small Business Administration. *The Business Lawyer*, 13(3), 349-357.
- McKenzie, D., & Woodruff, C. (2013). What are we learning from business training and entrepreneurship evaluations around the developing world. *The World Bank Research Observer*, 29(1), 48-82.
- OECD. (2012), *SME Policy Index: Eastern Partner Countries 2016: Assessing the Implementation of the Small Business Act for Europe*, SME Policy Index. Paris. OECD Publishing,
- Olawale, F., & Garwe, D. (2010). Obstacles to the growth of new SMEs in South Africa: A principal component analysis approach. *African journal of Business management*, 4(5), 729-738.
- Parker, R. (2002). Coordination and competition in small business policy: A comparative analysis of Australia and Denmark. *Journal of Economic Issues*, 36(4), 935-952.
- Parliament, S. A. (2018). Small Enterprise Development Agency Annual Report for 2017/18.
- Patel, M., Doku, V., & Tennakoon, L. (2007). Challenges in recruitment of research participants. *Advances in Psychiatric Treatment*. 9. (2007)
- Pruitt, P. (1969). Small Business Administration programs. *The Business Lawyer*, 25, 51-54.
- Pülzl, H., & Treib, O. (2017). Implementing public policy. In *Handbook of public policy analysis* (pp. 115-134). Routledge.
- Republic of Kenya (2012). *The MSE Act 2012*. Nairobi. Government Printer.

- Republic v Micro and Small Enterprises Authority & 2 others Ex-Parte Patrick Z. Keige Mwangi [2018] eKLR.
- Sabatier, P. (1986). Top-down and Bottom-up Approaches to Implementation Research: A Critical Analysis and Suggested Synthesis. *Journal of Public Policy*, 6(1), 21-48. Retrieved from <http://www.jstor.org/stable/3998354>.
- Sargeant, J. (2012). Qualitative research part II: Participants, analysis, and quality assurance. *Journal of Graduate Medical Education*. 2012 4:1, 1-3
- Saunders, M., Lewis, P., & Thornhill, A. (2016). *Research methods for business students*. London: Pearson education.
- Small Business Act 1953*. (Federal). Public Law 85-536. (USA).
- Snijders, J. Van der Horst, R. Isusi, I.& Lindeboom, G. (2016) *SME Promotion Agencies: is there a best set up?*. International Labour office, Geneva: ILO.
- Van der Kamp, R. (2004). Micro, small and medium-sized enterprises (SME) and business development services (BDS) in Nicaragua. *Nicaragua: Nitlapán-UCA*.



## APPENDIX: INTERVIEW GUIDE

At the start of the interview, introduce yourself and briefly describe the study you are conducting, the purpose and significance of the study and how the data you collect from this interview will be used. Give the respondent the option to opt out of the interview and assure them that the nothing they say will be attributed to them in the final report. Get signed consent from the respondent.

**Name of respondent** \_\_\_\_\_

**Organisation** \_\_\_\_\_

**Role** \_\_\_\_\_

**Title** \_\_\_\_\_

### Interview Questions:

#### **Research Question 1: What role has the MSE Authority played in developing and promoting MSEs as prescribed the *MSE Act 2012*?**

1. What did the MSE Authority **plan to do** in the 4 years defined on the strategic plan?

Speak to plans in the following areas:

- (i) Creating an enabling business environment
- (ii) Facilitating access to business development services by micro and small enterprises;
- (iii) Facilitating formalization and upgrading of informal micro and small enterprise
- (iv) Promoting an entrepreneurial culture
- (v) Promoting representative associations

2. What outputs has the MSE Authority delivered in the last 5 years? Speak to results in the following areas:

- i. Creating an enabling business environment
- ii. Facilitating access to business development services by micro and small enterprises;
- iii. Facilitating formalization and upgrading of informal micro and small enterprise
- iv. promoting an entrepreneurial culture
- v. Promoting representative associations

### **Development of infrastructure.**

1. Has the Authority advised on zoning of land in favour of MSEs? Please discuss how the Authority has been involved in:
  - Developing worksite management policy
  - Providing suitable infrastructure, including worksites, social amenities, business information centers, model centers of excellence, common usage facilities and other facilities necessary for development of micro and small enterprises.

### **Capacity building programmes for micro and small enterprises.**

2. Has the Authority developed and administered certified demand-driven capacity building and/or entrepreneurship programmes? Please explain them.
3. How has the Authority promoted the technological modernization and development of micro and small enterprises? Please explain.
4. How has the Authority promoted and/or provided business development services for the micro and small enterprises? Please explain.

### **Development of markets and provision of marketing services.**

5. Describe how the MSE Authority has provided technical assistance to MSEs in the development of products.
6. How has the Authority identified markets for products generated by micro and small enterprises and provided linkages between the micro and small enterprises and potential markets?
7. Has the Authority organised trade fairs and shows in order to promote products generated by micro and small enterprises? If yes, How many? Where? With what results?
8. Has the Authority conducted market research, surveys or analysis? If so, in what areas (geographical and/or sectors)?

### **Technology transfer, acquisition**

Please comment on if and how the Authority has done the following:

- (a) mobilise funds and resources for the development of appropriate technology in relevant research institutions and enterprises that develop technology for the micro and small enterprises sector;

- (b) encourage innovation and transfer of technology in order to increase competitiveness of micro and small enterprises products and services;
- (c) facilitate the registration and protection of intellectual property rights for micro and small enterprises;
- (d) provide incentives to encourage invention and innovation by micro and small enterprises;
- (e) establish regional and other centres of excellence to enhance utilization of locally available knowledge, skills and resources;
- (f) establish technology parks for graduating micro and small enterprises;
- (g) identify, collect, develop, modify, package and disseminate technology and products to the micro and small enterprises;
- (h) develop in collaboration with relevant institutions, programmes in standardization and product development for different sectors;
- (i) facilitate micro and small enterprises to access relevant equipment either through, purchasing, leasing or franchising;
- (j) develop programmes to enable micro and small enterprises comply with environmental legislation;
- (k) conduct research on available technologies with a view to improving them;
- (l) import modern and appropriate technologies for use by micro and small enterprises;
- (m) develop, in collaboration with relevant institutions, programmes for improving credit access and other financial services by micro and small enterprises.

#### **Micro and Small Enterprises Development Fund.**

9. Has the Authority set up the Micro and Small Enterprise Development Fund as outlined in the *MSE Act 2012*?
10. What has the fund accomplished since its inception?

#### **Monitoring and Evaluation**

11. How does the Authority measure its effectiveness?
12. Is there a monitoring and evaluation framework in place? If so, what indicators are you tracking toward the attainment of the objects of the *MSE Act 2012*.

#### **Research Question 2 &3: What challenges has the MSE Authority faced in implementing the *MSE Act 2012*, how have they moderated the implementation of the Act and how can they be overcome?**

13. From your perspective, what challenges has the MSE Authority faced in implementing the *MSE Act 2012*?

14. How would you say these challenges have impacted on the achievement of your objectives?
15. What steps have been taken to address these challenges?
16. What changes or improvements could be made to make the Authority more effective?
17. What changes could be made to the Act to make it more relevant/feasible?

