



The Role of Kenyan Private Sector in Fostering Productive Capacities and Structural Economic Transformation: Opportunities, Challenges, and Prospects

Introduction and Background of KNCCI

- The KNCCI is a non-profit, membership-based organization for the business community in Kenya. KNCCI is headquartered in Nairobi with fully operational 47 County-based Chapters and 10 Regional offices.
- The membership of KNCCI constitutes small, micro enterprises (MSEs), and large corporates. The majority of KNCCI members are SMEs with 63% being women and youth entrepreneurs.
- The objective of KNCCI is to enhance the attainment of inclusive economic growth and development in Kenya. Further, KNCCI works to ensure more local participation in trade and investments as a means to achieve inclusive and sustainable economic development. KNCCI advocacy is focused on the improvement of the business environment in Kenya.

The opportunities and Challenges

Private sector is the engine of the economy. “Building productive capacity is a pathway to prosperity for all”. The achievement of inclusive growth can only be achieved through private sector development. Kenya like many other counties is a land of opportunity. Endowed with natural resources necessary for a resource-based industrialization. However, Kenya like many other counties continue to export raw materials with little value addition

Demand for manufactured goods is growing: Africa recorded the fastest growth in imports of manufactures (141% in absolute terms) Yet, African economies including Kenya are remarkably import-dependent for even basic products.



Fostering Productive Capacities and Structural Economic Transformation:

1. Structural Change

Achieving competitiveness in a competitive global environment requires the movement of labor and other productive resources to high-productivity economic activities to diversify exports and enhance asset utilization through technology adoption.

Achievement of economies of scale, technology adoption and asset utilization can only be achieved by focusing on core areas of competitive advantages

- Industrialization is pivotal to Africa's long-term development and broadening and deepening the manufacturing sector will build more resilient economies. Africa is endowed with vast resources – in agriculture, mining, and maritime resources, which if properly harnessed, can stimulate a resource-based industrialization.
- Industrial development will simultaneously require coordinated actions in various areas of the economy, including the establishment of forward and backward linkages, particularly with the agriculture and mining sectors. Industrial parks and clusters can especially play an important role unleashing Africa's growth potential. This will require investment in both soft and hard infrastructure, focusing on energy production, transport and ICTs, and improving regulatory environment to stimulate competition.

2. Human capital

The private sector has partnered with development partners in skills enhancement and technology transfers to foster Productive Capacities



3. Natural capital

KNCCI is currently advocating for value chain development in key areas of Manufacturing to foster import substitution for imported raw materials by calling of the PPP in exploitation and maximization of local resources extractive and agricultural resources, including rents generated from the extraction of the natural resource, less the cost of extracting the resource. To capture commodity dependence, natural capital decreases as the material intensity increases.



4. Energy

KNCCI is currently advocating to ensure availability, sustainability and efficiency of power sources to foster achievement of optimal energy systems to ensure efficient use and access to energy, reduction in losses in distribution and renewability of energy components to ensure that higher GDP is generated by each unit of energy

3. Transport and Information and Communication Technology (ICT)

our members in transport and logistics are more than ever are focusing on reduction of logistical costs through adopting efficient technologies and utilizing the capillarity of roads and railways network, and air connectivity. They have an important link for market expansion, stock consolidation and warehousing economies

5. Institutions and Private sector

We consistently undertake studies and advocacy programs aimed at measuring political stability and efficiency through its regulatory quality, effectiveness, success in fighting criminality.

We study the ease of cross-border trade, which includes time and monetary costs to export and import, and the support to business in terms of domestic credit, speed of contract enforcement and time required to start a business.