



Viffa Consult
Unlocking Africa's Entrepreneurship Spirit

POWERING UP THE ECONOMY

*Business Opportunities for Kenya SMEs
in 2023*

Acknowledgment

Deepest gratitude to the Viffa team that worked tirelessly to bring the report to fruition.

About Viffa Consult

Viffa Consult is a Kenyan-based management consultancy that is dedicated to developing Small and Medium Enterprises (SMEs) and start-ups in Africa. We believe that African businesses can transform their socio-economic status through profitable trade and business engagement.

Since our inception, we have had a positive impact on the Kenyan entrepreneurial ecosystem through our policy and strategic opinion pieces, SME policy advocacy at local and international levels, and consultancy services. We have supported over 500 SMEs in Sub-Saharan Africa and are committed to helping alleviate the challenges faced by these businesses.

Our approach combines granular research with practical support, including corporate engagement, market intelligence, and direct support. Our goal is to build a knowledge base that can inform SME and start-up policies and help these businesses succeed.

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Introduction

Small and medium-sized enterprises (SMEs) play a significant role in driving economic growth and development in Kenya. In fact, various reports state that the sector will contribute 50 percent of GDP growth in the next three years. As such, identifying opportunities for SMEs in Kenya can have a significant impact on the country's economic well-being.

2023 is billed to be a promising year for SMEs. While it is difficult to predict the exact outlook for the year with certainty at this stage, it will be important for SMEs to stay up-to-date on developments in the market and to adapt to changing circumstances in order to succeed. Three areas entrepreneurs need to continuously monitor are:

Government Support:

The current administration came into office on the basis of their agenda for SMEs – particularly plans for access to credit and markets. The sector now awaits delivery on the plans through the newly created Ministry of Co-

operatives & Micro, Small and Medium Enterprises.

Access to financing:

The much-anticipated Hustler Fund was launched in November 2022. The first-phase did not necessarily target business borrowing – given the qualification criteria and loan limits. The government now plans roll out of microloans in February 2023 which will focus on group lending (groups, chamas and cooperatives).

Competition:

With the advancement of eCommerce and continued opening up of trade borders, local businesses should expect heightened level of competition in the market from foreign goods and services.

Introduction

In this report, we will explore the current landscape of SME opportunities in Kenya and identify key areas of growth and potential for development. Our objective is to bring to the fore opportunities that SMEs in Kenya can pursue, based on published reports and data. We have examined:

Import Data:

products that Kenya is buying from international market for local consumption. These products therefore have ready market in Kenya hence presents an opportunity for SMEs to get a slice of the market share.

Top Sectors:

sectors that have been performing well over the years or have been identified as priority areas by government, and therefore present exponential growth opportunities for SMEs.



IMPORT DATA

Reports aggregated by the Observatory of Economic Complexity (OEC World) show that the top imports of Kenya are refined petroleum, palm oil, broadcasting equipment, packaged medicaments, and cars. Of these, SMEs (including farmers) have an opportunity to tap into the palm oil value chain. The Kenya Agricultural and Livestock Research Organization (KARLO) has been conducting research and trials in Western Kenya with much promise. According to the World-Wide Fund for Nature, palm oil is used in the production of almost half of all products sold in supermarkets globally – thus presenting vast value chain opportunities.

Edible Oils and Fats Opportunity

- **Vegetable oil industry value:** 600,000 metric tons; KES 54+ Billion
- **Local production:** 34% of market requirements
- **Palm Oil Imports:** KES 16 Billion Annually
- **Oil rich plants worth venturing into:** Cashew nuts, Groundnuts, Palm Oil, Sesame, Sunflower.

Transportation, construction services, government services, financial services, and insurance services top the list of services imported by the country. There are therefore opportunities for SMEs to develop technical skills in order to provide local solutions to the market.

Construction Industry Opportunity

Kenya imports a range of construction services, including design, engineering, and project management services – particularly for major roads, bridges, and other infrastructure projects. Local service providers have the opportunity to increase participation in construction projects.

IMPORT DATA

- The government plans to focus TVET institutions on Science, Technology, Engineering and Mathematics (STEM) courses which will give local resources training opportunities for increased participation.
- The government has embarked on the Affordable Housing Programme (AHP) that will see 250,000 houses constructed every year for low income-earners. This opens up opportunities for innovation in construction.
- The government plans to roll out massive infrastructure projects including roads, rail, and dams. Construction industry regulations mandate promotion of local content to support Kenyan local industries and citizen contractors.



TOP SECTORS FOR SMEs

Agriculture

Agribusiness presents a number of opportunities for SMEs in Kenya. It is worth noting that the government has embarked on a farmer registration exercise which will be tied to training and distribution of subsidies. Some potential areas of focus for SMEs thus include:

- 1. Farming:** focus on profitable small-scale farming operations such as vegetables, herbs, spices, oil plants, fish ponds and the like.
- 2. Food Processing:** there are vast opportunities to add value to agricultural products by processing them into finished goods, such as flour, oil, and canned goods.
- 3. Distribution and Post-Harvest Management:** there are opportunities in distribution of agricultural products from producers to consumers through deployment of transportation and logistics services.
- 4. Agro-tourism:** we have witnessed growing niche within the tourism industry where farms offer agro-tourism experiences, such as farm stays and agricultural tours.
- 5. Consultancy:** subject matter experts can provide expertise and consulting services to help other businesses in the agribusiness sector to improve their operations and increase efficiency.



TOP SECTORS FOR SMEs

Manufacturing

The government's Affordable Housing Programme (AHP) presents immense opportunities to the Jua Kali sector:

- 1. Furniture and Fittings Production:** Jua Kali artisans can be involved in the fabrication of doors, windows and such fittings. Additionally, there will be increased demand for a range of furniture products including tables, chairs, and bed frames.
- 2. Household Goods:** There is a demand for locally-produced household goods in Kenya, and SMEs can enter the market by producing items such as pots, pans, and other kitchenware.
- 3. Construction Materials:** There will be demand for a range of construction materials including bricks, cement, and steel which will uplift those in construction material value chain (hardware outlets).
- 4. Textile Production:** Kenya has a growing textile industry, and there is potential for SMEs to enter the market through ventures such as fabric production, clothing manufacture, and accessory production that can be utilized in households.



TOP SECTORS FOR SMEs

Tourism

Tourism remains a huge revenue earner for the country. Domestic tourism has continued to grow as a major contributor to Kenya's tourism and travel sector, with some reports stating that it contributes 50% of tourism earnings. Some potential areas of focus for SMEs in the tourism sector include:

- 1. Hotel Operations:** with the growth of demand for budget accommodation, SMEs can enter the market by offering modest hotels, resorts, farmsteads, or homestays.
- 2. Transportation Services:** Kenya is showing significant growth potentials Meetings, Incentives, Conferences, and Exhibitions (MICE) as major international engagements are organized in various cities. This presents new opportunities for transportation services to participants, including executive transfer and shuttle services.
- 3. Cultural Experiences:** Tied to MICE is new opportunities to offer cultural experiences to tourists, and conference participants as well as sale of handicrafts.
- 4. Adventure Activities:** There increasing local appetite for adventure activities such as safari tours, mountain climbing, and water sports.



TOP SECTORS FOR SMEs

Energy

Kenya has a growing demand for energy, and there is potential for SMEs to enter the market through participation in affordable energy distribution.

- 1. Energy Distribution:** as major power generators develop alternative sources of energy for household consumptions, SMEs can facilitate the distribution to consumers through provision of last-mile connection and maintenance services. This includes distribution of energy-efficient products such as LED light bulbs and appliances.
- 2. Energy Consulting:** subject matter experts can provide expertise and consulting services to help businesses and individuals to improve their energy efficiency and reduce their energy consumption.



TOP SECTORS FOR SMEs

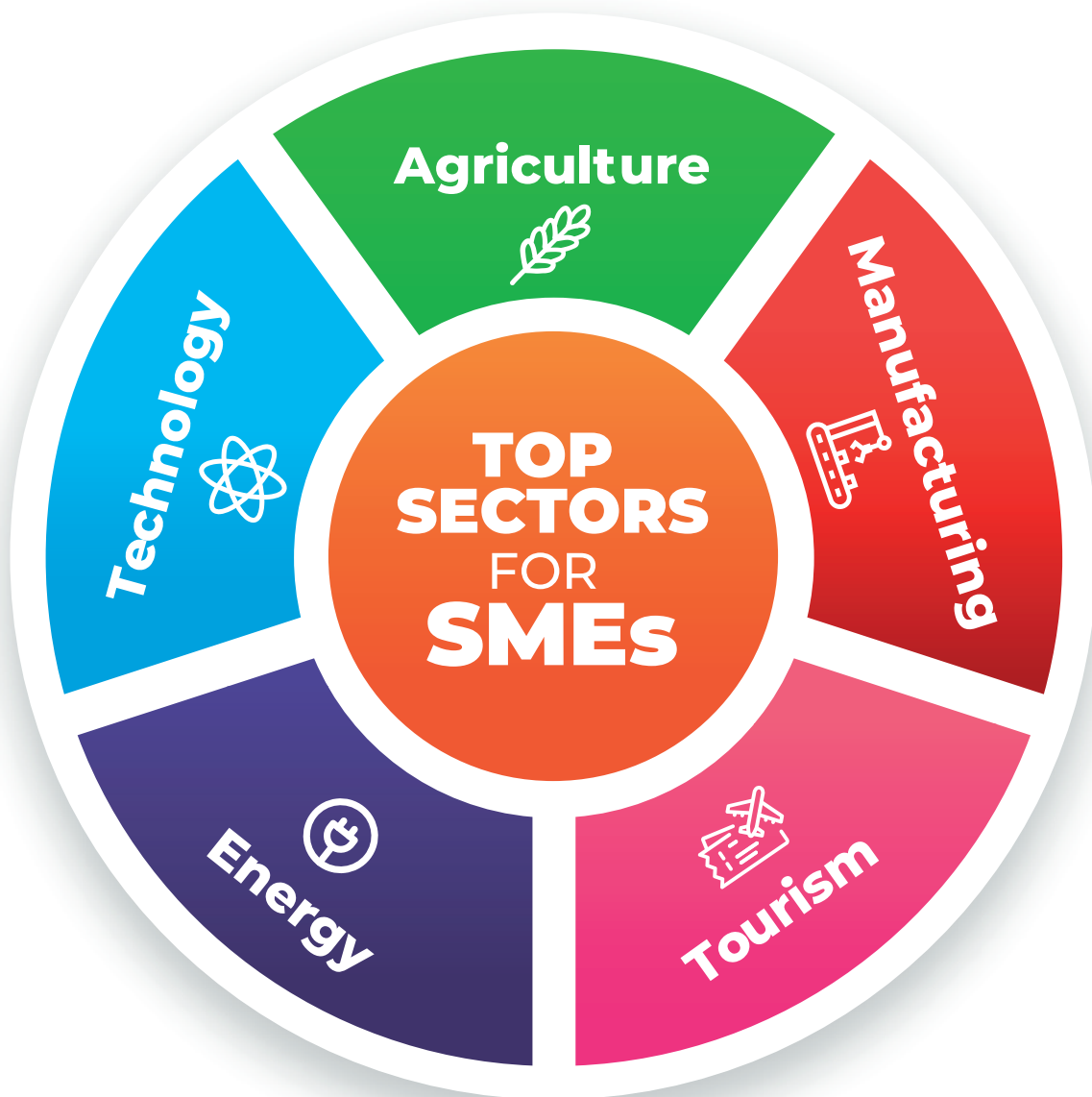
Technology

Kenya has a growing tech sector, and we expect exponential growth as the government moves to seeks to digitize 5,000 of its services by June 2023. This presents a number of opportunities for SMEs in Kenya. Some potential areas of focus for SMEs in the technology sector could include:

- 1. Software Development:** development of software that businesses and individuals can use for various interactions between each other and government.
- 2. Mobile App Development:** many enterprises are venturing into eCommerce that presents opportunities for development of open-source mobile apps, or custom app development services.
- 3. Hardware and IT Services:** with the growth of the tech sector, we forecast increased demand for a range of IT services such as computer repair, networking, and website design. We also foresee growing demand for cloud storage, and technology hardware products such as computers, phones, and other electronic devices – particularly in locations outside the cities of Nairobi, Mombasa, Kisumu and Nakuru.



TOP SECTORS FOR SMEs - Summary



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