



## **Inclusive Business in Kenya**

### **Revised Report**

**~~Revised April~~, April 2019**

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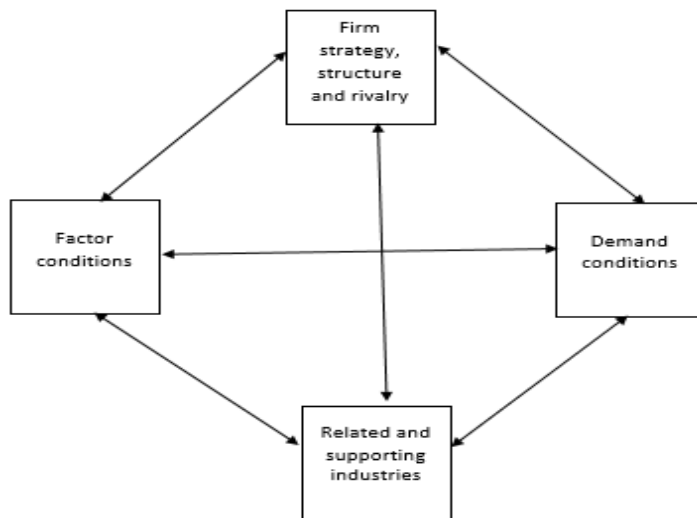
## **1.0 Inclusive Business**

### **1.1 Theoretical and empirical foundations of Inclusive business**

To explore the theoretical foundations of inclusive business selected theories are illustrated. The Friedman's theory (Friedman, 1970) stipulates that in a free society, a business has only one sole responsibility to increase its profits as long as it stays in open and free competition. Ismail (2009) describes this as the utilitarian theory, where corporations serve as a part of the economic system traditionally known as profit maximization. Simonsen and Midttun (2011) argue that strategies for profit maximization in businesses follow a rational economic behavior and should be encouraged as a means of maximizing societal welfare. Sepahvand (2009) emphasizes that for a corporation to reach its main aim (maximizing wealth). It must take into account its responsibility to the society. This can be achieved if corporations take stakeholders into consideration when maximizing profits within the framework of the norms in the country they operate. Moreover, for corporations to maximize wealth in the long run, they can not only rely on the framework of a pure profit orientation as this describes a short-term maximization. In real sense it has to concentrate on a more modified approach which includes the notion of corporations' relative advantages. Although maximizing shareholders profit is considered as the most significant corporate responsibility, corporate social obligations are more often regarded as strategic instrument for corporate competitive benefit and higher profit gains (Rahul, 2012).

The Porter's theory is a framework that has also been used to assess and evaluate the competitive strength and position of business organizations. The theory is based on the concept that five forces/factors shape every single industry and market; and determine the competitive intensity of a business. The five forces include bargaining power of suppliers, bargaining power of buyers, threat of new entrants, threat of substitute products or services and intensity of competitive rivalry (Porter, 1980). The supplier's bargaining power is driven by the number of suppliers, the uniqueness of their product or service, and their strength and control thus making it easy for suppliers to drive up prices. The buyer's bargaining power is driven by the number of buyers, the importance of each individual buyer in the business, and the cost to them of switching from the products and services to those of another business. Therefore, demonstrating that buyers can drive prices down (Figure 1).

**Figure 1: Porter's theory presentation**



Source: Porter (1990)

The threat of substitution is affected by the ability of customers to find a different way of doing what business do; an easy and viable substitution weakens its power. The threat of new entry is affected by the ability of people to enter into the market, commonly referred to as barriers to entry; strong and durable barriers to entry, can preserve a favourable position and fair advantage. These four forces affect the competitive rivalry, which is the number and capability of competitors that can weaken or strengthen a business. According to (Porter, 1990; Smit, 2010), the theory of competitive advantage provides a tool for analyzing competitiveness and has contributed to understanding the competitive advantage of nations in international trade and production. Competitive advantage is a business concept that describes the attributes that allow a business to perform better than its competitors. Such attributes include access to natural resources, highly skilled personnel, geographic location, and high entry barriers e.g. new technologies and information. However, Porter (1990) focuses upon individual industries in which the principles of competitive advantage are applied and builds up to the economy as a

whole. This is because firms, not nations, compete in international markets. Thus, understanding the way firms create and sustain competitive advantage is key in explaining what role a nation plays in the process. The argument is therefore based on the influence of homes' nation on the ability of its firms to succeed in particular industries.

There are two types of competitive advantage an organization can achieve relative to its rivals; lower cost and differentiation strategy (Porter, 1985). The goal of the cost strategy is to offer products or services at the lowest cost in the industry. This strategy operates by featuring low prices on items which customers are price-aware, while selling others at less aggressive discounts. The goal of the differentiation strategy is to provide a variety of products, services, or features to consumers that competitors are unable to offer. This strategy gives a direct advantage to the company in that a unique product or service compared to its competitors.

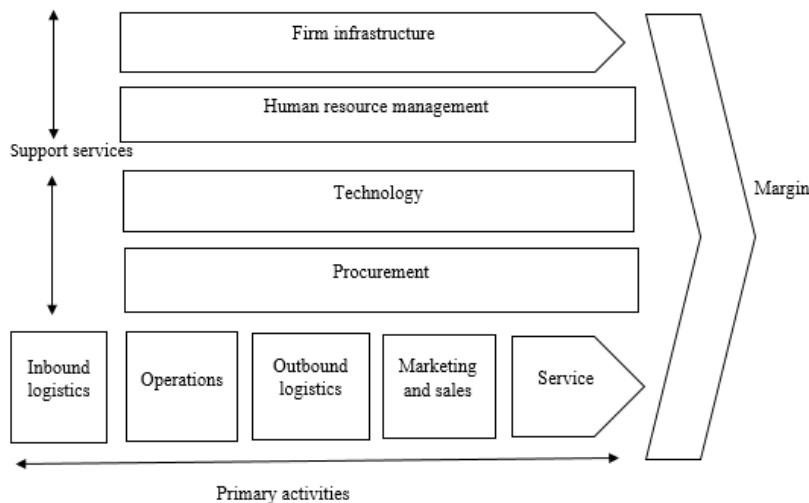
The porter's theory has been used to analyze and understand whether a business is potentially profitable, attractive as well as determining corporate strategy (Porter, 2008). The theory can be applied to any segment of the economy to search for profitability and attractiveness. For instance, the five forces have been applied in the Indian business environment in comparison with more developed markets. The analysis found state protectionism and lack of infrastructure as greater barriers to entry in India than in more developed nations; where market forces are more powerful. The analysis highlighted issues affecting competition in emerging economies and compared them to those that are more prevalent in more developed markets (Investopedia, 2018).

The Porter theory introduced the idea of value chain as a decision support tool added onto competitive strategies, to emphasize that companies ought to think of processes as complete entities in order to satisfy customers. Companies should conceptualize large-scale processes (value chains) as entities that include every activity involved in adding value to a product or service offered by the company. This is because products pass through a chain of activities in a certain order, and at each activity's stage, the product gains some value. The chain of activities therefore gives the products more added value (Porter, 1985). A value chain can therefore be described as a set of activities that a firm operating in a specific industry performs in order to deliver a valuable product or service for the market. It contains all the activities required to bring the final product or service to the final customer. Value is the amount that consumers are willing to pay for the product or service that a firm provides. Profits alter when the value created by the

firm exceeds the cost, hence value creation becomes a critical component in competitive analysis (Ensign, 2001; Porter 2012).

A value chain therefore has primary and secondary activities that can enable a firm to compete in any industry (Figure 2). The primary activities involve; inbound logistics, operations, outbound logistics, marketing and sales, and service, while the secondary/ support activities include procurement, human resource, technological development and infrastructure (Porter, 1985; McGee, 2014).

**Figure 2: Porter’s generic value chain for firms**



Source: Porter (1985)

The inbound logistics are activities associated with receiving and storing the product, such as material warehousing and stock management. Operations include activities required to transform inputs into outputs and the functions which add value, such as machining, packaging and assembly. Outbound logistics are activities required to collect, store, and physically distribute the output. Marketing and sales involves selling a product or service, processes for creating, communicating and delivering products that have value to the customers and the society at large. Service means enhancing the physical product’s features through after-sales services like installation and repair. Procurement services involve the acquisition of goods, services or works

(inputs) from an external source. Human resource management consists of all activities involved in recruiting, hiring, training, developing, compensating personnel. Technology development is concerned with equipment, hardware, software and technical skills used by the firm in transforming inputs to outputs. Finally, infrastructure consists of activities, including general management, finance and legal affairs which support the operational aspect of the value chain. Important to note is that value chains are specific to industry depending on the strategy of choice. Figure 2 summarizes Porter's generic interactions within a value chain.

The concept of value chain development (VCD) has therefore gained prominence in the recent past, and has been applied in many different fields such as the marketing environment, the motor industry and more so in the context of agriculture in developing countries. The growth of the agriculture sector in developing countries can only contribute to poverty alleviation when small-scale farmers actively participate in the value chain by finding outlets for their produce European Commission (EC, 2011). VCD interventions aim at improving linkages between businesses and poor households with a focus of improving the capacities of smallholders to increase their productivity or better manage natural resources. Moreover, other social benefits such as poverty reduction, income and employment generation, economic growth, environmental performance and gender equity are perceived benefits of well-developed value chains. It is from this perspective that many development agencies, donors, and governments have adopted VCD as a key element of their rural poverty-reduction strategies (UNIDO, 2011). Therefore, improving the performance of agricultural value chains stands to benefit large numbers of people (Reardon and Timmer, 2012).

However, pro-poor growth is based on the perception that economic growth and success of the poor can provide a lasting solution to the problem of poverty, hence the conceptualization of inclusive value chains (Horton, 2012). Still yet, for value chains to be inclusive, there must be improved sustainable access by small-scale producers to the markets and increase profits that they can acquire. While not all poor farming households can benefit from accessing value chains, participation requires that smallholders regularly supply consistent quality and sufficient quantity of produce. This is far from being achieved in developing countries where farming to a large extent is subsistence (Minot and Sawyer, 2014). These conditions require access to inputs, technology, knowledge, organization, capacity and infrastructure, which are a challenge among some groups of asset-poor producers.



Developing countries have provided smallholder farmers with inputs, technical assistance, and market access as a way of integrating smallholder farmers into modern agricultural value chains, hence raising their incomes. Some of the mechanisms that have been put in place include; facilitating the formation of producer organizations commonly referred to as farmer groups, which play the role of defending interests of farmers and providing practical support for production (market information, advice, supplier of inputs, grouped sales, etc.), formation of sound developmental policies that support the value chain, and the involvement of gender specifically women at various levels of the value chain as an essential strategy for development (EC, 2011). Comprehensive highlights of how inclusive value chains have played part in inclusive agribusiness development in various agricultural sectors of the Kenyan economy are discussed in detail later in this report.

The value chain strategy has attracted a lot of attention from the donor community and business enterprises at large, especially Multi-National Companies (MNCs), which have played a big role in achieving the United Nations Sustainable Development Goals (SDG's) of poverty alleviation. Thus, the Bottom of the Pyramid (BoP) business theory has become famous in the 21st century in promoting the growth of MNCs investments in underdeveloped countries in order to; generate employment, increase incomes and produce goods and services needed by the poor households at the BoP (Ahmed and Kumar, 2015). The BoP has therefore been used as a market-based model of economic development that tries to simultaneously alleviate poverty while providing growth and profits for MNCs. The concept has been increasingly adopted by firms in different industries as it transforms poverty into an economic opportunity for MNCs. This has been driven by widespread entrepreneurial activity and private investment in developing countries which continue to observe vigorous growth, creating jobs and wealth. The result is emergence of new consumers into the marketplace, decrease in poverty and production of a range of social benefits which has helped stabilize many developing regions. This means that there is a big market for business and enough profits for MNCs at the bottom of the eco-pyramid, whose number continues to grow annually (Prahalad and Hammond, 2002). However, for this to be achieved, MNCs need to act in their own self-interest as there are enormous business benefits to be gained by entering developing markets. Moreover, building businesses at the BoP holds potential to provide competitive advantages in the future.

According to Prahalad (2006), strategies for serving the BoP markets require reduced costs and innovations to succeed because the BoP market is well connected. This is because latent demand for low-priced, high-quality goods is enormous at the BoP markets representing opportunities for MNCs which are fundamentally new sources of growth. Since these markets are in their early stages of economic development, growth can be extremely rapid. In addition, BoP markets are a platform for commercial and technological experimentation. For instance, new wireless technologies have spurred further business model innovations at lower costs. Also, e-commerce systems that run over the phone or the internet are enormously important in BoP markets because they eliminate the need for layers of intermediaries. Prahalad and Hammond (2002) indicates BoP significance specifically to women who are vulnerable groups in most developing countries. For example, in Uganda, centers run in Uganda by the Women's Information Resource Electronic Service (WIRES) provide female entrepreneurs with information on markets and prices, credit and trade support services, which have been packaged into simple, ready-to-use formats in local languages. The centers are planning to offer other small-business services such as printing, faxing, and copying, access to accounting, spreadsheet, and other software for inclusive business development.

## **1.2 The concept of inclusive business**

The concept of inclusive business is different from two previous ways of business thinking (Ashley, 2009). The first line of thinking was that companies had the opportunity to deliver social responsibilities through corporate philanthropy. This was as result of globalization that led to negative impacts such as social inequalities, disparities in income and the outsourcing of increasingly skilled operations to developing countries, which demanded for protection against unregulated market forces (Muthuri and Gilbert, 2010). The second line of thinking delved on the adaptation of core business while reducing negative impacts. This has been particularly for large investment companies mainly in the extraction industry to ensure mitigation of damages and compliance with environmental standards. It has been a success over the recent decades as compliance has now become part of normal operations. Moreover, the inclusive business approach has an advantage over the traditional development approach; in that it's based on profitability hence little or no funding is required, and the activities are likely to continue in the long-term (Likoko and Kini, 2017).

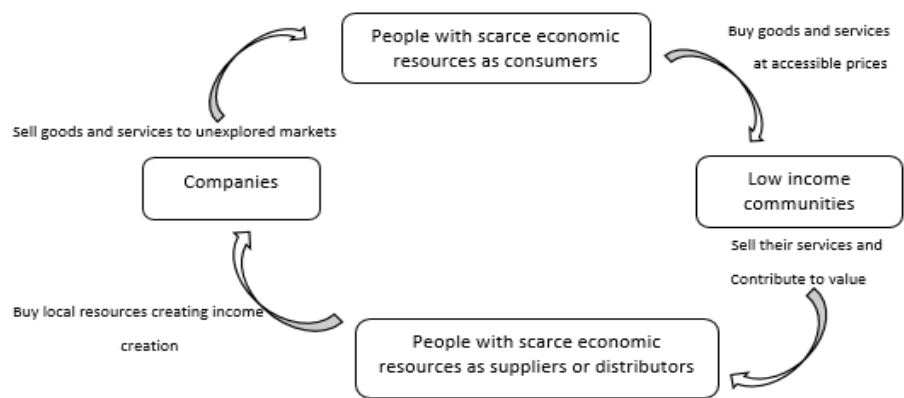
The term inclusive business has been used in various contexts. According to Golja and Pozega (2012), the expansion of businesses leads to increase in demand for supplies hence creation of opportunities for lower income societies who are termed as Bottom of the Pyramid (BoP) consumers. Consequently, the private sector is rapidly growing, including the BoP in their business value chains (as producers, consumers or entrepreneurs) as a means of eradicating poverty and improving livelihoods. Inclusive business is therefore simply doing business with the poor (Gradl and Knobloch, 2010). The G20 group (2016) describes an inclusive business as that which integrates low-income segments of the population into their business strategies, improve access to affordable products and services, boost productivity, and generate income and livelihoods opportunities across the BoP.

Woodhill (2016) concurs that an inclusive business benefits both poor producers and/or consumers by, providing access to markets, services and products in ways that improve their livelihoods, while at the same time being a profitable commercial venture. Similarly, an inclusive business is a profitable core business activity that also tangibly expands opportunities for the poor and disadvantaged in developing countries, Business Innovation Facility Practitioner Hub (BIF 2011). The Netherlands Development Organization and World Business Council for Sustainable Development (SNV and WBCSD, 2008) also note an inclusive business as one which seeks to contribute towards poverty alleviation by including lower income communities within its value chain while not losing sight of the ultimate goal of the business, which is to generate profits. In summary, inclusive business entails the creation of a net positive development impact through a financially profitable business model (Wach, 2012).

Ashley (2009) explains inclusive business in four scenarios; i) Selling products and services that have a high development impact and are needed by the poor ii) Companies expanding development impact through expanding their supply and distribution chains iii) Small and medium domestic enterprises that are commercial but have local economic development iv) Social enterprises whose core product is of high social value. Heinrich-Fernandes (2016) explains inclusive business in a private sector's perspective whereby, companies with business models or activities pursue commercial viability which have (or are likely to have) significant economic and/or social benefits for poor people in their value chains. The result is inclusive growth and sustainable development since it provides increasing opportunities for the poor to benefit from improved access to products and services, and/or productive income and

employment. Similarly, UNDP (2013) concludes that such initiatives that focus on economic profitability and are at the same time socially and environmentally responsible are referred to as inclusive businesses. This is in line with the SDG’s especially goal 8 which aims at promoting sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all. The inclusive business concept is summarized in Figure 3.

**Figure 1: Concept of Inclusive Business**



Source: SNV and WBCSD (2008)

While inclusive business has the potential for development, high quality evaluations are needed to measure the positive contribution towards development. It is for this reason that the inclusive business models are gaining prominence as a framework for impact evaluation (Wach, 2012). A business model is the way in which an enterprise does business by creating value within a market with producers, suppliers and consumers. Each business however, has its own unique model (Kelly et al., 2015). These models enable business growth in markets while creating economic opportunity and better standards of living for the poor. Various stakeholders have invested a lot of efforts into creating such models. Unfortunately, few have gained significant scale so far. Inhibiting factors such as operating environment for inclusive business and gaps in the institutional, informational and infrastructural conditions have limited their potential (Gradl and

Jenkins, 2011). Also, the extent to which businesses are willing to reduce their profits and ensure integration of the poor positively as provider of resources and services and consumers of products is still debatable (Likoko and Kini, 2017).

### **1.3 Gender and Youth in inclusive business**

Most governments have embarked on development strategies and programs that make their growth process more inclusive. This includes expanding infrastructure to ease access to unserved areas, addressing inequalities in access to services, income opportunities, geographic location, and gender dimensions (ADB, 2013). Inclusive business can only lead to inclusive growth and development when all loopholes of inequalities and exclusion are dealt with, and no person is denied universal human rights and basic economic opportunities regardless of ethnicity, gender, geography, disability, race, religion or any other status (Pouw & Vossenbergh, 2016). The gender perspective has however sparked a lot of debates globally with many theories, methods and indicators trying to evaluate gender in inclusive business.

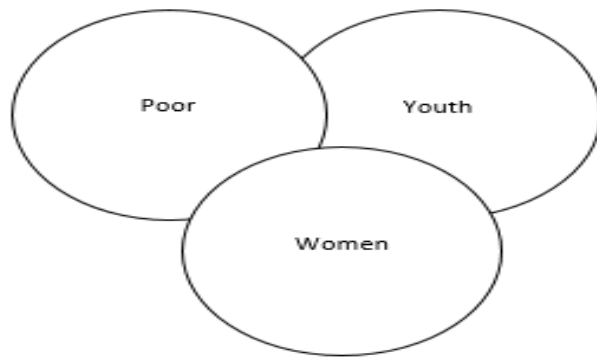
Haggblade et al. (2012) argues that like any other vulnerable or poor groups, women are also a heterogeneous group and factors like age, marital status, religion, ethnicity, family size, location, culture and politics influence their economic and social status. Nonetheless, they are time-poor, face constraints on their mobility and often with limited access to land as they typically assume responsibility for child care, intensive family needs and home-based, labor-intensive pursuits. Ideally, they face much more difficult access to credit than men and are less likely to be organized in marketing associations. Under such conditions of limited mobility and low access to capital, women frequently remain attached to low-productivity, occupying low niches in the value chain. As a result, conceptualizing the gender perspective in inclusive business becomes crucial for understanding the opportunities as well as designing interventions that can successfully expand economic opportunities for women. Pyburn et al. (2015) notes that gender analysis is a valuable tool for understanding inclusion and/or exclusion, social categories and power dynamics.

While inclusion is a general term, different categories of people have conflicting needs and interests. Therefore, empowering women, making markets work for them and enabling their competitiveness in the markets, and transformations in rights and agencies are some

recommendable actions that could make inclusive business work for women (Pouw & Vossenbergh, 2016). The GoK has boosted inclusivity of women in business by initiating the Women Enterprise Fund (WEF). This is a semi-autonomous government agency to provide accessible and affordable credit to support women to start and/or expand business for wealth and employment creation. As a result, a remarkable increase has been recorded in women's income, general households' incomes and improvement of lives (Wachira, 2016).

In the African continent at large, there has been a demographic bulge of youth (ages 15-24 years) pressurizing labor markets, land access and social systems, which has become an acute problem (World Bank, 2009). Although gender has received more attention than the youth, the same diagnostic methods can be applied to focus attention on prospects for young entrepreneurs (Pouw & Vossenbergh, 2016). This is because young people face challenges like difficulties in accessing land and other productive assets. However, young people have a competitive advantage in that they are more mobile, physically stronger and with a high adaptability to new information and communication technologies. Moreover, they enjoy longer productive working spans over which they can accumulate training and investments. Also, it has been noted that youth occupy many agricultural value chains at entry niches, either as apprentices, assembly traders and porters, from which they can accumulate savings and transition over time. Despite many arguments highlighting youth disinterest in the agricultural sector, there is not enough evidence on the complex relationship between youth and agriculture in particular contexts making analysis difficult (Pyburn et al., 2015).

**Figure 2: Intersection between youth and women in inclusive business**



Source: Pouw & Vossenbergh (2016)

The intersectionality between gender and youth is important while delving on the issue of inclusivity. This is a result of overlapping and intersecting social identities that are inhabited by persons in relation to oppression and domination (Figure 4). Hence, intersectionality becomes useful in understanding gender dynamics and distinctions amongst youth (in this case, the interface between youth and other social axes). For instance, age is one intersection of gender, but young people also have overlapping identities.

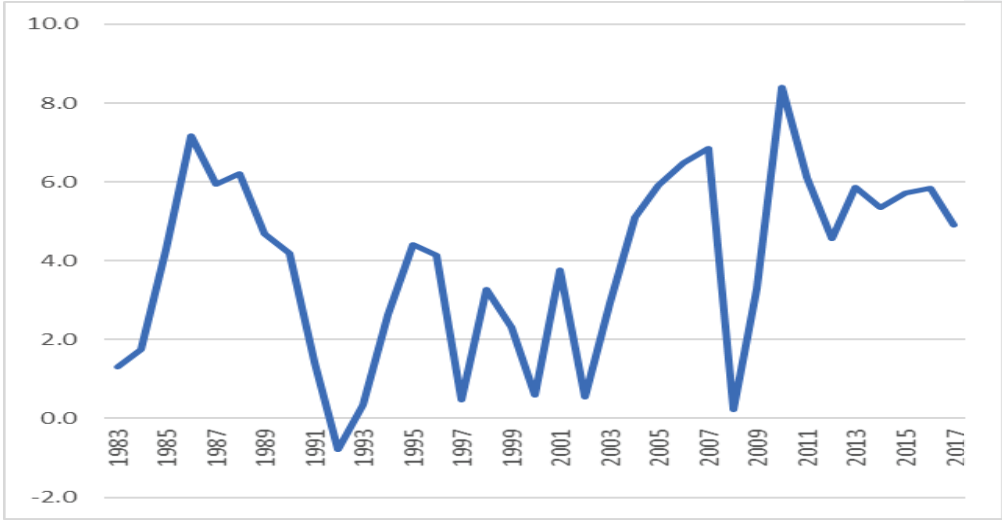
## **2.0 Overview of Kenyan Economy and Labor force.**

### **2.1 Sectoral developments of the Economy**

The Kenyan economy is a characteristic of a mixed and open economy. According to the World Bank (WB, 2012), Kenya has the potential to become one of Africa's best economies and reach the middle-income status. However, to attain the upper middle-income category and sustain growth, the economy needs to grow at an annual rate of 10% p.a. This should accelerate creation of employment opportunities, poverty reduction and access to essential services by vulnerable groups.

The influence of politics, corruption and insecurity on the economy at large cannot be overlooked. For instance, elections which cause political tension, threat of terrorist attacks and corruption; impede doing business in Kenya (Deloitte, 2016). Despite the shocks and economic volatility that the country has faced in the past years, Kenya’s economy continues to be resilient overtime with economic growth increasing steadily (KIPPRA, 2017). Although the Kenyan economy is agricultural based with a great significance in tourism, other sectors such as, manufacturing, transport and storage, information and communication, construction and financial services also contribute greatly to the Kenya’s GDP. Agriculture, forestry and fishing were Kenya's most important economic sector in terms of domestic production, closely followed by the real estate. Figure 5 depicts the trend in overall GDP growth in Kenya for the past three decades.

**Figure 5: Trend in Kenya’s GDP growth (annual %)**



Source: KNBS Statistical abstracts (2010-2018)

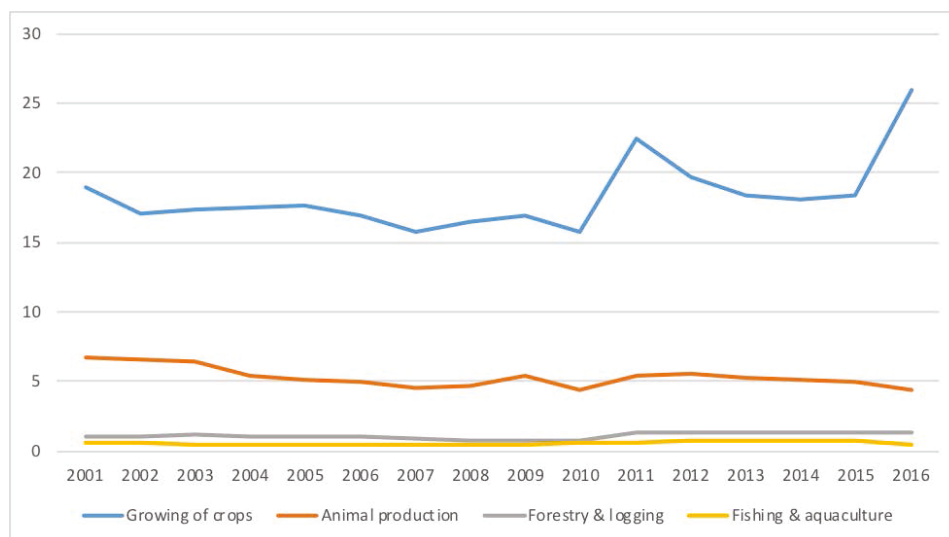
Although the Kenyan economy is agricultural based with a great significance in tourism, other sectors such as, manufacturing, transport and storage, information and communication, construction and financial services also contribute greatly to the Kenya’s GDP. Based on the



most current statistics, agriculture, forestry and fishing were Kenya's most important economic sector in terms of domestic production, this was closely followed by the real estate.

Kenya's horticultural industry is among the leading contributors to agricultural GDP, contributing to about 33%, with an average growth of 15-20% per annum, Fresh Produce Exporters Association of Kenya (GoK, 2012; FPEAK, 2017). The subsector is ranked third in terms of foreign exchange earnings from exports after tourism and tea. Behnke and Muthami (2011) notes that livestock contribution to the agricultural GDP is only slightly less than that from crops and horticulture (4.54 billion USD versus 5.25 billion USD in 2009) in the most recent year for which complete data existed. Owing to the fact that the size of the national herd is not known, and no attempt to enumerate it has been made for decades, Kenya's livestock remains underappreciated. Ideally, estimates of the livestock are based on official sales records, which miss production that's traded informally or directly consumed by livestock owning households. However, if these shortcomings are addressed, the importance of livestock in the agricultural sector will definitely have a new twist in economic significance. Another agricultural sector that has exhibited growth potential is aquaculture. Since the GoK launched the Economic Stimulus Program (ESP), the aquaculture sector has recorded significant growth over the last decade, increasing fish farming nationwide. The Fish Farming Enterprise Productivity Program under the ESP has led to a tremendous increase in fish productivity; alleviating poverty and spurring regional development (Mungutu and Ogelo, 2014). Figure 6 shows a summary of the contributions towards agricultural GDP (2001-2016)

**Figure 6: Sectoral contribution to agricultural GDP**



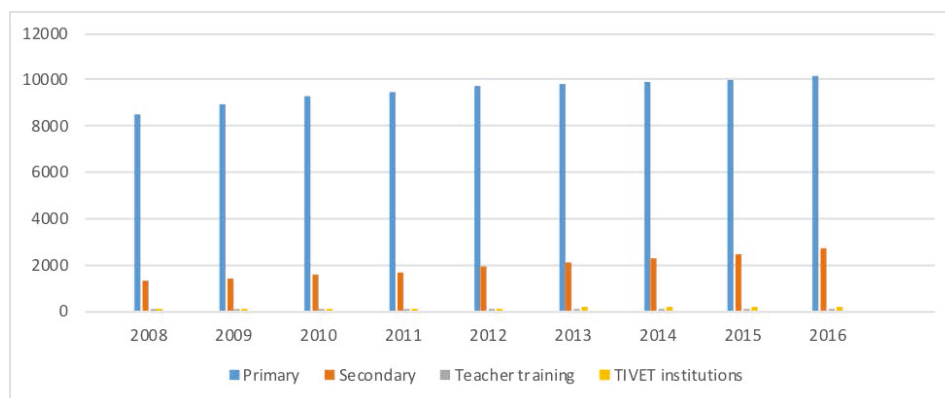
Source: Computation from KNBS statistical abstracts (2001-2016)

Though not at the same level as emerging markets globally, Kenya's financial sector can be termed as well developed. The financial sector is among the sectors in the economic pillar of Vision 2030, a long-term development plan aiming to transform the country into a middle-income economy by 2030. The National Treasury is responsible for the oversight of the financial sector, comprising of the banking, micro finance, savings and credit cooperative societies (SACCOs), capital markets and insurance subsectors. Currently in Kenya, there are 42 commercial banks, 49 insurance companies, 13 deposit microfinance banks, 3 credit reference bureaus, 1 mortgage finance company and 199 registered SACCO's in Kenya (Business Sweden in Nairobi, 2016; Central Bank of Kenya CBK, 2017). However, the activities in the various sub sectors are distinct and have separate laws that guide their operations. A number of factors have led to the growth of the financial service sector in Kenya, according to CBK (2016), technology has become an essential tool as driving mobile financial services. Financial institutions are increasingly utilizing mobile application platforms and digital/internet banking, hence an increased efficiency in distribution, leading to increased uptake of services in the financial

market. The regulatory environment has also been stable with emphasis being placed on transparency, governance and capitalization. There has also been increased financial inclusion in Kenya. Financial inclusion in Kenya can be measured through financial access which has undergone considerable change. According to FinAccess (2016) 75.3% of Kenyans are financially included (formally) depicting a 50% increase in the last decade (2006-2016); with users accessing financial services mostly from banks, SACCOs, mobile money and groups. Increased financial inclusion has driven financial institutions to venture into less penetrated markets in other East African Community (EAC) countries.

Kenya's education sector is among the social pillars in Kenya's vision 2030 which aims at the provision of quality education and training as well as research and innovation to the people of Kenya. Muricho and Chang'ach (2013) concur that education is a vital tool in the development of any country since trained human resources have the potential to organize and utilize both physical and financial resources better for economic growth. This explains Kenya's immense and high investment in the sector, which has been able to implement close to 10 programs in the recent years including; free primary education, secondary education, university education, technical and vocational education and training (TVET), teacher resource management, general administration, and planning and support services (GoK, 2017). The introduction of the programs has seen an increase in the number of institutions as well as enrollment in the number of individuals. For instance, between the period 2008-2016 there has been approximately a 37% and 45% increase in primary and secondary schools respectively. Also, many development indicators have pointed out to the growth of the sector such as the enrollment rate (figure 7), transition and completion rates for both primary and secondary education. There has been a steady increase in the number of educational institutions registered in the country (KNBS, 2016). The increasing trend has also been fast tracked by the existence of legal and institutional developments including the enactment of the universities Act (2012), TVET Act (2013), Basic Education Act (2013), which gave effect to other enabling provisions; to promote and regulate free and compulsory basic education in Kenya.

**Figure 7: Enrollment in educational institutions in '000'**



Source: Computation from KNBS Statistical abstracts (2008-2016)

Another development in the Kenya's education sector is early childhood education. Under the management of the Ministry of Education, Science and Technology, Early Childhood Development (ECD), was established to cater for children below the age of 5 years before joining primary school. According to Macharia and Kimani (2016), early childhood education in Kenya is essential as it serves the critical purpose of preparing young children for primary education. Despite the Ministry of Education (MoE) developing an early childhood development education (ECDE) service standard guidelines in 2006 to guide the provision of ECD, its implementation has been poor. Challenges such as funding, lack of proper curriculum and lack of teaching capacity are common. Hence, the government should be involved more actively in the development and implementation process.

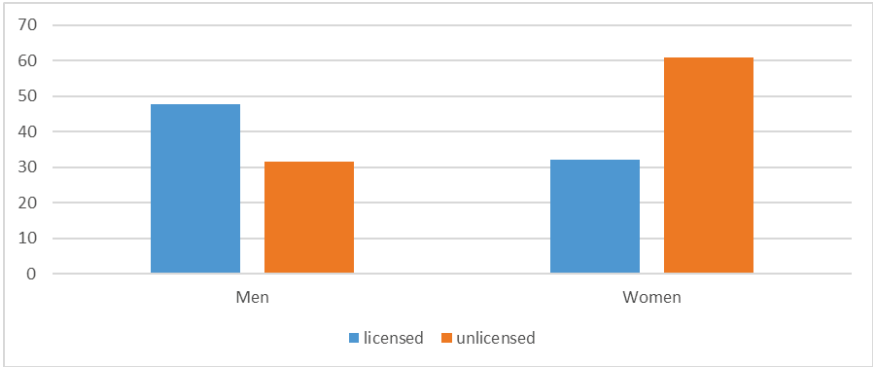
## 2.2 Recent evolution of Firms and Employments in Kenya

### 2.2.1 Dynamics in firms

The size of a firm influences its performance which ultimately influence financial results. Larger firms however, enjoy economies of scale compared to smaller ones. Therefore, a positive correlation is expected between a firm's size and financial performance (Kodongo et al., 2015). Financial leverage has a significant role to play in a firm's performance though other factors are also significant (Mule and Mukras, 2015). However, Muchina and Kiano(2011) note that

management of working capital should not be overlooked as it also plays a significant role in a firm's profitability especially in Micro Small and Medium Enterprises (MSME's), manufacturing and construction firms. Further, in developing countries including Kenya, almost 90% of all firms outside the agricultural sector are MSME's and contribute greatly to the GDP. The industrial sector is the fourth biggest in Kenya; after agriculture, transport and communication and wholesale and retail trade. The Nairobi Securities Exchange (NSE) listed 17 firms under the sector wholesomely contributing to 18% of the GDP; both in the local market, exports and to the East African region (Makori and Jagongo, 2013). It is however observed that most unlicensed firms are owned by women compared to their male counterparts probably because they are resource constrained (Figure 8).

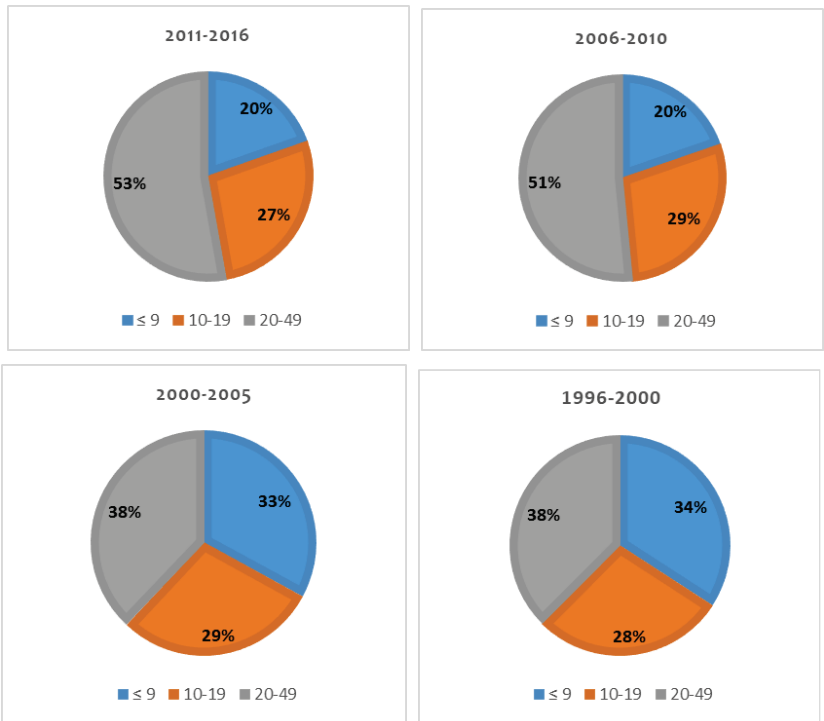
**Figure 8: Ownership of enterprises by gender**



Source: KNBS, MSME Basic Report 2016

According to KIPPRA (2015), majority of business enterprises in Kenya have less than 50 employees. This is because over 75% of establishments are Micro and Small Enterprises (MSE's). Consequently, they play a major role in employment and a source of goods and services. Over 41,000 formal and informal MSE's employ over 42% of the working population. Figure 9 depicts the size distribution of firms by the number of employees (1996-2015). As the number of establishments increase, the firms are beginning to increase the number of employees; hence, lesser firms have less than 9 employees but more of them have 20-49 employees.

**Figure 9: Size Distribution of firms**



Source: Computation from KNBS statistical abstracts (1996-2016)

### 2.2.2 Dynamics in the Labor force

The Kenyan labor force has exhibited tremendous changes over the past two decades. A gradual integration has been observed between Kenya and the global economy which has had adverse outcomes in the labor market. Consequently, the labor market has undergone considerable liberalization, impacting employment and earnings especially in the manufacturing sector with a net negative effect on the overall employment (Manda and Sen, 2004). In addition, the inequality in global wealth has greatly impacted the labor market in most developing countries, with Kenya topping the list. For instance, Njororai (2010) contextualized the growing trend of Kenya's elite athletes' migration to other countries. The results show that prevailing neo-liberal economic dispensation and globalization have led to uneven and differentiated forms of capitalism creating

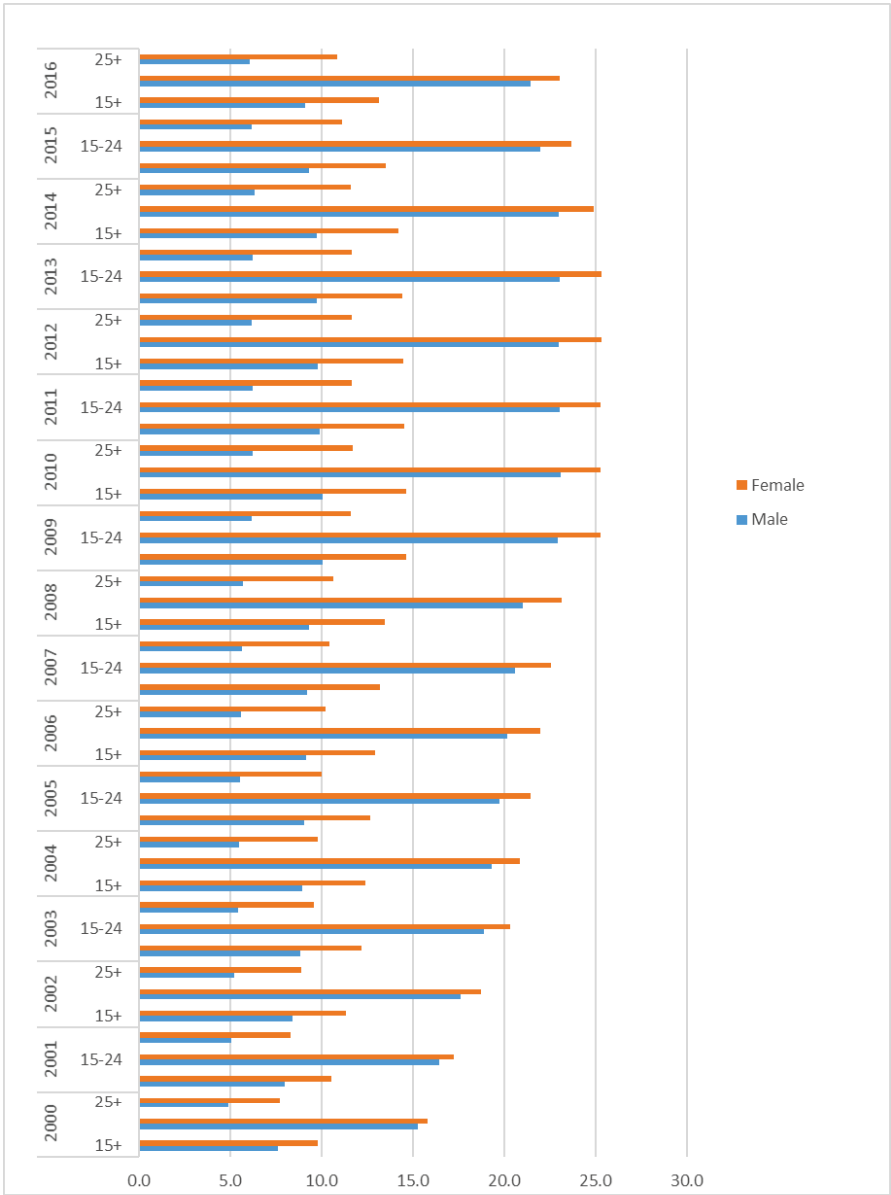
uneven claim on highly developed, but scarce labor that is in demand globally. This has led to sports talent migration where financial and other welfare compensations are deemed satisfactory.

The prevalence of HIV/AIDs has also had an impact on labor productivity in Kenya especially in the agriculture sector. In a study to analyze the impact of HIV/AIDs on Kenya's labor productivity among tea farmers, Fox et al. (2004) found that attendance and output among infected laborers was low posing a risk of job loss and financial burden to the employers. Like any other country globally, disabled persons are at a disadvantage in the Kenyan labor market. A review of participation of disabled persons in the Kenyan labor force (Opini, 2010) reveals that disabled people face multifaceted barriers in their efforts to fully and equally participate in the society. Training and education are fundamental in securing employment in most countries, unfortunately, most of disabled people in Kenya are illiterate or have progressively become so after their primary schooling. They have therefore been limited to acquiring vocational skills for skilled and semiskilled work which are not aligned to the country's contemporary job market needs.

### **2.2.3 Trends in employment; a gender and youth perspective**

For many decades, the Kenyan government has continuously articulated the need to create sufficient employment opportunities to absorb the country's growing labor force. Even though unemployment is one of the most difficult and persistent problems, the agricultural sector remains the leading source of employment to 40% of Kenya's population, whereas in the rural areas, the sector employs an estimated 75% of the labor force (Care, 2016). Important to note is that gender equality is one of the key components and a good indicator of a decent labor force globally (Mills, 2003). Figure 10 shows the trend in unemployment rates in Kenya. In 2016, a gender disparity was witnessed in total unemployment (7.9% male and 11% female) but it was absent in youth unemployment (male 17% and female 17%) (GoK, 2016).

**Figure 10: Unemployment rate in Kenya (%)**

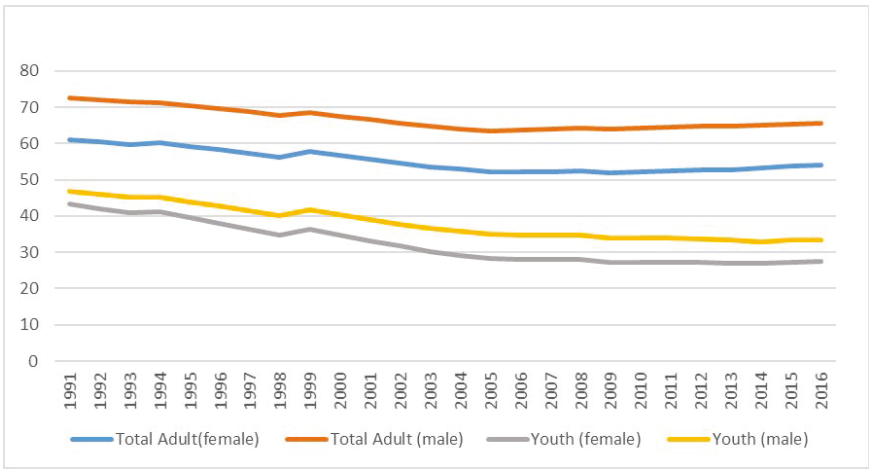


Source: Computation from KNBS statistical abstracts (2000-2016)



The employment-population ratio is one of the indicators that has been used to assess the ability of Kenya’s economy to create employment (GoK, 2014). A high ratio means that a large section of the population is employed, while a low ratio is vice versa. The Danish Trade Council for International Development and Cooperation (2016) notes that Kenya’s employment rate compared to its population is estimated at 61%; with a gender gap of 10% ranking between men (66%) and women (56%). Consequently, the youth employment-population ratio is low (32%) compared to the Sub-Saharan Africa (SSA) average of 59%. A computation of trends in the employment-population ratio in Kenya shows that though constant, the ratio in total population as well as for the youth population is higher for male than for the female (Figure 11).

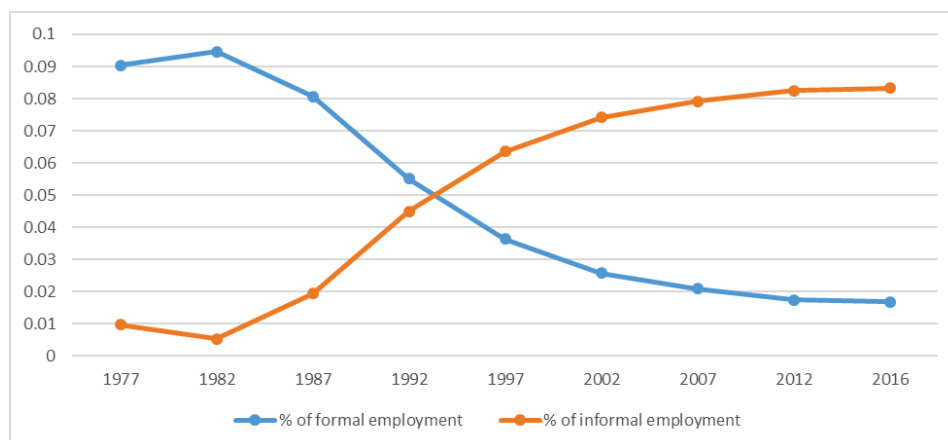
**Figure 11: Employment-population ratio**



Source: Computation from ILO Data (1991-2016)

Despite the unemployment trends, there has been an increasing significance in informal sector employment with a decrease in formal sector employment over the decades (Figure 12). About 82% of Kenya’s labor force is in the informal sector, with 12% in formal private employment and 6% in formal public employment (GoK, 2014). This has seen employment in Kenya shift to wage employment (WB, 2012). The GoK (2016) records that in the period 2010-2015, wage employment increased with 23%; the private sector dominated with 26% compared to the public sector which stood at 16%.

**Figure 12: Percentage of formal and informal sector employment in Kenya (1977-2016)**



Source: Computation from KNBS-Economic Surveys (1977-2016)

The economic recession of the early 90s, reforms in the public sector (retrenchment and restrictive government employment policy) and reduced economic activity in the main sectors of agriculture and manufacturing are among the factors that have reduced the formal sector's capacity for employment generation (Atieno, 2010). In addition, increased shedding of labor in the private sector due to restructuring have made it impossible for the formal sector to generate more employment. The implication of this is that with time, the informal sector will eventually get saturated. Omolo (2010) notes that Kenya's informal sector jobs are precarious in nature characterized by insecurity, poor wages and working conditions, and lack of social protection mechanisms. Even though informal sector employment has been a key driver to reducing unemployment in Kenya, informality remains a major productivity trap. Hence, without proper interventions to formalize and improve the informal sector, it cannot be relied on to effectively address the country's unemployment problem.

Sectoral distribution in employment is vital in understanding changes in employment (Table 1). The formal sector is dominated by men with only 29% constituting of women. Female wage employment is mostly in casual employment because women mostly engage in activities traditionally dominated by females while men are relatively evenly distributed across sectors, hence the concentration of women in the informal sector. Thus, the informal sector has become

an important employer of the female labour force in the country. However, the 1999 baseline survey shows that ownership of the informal sector enterprises is almost equally divided between male and females, with men owning 52% of the enterprises, while women owning the rest. Further, about 57.4% of the total informal sector labour force is generated by male owned enterprises while 42.6% is generated by female owned enterprises (CBS, 1999).

**Table 1: Employment distribution by sectors**

Employment categories	Total sample		Female		Males	
	Rural	Urban	Rural	Urban	Rural	Urban
Public sector	844 (4.2)	581 (15.6)	204 (1.9)	208 (11.2)	640 (6.9)	373 (20.0)
Private formal sector	628 (3.1)	630 (16.9)	123 (1.1)	153 (8.2)	505 (5.5)	477 (25.6)
Informal sector	2,422 (12.0)	1,206 (32.4)	795 (7.3)	509 (27.4)	1,627 (17.6)	697 (37.4)
Agriculture	6,408 (31.9)	215 (5.8)	2,903 (26.7)	116 (6.2)	3,505 (37.9)	99 (5.3)
Unpaid family work	8,512 (42.3)	727 (19.5)	6,166 (56.8)	640 (34.4)	2,346 (25.3)	87 (4.7)
Unemployed	1,296 (6.4)	365 (9.8)	663 (6.1)	235 (12.6)	633 (6.8)	130 (7.0)
Total	20,110 (100)	3724 (100)	10,854 (100)	1861 (100)	9256 (100)	1863 (100)

Source: Central Bureau of Statistics (1999) \*The figure in parenthesis are the percentages

### 2.3 A review of employment policies

Since independence, employment policies have been a priority for the government. The premise has been based on that economic development would generate employment which would subsequently increase income from employment opportunities, improve standards of living and reduce poverty (ILO, 1995; Republic of Kenya, 1964). It was perceived that long-term and sustained high rates of economic growth would facilitate generation of employment opportunities at rates higher than the proportion in the labor force (Omolo, 2010). To this end various employment policies to achieve this goal have been formulated and implemented, including the creation of productive and sustainable employment opportunities.

Kenya's public sector was the major employer before the 1990s. At independence, adoption of a *Kenyanisation* policy was key towards implementing a growth-oriented development strategy meant to facilitate increased employment opportunities for Kenyans by replacing foreigners<sup>1</sup> as well as higher wages was meant to cushion workers against unfair labour trigger productivity growth (Omolo, 2010). This saw, employment and training of indigenous Africans to fill vacant positions left by the colonial administration. Further other policy interventions to increase employment creation included employment exchange programmes, capacity building initiatives for vocational and technical training, development of the informal and *jua-kali* sector. The government, employers and trade unions signed agreements to increase employment by 10 per cent annually and that was to maintain a wage freeze during the period of the agreement (Republic of Kenya, 1969; 1973).

These employment creation strategies undertaken between 1964 and 1972 were expected, for instance that high wages would stabilize the labour force, lead to rapid growth in labour productivity and enhance industrial competitiveness and employment creation. Initially the *Nationalisation* policy saw an increase of employment by 2.8 per cent every year mainly from the public sector. Consequently, overall employment within the public service by Africans increased from 14.6 per cent to 97 percent in 1971, 2.9 per cent annual increase in labour productivity of wage employees and a 6.8 per cent increase in capital-labour ratio. On the other hand, strategies for the wage freeze and target to increase employment by 10 per cent were not achieved. Further as the government's role in productive activities of the economy increased through establishments of State Owned Enterprises (SOEs), there was an accelerated bloating of the public service. This was coupled by significant governance and institutional issues "weakened government capacity and effectiveness". (Ayee, 2005, Tangri ,1999, Jeffries,1993 and World Bank, 1989).

The *Sessional Paper No.1 of 1986 on Economic Management for Renewed Growth* called for measures to restructure the civil service. In the wake of Structural Adjustment Programs (SAPs), Kenya started implementing the Civil Service Reform Programme in early 1990s with an

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<sup>1</sup> Session Paper no. 10 on African Socialism aimed to fill vacant positions in the civil service and expanding the size of the civil service to meet the demands of a new independent nation. Since the civil service had a shortage of competent trained Kenyans, the government the government was keen to build human capacity to ensure the gradual transfer of control to indigenous Kenyans and it rolled out massive capacity building programs both locally and overseas

overarching goal to build a public service workforce responsive to the needs of citizens by improving the quality of public services. The reforms saw the reduction of the civil service through retrenchment, voluntary retirement schemes, divestiture and privatization of public enterprises. The policies were geared towards maintaining a macro-economic stability, lowering inflation, cutting deficit spending and reducing the scope and cost of government (Therkildsen 2001). While key milestones a decade into post-independence were realized, some employment creation policies were not effective. Hope (2012) notes that although “*the initial civil service retrenchment exercise proceeded quickly, its cost containment objectives did not result into pushing down the wage bill as had been envisaged and it also did not in any way improve public service delivery*”. For instance, in 1997 an additional large number of teachers were hired and a huge pay rise awarded (Kempe, 2012).

Between 1980- 1989 the government undertook active labor market policies that were meant to contribute to increased supply of labour by ensuring that the unemployed part of the labour force were actively seeking jobs and had the qualifications needed to fill new positions. These measures were to address the rapid growth of the labour force, mis-match in skills, inadequate labour market information, and the problem of job selectiveness particularly amongst the youth. The period 1990-2011 saw Kenya initiate short, medium and long term public works programs as a means of employment creation. In this period, employment policies emphasized acquisition and promotion of efficient use of labour market information, reliance on market forces to mobilize resources for sustained growth, provision of public infrastructure, industrial policy, enhancement of private sector investment and participation in the economy, promotion of industrial harmony and productivity and liberalization of the labour market (GoK, 1994a; 1994b; 1997a; 1997b; 1999; 2002).

Kenya’s Economic Recovery Strategy for Wealth and Employment Creation (ERS) 2003-2007 focused on “*empowering Kenyans in providing them with a democratic atmosphere under which all can be free to work and engage in productive activities to improve their standards of living*”. Several measures, *inter alia*, related to promoting employment creation included creation of 500,000 jobs annually. Further in 2003/04 a total of 487,000 jobs were created out of which 459,000 and 28,000 were in the informal and formal sectors, respectively. 94.3 per cent of all new jobs were from the informal sector (IMF, 2007).

The expiry of the ERS saw the government develop a long-term development agenda, the Kenya Vision 2030 that aims to “*transforming Kenya to a newly industrialized middle-income country by 2030*” The Vision is implemented through five-year Mid Term Plans (MTPs) and sector plans such as the Labour, Youth and Human Resource Development (2008-2012) and Labor and Employment (2013-2017) Sector Plans. The Vision 2030 recognizes that providing sustainable employment, increase the efficiency of both physical and human capital and raise total factor productivity.

In the MTP 1 (2008-2012) period, the number of new jobs created in the economy was 2,655,700 compared to target of 3,273,000. This means that the target on job creation was missed by an annual average of 38.86% over the MTP 1 period. There was a drop of jobs created in the modern sector from 74.2 thousand in 2011 to 68.0 thousand in 2012. The new jobs were created in building and construction sector, information and communication, education, and health sectors. However, 89.7% (591.4 thousands) of total employment created in 2012 (659.4 thousands) was in the informal sector (KNBS, 2013). Majority of labour force have been engaged in low productivity activities. Various policies and initiatives have since been developed and implemented including “*short, medium and long-term measures*” some of which have been geared to specific target groups such as women and the youth.

Four key employment related policies were developed during MTP II. These include Sessional Paper No. 2 of 2013 on Industrial Training and Attachment Policy; Sessional Paper No. 3 of 2013 on National Productivity Policy; Sessional Paper No. 4 of 2013 on Employment Policy and Strategy for Kenya; and Sessional Paper No. 1 of 2015 on National Policy on Elimination of Child Labour. In addition, the Diaspora Policy, and Public-Sector Workplace Policy on HIV and AIDS were formulated. The National Employment Authority Act, 2016 was legislated, creating the National Employment Authority. The National Industrial Training Authority (NITA)<sup>2</sup> and Micro and Small Enterprise Authority (MSEA)<sup>3</sup> were also operationalized during the Second MTP II period.

In MTP III there are policies and strategies earmarked for completion and these including a national Labour Market Information System (LMIS) for information on labor among members

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<sup>2</sup> Established by the Industrial Training (*Amendment*) Act of 2011

<sup>3</sup> Established by the Micro and Small Enterprise Act no 55 of 2012

states, migrant workers and Kenyans in Diaspora and provision of information on vocational training. In addition, an Integrated Human Resource Development Strategy to provide a framework for aligning the development of human resources to the country's development goals, labour market needs as well as emerging opportunities from regional integration will be developed.

The Constitution of Kenya, 2010, entitles citizens to basic human rights protections, including freedom from discrimination and the right to equality and fair labour practices and further prohibits child labour, forced labour and slavery. The constitution also requires two-thirds rule at all the levels of employment. Sub-section (8) of Article 27 of the constitution provides quantitative guides by specifying that measures should be taken to ensure that no more than two-thirds of members of elective or appointive bodies shall be of the same gender. Although the rule focuses on public institutions the private sector is encouraged to adhere to it. Employees have a constitutional right to join and participate in the activities of trade unions<sup>4</sup>. There are numerous registered trade unions in Kenya and many have large memberships. Trade unions are essential in negotiating favorable terms and conditions of employment for their members and, on the national front, agitating for adoption of employee-friendly government policies, laws and regulations.

A number of issues and controversies emerged in the quest to implement these policies; with some meeting their targets and others failing to do so. Table 2 gives a summary of the policy interventions that the government has tried to implement since independence with comments on challenges and status. 15 policy documents are selected and analyzed based on policy measures that would affect employment creation, directly or indirectly. The largest proportion of the documents consist sessional papers, followed by various legislations and other national policy development documents that complement the provisions of these policies. Labor market policies such as income and social protection were not dominant but are increasingly being addressed by policy. For example, in 2014 Kenya began implementation of a new National Social Security Act, 2013, which obliges every employer to make contributions on behalf of both public and private sector employees. This would mean that all public servants, including the military and police contribute into the new NSSF. Policy documents address employment challenges both

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<sup>4</sup> The first trade union in Kenya was the Labour trade union of Kenya (LTUK), formed by Makhan Singh in 1935.

from demand and supply side perspectives, labor market information, social inclusion and conditions for work. Recent policies lay great emphasis on technical/vocation, education and training particularly for the youth who are most affected by unemployment

**Table 2: Policies/Act/Institutions to pursue employment creation in Kenya**

Year	Employment Policy	Objective
1963-1972	Kenyanisation policy (1963-1972)	Increase employment opportunities for Kenyans through replacement of non-citizens (Republic of Kenya, 1983)
1983	Report of the Presidential Committee on Unemployment (1982/83) and the Sessional Paper No. 2 of 1985 on Unemployment	Address problem of unemployment as one of lack of access to income earning opportunities, whether in wage or self-employment. Both the Report and the Sessional Paper identified the major causes of unemployment in Kenya as rapid growth of the labour force, low economic growth rate, job selectiveness, seasonality of some of the industries, and skills imbalance. Others were inappropriate technology and failure of development programmes to focus on areas with greater employment potential.
1964,1970 & 1979	Tripartite agreements	Between government, employers and workers in 1964, 1970 and 1979 aimed at increasing employment levels by at least 10 per cent. This was conditioned on workers and their trade unions observing a wage freeze besides refraining from any industrial action during the period of the agreement.
1964-1972	Public works programs	To provide mass employment in labor-intensive areas such as road construction. These short-term measures of employment creation were augmented by wage policies, which initially targeted payment of high wages (1964-1972) before a reversal to a wage restraint in 1973
1973	minimum wage regulation and wage guidelines (Republic of Kenya, 1973).	Aimed at promoting economic growth, education and training, agricultural development, infrastructure, informal sector and industrial development, productivity growth and improvement in labour market information systems.
1980	active labour market policies	Identified existence of an informal or <i>Jua Kali</i> sector, which was considered instrumental in facilitating employment creation and income generation, especially among the lower-income segments of the population (ILO, 1995).
1986	public employment services and establishment of a National Employment Bureau (NEB).	NEB is mandated to provide public employment services such as registration and placement of job seekers. Inbuilt in this mandate is the collection, analysis and dissemination of labour market information
2007	Enactment of new labour laws	To ensure that the laws are responsive to contemporary economic and social changes as a



Year	Employment Policy	Objective
		<p>result of a Task Force appointed in 2001 which saw the enactment of</p> <ul style="list-style-type: none"> <li>• The Employment Act, 2007</li> <li>• The Labour Relations Act, 2007</li> <li>• The Occupational Safety and Health Act, 2007</li> <li>• The Work Injury Benefits Act, 2007</li> <li>• The Labour Institutions Act, 2007</li> </ul>
2010	The Constitution of Kenya, 2010	<p>The Bill of Rights includes “Labour Relations” under Article 41 of the Constitution. It provides that every person has “the right to fair labour practices” as well as the right to:</p> <ol style="list-style-type: none"> <li>a) fair remuneration</li> <li>b) reasonable working conditions</li> <li>c) joining and participating in trade unions;</li> <li>d) to go on strike.</li> </ol> <p>Further, Article 162 (2)(a) provides for the establishment of the ELRC with exclusive jurisdiction to determine and settle all labour disputes in Kenya.</p>
	The 8th National Development Plan (1997-2001)	Integrating productivity in wage determination establishment of a productivity centre to champion productivity improvement, and removal of labour market rigidities and distortions, especially wage guidelines
	National Employment Policy and Strategy for Kenya	Increase opportunities for the youth by creating jobs
	Development of an Integrated Human Resource Development Strategy	Align the supply and demand for human resources with the labour market.
	National Industrial Training and Attachment Policy*	Streamline linkages between training institutions and industry by promoting industrial training and attachment enabling training, acquire relevant and practical job skills.
	Policies on foreign Employment	Harmonize procedure for foreign employment administration
	Productivity Policy*	
	Wages and Remuneration Policy*	
	National Policy on Child Labor	Eradicate child labor through harmonization and coordination of various actors
	Social protection policy <sup>5</sup>	Place a universal social protection as in line with

<sup>5</sup> [http://www.africanchildforum.org/clr/policy%20per%20country/kenya/kenya\\_socialprot\\_2011\\_en.pdf](http://www.africanchildforum.org/clr/policy%20per%20country/kenya/kenya_socialprot_2011_en.pdf)

Year	Employment Policy	Objective
		Article 43 of the Constitution
2016	Internship Policy and Guidelines for the Public Service May 2016	Provides a framework for engagement and management of internship programmes in the public service.

Source: Authors compilation

## 2.4 International Conventions and Treaties

Kenya has signed and ratified 28 international conventions and treaties on labor, social protection and employment advocating for employee rights (Table 3). These conventions and treaties are relevant to domestic Laws and employment policies such as the Employment Act Cap 226 Labour Relations Act No. 14 of 2007 Labour Institutions Act No. 12 of 2007 Employment and Labour Relations Court Cap 234B, National Policy on child labor and Social Protection Policies among others. These laws and policies provide for rights of employees and addresses the following main areas: sexual harassment, forced labour, discrimination, right to inform employees of their rights and fair wages as well as other entitlements for employees which include reasonable working hours, leave, reasonable housing and medical attention.

8 out of the 28 conventions and treaties that Kenya has signed form the International Labor Organization (ILO's) "*Fundamental Conventions*" most critical to fundamental principles and rights at work. Further, 4 of them are "*Governance Conventions*" that promote a well-regulated and efficient labour market with focus to building national institutions and capacities that serve to promote employment. Other "*up-to-date*" conventions that ILO actively promotes. For example, the Minimum Age Convention (No. 138) and the Worst Forms of Child Labour Convention (No. 182) were mainstreamed into the Employment Act in 2007. Other sector specific conventions include those for Nurses, Fishermen and Seafarers.

**Table 3: International Ratified conventions on labor, social protection and employment**

Subject and/or right	Convention	Ratification date
<b>FUNDAMENTAL CONVENTIONS</b>		
<b>Freedom of association and collective bargaining</b>	C087 - Freedom of Association and Protection of the Right to Organise, 1948	1964
	C098 - Right to Organise and Collective Bargaining Convention, 1949	Not ratified

<b>Elimination of all forms of forced labour</b>	C029 - Forced Labour Convention, 1930 C105 - Abolition of Forced Labour Convention, 1957	1964 1964
<b>Abolition of child labour</b>	C138 - Minimum Age Convention, 1973 C182 - Worst Forms of Child Labour Convention, 1999	1979 2001
<b>Elimination of discrimination in employment</b>	C100 - Equal Remuneration Convention, 1951 C111 - Discrimination (Employment and Occupation) Convention, 1958	2001
<b>GOVERNANCE CONVENTIONS</b>		
<b>Labour inspection</b>	C081 - Labour Inspection Convention, 1947 C129 - Labour Inspection (Agriculture) Convention, 1969	1964 1979
<b>Employment policy</b>	C122 - Employment Policy Convention, 1964	Not ratified
<b>Tripartism</b>	C144 - Tripartite Consultation (International Labour Standards) Convention, 1976	1990
<b>UP-TO-DATE CONVENTIONS</b>		
<b>Working time</b>	C014 - Weekly Rest (Industry) Convention, 1921	1964
<b>Wages</b>	C094 - Labour Clauses (Public Contracts) Convention, 1949 C131 - Minimum Wage Fixing Convention, 1970	1964 1979
<b>Migrant workers</b>	C097 - Migration for Employment Convention (Revised), 1949 C143 - Migrant Workers (Supplementary Provisions) Convention, 1975	1965 1979
<b>Social security</b>	C118 - Equality of Treatment (Social Security) Convention, 1962	1971
<b>Rural workers and industrial relations</b>	C135 - Workers' Representatives Convention, 1971 C141 - Rural Workers' Organisations Convention, 1975	1979
<b>Vocational guidance and training</b>	C140 - Paid Educational Leave Convention, 1974 C142 - Human Resources Development Convention, 1975	1979
<b>Seafarers</b>	C146 - Seafarers' Annual Leave with Pay Convention, 1976 MLC - Maritime Labour Convention, 2006	1990 2014
<b>Specific categories of workers</b>	C149 - Nursing Personnel Convention, 1977 Minimum Age (Fishermen) Convention, 1959	1990

Formatted: French (Canada)

Source: Ministry of Foreign Affairs, ILO, Danish Trade Union Council for International Development Cooperation (Labor Market Profile, 2014)

## 2.5 Drivers shaping employment policies in Kenya

Kenya has taken measures to ensure equal and fair employment policies to encourage gender equality and policies to spur employment creation. This has led to the revision over the years of the various Kenyan laws and public policies leading to the enactment of the new labour laws, the revision of the labour relations section of the constitution and introduction of the various organization-based employment policies such as the equal employment policies (Republic of Kenya 2009; Muchangi et al, 2015). Further, the government has ratified various ILO conventions and included them into various legal frameworks and policy initiatives. Kenyan

labour laws are founded on 3 sources, namely, the Constitution; statute and contracts. Five key laws govern employment and labor practices in Kenya these include, the Industrial Court Act, the Employment Act, Labour Relations Act and Labour Institutions Act.

Kenya's labor market is dynamic and various policy priorities seem to drive employment policies in the country. A deeper analysis of these policies indicates eight policy areas which include macroeconomic and sectoral policies; Promotion of labor supply and demand; Active labor market policies; Enterprise development in promoting employment opportunities; Minimum wage and working conditions; Capacity development programs (education and training); Policies targeting vulnerable/disenfranchised groups; Policies targeting gender dimensions.

Policy measures focusing on education and training form key aspect of government interventions to ensure that skills and competencies are enhanced for the job market. In 2003, Kenya began free primary education to give a chance to every Kenyan to get numeracy and verbal skills to enhance their employability. The reorientation of the education system to vocational and technical areas also form a key aspect of employment policies that focus on education and training.

Since independence there have been many policies geared towards promoting enterprise development to create jobs in the private sector. The policies largely targeting women, youth and PWDs, currently provides preferential procurement opportunities for these groups through the Access to Government Procurement Opportunities (AGPO). Other measure includes the support of Youth and women to access finance for their enterprises through the Youth Enterprise Fund.

### **3.0 Institutional and regulatory framework for inclusive business in Kenya**

#### **3.1 Institutional Framework**

A number of institutions play a critical role in the private company (inclusive business), which is at the centre, the businesses within the company's value chain which include suppliers, distributors, wholesalers and retailers; the consumers with emphasis on the base of the pyramid (BoP) and the government which regulates the plays and the business environment. A critical competent of inclusive businesses is the ability for the businesses to access impact which then brings in the role of research institutions. Impact measurements are also carried out by the

inclusive businesses, by associations, and institutes for higher learning. Private companies introduced “sustainability reporting” as part of their governance mechanism. These sustainability reporting and measurement initiatives are informed by global developments including, Sustainable Development Goals (SDGs), Agenda 2063, the African Social Development Index developed by United National Economic Commission for Africa (Benner and Pastor 2016).

The United Nations has two initiatives aimed at enhancing sustainable and inclusive business practices; the United Nations Global Compact, which is a voluntary initiative, launched in July 2000, to motivate companies to commit to implement universal sustainability principles within their corporate policies and practices. In Kenya, these activities are undertaken by the UN Global Compact Network Kenya which is hosted by the Kenya Association of Manufacturers with over 500 Kenyan businesses as signatories to the Code of Ethics.<sup>6</sup> These principles are in the areas of human rights, labour, environment and anti-corruption<sup>7</sup>.

The second is the Business Call to Act (BCtA) which was launched in 2008 at the United Nations challenging companies to develop inclusive business models.<sup>8</sup> BCtA membership is informed by the time-bound commitment made by the company to advance SDGs through inclusive business models that engage BoP.<sup>9</sup> BCtA has 200 companies as member from 67 countries. In Kenya 40 businesses have made BCtA commitments (Business Call to Action, 2017). The latter two bodies including B Lab East Africa further provide inclusive businesses with a platform to obtain a certification or membership based on the respective institutional principals aimed at informing investors and consumers on the company’s social and environment performance. B Lab is a nonprofit organization that promotes “benefit corporations” which are companies that use “business as a force for good”. There are over 2,000 B Corps in over 50 countries. B Lab East Africa supports businesses in the region, approximately 10 in Kenya.<sup>10</sup>

Training institutions, possibly guided by these global developments, have over the years introduced programs aimed at building capacity in relevant fields including social entrepreneurship and sustainable enterprises. Additional knowhow, technical and financial

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<sup>6</sup> <http://www.globalcompactkenya.org/index.php/en/about/code-of-ethics/code-of-ethics-signatories>

<sup>7</sup> Detailed in <https://www.unglobalcompact.org/what-is-gc/mission/principles>

<sup>8</sup> <https://www.businesscalltoaction.org/>

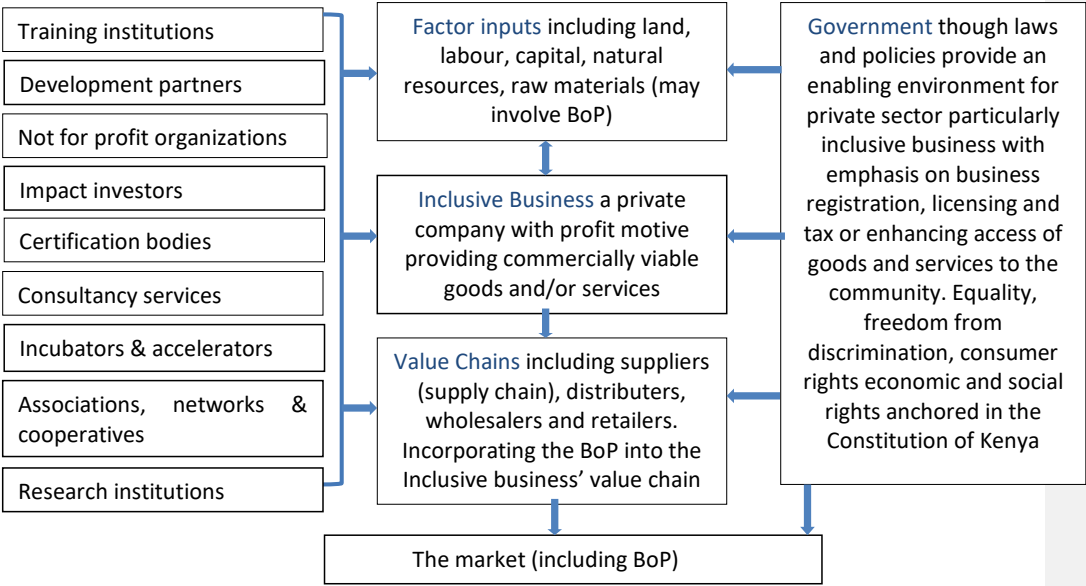
<sup>9</sup> <https://www.businesscalltoaction.org/join-bcta#>

<sup>10</sup> <https://b-labeastafrica.net/b-corp-community/#tgg-4>

resources in inclusive businesses in Kenya is availed by development partners, foundations and not for profit organizations. Financial support is further established through investors in the inclusive businesses (impact investors).

The associations, networks and cooperatives are critical in bringing together the stakeholders and members of the supply chain. Associations and networks particularly provide a number of different activities that offer benefits to members including training, research and convening forums for engaging with stakeholders and knowledge sharing. There are over 17,000 cooperatives in Kenya with over 10 million members (KNBS, 2016). Cooperatives’ role in the institutional framework is unique given it can operate as an inclusive business, form part of the business value chain or form part of the support institutions providing technical and financial support. Cooperatives and SACCOs also contribute greatly in terms of investments. Technical and infrastructural support, particularly for business start-ups. Kenya’s institutional framework for inclusive business is illustrated in figure 13.

Figure 13: Institutional Framework for Inclusive Business in Kenya



Source: Author’s construct

The institutions that have provided relevant programmes or initiatives as identified in the literature reviewed are further listed in the Table 4 below.

**Table 4: Key stakeholders in support of inclusive businesses in Kenya**

Institution	Stakeholder in Kenya
<b>Government</b> mainstream government ministries and agencies that provide business regulatory and business support services which benefit inclusive businesses	<ul style="list-style-type: none"> <li>▪ Registrar of Companies and Registrar of Societies (State Law Office);</li> <li>▪ County Governments</li> <li>▪ Central Bank of Kenya</li> <li>▪ Kenya Revenue Authority</li> <li>▪ Public Procurement Regulatory Authority (<i>Access to Government Procurement Opportunities (AGPO) in the National Treasury</i>)</li> <li>▪ Government regulatory and licensing agencies</li> <li>▪ Government Ministries such as Ministry of Agriculture (<i>e.g. Kenya Cereal Enhancement Programme (KCEP)</i>) and Ministry of Industry, Trade and Cooperatives</li> <li>▪ Public agencies such as International Trade Center - SITA / She trades programs.</li> </ul>
<b>Training institutions</b> providing capacity building in the area of inclusivity in entrepreneurship	<ul style="list-style-type: none"> <li>▪ United States International University The university offers a graduate study of Master of Business Administration with concentration in Global Social and Sustainable Enterprise</li> <li>▪ Tangaza University College offers a Master of Business Administration in Global Business and Sustainability- Social Entrepreneurship Track</li> <li>▪ Regional Institute for Social Enterprise/The Catholic University of East Africa offers a Diploma/Certificate in Social Entrepreneurship</li> <li>▪ Amani University offers a Master of Science in Social Innovation Management</li> </ul>
<b>Development partners and global foundations</b> providing financial and technical support in inclusive economies	<ul style="list-style-type: none"> <li>▪ International Finance Cooperation (IFC) <i>Inclusive Business</i></li> <li>▪ Rockefeller Foundation</li> <li>▪ Bill and Melinda Gates Foundation <i>Pathways for Prosperity: A new Commission on Technology and Inclusive Development</i></li> <li>▪ Conrad Hilton Foundation</li> <li>▪ Ford Foundation</li> <li>▪ Clinton Foundation – <i>enhance Livelihoods Investment Initiative (ELII)</i></li> <li>▪ <i>International Development Research Centre (IDRC)</i></li> <li>▪ United States Agency International Development (USAID) (through programs such as <i>The Kenya Maize Development Programme (KMDP), Kenya Dairy Sector Competitiveness Program &amp; Kenya Horticulture Development Program (KHDP)</i>)</li> <li>▪ UK Aid</li> <li>▪ Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH (GIZ)</li> </ul>

	<ul style="list-style-type: none"> <li>▪ Business Call to Action (BCtA) which is a multilateral alliance amongst, Dutch Ministry of Foreign Affairs, the Swedish International Development Cooperation Agency (Sida), the Swiss Agency for Development and Cooperation, the UK Department for International Development (DFID), the US Agency for International Development (USAID), and the United Nations Development Programme –</li> </ul>
<b>Local foundations</b> <i>providing mentorship, internships, education sponsorship and social investment to needy members of the community</i>	<ul style="list-style-type: none"> <li>▪ KEPSA Foundation</li> <li>▪ KCB Foundation</li> <li>▪ Safaricom Foundation</li> <li>▪ Equity Group Foundation</li> <li>▪ Family Bank Foundation</li> <li>▪ EABL Foundation</li> <li>▪ Kenya Community Development Foundation</li> <li>▪ National Oil Foundation</li> </ul>
<b>Not for profit organizations</b> <i>providing capacity development, technical support and/or funding</i>	<ul style="list-style-type: none"> <li>▪ Oxfam International</li> <li>▪ The British Council's Global Social Enterprise programme</li> <li>▪ Financial Sector Deepening- Kenya (FSD)</li> <li>▪ One Acre Fund</li> <li>▪ International Labour Organization (ILO)</li> <li>▪ United Nations Capital Development Fund (UNCDF)</li> <li>▪ United Nations Industrial Development Organization (UNIDO)</li> <li>▪ United National Economic Commission for Africa (UNECA)</li> <li>▪ International Fund for Agricultural Development (IFAD)</li> <li>▪ Food and Agriculture Authority (FAO)</li> <li>▪ The AECF</li> <li>▪ Technoserve</li> </ul>
<b>Impact investors /impact-led investors</b>	<ul style="list-style-type: none"> <li>▪ Acumen</li> <li>▪ Root Capital</li> <li>▪ Lundin Foundation</li> <li>▪ Willow Impact Investors</li> <li>▪ Truestone Impact Investment Management Ltd</li> <li>▪ Novastar</li> <li>▪ Oiko Credit</li> <li>▪ Beyond Capital</li> <li>▪ Global partnerships</li> <li>▪ AHL Growth Fund</li> <li>▪ Kenya Climate Ventures</li> <li>▪ AlphaMundi Group</li> <li>▪ Intellect investment banking services</li> </ul>
<b>Certification bodies</b>	<ul style="list-style-type: none"> <li>▪ B Lab East Africa Support private companies in enhancing social and environment performance; transparency and accountability</li> </ul>



	through “Certified B Corporations” “people using business as a form for good
<b>Consultancy services</b>	<ul style="list-style-type: none"> <li>▪ Sustainable Inclusive Business (SIBKenya)</li> <li>▪ Intellectap</li> <li>▪ Unreasonable Institute</li> </ul>
<b>Incubator accelerators and</b>	<ul style="list-style-type: none"> <li>▪ Kenya Climate Innovation Centre</li> <li>▪ Fablab Nairobi</li> <li>▪ Impact Amplifier (Green Pioneer Accelerator)</li> <li>▪ Growth Africa</li> <li>▪ iHub</li> <li>▪ @iLabAfrica</li> <li>▪ iBiz Africa</li> <li>▪ Sinapis</li> <li>▪ Nailab</li> <li>▪ Kenya Feed the Future</li> <li>▪ Kenya Kontry Business Incubator (KeKoBI)</li> <li>▪ 88Mph</li> <li>▪ Chandaria Business Innovation and Incubation Centre</li> <li>▪ LakeHub</li> <li>▪ AfriLab</li> <li>▪ Intellectap</li> </ul>
<b>Associations, networks and cooperatives</b>	<ul style="list-style-type: none"> <li>▪ Kenya Bankers Sustainable Finance Catalyst Awards which was launched in September</li> <li>▪ Kenya Private Sector Alliance supports the Code of Ethics for Business in Kenya*</li> <li>▪ Sustainable Inclusive Business (SIBKenya) established under the KEPSA Foundation supports businesses by encouraging them to take responsibility for their business impact</li> <li>▪ Kenya Association of Manufacturers (KAM)</li> <li>▪ Global Compact Network Kenya (hosted by KAM) launched in 2007 with 141 participants. The network is part of the United Nations Global Compact (<a href="https://www.unglobalcompact.org/">https://www.unglobalcompact.org/</a>) a call for companies to adopt universal principles on human rights, labour, environment and anti-corruption and to promote the advancement of societal goals thus committing to sustainability. Kenya</li> <li>▪ *Code of Ethics for Business in Kenya: an initiative by the business community of Kenya to promote and enhance the ethics of business conduct in Kenya in line with the ten principles of the UN Global Compact in the areas of Human Rights, Labour Standards, Environment and Anti-corruption.</li> <li>▪ Social Enterprise Society of Kenya umbrella body for social enterprises in Kenya. SESOK services includes training, social impact measurement and business planning and advisory amongst others</li> </ul>

	<ul style="list-style-type: none"> <li>▪ Ashoka a platform and a global network that supports social entrepreneurs operating in 93 countries</li> </ul>
	<ul style="list-style-type: none"> <li>▪ ANDE (Aspen Network of Development Entrepreneurs) Global-East Africa regional Chapter. This brings together ANDE members supporting businesses in East Africa. ANDE is a global network of organizations launched in 2009, “that propel entrepreneurship in emerging markets as a way to create prosperity for the world’s poor”. There over 200 active members in over 150 countries. ANDE offers the following services; advocacy and education, funding, knowledge sharing, networking, metrics and evaluation, research and training</li> </ul>
	<ul style="list-style-type: none"> <li>▪ Cooperatives: which are either agricultural or non-agricultural (largely in transport, consumer and housing). The agricultural cooperatives cover Kenya’s key agricultural produce which include coffee, cotton, pyrethrum, sugar and dairy. They play an important role in supporting the farmers with respect to inputs, market access, credit and in some instances training. They can also form part of the value chain or be constituted as an inclusive business where members are part of their supply chain.</li> </ul>
<b>Research institutions</b> <i>research on inclusive business or impact assessments which are however not limited to research institutions</i>	<ul style="list-style-type: none"> <li>▪ SocEntLab is a social enterprise think tank focusing on developing the entrepreneurship ecosystem across the African continent</li> <li>▪ Intellectap provides research services</li> <li>▪ B Lab measures impact of businesses using B Impact Assessment and B Analytics</li> <li>▪ Research also conducted by other institutions especially the development partners, not for profit organizations, networks, associations</li> </ul>

**NB: this is not a comprehensive list of stakeholders**

*Source: British Council (2017), The State of Social Enterprise in Kenya; Business Call to Action (2017) New Horizons; Accelerating Sustainable Development through Inclusive Business in Kenya; Food and Agriculture Organizations of the United Nations (2015), Inclusive Business Models’ Guidelines for Improving Linkages between Producer Groups and Buyers of Agricultural Produce and authors’ compilation*

The interaction of stakeholders in the inclusive business institutional framework is largely informed by the needs of the stakeholders which are matched to the opportunities. As indicated in table 4 above, needs and opportunities are present in Kenya’s landscape. Development partners, non for-profit organizations and foundations and impact investors for instance provide inclusive businesses with financial and technical assistance. Technical support is also available through incubators, associations and cooperatives. Support provided by these institutions is however not limited to inclusive businesses as value chain/supply chain players including input and market providers also benefit depending on the design of the initiative or program.

### **3.2 Regulatory Framework**

There are no laws in Kenya that directly address inclusive business. However, there are laws that promote corporate responsibility (with also includes responsibility of cooperatives, societies and not for profit organization), and promote equity and economic empowerment. Other laws provide incentives for industrial growth, that promote ‘fair’ business practices and financial inclusion that indirectly have a role to play, particularly given the business regulatory environment (Table 5). Further, the Constitution of Kenya (2010) establishes some principles and rights that have relevance to inclusive business. These include the right to life; to equality and freedom from discrimination; to human dignity, freedom from slavery, servitude and forced labour, labour relations; economic and social rights and consumer rights.

**Table 5: Institutional and regulatory frameworks for Inclusive Business in Kenya**

	Regulatory framework	Objectives	Implementing body
Institutional organization/ formalization	Companies Act (No 17 of 2015)	<ul style="list-style-type: none"> <li>Provides for incorporation, registration, operation, management and regulation of companies</li> <li>Provides obligations of director which include; <ul style="list-style-type: none"> <li>Directors obligated to act within the interests and constitution of the company</li> <li>Directors to promote the success of the company for the benefit of its members and have regard to “the need to foster the company's business relationships with suppliers, customers and others”</li> <li>Duty of directors to exercise reasonable care, skill and diligence in relation to the company</li> </ul> </li> </ul>	Business Registration Service Registrar-General Registrar of Companies
	Co-operative Societies Act (CAP 490)	<ul style="list-style-type: none"> <li>To provide for the registration and regulation of cooperative societies.</li> <li>Establishes the membership and management of cooperatives including dispute settlement mechanisms</li> <li>Cooperative societies are established to promote the welfare and economic interests of it's members</li> </ul>	Commissioner for Co-operative Development
	Societies (CAP 108)	<ul style="list-style-type: none"> <li>To provide for the registration and regulation of societies in Kenya</li> <li>Defined as club, company, partnership or other association of ten or more persons</li> </ul>	Registrar of Societies
	Non-Governmental Organization Co-ordination (CAP 134)	<ul style="list-style-type: none"> <li>To provide for the registration, co-ordination and regulation of non-governmental organizations in Kenya</li> </ul>	National Council of Non-Governmental Organizations
Investment facilitation	Investment Promotion Act (No 6 of 2004) Foreign Investment Protection Act (CAP 518) Public Private Participation Act (No 15 of 2013)	<ul style="list-style-type: none"> <li>Facilitate private sector investment</li> <li>Facilitate foreign investment</li> <li>Provide for the regulatory framework for participation of the private sector in the financing, construction, development, operation, or maintenance of infrastructure or development projects of the Government through concession or other contractual arrangements</li> </ul>	Public Private Partnership Committee Kenya Investment Authority

	Regulatory framework	Objectives	Implementing body
	<p>Special Economic Zones (No. 16 of 2015)</p> <p>Export Processing Zones (CAP 517)</p> <p>Science Technology and Innovation Act (no 28 of 2013)</p>	<ul style="list-style-type: none"> <li>• Provide infrastructural support and incentives for specific industry players</li> <li>• Provide for the promotion and facilitation of global and local investors</li> <li>• Provide for the promotion and facilitation of export <ul style="list-style-type: none"> <li>◦ Innovation, Science and Industrial parks</li> <li>◦ Research institutions including Kenya Research and Development Institute (KIRDI) which also provides business incubation services</li> </ul> </li> </ul>	<p>Special Economic Zones Authority</p> <p>Export Processing Zones Authority</p> <p>Kenya Innovation Agency</p> <p>Kenya Research and Development Institute</p>
Financial inclusion	National Payment System Act (CAP 493E)	<ul style="list-style-type: none"> <li>• To regulate mobile and other payment systems and operations</li> <li>• Provides a dispute settlement mechanism</li> <li>• Has consumer protection mechanism</li> </ul>	Central Bank of Kenya
	<p>Banking Act (CAP 488)</p> <p>Central Bank of Kenya (CAP 491)</p>	<ul style="list-style-type: none"> <li>• Facilitate financial inclusion established through different institutions including; <ul style="list-style-type: none"> <li>◦ Guideline on agent banking (issued under Section 33(4) of the Banking Act)</li> <li>◦ Central Bank of Kenya Prudential guidelines (issued under section 3,4, &amp;5 of the Banking Act)</li> <li>◦ e-money regulation (issued under section 57(1) of the CBK Act);</li> </ul> </li> </ul>	
Business environment (prompting fair business practices)	<p>Proceeds of Crime and Anti-money laundering Act (No 9 of 2009)</p> <p>Public Officer Ethics Act (No 4 of 2003)</p> <p>Anti-Corruption and Economic Crimes Act (No 3 of 2003)</p> <p>Bribery Act (No 47 of 2016)</p>	<ul style="list-style-type: none"> <li>• To combat illicit financial flows</li> <li>• To ensure that all payments to governments from large companies are transparent</li> <li>• To combat bribery as relates to public offices, businesses and other body of persons. <ul style="list-style-type: none"> <li>◦ Private companies are to put in place procedures to prevent bribery</li> </ul> </li> </ul>	National Treasury; Kenya Revenue Authority; Anti Money Laundering Agency; Cabinet Committee on Anti-Corruption
	<p>Industrial Property Act (No 3 of 2001)</p> <p>Trademark Act (CAP 506)</p>	<ul style="list-style-type: none"> <li>• To protect intellectual property rights this includes; <ul style="list-style-type: none"> <li>◦ Patents</li> <li>◦ Industrial designs</li> <li>◦ Trademarks</li> </ul> </li> </ul>	<p>Kenya Industrial Property Institute</p> <p>Kenya Copyright Board</p>

	Regulatory framework	Objectives	Implementing body
	Copyright Act (No 12 of 2001) Science Technology and Innovation Act (no 28 of 2013)	<ul style="list-style-type: none"> <li>○ Copyrights</li> <li>• To promote innovation</li> </ul>	Kenya Innovation Agency
	Standards Act (CAP 446) Trade Descriptions Act (CAP 505) Weights and Measures (CAP 513) Competition Act (No 12 of 2010) Consumer Protection Act (No 46 of 2012) Anti-Counterfeit Act (No 13 of 2008)	<ul style="list-style-type: none"> <li>• To protect consumers from market contact with               <ul style="list-style-type: none"> <li>○ Unfair trade or business practices,</li> <li>○ False or misleading information or representation on products and services</li> <li>○ False or misleading indication on the price of goods and services</li> <li>○ Sub-standard goods</li> <li>○ Counterfeit goods</li> </ul> </li> <li>• To provide for consumer rights</li> <li>• To enhance consumer welfare</li> <li>• To provide for the standardization of commodities and codes of practice</li> <li>• To provide for unit of weight and measures used in Kenya and the testing of measurement instruments</li> </ul>	Weights and Measures department Kenya Industrial Property Institute Competition Authority Kenya Consumers Protection Advisory Committee
Business licensing	County finance Acts Business licensing acts	<ul style="list-style-type: none"> <li>• Counties and regulatory agencies provide fees, charges and permits for operating certain industries and/or locations</li> </ul>	Countries and regulatory agencies
	Statutory Instruments Act	<ul style="list-style-type: none"> <li>• Provides for the making, scrutiny, publication and operation of stator instruments including rule, order, regulation, tariff, costs or fees</li> </ul>	Regulation-making authority
Economic Empowerment and Equity	Public Procurement and Asset Disposal Act (No 33 of 2015) Persons with Disability Act (No 14 of 2003) National Gender Equality Commission (Act no 15 of 2011)	<ul style="list-style-type: none"> <li>• Provides preferential procurement by public entity to targeted group (women, youth, persons with disabilities) as suppliers (persons who enter into procurement contact with a procuring entity)</li> <li>• Promote equal opportunities for persons with disabilities including schemes and projects for self-employment or regular or sheltered employment for the generation of income by persons with disabilities</li> <li>• Promote gender equality</li> </ul>	Public Procurement Regulatory Authority National Council for Persons with Disabilities National Gender and Equality Commission

	<b>Regulatory framework</b>	<b>Objectives</b>	<b>Implementing body</b>
Social protection	<p>The National Social Security Fund Act (No. 45 of 2013)</p> <p>National Hospital Insurance Fund Act (No 9 of 1998)</p> <p>Pensions Act (CAP 189)</p> <p>Retirement Benefits Act (No 3 of 1997)</p> <p>Social Assistance Act (No 24 of 2013)</p>	<ul style="list-style-type: none"> <li>• To provide social protection including social safety nets</li> <li>• To provide social assistance to persons in need</li> <li>• To provide retirement benefits</li> <li>• To provide for grants and other allowances of public services of officers under the Government of Kenya</li> </ul>	<p>National Social Security Fund (NSSF)</p> <p>National Hospital Insurance Fund (NHIF)</p> <p>National Social Assistance Authority</p> <p>Retirement Benefits Authority</p>
Labour laws	<p>Employment Act, 2007 (No. 11 of 2007)</p> <p>Employment and Labour Relations Court Act, 2011 (No. 20 of 2011)</p> <p>Labour Relations Act (No. 14 of 2007)</p> <p>Labour Institutions Act (No. 12 of 2007)</p> <p>Occupational Safety and Health Act, (No.15 of 2007) (the “OSHA ”),</p> <p>Work Injury Benefits Act. (2007)</p>	<ul style="list-style-type: none"> <li>• Establish the conditions of employment in Kenya and the rights of employees with respect to Maternity and Paternity leave, sick leave and other leave, remuneration rights. The law also establishes the duties and obligations of employees.</li> <li>• To provide for prohibition of child labour, forced labour and discrimination</li> <li>• To provide for the safety, health and welfare of employees</li> <li>• To provide for compensation to employees for injuries or illness suffered during the course of employment</li> <li>• To establish a mechanism to determine employment and labour relations disputes</li> <li>• To provide for the safety, health and welfare of workers</li> </ul>	<p>National Labour Board</p> <p>National Council for Occupational Safety and Health</p> <p>Committee of Inquiry</p> <p>Labour Administration and Inspection</p> <p>Wages Council</p> <p>Employment Agencies</p> <p>Ministry of East African Community Labour and Social Protection</p> <p>Employment and Labour Relations Court</p> <p>Industrial Court</p> <p>Registrar of Trade Unions</p> <p>National Council for Occupational Safety and Health</p>

Data source: Respective laws- authors' compilation

#### **4.0 Practice of inclusive business by sectors in Kenya**

##### **4.1. Overview of Inclusive Business Initiatives in Kenya**

In the last decade, Kenya's business environment has greatly improved, and the trend is likely to continue in the future. This has been attributed to growing markets and opportunities that have led to a vibrant private sector. Though facing some volatility, the private sector has exhibited an impressive growth, making a direct contribution to inclusive business for more inclusive growth (ADB, 2013). Consequently, an array of business assistance programs such as sheltered estates, Export Processing Zones (EPZ) and financial-assistance schemes have been introduced with the aim of empowering entrepreneurs and promoting economic development. The EPZ program offers a range of attractive incentives to ensure low cost and smooth operations, fast set up and high profitability, facilitating the investment process. In Kenya, one of the most common mechanisms that has been employed to enable businesses to develop within a controlled environment is business incubation (Meru and Struwig, 2015).

The rise of Micro, Small and Medium Enterprises (MSMEs) as important drivers of economic growth have accelerated the business incubation process through the provision of training, business support, financial support, technology support, infrastructure, mentoring and networking services. The Kenya Industrial Estates (KIE) provides affordable workspace through construction of industrial estates/incubators for fast growing businesses, which help in nurturing growth of their enterprises to sustainable levels. Also, the enterprises within the incubators are able to access financial support for machinery, equipment, working capital, shared utility services, management and technical assistance. Despite this, a majority of MSMEs self-finance their businesses. Bauer et al. (2015) observed that by 2013, close to 68% of Kenyan enterprises face financial challenges as only 36% have had access to loans (Johnson and Arnold, 2012). The importance of financial sector on poverty reduction is greater through indirect effects on growth and labor market than through direct effects of employment creation through credit provision. Therefore, financial inclusion focus is on the individuals being reached by financial services as the sector expands; and whether the barriers to access have been tackled in the process.



Kenya is one of the leading countries in the African continent in the context of financial service provision developments. Among the contributors to Kenya's financial market is Equity bank which has expanded its customer base through its branch networks not only domestically but around the globe, Central Bank (CBK, 2009). One of the mechanisms that the bank has applied to ensure financial inclusion is charges per transaction rather than a required minimum balance to operate an account. In addition, initiatives such as 'wings to fly' have seen brilliant children from poor households receive scholarships to pursue higher education.

Although Kenya's economy remains small by global standards, it is one of the most diversified and advanced compared to some African countries. The economy is the largest in East and Central Africa and has experienced considerable growth in the past few years (KenInvest, 2017). Whilst agriculture remains the mainstay of the economy, the manufacturing sector has observed a significant rise over the recent years, with the real estate and service sectors also exhibiting remarkable improvements. Kenya tries to stabilize its political environment through policies that promote growth and provide a more secure environment for trade and private sector investment. Price and exchange controls have been abolished and measures to sustain macro-economic stability such as prudent fiscal and monetary policies, improved economic governance, and privatization of a number of public enterprises have been instituted.

Legally, foreign investors seeking to establish a business venture in Kenya receive almost the same treatment as local investors. There exists a guaranteed capital repatriation and remittance of dividends and interest to foreign investors, giving them liberty to convert and repatriate their profits. Moreover, private enterprises, both foreign and domestic, can freely establish, acquire, and dispose of business enterprises. Kenya's membership to regional economic blocs coupled with other strategic geographic positions makes the country the gateway to regional markets. This has opened the borders, enabling interactions and businesses with over 135 and 450 million people in the East African Community (EAC) and Common Market for Eastern and Southern Africa (COMESA) markets, respectively. In addition, Kenya is a beneficiary of trade preferential arrangements such as African Growth and Opportunities Act (AGOA) and Economic Partnership Agreement (EPA) which gives duty free access to the European Union (EU) among others.

A review of inclusive businesses and for profit social enterprises in Kenya reveals that they are cross cutting in terms of key economic sectors (see Annex 1). Kenya's inclusive business

initiatives are further targeting the BoP either as part of the value chain, or as consumers, or both, in various parts of the country, particularly the rural or those in informal settlements, while providing goods and services on a commercial viable basis. According to the *New Horizons; Accelerating Sustainable Development through Inclusive Business in Kenya* report, which obtained insights from 50 companies engaging in inclusive businesses in Kenya; majority of the business fall in the small and medium size category and the key motive for engaging in inclusive business was to development competitive advantage; to increase profitability; increase productivity and reduce costs.

Over 70% of what the study refers to as impact enterprises are located in urban areas and a similar proportion cater to both rural and urban customers. A large proportion of these enterprises receive financial support from donors and foundation though many rely on personal funds and funds from family and friends. Impact enterprises are “businesses that aim to generate profits and create a positive social impact.” Majority of the impact enterprises in East Africa offered clean energy and agricultural products (Intellectap, 2015, p1).

A number of these inclusive businesses touch on Kenya’s industrial sector: Particularly energy and manufacturing industrial sectors. The industrial sector comprises of a number of economic activities which include mining and quarrying, manufacturing, electricity, gas, steam, air conditioning supply, water supply, sewerage, waste management and remediation activities (GoK, 2013). Other key other sectors are agriculture and services sector (particularly financial and/or technology).

#### **4.1.1 Financial and FinTech Services**

Kenya’s financial sector is diverse as it includes banks, micro finance institutions, Savings and Credit Cooperative Societies (SACCOS), capital markets, insurance, pensions, foreign exchange bureaus and technology companies providing financial solutions (FinTech companies) particularly mobile banking. The developments in Kenya’s financial sector have contributed to an increase of the number of Kenya financial included formally, to 75.3% in 2016 from 26.7% in 2006. Some of the interventions introduced include the introduction of agency banking, the penetration of mobile banking which reports of 28.2 million subscribers (CAK, 2018) and introduction of affordable financial services including micro-insurance and SME banking

(Annex 1). Though the bottom of the pyramid, are less included; with exclusion reported at 42% of the poorest quintile, the rural population still have limited access to financial services where 31% are excluded compared to 13.6% in urban population, there have been significant improvement over the years from Rural financial exclusion has however reduced over the years.

#### **4.1.2 Energy**

Majority of the energy products provided by inclusive businesses are clean energy and clean stoves. This is a sector that seems to target the Bottom of Pyramid. This is based on the energy stack model which explains domestic fuel use and choices as informed by the household's socio-economic status. Those at the bottom there are more likely to utilize primate fuels like biomass and wood with improvements into transition fuels such as kerosene and charcoal. It is estimated that 60% of cooking energy in Kenya is from biomass, which is the bottom of the energy ladder (Government of Kenya, 2015). The increased focus on energy solutions from inclusive businesses in Kenya is therefore tackling a present social and environmental need. This is because energy sources at the bottom of the energy ladder tend to negatively impact the environment, contributed to health and safety concerns. The homesteads at the bottom of the pyramid are also less likely to have access to electricity, majority use kerosene for lighting. As indicated in the Annex 1, a number of the inclusive business initiatives in provision of clean and affordable energy, cognizant of the low incomes of the target market, have introduced innovative financial mechanism which assists the BoP to purchase the energy solution.

#### **4.1.3 Health services**

Kenyans are entitled to “highest attainable standard of health” as part of every person's economic and social rights enshrined in the Constitution of Kenya 2010. Primacy healthcare services were further devolved to counties under the Constitution. Counties however, experience challenges that limit their ability to provide affordable and quality healthcare services effectively and equitably. The key concern from a public-sector point of view is provision of sustainable financing of healthcare, effective service delivery and adequate and appropriate health infrastructure (KIPPRA, 2016). The private sector plays an important role in health service provision, with a number of inclusive business models coming up through provision of low-cost

healthcare services in densely populated low-income areas in Kenya with the aim of benefiting from the high volume (Annex 1).

#### **4.1.4 Agriculture and agribusiness**

In Kenya the agriculture sector plays an important role as a source of employment, particularly in rural areas accounting for 75% of total labour force. It is the country's source of food and raw materials for industry. In fact, over 65% of all manufactured products in Kenya are agriculture-based (KNBS, 2017). The agricultural sector remains the greatest contributor to GDP and provides employment, income in the country and further provides food security needs for more than 80 per cent of the population (UNEP, 2015). Woodhill (2016) notes that about 3 billion people at the bottom of the economic pyramid highly depend on agriculture as a source of their livelihoods, for food security and nutrition; hence it's fundamental to global stability and prosperity. It is therefore not surprising that a number of inclusive businesses will engage with farmers and will participate in agribusiness. The agricultural sector is however faced with challenges like low agricultural productivity often as a result of poor farming systems, over-reliance on rainfall and high costs of inputs. The sector is further challenged with low value addition and high post-harvest losses with certain parts of the county food insecure (KIPPRA, 2017). This is likely the motivation factor driving agribusinesses to support their input providers to farmers, to improve their productivity and quality.

Inclusive agribusiness is the application of inclusive business idea to the agriculture and food sectors; it overlaps with other concepts such as the market systems approach, the Bottom of Pyramid and sustainable value chain development (Woodhill et al., 2012). The core of inclusive agribusiness delves around; research and innovation, upgrading smallholders' production factors, information dissemination through training, enforced rules and strengthened linkages within food value chains (BMZ, 2012). As provide in Annex 1, key inclusive agribusiness in Kenya have such initiatives in place. Domestic markets are undergoing rapid and uneven modernization, with large scale suppliers dominating over small scale farmers in high value and export markets. This has posed a challenge in the development of agricultural food systems since smallholders' form bulk of the global agri-food supply (Vorley et al., 2009). Therefore, over the past decade, focus has been on improving market opportunities for smallholder farmers. The value chain approach has been widely used especially for smallholders who take risks beyond the farm gate and local

sport markets (Kelley et al., 2015). Linking smallholder farmers to markets has been a combination of one or more business models mainly; producer, buyer, public sector or intermediary driven (Table 6). Such models have successfully operated in agricultural subsectors like cotton and tea.

**Table 6: Drivers of inclusive agribusiness models**

Type	Driver	Objective
Producer-driven	Small-scale producers themselves	New markets
		Higher market price
		Stabilize market position
	Large farmers	Extra supply volumes
Buyer-driven	Processors	Assure supply
	Exporters	
	Retailers	
Intermediary-driven	Traders, wholesalers and other traditional market actors	Supply more discerning customers
	NGOs and other support agencies	Make markets work for the poor'
	National and local governments	Regional development

Source: Vorley et al. (2009)

## 4.2 Inclusive Businesses in Kenya's agribusiness

### 4.2.1 Cotton sector

Globally, cotton has a high growth potential due to the high intrinsic quality of the fibre. Further, it is handpicked hence unit production costs are low. However, Kenya has failed to achieve this potential due to poor production technologies and skills, inadequate infrastructure and poor mechanisms for storage, handling and transportation. As a result, the potentially high-value cotton eventually becomes contaminated, incurring additional costs for ginners thus adversely affecting quality and price (World Bank, 2009; Gertz, 2008; ACTIF, 2013). In addition, prior to market liberalization, the textile and clothing industry was the main industrial sector employing close to 30% of the manufacturing labour force. Unfortunately, the cotton industry was unable to compete with imported cheap clothes after liberalization. This saw the exit of firms along the cotton value chain which mainly affected smallholder farmers. According to the Export Processing Zone Authority (EPZA, 2005), cotton production is a source of income for small

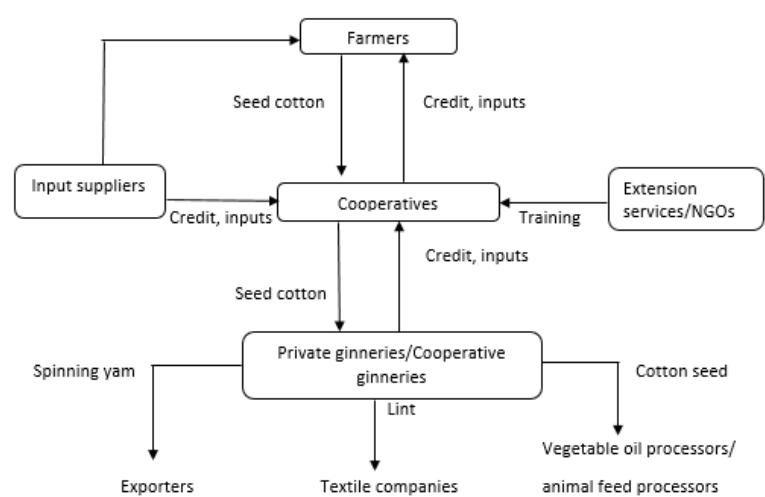
producers because of it is non-perishable and easy-to-store; an estimated 140,000 smallholder farmers depend on the sector.

In response to this crisis, the government partnered with other organizations; (i.e. FAO, FCI & CODA) to assist in the development of the cotton industry and support smallholder market integration. An inclusive business approach was introduced in the major cotton producing areas (Eastern, Western and Nyanza provinces), with the purpose of strengthening business relations and operations among farmers, cotton cooperatives, ginners and other stakeholders along the value chain. Appraisal of the business model was based on the challenges faced by the cotton subsector which include low prices, high cost of inputs, poor quality of produce, low volumes of output, inconsistent supply, lack of management skills and emergence of ineffective cooperatives (World Bank 2011). Many cooperatives exist but they offer limited collective marketing support, forcing farmers to sell their produce individually. About 77 cooperatives exist in the cotton sector but not even a quarter of them are active. Hence, the initial value chain that existed basically involved cotton seeds supplied to ginners which were of low quality thus fetching lower prices. In addition, there was a delay in payment which discouraged farmers from extending their production. The ginners then sell their output to textile and vegetable oil companies.

The upgraded business model prioritized on potential areas for inclusive growth (FCI, 2011). Using a participatory approach, cooperatives were trained on group dynamics, leadership, operations management, agribusiness management, financial planning, contract farming, and marketing (figure 14). This aimed at improving service provision to the members and strengthening linkages between the producers and ginners. To address the issue of poor product quality, farmer training put emphasis on good agricultural practices and quality control. In response to poor managerial skills, business skills courses were specifically designed for ginner managers on issues such as cutting costs, optimizing operations, and managing risks related to product quality and procurement from farmers. Strategies that aimed at improving access to public and private funding for both cooperatives and ginners were put in place. A financial service appraisal was brought forth, that recommended annual budgets to finance operations and feasibility studies before to guide investment decisions for acquiring new equipment. Setting up transparent accounting systems was essential in infusing confidence in potential investors. It was

however realized that partnering with stakeholders was crucial in disseminating learning on the inclusive business model approach. The upgraded business model therefore became inclusive.

**Figure 14: Upgraded cotton value chain for inclusive business development**



Source: Farm Concern (2011)

#### 4.2.2 Tea Sector

Tea is one of the principal agricultural crop sectors in Kenya employing approximately one eighth of its population and is critical to the livelihood of almost 500,000 rural smallholder farming households. Large scale plantations that are owned by multinational corporations are also a characteristic of production (FAO, 2015). In the year 2012, the tea sector contributed 4% and 17% of the national and agricultural GDP, respectively. This ranked the sector as the country’s leading export earner. Commercialization of tea in Kenya dates back to 1924 and the development of tea farming has been closely linked to the country’s political history (Kimathi and Muriuki, 2000). Having realized the importance of the sector to the economy, the government formed the Kenya Tea Development Authority (KTDA) in 1964 to govern the operations of the sector. The parastatal was later privatized in the year 2000 to promote

efficiency, competitiveness and attract private sector investment and farmers' participation in tea factory ownership and management (FAO, 2013).

Recent statistics reveal that KTDA is owned by 54 tea factories which are limited liability companies owned by farmers. There is therefore no government interruption in the operations of the smallholder tea sector which has so far registered 550,000 tea farmers (IFC, 2014). The tea companies collectively own 66 processing factories with farmer organizations playing a key role in bargaining with companies to obtain profitable prices for their tea. The KTDA agribusiness model is among the unique models that has succeeded beyond expectations in East Africa, and has become a case study on how to efficiently manage commercial cash crops from production, provision of extension services, procurement of farming inputs such as fertilizer, distribution logistics, establish processing factories, storage, quality control, financing and marketing (HYSTRA, 2015).

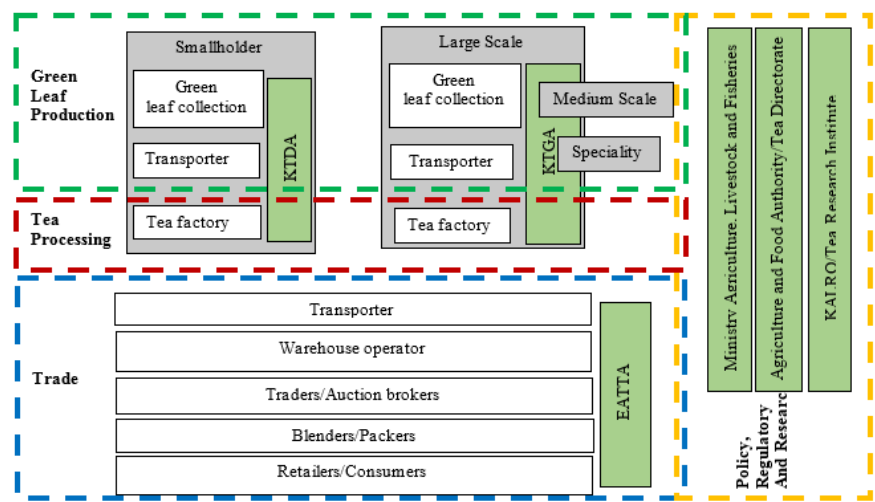
The vertically integrated company (KTDA) offers service delivery to smallholder tea farmers through organized training programs, access to finance and a logistical framework. Farmer Field Schools (FFS) were introduced in partnership with the Unilever Company to offer a platform for knowledge dissemination that enhances productivity and improves tea quality through planting, fine-plucking and certification preparation. The training of trainers' model is used widely where high performing tea farmers are trained to serve as lead trainers and conduct farm level inspections before audits. This is to ensure that farms and factories work as a group to achieve the international certification. The company also offers a subsidiary dedicated to financing farmers' production based on the history of payments for tea deliveries. Loan repayment periods are from within less than a year up to three years with a 12.25% p.a. interest rate.

The IFC (2014) records that as at 2009, 62,000 farmers had received loans to buy farm inputs, tools and equipment to improve tea farming. The logistics are organized in the following sequence; farmers have a 10-year agreement with specific tea factories, farmers then deliver their tea to collection centers under supervision of farmer organizations in the designated areas, tea is then weighed, graded, then transported by KTDA for processing, packing and distribution. KTDA ensures that market information is shared with the farmers, and they also receive at least 30% profit annually as dividends, and annual profits. Access to price information and farmers' shareholding in tea companies are strong incentives for maintaining a market orientation and



KTDA’S performance. Figure 15 shows the framework that exists for the tea sector as implemented by KTDA to promote inclusive agribusiness development.

**Figure 15: Inclusive value chain for agribusiness development in the tea sector**



Source: KIPPRA and ACBF (2017)

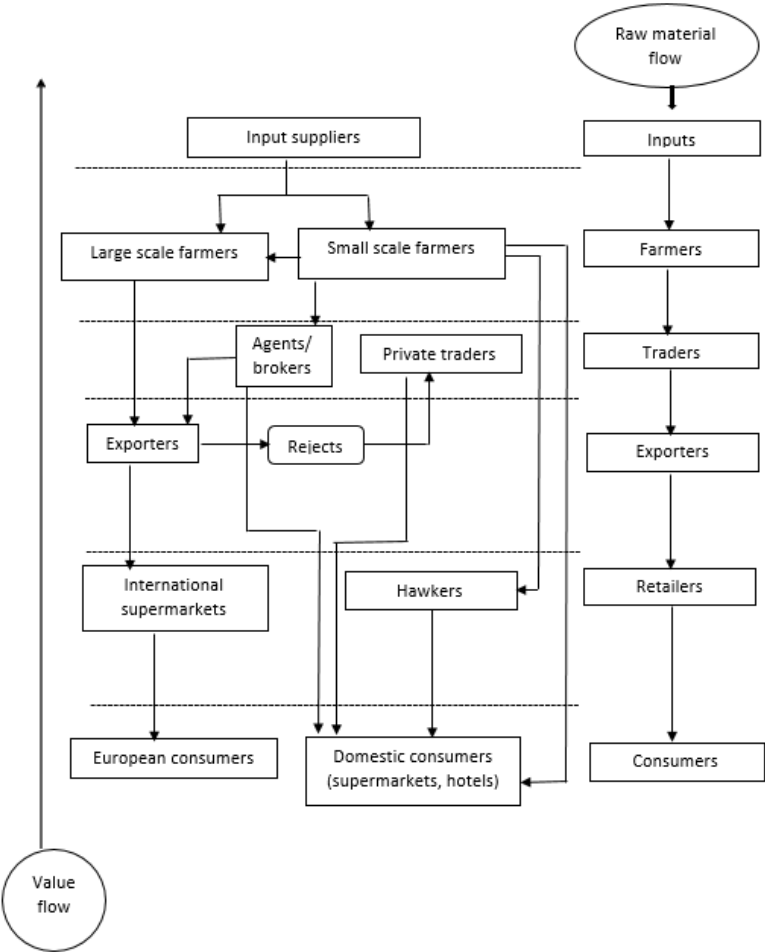
### 4.2.3 French beans sector

Kenya’s climatic environment, geographic competitive advantage, compliance with trade certification schemes, and sophisticated value addition, are among the contributing factors to the increase in French bean production. French bean is the largest vegetable export crop from Kenya accounting for 25% of total fresh vegetable exports in terms of volume. An estimated 50,000 small-scale farmers are involved along its supply chain, employing between 45,000 and 60,000 individuals; it is therefore an important source of livelihoods for many households (USAID, 2015). However, the french bean value chain is driven mainly by European retail outlets, who are determinants of prices and quality standards. Since its formation, the GlobalGAP (GGAP) has received much attention in the agri-food system in terms of food safety and quality as a standard of choice among retailers in the European Union (EU). GGAP, initially EurepGAP, entered Kenya with the first certification of five Kenyan farmer groups in 2005. The KenyaGAP was

benchmarked into the EurepGAP to meet the standards of traceability, quality, product safety, environmental management and the health and safety of the workers. It is the widely used for certification program for the fruit and vegetables sub-sector in Kenya, with approximately 400 GGAP certified farms, 34 individual farms and 352 farmer groups (Kariuki et al., 2012).

However, compliance of the standards has had a negative impact on resource poor smallholder farmers as the procedures and protocols are complex, with the farmers bearing the high costs. According to Muriithi et al. (2011), the EurepGap requirements pose a threat to horticultural production and marketing in Kenya, especially for french beans, acting as non-tariff barrier to the international market. In the long run, lack of compliance by the producers might result to loss of market share, substantial loss on foreign exchange earnings and subsequent reduction in the level of job creation. It has not escaped notice that the french bean value chain does not only consist of smallholder framers but of other actors too (Figure 16). Unfortunately, a number of issues require attention as they are a hindrance to broadening and inclusion of the value chain; low technical and managerial capacity of producers, contractual breaching, poor transport and transportation infrastructure, inappropriate cold storage facilities in remote areas and relatively expensive packaging (USAID, 2015).

Figure 16: Inclusive value chain for french beans



Source: USAID (2015)

Farmers are the most important actors in the value chain accounting for 77% of the total production. They are organized into groups, and production is regulated through contractual arrangements with exporters. However, the stringent and costly quality standards have driven

many small holder farmers out of the sector. For instance, PIP (2009) notes that between the year 2000 and 2007, the number of small scale farmers supplying french beans to exporters directly steadily declined. Smallholder farmers therefore opt to sell directly to exporters or their intermediaries (usually large-scale farmers with large contracts with exporters).

Though the primary market actors are exporters, marketing supply agents commonly referred to as brokers are registered in the value chain. Export rules and standards for processed french beans are less stringent than for fresh ones hence processing for export and domestic markets remains a promising option for Kenyan farmers. The importance of packagers cannot be overlooked as they offer essential services that enhance quality in the sector. Amazingly, Kenya has reached a level of sophistication in packaging which is at par with countries like Egypt. European retailers have now noticed the technological advancement and are now promoting the industry to produce packaging that allow fully-packed-at-source product (USAID, 2012).

A number of supporting organizations and institutional actors are involved in creating an enabling business environment for all stakeholders in the sector (USAID, 2015). Generally, government intervention in the horticulture sub-sector has been minimal, mainly facilitating infrastructural development, incentives and support services. Therefore, the private sector has steered the industry, resulting in unprecedented growth. The Horticultural Crops Development Authority (HCDA) regulates the industry through licensing of exporters, registration of marketing agents, and issuing of export certificate. In addition, it enforces contract farming for export crops as well as provide market information.

The Fresh Produce Exporters of Kenya (FPEAK), has a mandate to develop and promote the Kenyan horticultural industry in the global market in regard to safety, good agricultural practices, social, ethical and environmental responsibilities. In addition, FPEAK should ensure that Kenya Gap is recognized internationally standards and create awareness on market requirements, changes and regulations. It also conducts training programs in conjunction with specialized trainers to support small scale farmers through training programs targeted at good agricultural practices. The regulatory and legal environment has also made the sector accommodative for all actors. Policy reforms and interventions relevant to horticulture industry and French beans sector include the National Horticulture Policy that was established to promote the growth and competitiveness of the horticulture industry, including the french beans

subsector. The policy highlights the need to support formation and capacity building of common interest groups to enhance market efficiency.

#### **4.2.4 Tomato sector**

Tomato is one of the vegetables (fruit vegetable) produced in Kenya with a potential to improve on the rural economy (Onduru, 2008). Kenya is among Africa's leading producer of tomato and is ranked 6th in Africa; the major tomato producing counties are Kirinyaga, Kajiado and Taita Taveta. Tomato is also among the commodities in that have potential for expanding horticultural expansion and development in Kenya accounting for 14% of the total vegetable produce and 6.72% of the total horticultural crops (Sigei et al., 2014). Therefore, tomato production plays a critical role in satisfying domestic and nutritional food requirement, income generation, foreign exchange earnings and creation of employment. Tomato plays a major role in the livelihoods of vulnerable groups in Kenya. For instance, in the Kakuma refugee camp, the tomato value chain has been evaluated as profitable, with the most potential and high demand (Samuel hall, 2016).

Therefore, measures to promote the tomato value chain would create a lot of jobs opportunities while developing the local economic resilience. Despite its contribution, the tomato industry is faced with constraints along its value chain. These include incidence of pest and diseases, physiological disorders, poor post-harvest technologies, poorly organized rural and urban market infrastructures and unpredictable price fluctuation, which adversely affect the production and marketing of quality tomatoes (Sigei et al., 2014). In order to develop a productive and sustainable tomato value chain, these constraints have to be cautiously managed through effective monitoring and improvement of every stakeholder's function.

According to USAID (2013), the relationship between actors along the value chain are informal, based on family ties and with a very low level of coordination. In most scenarios, relations between the value chain actors are usually spot-market. Like in any other crop value chain, producers are the most important actors comprising of small and medium scale farmers who grow tomato as a primary cash crop. Different types of traders are involved in marketing. This include intermediaries, brokers, retailers and wholesalers. The prices for tomatoes are hence not determined by farmers but by traders.

Tomato sector provides employment opportunities to the youth; half the traders in markets and over 70% of those engaged in cross-border trade (formal and informal) are youth. Tomato

processors have established ground as value addition has resulted to various end products. Major processing industries (Premier food, Njoro canning, Tru food ltd) have increased commercialization of tomatoes creating more employment hence reducing poverty. This has encouraged more private investors to establish tomato processing plants within the major growing areas (Sigei et al., 2014).

The tomato sector is greatly influenced by institutions, organizations and stakeholders in the horticultural sector in the quest for creating an inclusive agribusiness environment for all actors in the value chain (USAID, 2013). Regionally, the Horticultural Council Authority (HCA) has set up a monitoring system facilitating the trade of fresh fruits and vegetables in East Africa region. This has specifically been helpful for tomato trade between Kenya and Tanzania border. This has further been enhanced by the East African Community (EAC) which has generally prioritized free movement of goods produced locally. The contribution of USAID in Kenya's horticultural sector cannot be overlooked especially in capacity building programmes for small holder farmers dealing with fresh produce in the rural areas. This has been effective under the umbrella of the Kenya Horticulture Competitiveness Project (KHCP) that was inceptioned in the year 2012 across 22 counties in Kenya with the aim of improving rural incomes, creating jobs, and improving food security. The program aims to increase income for 200,000 small farmers and strengthen their businesses network by improving and creating local, regional and global market opportunities. Information and knowledge exchange has made it possible for enhanced production and investment in the sector. The International Livestock Research Institute (ILRI) developed the Regional Strategic Analysis and Knowledge Support System (ReSAKSS) that collects formal and informal statistics for horticulture commodities (onions and tomatoes only) to improve track progress and enable implementation agricultural and rural development policies. The Kenya Agricultural and Livestock Research Organization (KALRO) has been an active research body undertaking works on improved production, husbandry techniques, and new varieties.

#### **4.2.5 Poultry sector**

Poultry production is a major source of livelihoods for smallholder families in Kenya and is ranked as the most important household occupation affecting livelihoods; as a source of income and food security and nutrition (Nyaga, 2007). Production is distributed in almost all the counties in Kenya either in small scale or large scale and is significant in both urban and rural

areas, with significant numbers in Vihiga, Kilifi, Nakuru, and Kiambu. The estimated poultry population in Kenya is 31 million birds; 75% consist of indigenous chicken, 22% of broilers and layers and 1% of breeding stock. The other species like ducks, geese, turkeys, pigeons, ostriches, guinea fowls and quails make up 2 % of the poultry production. Chicken are more dominant because they are easier and cheaper to start rearing and do not require a large capital outlay. The Netherlands African Business Council (NABC, 2015) notes that the demand for commercial chicken (whole, parts, grilled and fried) and eggs is high and steadily growing in Kenya. Also, a growing retail sector i.e. fast food and supermarket branches and restaurants has been observed. This has increased commercial production to over one million chicks per week, with a substantial number of day old chicks (42%) exported to neighboring countries. Despite the growth in the sector, a number of challenges act as a hindrance to reaching the growth potential of the poultry sector. They include high cost and poor quality of feeds, high mortality rates especially in the early stages of development, existence of low optimal breeds, mismatch in supply and demand which results to fluctuation of prices, lack of concern of animal welfare, inadequate slaughtering facilities and lack of cooperation among existing trade associations that reduce farmers bargaining power (RLDC, 2008).

Like in most value chains farmers are the first actors, but the most important actors are the ‘producers’ who are referred to as hatcheries as they source the parent and/or grandparent stock. The industry is characterized by two production systems; the commercial hybrid and the indigenous poultry production system. The indigenous poultry production is the most dominant system in Kenya; mainly concentrated in rural areas and involves 75% of rural households. About 70% of eggs and poultry meat in Kenya are derived from indigenous poultry. The commercial hybrid production system imports exotic parent and grandparent stock, and is exclusively market oriented. It is divided into layer and broiler subsystems which constitutes about 23% of the total poultry population, with broilers representing 16% and layers the other 7% (Kwesisi et al., 2015). This has become a potential business venture, with both local and international hatcheries setting base in the country to explore the opportunity. The major hatcheries are Kenchic, Kenbrid, Sigma and Muguku.

Two production systems exist in Kenya i.e. contract and non-contract, whereby contracted farmers are in an integrated poultry production system that is controlled by the breeder. The

breeders supply day-old chicks, feed, marketing and veterinary services, while the farmer provides management under the advice of the breeder, and are compensated for their management labor and land. However, this is limiting to other farmers who cannot raise a minimum of 3000 birds and initial costs of purchasing day old chicks. For instance, in Kiambu where the highest population of poultry is produced, about 1000 farmers are contracted by Kenchic limited. (Okello et al., 2010). The marketing of poultry and poultry products is carried out by three intermediaries; live-bird traders, egg traders, and those that handle dressed carcasses whereby their functions are specialized in along the chain. Feed millers are also important actors in the poultry value chain whereby some deliver feeds to farmers to reduce costs of transaction, but farmers and breeders manufacture their own feed in some instances. Though poultry slaughtering still poses a major challenge, processors and retail outlets (supermarkets and fast food restaurants) abet the situation by buying poultry products in bulk.

With support from other institutions and organizations, the GoK has set up policies and regulatory framework to promote inclusive business for the actors involved in the poultry sector. In the Kenya poultry sector review, (Nyaga, 2007) highlights some milestones that have so far assisted in increasing productivity in the sector. In terms of research, the Kenya Agriculture and Livestock Research Organization (KALRO) has facilitated research on poultry diseases at the muguga research centre on diseases, breeding, feeding requirements and housing structures for effective production. Feed manufacturers are registered hence have to meet the Kenya Bureau of Standards (KBS) quality requirements. Further, to curb spread of diseases that are a threat to poultry population, the government through support from DFID, USAID and FAO set up the Avian Influenza Preparedness National Task Force for the detection, control and prevention of the Avian flu. To boost the production capacity for poultry and its products among households, the government has fostered extension and training programs through the support of National Agriculture Extension Programme (NALEP) funded by the Swedish government. The goal was to enhance dissemination of information regarding various aspects of production, which has included establishment of Extension Training Centre (ETC), appointment of livestock production officers and the famous cockerel exchange programme. Kwesisi et al. (2015) underscores that availability of markets and market information encourages farmers to produce more as it builds confidence of existing ready customers, therefore, markets that are inconsistent are less attractive to investors. To promote poultry as a potential agribusiness venture in marginalized areas



(especially the ASAL's), the GoK through the Agriculture Sector Programme Support (ASPS), has created a good marketing structure for indigenous poultry for improved incomes.

### **4.3 Challenges to Inclusive Businesses in Kenya**

According to UNDP (2013), doing business in Africa remains a challenge due to various conditions or factors. Inclusive business requires a conducive ecosystem, including positive incentives, relevant information, adequate investment and practical implementation support. However, many developing countries are affected by high interest or lending rates that are a hindrance to many businesses in realizing their full potential. Also, it has been observed that most inclusive businesses in developing countries operate in informal settlements and rural villages, hence have to endure difficult market conditions. Most people at the BoP rely on informal rules and norms, making it difficult for businesses to close and enforce contracts. In addition, most if not all conduct business in cash, with low and irregular incomes, and with little access to credit, which makes larger expenses hard to finance and transfers expensive. Inclusive businesses are also guided by a mission that at most times is willing to sacrifice some financial profits for greater societal impact. As a result, they do not fit into the established legal parameters of companies or NGOs.

Kenya is no exception as various challenges have been observed that cause uncertainty in the business environment, affecting the manner in which businesses operate. According to ADB (2013), a number of challenges burden business growth in Kenya. The most important factor for business development is a conducive environment especially the political environment. As long as there is no stability and peaceful transitions of government, the private sector performance will continue to underperform against its potential. Kenya faces a disruptive political cycle especially around elections, which is normally associated with volatility that is arguably the reason behind un-sustained private sector investment and growth. The political interference coupled with widespread corruption has become a major hindrance particularly for small businesses. Apart from political volatility, macro-economic volatility has also been cited as a hindrance to doing business in Kenya. Though the macro-economy has been more stable in the recent years, the cost of capital, exchange and inflation rate continue to be high and fluctuating, challenging business operations and planning. Generally, the transport infrastructure and logistics systems are persistently weak to support regional trade and transport hub. Also, High

energy costs and weak and interrupted supply of power are crippling the manufacturing sector. There is also lack of comprehensive and economic data from the ICT sectors which inhibits evidence-based policy decisions.

An observed mismatch of skills between the education and private sector, particularly in new and fast-paced industries such as ICT have partly attributed to slow business growth and development. Weak linkages between the private formal sector and mostly informal MSE sector is weak. This is because the informal sector is poorly understood and documented and has not received required support from the coherent government. The regulatory environment for small business e.g. trading restrictions and minimum wage have neither supported their growth and development. Harten (2015) summarizes these challenges in major key points; lack of adequate financing mechanisms / access to finance, complex business and support environment, scarcity of low accessibility to local market information and difficult legal and regulatory framework.

## **5.0 Conclusion**

Though the term inclusive business has been used in various contexts, it integrates low-income segments of the population into their business strategies, improve access to affordable products and services, boost productivity, and generate income and livelihoods opportunities across the BoP. Inclusive business has the potential for development, and therefore most countries including Kenya have embarked on development strategies and programs that make their growth process more inclusive especially the vulnerable groups including the youth and women. Inclusive businesses creates a strong foundation for profit and long-term growth, thus representing a promising approach to integrating low-income groups into economic value chains. Thus, creating job opportunities and bringing previously excluded people into the economic activities.

Improved economic growth in Kenya has not however adequately dealt with underlying unemployment challenges. Inclusive business is therefore critical to translating the country's GDP growth performance into longer-term, inclusive, job-rich, and sustainable development. One of the responses to getting the excluded populations, particularly women and the youth into labour market participation is through business creation and self-employment; and creating and

implementing inclusive business policies. However, inclusive business can only lead to inclusive growth and development when all loopholes of inequalities and exclusion are addressed.

In Kenya, a number of institutions play a critical role in inclusive business, which includes the private companies, the businesses within the companies' value chain which include suppliers, distributors, wholesalers and retailers; the consumers with emphasis on the base of the pyramid (BoP) and the government which regulates the plays and the business environment. Though, there are no laws in Kenya that directly address inclusive business, the country however has laws that promote corporate responsibility, promote equity and economic empowerment. Other laws provide incentives for industrial growth, that promote 'fair' business practices and financial inclusion that indirectly have a role to play, particularly given the business regulatory environment. This report reveal that inclusive businesses and for profit social enterprises in Kenya reveals that they are cross cutting in terms of key economic sectors. Kenya's inclusive business initiatives are further targeting the BoP either as part of the value chain, or as consumers, or both, in various parts of the country, particularly the rural or those in informal settlements, while providing goods and services on a commercial viable basis. A number of these inclusive businesses touch on Kenya's industrial sector, agriculture and services sector especially in financial and/or technology sectors.

Like other business, there are challenges associated with inclusive business which need to be addressed. Inclusive business requires a conducive ecosystem, including positive incentives, relevant information, adequate investment and practical implementation support. Also, it has been observed that most inclusive businesses in developing countries including Kenya operate in informal settlements and rural villages, hence have to endure difficult market conditions. Most people at the BoP rely on informal rules and norms, making it difficult for businesses to close and enforce contracts. In addition, most if not all conduct business in cash, with low and irregular incomes, and with little access to credit, which makes larger expenses hard to finance and transfers expensive. Inclusive businesses are also guided by a mission that at most times is willing to sacrifice some financial profits for greater societal impact. As a result, they do not fit into the established legal parameters of companies or NGOs.

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## Appendices

### Annex 1: Inclusive Businesses in Kenya

Sector of the Economy	Inclusive Business	Summary of Initiatives
Building and Construction	Lafarge	Sustainability Strategy's "Enhance quality of life through inclusive business models". Bamburi Cement introduced a medical insurance in 2017, dubbed Afya ya NGUVU targeting retailers.
	Mabati Mills	Mabati mills, a company manufacturing of quality steel building product, operates a private vocational training institution, Mabati Technical Training Institute, which provided training to disadvantaged youth in Kenya's coastal region at subsidized or no costs. The institute receives support from donors and local industries and works with Ministry of Devolution and Planning, Government social workers and Children's office to select beneficiaries.
Financial and FinTech services	Safaricom	<ul style="list-style-type: none"> <li>• Sustainability reports providing information on the company's "True Value" to the economy, society and environment based on the KPMG methodology</li> <li>• Social value of M-PESA (estimated at Kshs 159.6 billion in 2017)</li> <li>• Use of agents, dealers and suppliers (as at June 2017; 1,200 suppliers, 400 'active' dealers and 130,000+ M-PESA agents); supported through Safaricom's Principle Forum and Agency Assistance Training Sessions.</li> <li>• Contributions through the M-PESA and Safaricom Foundations</li> <li>• Connectivity; mobile phone, internet, ride-sharing app</li> <li>• Financial inclusion through MPESA (Safaricom further introduced M-PESA Kadogo whereby transactions under Kshs 100 do not attract a service fee)</li> <li>• Business policies including energy efficiency; e-waste management; women interns in the Safaricom Technology Division; Children's Rights and Business Principles Policy (which is included in the Code of Ethics for suppliers)</li> <li>• Social innovation in areas such as agriculture, education and health. These include M-TIBA, DigiFram and Connected Farmers; Telemedicine and Digital Clinics; Instant Network Schools; AQtAP "Water ATMs";</li> <li>• Contribution from Safaricom's venture capital fund; Spark Fund</li> <li>• Safaricom Foundation Micro-Loan Fund which provides interest free loans to financially marginalized and excluded groups in selected counties.</li> </ul>

Sector of the Economy	Inclusive Business	Summary of Initiatives
	Airtel Networks Kenya	<ul style="list-style-type: none"> <li>Airtel money-providing e-commerce solutions. Airtel money partnered with a micro finance institution to provide easily accessible loans at lower interest rates offering flexible repayment plans. Loans are also available through M-Fanisi, a mobile based bank account for Airtel Money customers</li> <li>Vendors and outsourced staff receive training on Code of Conduct and Ethics</li> <li>Launched Free Internet for Schools Program in partnership in 2014 with the Computers for School Kenya (CFSK) where 30 Schools in Nairobi, Nakuru, Kiambu, Garissa, Kisumu and Uasin Gishu counties receive free internet connectivity from Airtel</li> <li>Airtel in partnership with British Council, Computer for Schools Kenya and The Global Peace Foundation (GPF) provides free internet connection to over 60 hubs located in schools around the country.</li> </ul>
	Kenya Commercial Bank	Financial reporting on sustainability which reveals that through the KCB Foundation, KCB provides support in areas of agriculture, education, health enterprise development, environment and humanitarian relief. For instance, the “Mifugo Ni Mali” livestock value chain development programme is a pro-poor program assisting livestock farmers commercialize Agency banking enhancing access of banking services to BoP
	Equity Bank	<ul style="list-style-type: none"> <li>Agency banking model adopted by the bank enhancing access of banking services to BoP including those in the rural areas</li> <li>Initiatives such as ‘wings to fly’ have seen brilliant children from poor households receive scholarships to pursue higher education</li> <li>Equitel, a mobile service provider that provides mobile money and communication services to its consumers</li> </ul>
	UAP	An insurance company in Kenya offering tailor-made and innovative crop insurance to smallholder farmers. This service is undertaken with partners including Safaricom’s M-Pesa, seed/fertilizer companies which have subsidized insurance costs build in, mobile operation to provide farmers with farming approaches, Agrovet network which aggregates output aimed and markets on behalf of farmers.
	MicroEnsure	A UK based micro-insurance with presence in Nairobi providing low costs life and health insurance through an innovative inclusive model offered through mobile network operators
	CarePay	The company developed a mobile phone based mechanism for people to save, insure and pay for healthcare services through its mHealth Wallet
Information	Daprom Africa	A certified B Corporation whose mission is “to provide high

Sector of the Economy	Inclusive Business	Summary of Initiatives
Technology		quality IT enabled business solutions geared towards delivering positive social transformational impact to African youth”. This is through “Digital Campus Connect” project for underprivileged university students who earn a living and receive training
Business solutions	Greyfos	A certified B Corporation that provides business branding, sustainability and innovation solutions. The company has further developed a Greyfos Sustainability Index
Business (artisans); crafts persons in jewelry and textile production	Me to We	A social enterprise that provides products that make an impact, empower people and promote sustainable change through sustainable ME to WE products and projects such as ME to WE Artisans (some of whom are from Kenya). The initial goal was to generate revenue that would provide a long-term source of funding for the WE Charity
	Karama Collection	Works with artisans and small businesses in Kenya and other countries through purchases, product development and on the job training. The products, which include apparel, accessories, bags, jewelry, skin care and stationery are available on sale largely in USA through their website ( <a href="http://www.karamacollection.com/">http://www.karamacollection.com/</a> )
	The Artisan & Fox marketplace	A social enterprise that works with artisans from selected developing countries who are paid in advance and guaranteed 50% of gross profit of each item. They receive assistance based on a need assessment aimed at creating new products and improving product quality and production capacity. The products are sold online <a href="https://www.artisanandfox.com/marketplace/">https://www.artisanandfox.com/marketplace/</a>
	Imani Workshop	A social enterprise wing of the Academic Model for Providing Access to Healthcare (AMPATH). AMPATH focus is primarily HIV/AIDS and the workshop provides revenue for HIV positive artisans. Imani workshop has trained over 800 artisans, with products sold in Kenya, Europe and the USA.
	Soko-Kenya	Produces high quality, green, garments by training and employing locals based in Rukinga Wildlife Sanctuary in Kenya. the products are sold online <a href="https://www.soko-kenya.com">https://www.soko-kenya.com</a>
	Soko	Works with artisans to build their business, improve production capacity and increase sustainability. The products are sold online at <a href="https://shopsoko.com">https://shopsoko.com</a>
	Tosheka Textiles	USA/Kenya social enterprises that trains and works with local artisans to produce eco-friendly fashion for the global market
	Mazuri Kenya	trains and empowers people in handicraft production and sells the products through an e-commerce platform
Energy	ECO2LIBRIUM (ECO2)	A certified B Corporation that deals with energy solutions such as energy efficient cook stoves and pay as you go solar electricity. The company engages with business ventures which (i) conserve and/or restore natural resources (ii) create jobs for the under-served (iii) improve livelihoods (iv) contribute to building a skilled workforce

Sector of the Economy	Inclusive Business	Summary of Initiatives
	Angaza	A “for profit social enterprise” which enables customers to purchase affordable clean energy
	Lighting Africa	Training is provided to technicians who are connected to produce manufacturers and distributors to provide after sales maintenance support. The company also provides consumer education campaigns on the use of solar products. The company has also partnered with microfinance institutions for financing the products and engages with women and youth groups as distributors.
	Little Sun	A Germany-based company and a Business Call to Action (BCtA) member, providing affordable solar lighting solutions to BoP in Africa. The company develops local distributors through training, marketing and sales
	SOLAR KIOSK	Provides clean energy services, products and sustainable solution by fostering local entrepreneurship at the BoP; through a solar kiosk. This is a solar-powered retail business called E-HUBBs which provide sustainable energy products and consumer goods to local communities. SOLARKIOSK is Germany-based and a Business Call to Action (BCtA) member.
	Mobisol	A Germany-based solar energy provider and party to the Business Call to Action (BCtA) which supports partners within the value chain and provide training on solar energy. Consumers receive the solar solutions through a three-year loan with flexible mobile banking based payment plans thus enhancing access to BoP
	Envirofit International	A Multinational corporation and that develops and disseminates energy efficiency technology in developing countries. The company has partnered with Kaluworks, a provider of cookware, to improve production and increase revenue
	BURN Manufacturing	A social enterprise based in Kenya and US that designs, manufactures and distributes fuel efficient cook stoves in sub-Saharan Africa. the cookers are largely used by BOP communities who have the option of paying in installments through the company’s innovative financing options.
Climate Change	ClimateCare	A certified B Corporation that One initiative with innovative finance models and projects aimed at tackling climate change and creating sustainable development which have delivered social and environmental impacts over the years. “Improving Life in the Supermarket Supply Chain” for instance which was developed using funds from UK’S Department of International Development (DFID) Finance Innovation for Climate Change Funds. The aim is to provide efficient cookstoves to farm workers who supply flowers and vegetables to major supermarket chains through a Revolving Fund which provides interest free loans
Water and Sanitation	AfricAqua	A social enterprise that is party to the Business Call to Action (BCtA) which provides solutions for safe treated drinking water through a network of water hubs where the youth are employed

Sector of the Economy	Inclusive Business	Summary of Initiatives
		as distributors
	Sanergy	A social enterprise that is party to the Business Call to Action (BCtA) which provides affordable sanitation in informal settlements through a network of toilets and facilities owned and operated by local residents who receive marketing, business and maintenance support from the company. The human waste is further extracted and converted into organic fertilizer and animal feed for Kenyan farmers
Health	Access Afya	A social enterprise which through micro-clinics in Nairobi's informal settlements and Healthy Schools programs, delivers check-ups, treatments and training to the ill served by the current health system. the micro-clinics are open daily for ten hours and patients pay small fees for each service.
	City Eye Hospital	The company through a cross-subsidy model offers eye care and cataract surgeries at a discounted price thus targeting low-income consumers based on a low cost high volume inclusive model. The hospital is a Business Call to Action (BCtA) member
	Nairobi Tech Pharm	This company operates <i>Pharment</i> , a franchise network of licensed private pharmacies in Kenya which through a pooled procurement system obtains high-quality affordable medicines which are distributed to low-income Kenyans through the franchise network. The company is party to Business Call to Action (BCtA)
	Jacaranda Health	Provide maternity low-cost healthcare through its mobile health network and maternity hospitals. Payment of the services is largely through mobile money transfer and mobile financing. Jacaranda also sends educational SMS text messages at key points following childbirth
	Miliki Afya	Health clinics in three major counties in Kenya that provide low-cost diagnosis and outpatient care in densely populated low-income areas in Kenya
	Phillips Healthcare Services Limited	A wholly-owned subsidiary of Phillips Pharmaceuticals Limited, and an importer and distributor of pharmaceutical, surgical and diagnostic equipment working on increasing affordability and accessibility of quality healthcare solutions on the BoP working with partner institutions
Agriculture and agri-business	Kenya Tea Development Agency (KTDA)	A tea management agency, owned by tea companies with tea farmers as individual shareholders. The company offers a number of services to the tea farmers including inputs, agri-extension, transportation, processing, marketing and training through Farmer Field Schools (FFSs). Farmers are also trained on sustainable agriculture practices to meet requirements for Rainforest Alliance certification which is based on the Sustainable Agriculture Network (SAN) standard. KTDA also offers farmers loans through subsidiary Greenland Fedha and equips farmers in financial literacy through the KTDA foundation.



Sector of the Economy	Inclusive Business	Summary of Initiatives
	rv cotton	A company that supports cotton farmers, textile mills and animal feed manufacturers using production facilities and trading channels including the client and supply chain relationships
	Jujudi Kilimo	A social enterprise and a Business Call to Action (BCtA) alumni, that provides rural farmers with loans and training, targeting rural smallholder farmers who often have limited access to capital. The loans specifically finance agricultural assets
	Olivado	Olivado field officers work with farmers to ensure the avocado fruits are organic. The produce are inputs for extra virgin avocado oil. An advance payment system is used to pay farmers. A factory was built in Muranga with 1,350 small farm holding supplying certified organic avocados.
	Kenya Highland See Co. Ltd	Utilizes different strategies such as agro-dealers and government extension workers to distribute seeds which are also available in small packages. The company also established demonstration farms to build capacity and share information amongst smallholders.
	Nestle Kenya	The Nestle Plan, implemented through an initiative in Thiriku Farmer's Co-operative Society in Nyeri, to create value across the coffee supply chain aimed at building capacity amongst farmers to improve productivity and quality of coffee.
	Honey Care Africa	A company which works with Kenyan farmers to quality honey and healthy honey-base
	Bidco Africa	A company which works with farmers who supply soya beans and sunflower for oil production who receive training in production of oil seeds and modern farming methods.
	The Cooperative Group	A Business Call to Action (BCtA) member –alumni, that works with Kenyan tea farmers ensuring they get fair price for their products, providing tea farmers with trade, and management and farming skills (including Fairtrade certification) aimed at improving the quality and production.
	Prosoya Kenya Ltd	Purchases maize, sorghum, soya beans and finger millet from small scale farmers, and processes the products into health grains and foods fortifies with vitamins and minerals
	Wote Mixed Farm	Sells cereals and live goats and provides training on better farming methods to enhance productivity and food sustainability amongst farmers in Makueni County
	Stawi Foods and Fruits	Purchases bananas and other products such as maize, millet, sorghum, soya beans, and wheat from smallholder farmers and processes the produce for export to international markets.
	Meru Herbs	Grows, processes and exports organically certified herbal teas and jams. The company buys the herbs and fruits from farmers who maintain an irrigation system. farmers also receive organic farming sources

Sector of the Economy	Inclusive Business	Summary of Initiatives
Livestock	Deevabits	Works with farmers who receive training on best framing practices, technology and rabbit breeds with the intention of selling rabbit meat to the company which deals with rabbit meal products
	Mara Beef	Engage the local community in establishing sustainable livestock production, conservation, biodiversity and grazing management
	Nu Bree Diary	Train farmers in livestock management and provide processing facilities. The company also delivers affordable pasteurized milk to individuals and businesses in Nairobi
Poultry	Daluc Poultry	A poultry hatchery, feed mill and processing farm which working with many small holder poultry farmers to profitable indigenous poultry businesses.
	Frigreens Enterprises	Works with peri-urban poultry farmers offering training and market linkages thus improving farmers skills in poultry production and agro0business particularly amongst young women
Food and beverage	Vava Specialty Coffee	A Kenyan-owned social enterprise, coffee company and Business Call to Action (BCtA) member that links smallholder coffee farmers to markets; enables farmers to purchase organic farm inputs and provides training on sustainable agricultural practices, financial management and access to credit.
	EABL Kenya	An initiative supported by the government of Kenya and financial institutions, farm input providers, research and quality control organizations support farmers in production of sorghum thus boosting the company's local sourcing strategy
	Equator Kenya	Purchases Bird Eyes Chilies from smallholder farmers in Kenya's Northern Coast and also providing them with technology, inputs (including it's drip irrigation kits) and credit aimed at enhancing production and increasing the quality of supply. The food-processing company is a member of Business Call to Action (BCtA)
	Unilever	<ul style="list-style-type: none"> <li>Unilever's Enhancing Livelihood and Sustainable Living Plan is targeted to impact the livelihoods of smallholder farmers particularly women positively and to improve health and well-being respectively.</li> <li>Unilever was ranked number one in its sector in the 2015 Dow Jones Sustainability Index, top rank in sustainable food and beverage company in Oxfam's Behind the Brands Scorecard in 2016 and tops the list in the Global SustainAbility annual survey</li> <li>Unilever's brand, Royco in partnership with BURN manufacturing, teach farmers how to cook nutritious healthy meals. The BURN cook stoves are further marketed to tea farmers within Unilever's supply chain. Financing options for the stoves was also provided</li> <li>d.light a global solar energy company partnered with</li> </ul>

Sector of the Economy	Inclusive Business	Summary of Initiatives
		Unilever in a Perfect Store Initiative aimed at assisting retail shores to stay open longer and benefit from a cleaner energy source compared to kerosene.
	Coca cola	<ul style="list-style-type: none"> <li>Coca-Cola and One Degree Solar, a company providing energy solutions, introduced solar power to 2,000 rural kiosks</li> </ul>
	Mustard Enterprise Company	<ul style="list-style-type: none"> <li>Processes and distributes flour in Kenya; providers of the raw material are provided with financial services through Ukombozi Sacco</li> </ul>
Impact investors and social enterprise incubators	Enviu East Africa	Enviu facilitates impact investments to high impact social ventures. Enviu is also a founder and shareholder of the social ventures and is a certified B Corporation
	Villgro Kenya	Promotes social entrepreneurship to promote sustainable health impact through sustainable solutions, mentorship, incubation services and investment.
<p>Data sources: Safaricom Sustainability Report (2017) (available from <a href="https://www.safaricom.co.ke/about/transforming-lives/sustainability/sustainability-reports">https://www.safaricom.co.ke/about/transforming-lives/sustainability/sustainability-reports</a>); Airtel Sustainability Report (2016/2017) available from <a href="https://www.eabl.com/investor-relations">https://www.eabl.com/investor-relations</a>; <a href="https://www.unglobalcompact.org/system/attachments/cop_2017/434541/original/UN_Global_Compact_COP_report_2016_2017.pdf?1509604031">https://www.unglobalcompact.org/system/attachments/cop_2017/434541/original/UN_Global_Compact_COP_report_2016_2017.pdf?1509604031</a>; EABL 2016 and 2017 annual reports available from <a href="http://www.globalcompactkenya.org/index.php/en/about/code-of-ethics">http://www.globalcompactkenya.org/index.php/en/about/code-of-ethics</a>;</p> <p>KCB Sustainability Report available from <a href="https://ke.kcbgroup.com/images/downloads/KCB_Sustainability_Report_2014_to_2016.pdf">https://ke.kcbgroup.com/images/downloads/KCB_Sustainability_Report_2014_to_2016.pdf</a>; Inclusive Business Case Study: Kenya Tea Development Agency Ltd (KTDA) available from <a href="https://www.ifc.org/wps/wcm/connect/5fa58180445b4102a1dbadc66d9c728b/KTDA.pdf?MOD=AJPERES">https://www.ifc.org/wps/wcm/connect/5fa58180445b4102a1dbadc66d9c728b/KTDA.pdf?MOD=AJPERES</a>; Beyond Dialogue: Building Sustainable and Inclusive Business Models in Partnership with Social Entrepreneurs available from <a href="https://acumen.org/wp-content/uploads/2016/09/Acumen_BeyondDialogueReport.pdf">https://acumen.org/wp-content/uploads/2016/09/Acumen_BeyondDialogueReport.pdf</a>; Raising the Base of the Pyramid through Enterprise: Innovative Case Studies of BoP Ventures and Initiatives available at <a href="http://www.bopglobalnetwork.org/labnetwork_web.pdf">http://www.bopglobalnetwork.org/labnetwork_web.pdf</a>; Social Enterprise and Global Corporations Collaborating for Growth with Impact available from <a href="https://acumen.org/wp-content/uploads/2017/09/1502_AcumenSummitReport_092115Finalv2_pgs.pdf">https://acumen.org/wp-content/uploads/2017/09/1502_AcumenSummitReport_092115Finalv2_pgs.pdf</a></p> <p><a href="https://www.bcorporation.net/">https://www.bcorporation.net/</a>; <a href="http://daproim.com/about-us/">http://daproim.com/about-us/</a>; <a href="http://www.greyfos.co.ke/">http://www.greyfos.co.ke/</a>; <a href="https://www.angaza.com/">https://www.angaza.com/</a>; <a href="http://www.eco2librium.net/index.html">http://www.eco2librium.net/index.html</a>; <a href="https://climatecare.org/our-projects/supermarket-supply-chain-project/">https://climatecare.org/our-projects/supermarket-supply-chain-project/</a>; <a href="https://www.enviu.org/about/">https://www.enviu.org/about/</a>; <a href="https://www.metowe.com/">https://www.metowe.com/</a>; <a href="http://www.accessafya.com">http://www.accessafya.com</a>; <a href="http://www.rvpccotton.com/about-us.html">http://www.rvpccotton.com/about-us.html</a>; <a href="https://www.olivado.com/the-story/kenya">https://www.olivado.com/the-story/kenya</a>; <a href="https://www.lightingafrica.org/country/kenya/">https://www.lightingafrica.org/country/kenya/</a>; <a href="https://agriprofocus.com/">https://agriprofocus.com/</a>; <a href="http://honeycarefrica.com">http://honeycarefrica.com</a>; <a href="http://solarkiosk.eu/company/">http://solarkiosk.eu/company/</a>; <a href="https://vc4a.com/ventures/cedars-diagnostics/">https://vc4a.com/ventures/cedars-diagnostics/</a>; <a href="http://www.undp.org/content/undp/en/home/news-centre/news/2016/01/15/creating-jobs-and-improving-food-security-in-east-africa.html">http://www.undp.org/content/undp/en/home/news-centre/news/2016/01/15/creating-jobs-and-improving-food-security-in-east-africa.html</a>; <a href="http://www.marabeef.com/index.php/about-us/">http://www.marabeef.com/index.php/about-us/</a>; <a href="http://imaniworkshop.org/about-us/">http://imaniworkshop.org/about-us/</a>; <a href="http://stories.coop/stories/meru-herbs-rural-sacco-ltd-%C2%96-kenya/">http://stories.coop/stories/meru-herbs-rural-sacco-ltd-%C2%96-kenya/</a>; <a href="http://www.socialenterprise.or.ke/Current_Members.html">http://www.socialenterprise.or.ke/Current_Members.html</a></p>		