

KENYA INDUSTRIAL ESTATES LIMITED



PRESS RELEASE

19th OCTOBER 2005

KENYA INDUSTRIAL ESTATES (KIE) LIMITED.

"THE MOTHER OF SMALL AND MEDIUM ENTERPRISES IN KENYA"

1. INTRODUCTION

Kenya Industrial Estates Limited was established in 1967 as a subsidiary of ICDC to extend assistance to indigenous small and medium enterprises (SMEs) throughout the country. It became an Independent State Corporation in 1978, registered under the companies Act (Cap. 486) of the laws of Kenya, with the government as the sole shareholder.

KIE has over the years earned the distinction as the hallmark of promoting and developing small scale industries across the country. KIE presents significant opportunities for economic growth by demonstrating competency through its ambitious loans programmes and a diverse scope of services focusing on industrial growth and development. These services include:-

- ◆ Provision of medium and long term machinery, equipment and finance to small and medium industrial enterprises, either for start ups, expansion, modernization or rehabilitation, of projects throughout the country.
- ◆ Provision of industrial sheds / parks to small and medium enterprises through the development of Industrial Estates countrywide.
- ◆ Provision of Business Development Services (BDS) including preparation and appraisal of business plans, project implementation, entrepreneur training, supervision and short-term working capital finance.
- ◆ Sub-contracting exchange/linkages

The sub-contracting exchange program that used to be active in the early years of Kenya's independence has remained dormant for a long period. KIE, being the institution that is closely associated with SMEs intends to reactivate this program as a means of facilitating linkage between SMEs and medium and large scale enterprises. The program involves provision of short term working capital loan, bill discounting, factoring, training on quality assurance, ISO certification, process re-engineering and cleaner production and technology transfer.

2. ROLE OF KIE IN THE LIBERALIZED ECONOMY

In the last five years Kenya has experienced an economic down turn. The average GDP growth rate for 1996 -2000 was 2 %, 1.2% for 2001 and 1.1 % for 2002. In the last 10 years, the Kenyan economy has undergone major changes as characterized by liberalization and globalization which has led to the decontrol of prices, increased competition and withdrawal of donor support.

Most of these changes represent opportunities as well as threats to KIE future success. The increase in the number of challenges facing KIE internally and externally has brought about the idea of developing the recently concluded five-year Strategic Plan which will provide the roadmap for the next five years (2003-2008). To be able to respond to these challenges in the globalization of the world economy, KIE management and shareholders have been forced to re-examine and dramatically change structure, systems, procedures and cultural behavior, mission, objectives, strategies and action plans in order to position itself in the direction which will ensure its survival and future success.

KIE will continue to play a critical role in the industrialization of the Kenyan economy by implementing the various government policies. However, the government is requested to actively participate in revamping the institution to enable it implement the new areas of involvement in the new policies and procedures which are inclusive and broad enough to foster National Development goals while operating as a profitable organization. KIE is poised to create the necessary impact in industrialization of the country, wealth creation as well as creating a good number of the 500,000 jobs per year as targeted by the government.

3. THE FUTURE OF KIE

Given the rapidly changing macro-economic scene, particularly the continuing liberalization of the economy, KIE must adopt new strategies for survival and must continue exerting beneficial impacts on the Kenyan small scale industrial sector.

KIE'S future will be steered by the recently concluded Strategic plan document for the year 2003 - 2008. This document will guide KIE management in facing squarely the new challenges arising in its operating environment. The institution has also come up with a schedule of planned activities in line with the strategic document period as outlined below:

Planned Activities (2003 -2008)

KIE requires an injection of Kshs. 6.12 billion over the next four years to fulfill the following planned activities:-

- i) **Term Loans:** Kshs. 2.4 billion i.e Kshs. 600 million per year, will be spent on loans to small and medium enterprises countrywide, with emphasis on the following priority sectors:-
 - agro-industries
 - textile & apparels
 - Leather
 - Water and irrigation technology
 - Building materials
 - Paper and printing

- Motor vehicle works and components
- Wood and furniture
- Tools /equipment
- Metallics and fabrication
- Domestic appliances and consumables (including laundry)
- Industrial and commercial sheds.

Applying an estimated investment per worker of Kshs. 50,000/=, the expected direct employment will be 12,000 per annum. It is further estimated that one direct job creates approximately four indirect jobs through backward and forward linkages. Therefore, the total number of jobs anticipated will be 60,000 per annum.

ii) Development of Industrial Parks.

Since inception, the institution has established 28 industrial estates with a total of 444 sheds. All the sheds have been privatized on mortgage terms to indigenous entrepreneurs.

Demand for additional industrial estates has grown over time; KIE has already been offered industrial plots in all provincial Headquarters and most district headquarters, and more invitation continues arriving from local authorities. It is in the light of this overwhelming demand that KIE intends to set up additional; industrial estates (incubators) in the following towns over the next four years KIE at a total cost of Kshs. 2 billion (Kshs.500 million p.a)

a) Phase I - 16 Estates

Nairobi, Thika, Kiambu, Kerugoya, Machakos, Mwingi, Kapsabet, Kitale, Narok, Bomet, Migori, Awasi, Kimilili, Voi, Mariakani and Garissa.

b) Phase II - 12 Estates

Kakamega, Kehancha, Malaba, Bondo, Iten, Kwale, Nanyuki, Muranga, Chuka, Nyeri, Nyamira and Webuye.

iii) Entrepreneurship Development Programmes: Kshs. 1.32 billion (Kshs. 330 million per annum) to be spent training indigenous clients including retrenched persons and retirees.

iv) Information & Communication Technology (ICT).

The institution urgently requires modernization of its Information and Communication Technology (ICT), manpower training and establishment of a modern Information Centre catering for SMEs. This is expected to cost approximately Kshs. 65,724,040/=.

v) **Sub-contracting Exchange/Linkages**

The sub-contracting exchange program that used to be active in the early years of Kenya's independence has remained dormant for a long period. KIE, being the institution that is closely associated with SMEs intends to reactivate this program as a means of facilitating linkage between SMEs and medium and large scale enterprises. The program involves provision of short term working capital loans, bill discounting, factoring, training on quality assurance, ISO certification, process re-engineering and cleaner production and technology transfer. The total cost including establishment of the secretariat and administration of the program will be Kshs. 400 million (Kshs.100 million per year).

Customer Care Desk

KIE in a bid to be more friendly and reachable to her customers has established a Customer Care desk within its Head Office located in Nairobi's Industrial Area, Likoni Road and all the branches countrywide. This is expected to enhance KIE/customer relationship, guide customers according to their requirements so that customers don't feel lost and unwanted while in KIE. Customer complaints will also be captured here and addressed accordingly.

Reduced Interest Rates

KIE has reduced its interest rates to make credit affordable to all Kenyans entrepreneurs.

4. **BOTTLENECKS HAMPERING SUCCESS OF MICRO, SMALL AND MEDIUM ENTERPRISES.**

Despite the general recognition that MSEs play a pivotal role in industrialization of this country which will lead wealth and employment creation, the sector faces a myriad of setbacks which include among others:-

- Inadequate or poor infrastructural facilities
- Insecurity
- Lack of proper legal framework to take care of the sector
- Exorbitant interest rates (cost of money)
- HIV/Aids scourge

The Government needs to critically address these problems if the country's target to be Newly Industrialized Country (NIC) by the year 2020 is anything to go by.