



STRATEGIC PLAN 2021-2023

*Theme: Consolidating Operational Gains for
Growth and Sustainability*

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ABBREVIATIONS AND ACRONYMS USED

(M)SME	Micro, Small and Medium Enterprises
MTP	Medium Term Plan
GDP	Gross Domestic Product
KIE	Kenya Industrial Estates
ICDC	Industrial and Commercial Development Corporation
KES/KShs	Kenya Shillings
SWOT	Strength Weaknesses Opportunities Threats (Analysis)
PESTEL	Political, Economic, Social, Technological, Environmental and Legal (Analysis)
BAS	Business Advisory Services
TAC	Technical Advisory Committee
TAT	Turn Around Time
PAR	Portfolio at Risk
ICT	Information and Communication Technology
SRC	Salaries and Remuneration Commission
KEBS	Kenya Bureau of Standards
CoK	Constitution of Kenya
MSEA	Micro and Small Enterprises Authority
MFI	Micro Finance Institutions
SLA	Service Level Agreements
KRAs	Key Result Areas
GoK	Government of Kenya
M&E	Monitoring and Evaluation

EXECUTIVE SUMMARY

This strategic plan comes against a backdrop of improved performance by KIE as well as increased importance of the MSME sector in national development. Established in 1967 to spur rural industrial development, the company has grown in stature and reach to become one of Kenya's leading provider of credit and business development sector in various value chains across the country. The importance of the MSME sector is clearly outlined in the Vision 2030, the Medium Term Plan III, the Big Four Agenda and the Africa's Agenda 2063.

However, the growth has not been without challenges as the company experienced a period of loss making till 2016. However, with government's intervention and astute leadership, the company was able to return to profitability during the last planning period 2017-2020. A raft of operational measures and policies were introduced to safeguard the company's position in the market. As a development financial institution has over the years supported more than 500,000 Kenyan entrepreneurs through lending, training, linkages and incubation/workspace. The company has acquired over 35 hectares of land for industrial infrastructure development across the country. Since inception, the company has invested over Kshs. 4 billion in the MSME sector. Over the last five years the company has trained over 200,000 entrepreneurs on lifelong entrepreneurial skills and facilitated over 4,000 subcontracting linkages between micro, small & medium enterprises to large-scale enterprises. In pursuit of its mandate, KIE operates a vast network currently of 36 branches and 35 Industrial Estates and has developed over 700 industrial sheds across the country.

This strategic plan, 2021-2023, seeks to consolidate the operational gains that the company has realized as well as support the MSMEs towards growth and sustainability. To achieve this, a new vision statement has been coined thus *'to lead in the development of vibrant and sustainable Micro, Small and Medium Enterprises in Kenya.'* The mission statement has also been improved to provide more inspiration to stakeholders thus *'To empower MSMEs in value addition by providing industrial incubation, affordable finance, and business advisory services to support industrialization for job and wealth creation (in Kenya).'* The Company's Core Values have been expanded to include Integrity, Professionalism, Equity and Accountability. The customer value proposition has also been developed for the company thus *'Our promise is anchored on quick turnaround time, exceptional customer experience, innovation and affordable pricing.'*

To achieve its vision, mission and keep the customer promise, the strategic plan is anchored on four pillars that include Financing, Industrial Development (Infrastructure), Industrial Development (Services), Business Advisory and Institutional Strengthening. The overall goal of the plan will be to achieve a profitability of KES 198.4 million from

the current KES 13.5 million as well as achieving a Return on Investment (ROI) of 2.5% compared to the current 0.02%. This will be supported by a staff productivity ratio of 1:3; a disbursement of KES 4 Billion, incubation and acceleration of 1,000 enterprises as well providing a further 150,000 enterprises with business advisory services.

Several strategic objectives and strategic initiatives have been formulated to guide in the achievement of the said targets. Implementation shall be through annual work plans which shall be monitored regularly. On the other hand, a robust resource mobilization strategy and communication strategy shall be put in place to ensure all the planned activities are implemented and stakeholders are on board.

1.0 INTRODUCTION

1.1 Background and Context

Kenya Vision 2030, the long-term development blueprint that seeks to transform Kenya into a newly industrialized high middle-income country, recognizes the key role of small and medium-sized enterprises (SMEs) in attaining its goals. Similarly, SMEs are considered as the cornerstone for manufacturing and have been identified as central enablers towards realizing the 'Big Four' transformational agenda under the manufacturing pillar. MSMEs in Kenya are defined based on turnover and number of employees with MSE Act 2012 defining micro enterprise as a firm, trade, service, industry or a business activity whose annual turnover does not exceed five hundred thousand shillings and employs less than ten people while small enterprises are those whose annual turnover ranges between five hundred and five million shillings; and employs between ten and fifty people.

The Government's Third Medium-Term Plan 2018–2022 towards achieving Kenya Vision 2030 recognizes the SME sector as a priority area for development and seeks to support SMEs through access to affordable credit, providing skills development and provision of domestic and external market linkages. Additionally, the government through MTP III aims to give high priority to the Big Four agenda with the priority areas being aligned to the Big Four including MSME, Blue economy, SGDs, Africa Agenda 2063 as well as industrialization and national skills development programme.

There are various opportunities that exist for MSMEs under these development blueprints. Additionally, success will rely on a successful partnership between the National government, county governments and the private sector. The opportunities available in the manufacturing sector will involve sustaining the existing manufacturing business and encouraging the organic growth of cottage local industries, value addition, and scaling mechanism of such to encourage growth and consistent production. The manufacturing sectors with the greatest potential include textile, leather, and the automotive industry. Opportunities for marketers in this pillar lie in the provision of storage facilities, supply of farm inputs, distribution of farm produce, and agribusiness marketing consultancy.

Universal health care ensures that all people and communities can use the promotive, preventive, curative, rehabilitative and palliative health services they need, of sufficient quality to be effective, while also ensuring that the use of these services does not expose the user to the financial burden. Opportunities exist for MSMEs in the health services value chain including supply and distribution of various medical equipment. In affordable housing, the entire building construction value chain need to position themselves for this direct boom in business from building materials manufacturers, distributors, and real estate sales & marketing agencies that do branding as well as the promotion of the housing schemes.

SMEs employ more than 30 percent of Kenya's population and play a central role in its socio economic development as evidenced by 33 percent GDP contribution. Efforts to make SMEs more competitive can help the country achieve its development objectives by creating more jobs, strengthening sectors and developing business models that work.

The Kenya Industrial Estates is a wholly owned government company that supports that growth of MSMEs in the country. They do this by providing access to affordable credit, providing incubation support to MSMEs, capacity development for the sector as well as providing linkages in marketing and other opportunities. The company implements its mandate through strategic plans with the latest (2018-2020) coming to an end. This strategic plan therefore addresses the next planning period of the company (2021-2023).

1.2 Brief of Kenya Industrial Estates Limited (KIE)

Kenya Industrial Estates Limited is a Government business enterprise operating under the *Company Act Cap 486* (repealed by The Companies Act, 2015). KIE uses its funds to earn profits, which can be reinvested in the business or returned as dividends to its sole shareholder, the Government of Kenya.

The products and services that constitute the business of the company are:-

- (i) Establishing industrial parks/sheds/Incubators;
- (ii) Providing financial services;
- (iii) Providing business advisory services (BAS) (Entrepreneurship training, Consultancy service ;)
- (iv) Facilitating subcontracting/linkages;

The company was established by the government in 1967 as a small and medium industrial promotion organization with focus on Rural Industrialization. Initially, KIE was a subsidiary of Industrial and Commercial Development Corporation (ICDC). In 1978 it became an independent statutory body and was mandated to carry out the following specific objectives:-

- (i) Indigenization of the industrial sector by promoting local entrepreneurs;
- (ii) Providing medium and long term development finance to indigenous MSMEs;
- (iii) Facilitating rural industrial development;
- (iv) Incubation of MSMEs countrywide to facilitate their survival and growth;
- (v) Facilitating the graduation of micro and small enterprises to medium and large enterprises commonly known as the "Missing Middle".

The Company as a development financial institution has over the years supported more than 500,000 Kenyan entrepreneurs through lending, training, linkages and incubation/workspace. The company has acquired over 35 hectares of land for industrial infrastructure development across the country. Since inception, the company has invested over Kshs. 4 billion in the MSME sector. Over the last five years the company has trained over 200,000 entrepreneurs on lifelong entrepreneurial skills and facilitated

over 4,000 subcontracting linkages between micro, small & medium enterprises to large-scale enterprises.

In pursuit of its mandate, KIE operates a vast network currently of 36 branches and 35 Industrial Estates and has developed over 700 industrial sheds across the country. The company currently has a total staff complement of 223. The company works with individuals, micro, small to medium sized enterprises, large enterprises, government institutions, non-governmental organizations, learning institutions, religious organizations, suppliers and partners to enhance its service delivery.

The Company is steered by a Board of Directors appointed by the Government. The Board is charged with the responsibility of strategically guiding the organization. On the management side, the Managing Director heads the company and reports to the Board. The company is organized along departments, sections, units, regional offices and branch offices.

1.3 Rationale for Strategic Plan (2021-2023)

The development of this strategic plan has been necessitated by a number of factors:

1. The expiry of the strategic plan 2018-2020. This has provided the company with an opportunity to take stock of the achievements and challenges encountered during implementation. The lessons learnt from that period have provided the basis of future planning.
2. The company has made key achievements during the past few years. This strategic plan provides an opportunity of consolidating the gains made as well as provide a clear focus for the coming period.
3. The changes in the operating environment caused by the performance in national and global economies, the changes in the social and political environments and the impacts of the COVID -19 pandemic. These factors have made the company relook at its operations as well as its market focus and hence the need for a new strategic document.

1.4 Structure of the Strategic Plan

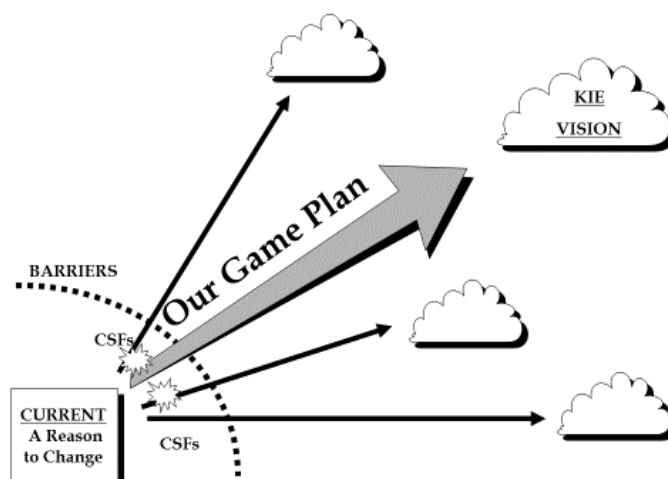
The strategic plan is divided into five major sections and several subsections. Chapter 1 looks at the introductory factors including the context, the mandate of KIE as well as the rationale for the strategic plan. Chapter 2 looks at the situational analysis that include the assessment of performance, challenges and lessons learnt, the internal analysis, external analysis as well as the stakeholder analysis. Chapter 3 looks at the strategic model that contains the mission statement, the vision statement, the core values as well as the strategic priorities and outcomes for the planning period. Chapter 4 looks at the implementation framework that addresses the critical success factors, the implementation approach as well as the implementation matrix. Finally, chapter 5 looks at the monitoring and evaluation of the strategic plan.

1.5 Strategic Framework

The strategic framework used in the process involved analysis at different stages:-

1. An assessment of the current situation that includes the legal status, the mandate and the performance of the company over the years in relation to fulfilling its mandate. It also involved a review of the sector to identify the challenges faced by the target customers (MSMEs) and the desired future state that KIE should bring.
2. Determination of the vision of KIE. This involved looking internally at the company (intrinsic) and looking at the customer and thereafter determining the desired future state of both the company and the customer in line with national aspirations and goals. The vision statement was supported by the mission statement and the core values that will guide the company's activities.
3. Establishment of the critical success factors towards the vision. These are results (broad targets) that KIE must meet in the medium term in pursuit of the vision. The results were further qualified by the strategic objectives for the planning period.
4. Identifying competitive advantage of the company while at the same time mapping out the weaknesses, threats and opportunities. This was done through the SWOT and PESTEL analysis. Strategies to enhance the competitive advantage were also identified. On the other hand strategies to mitigate the weaknesses and threats as well as exploit the opportunities were also mapped out.

The strategic framework is shown in the figure below:-



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2.0 SITUATIONAL ANALYSIS

This section looks the performance of KIE, challenges encountered and lessons learnt. The section also undertakes an internal analysis using the 8s model and the SWOT analysis as well as the external analysis. The section concludes at looking at the different stakeholders and their expectations from KIE.

2.1 Assessment of Performance

These are challenges that are facing MSMEs as enterprises and they affect their ability to grow and remain sustainable. Some of the key challenges include:-

- Access to affordable finance
- Business management skills
- Access to affordable workspace
- Business information such markets, supply chains among others
- Unharmornised legal and regulatory policies
- Multiplicity of levies, licenses
- Maintaining Profitability
- Attracting & Retaining Employees
- Embracing Technology
- Access to non-financial inputs
- Lack of marketing support
- Competition from cheap imports
- Lack of succession planning
- Strict collateral requirements in accessing finance
- Lack of guarantors

2.1.1 Corporate Level Analysis

Table 1: Corporate Performance Assessment

NO.	STRATEGIC OBJECTIVE(S)	PERFORMANCE TARGETS	ACHIEVEMENTS TO DATE
1.	To scale up KIE operations in line with Vision 2030 aspirations	Review and redesign its products	<p>Achieved the following: -</p> <ul style="list-style-type: none"> Established a stand -alone BAS department Reviewed and enhanced Entrepreneurship Training/capacity building, Consultancy services Reviewed and enhanced Facilitation of Linkages/ subcontracting Reviewed and enhanced entrepreneurship training manual Reviewed Loan TAC committee's approval limit raised from Kshs 3.0 million to Kshs 5.0 million and further to Kshs 10.0 million. All the products were reviewed Reviewed loan interest rate from 15% p.a. to 10% p.a. on reducing balance. New products targeting groups launched.
		Increase its customer numbers by 5,309 to 10,000 customers;	<ul style="list-style-type: none"> Customer numbers increased from 4,691 to 9,623 enterprises
		Increase customer retention to 80% rate	<ul style="list-style-type: none"> Achieved 100% retention rate
		Improve turnaround time from 106 to 44 days	<ul style="list-style-type: none"> TAT reduced from 106 days to 44 days for the longest loans.
		Grow disbursement from an average of Kshs.250 million to Kshs.1.0 billion annually	<ul style="list-style-type: none"> Disbursed Kshs.1, 972.3 million translating to an average of Kshs.657.4 million annually.
		Attain a PAR of less 5% of the loan portfolio (Bad Book before Write off was above 80%)	<ul style="list-style-type: none"> Attained 13.4% of PAR (PAR for New loan Book 2017 to Date is below 4%)

NO.	STRATEGIC OBJECTIVE(S)	PERFORMANCE TARGETS	ACHIEVEMENTS TO DATE
		Develop 5 SME eco industrial parks	<ul style="list-style-type: none"> • One SME park developed in Nairobi.
		Have industrial parks in all the 47 counties	<ul style="list-style-type: none"> • 35 Industrial Estates in 28 counties
		Value chain financing in agriculture business by Kshs 50 million	<ul style="list-style-type: none"> • Disbursed Kshs 584.4million to projects in agro-processing
		Finance new sectors (Mining, energy, ICT, innovations, & support industries in hospitality, medical, education, transport and construction sectors) By Kshs.50 million annually	<ul style="list-style-type: none"> • Disbursed Kshs 682.8 million to the identified sectors
		Create entrepreneurial culture among 30,000 Kenyans	<ul style="list-style-type: none"> • Trained 141,956 entrepreneurs
		Generate revenue of Kshs 35 million annually through 150 consultancies over the period	<ul style="list-style-type: none"> • Generated Kshs 37.2 million from BAS
		Conduct 1 SME Expo	<p>Participated in the following expos annually: -</p> <ul style="list-style-type: none"> • 3 Nairobi International Trade Fair (Best Exhibitor for two years running 2018-2019) • 3 National Innovation Week (UoN) • 2 Nakuru National Agricultural Society of Kenya Show (Best Exhibitor for two years running 2018-2019) • 2 Kenya Association of Manufacturers Expo

NO.	STRATEGIC OBJECTIVE(S)	PERFORMANCE TARGETS	ACHIEVEMENTS TO DATE
2	To enhance profitability and sustainability of the organisation	Debt restructuring Kshs 1.4 billion;	<ul style="list-style-type: none"> Prepared and submitted a Cabinet Memorandum for balance sheet restructuring of KSh 1,438.5Million. Obtained cabinet approval for write off of NPLs amounting to KSh 1,438.5Million. Balance sheet restructured.
		Recapitalization to the tune of Kshs 3.2 billion	<ul style="list-style-type: none"> Recapitalised the company with KShs 1,696.4 Million through GoK grant.
		Clear bad debt of Kshs 500 million	<ul style="list-style-type: none"> NPLs amounting to KShs 892.5 million was written off
		Over 80% customer retention rate	<ul style="list-style-type: none"> Achieved 100% retention rate as at 30th June 2020
		Annual development allocation of Kshs 1.0 billion	<ul style="list-style-type: none"> Received a total of KShs 1,696.4 Million budget allocation for credit to MSMEs.
		Enhance interest income to Kshs 478.4 million by year 3	<ul style="list-style-type: none"> Interest income was Kshs. 70.3 million in year 2019/2020
		Profit growth from loss of Kshs (173.0) million to Kshs (276.2)million by 2019/20	<ul style="list-style-type: none"> Pretax profit improved to Kshs 8.9million in year 2019/2020
3.	To enhance efficiency and effectiveness in service delivery	55% ICT proficiency	Achieved a 90% ICT proficiency
		Improve efficiency and effectiveness of TAT 106 days to 60 days;	TAT reduced from 106, to 62 days to 44 days
		100% of compliance with ISO Quality Management System	The ISO 9001:2008 Quality Management System will be upgraded to 9001:2015 Standard
4	To enhance institutional	Enhance employee satisfaction by 25%:	<ul style="list-style-type: none"> Harmonized salaries for all cadres of staff Introduced good medical cover Enhanced and car loan facility with revised rates from 10% p.a. to 3% p.a. on

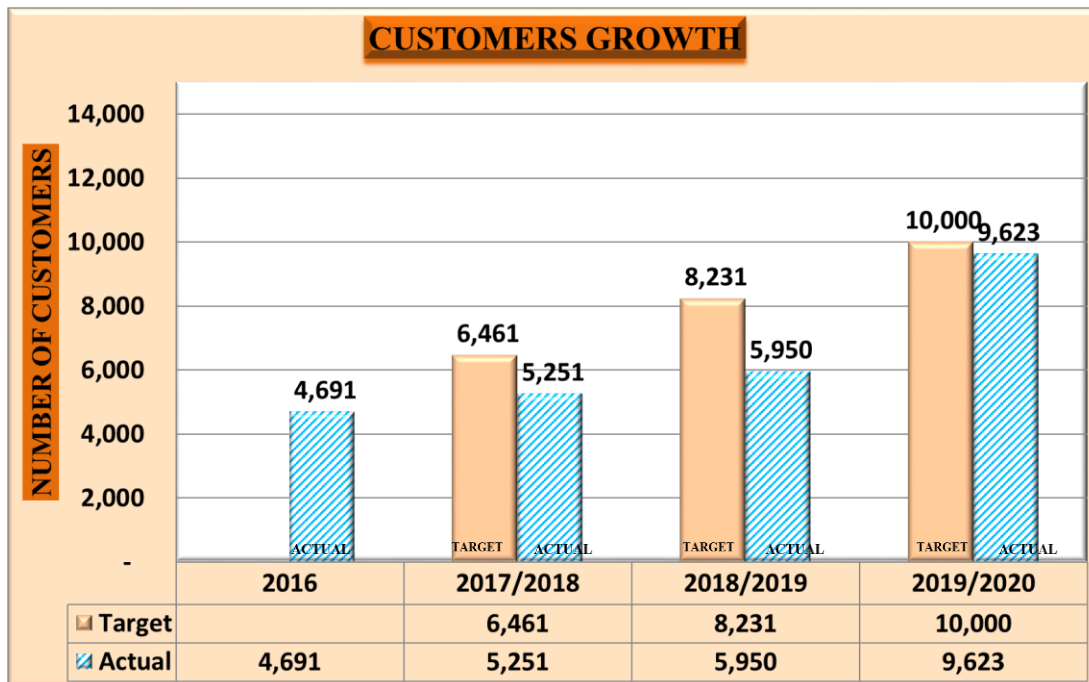
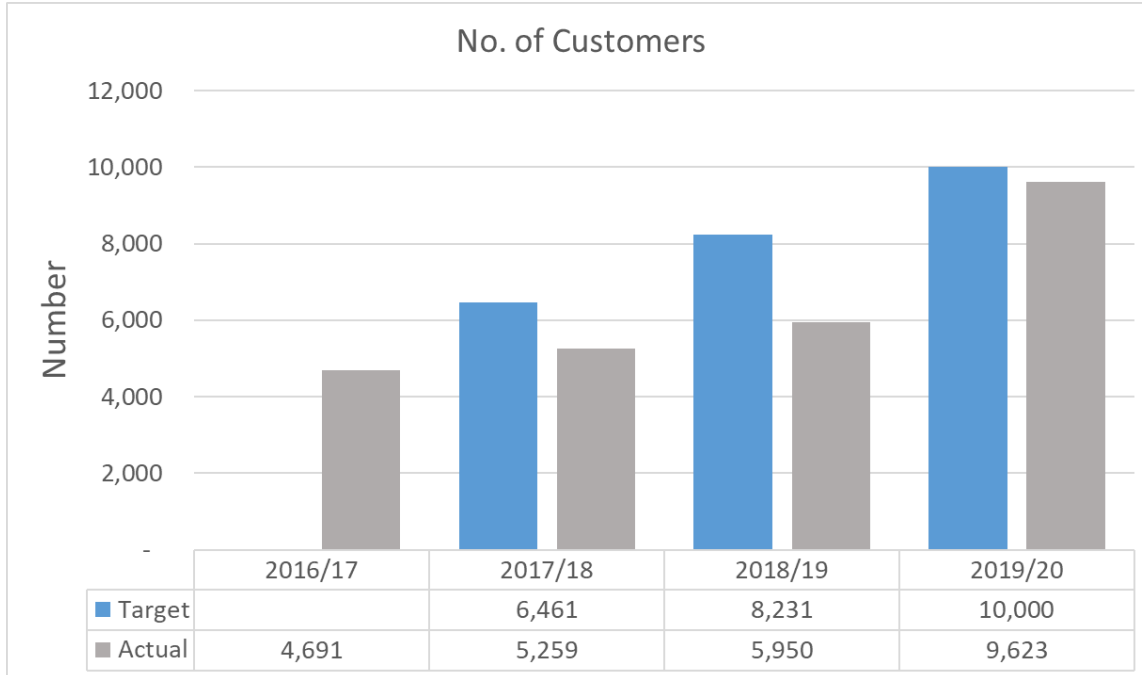
NO.	STRATEGIC OBJECTIVE(S)	PERFORMANCE TARGETS	ACHIEVEMENTS TO DATE
	capacity.		<p>reducing balance.</p> <ul style="list-style-type: none"> • Cleared statutory and pension arrears; • Staff statutory deductions paid timely namely; • Aligning staff Substance Allowances in line with the SRC and revised salary structure; • KIE Policy & Procedure manuals 2017 in place. • Extensive Trainings conducted amongst staff
		Providing a conducive work environment	<ul style="list-style-type: none"> • Analysed existing gaps on work environment • Purchase new storage cabinets, workstations, printer and computers • Good working environment through newly acquired work stations/ furniture, telephone heads, ICT projectors, conferences for meetings, bulky cabinets for records management; • Match-expectations, responsibilities and rewards; • Ensure staff are insured against any injury/loss while at the work place; (Group life –Insurance to cushion staff).
5	Financial Goals	Total revenue will grow by 203.2% from the current Kshs 254 million to Kshs 770 million	Grew revenue by 84.4% from Kshs 254.0 million to Kshs 463.2 million
		Profits will increase from the current loss of Kshs 125.9million to a profit of Kshs 276.2 over the next three years.	Pretax profit Kshs 8.9 million
		Asset base will grow from the current Kshs 3.3 billion to Kshs 6.95 billion over the next three years.	Asset base grew to Kshs 4.46 billion

2.1.2 Trend Analysis of selected indicators

Customer Growth

No. of Customers achieved was 4,932 out of a target of 5,000 representing a performance index of 98%.

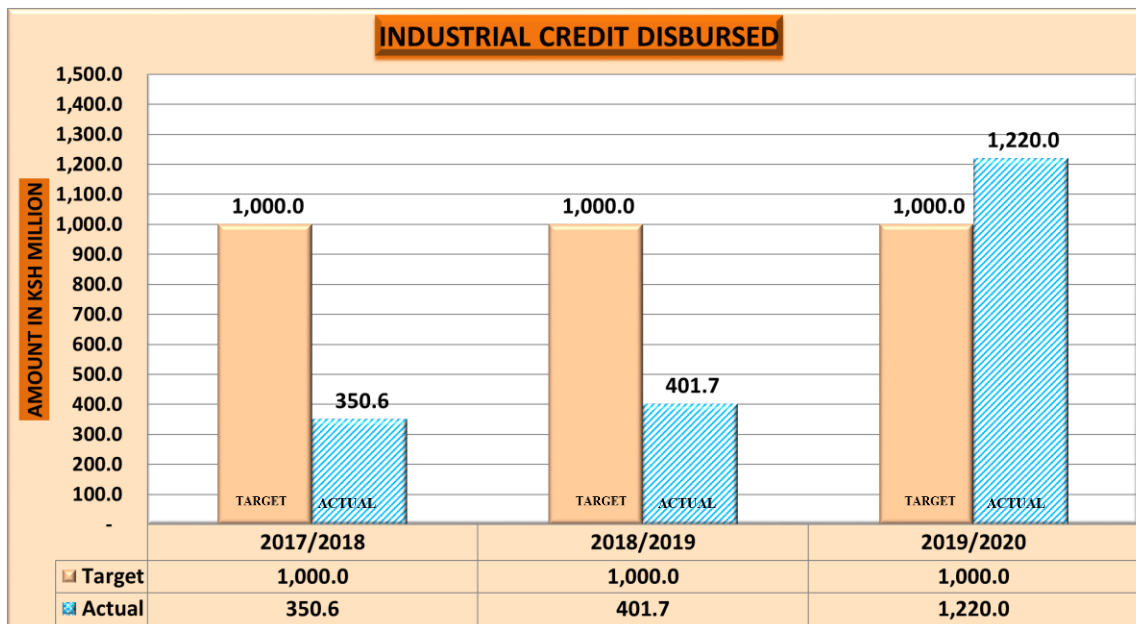
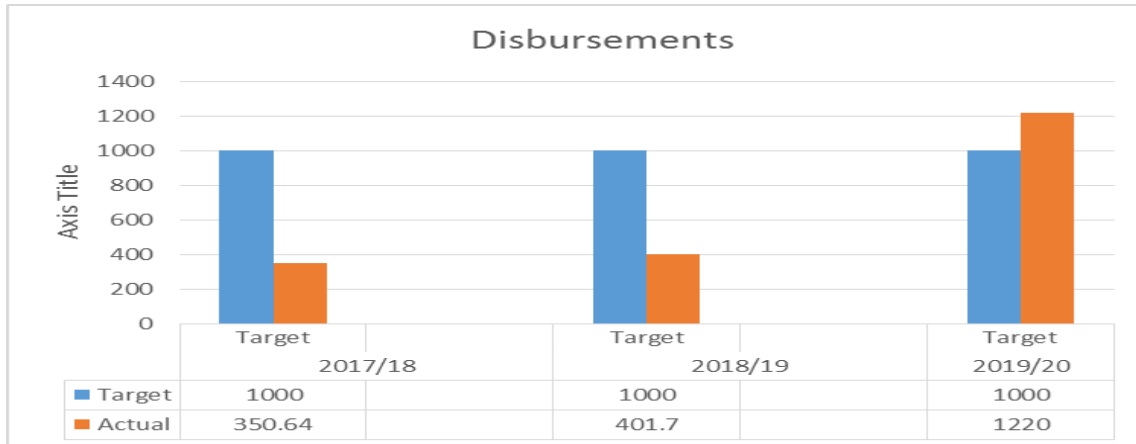
Figure 1: Customer Growth



Disbursements

Amount of disbursements increased from KES 350.6m to KES 1,220m over the plan period representing a performance index of 66%.

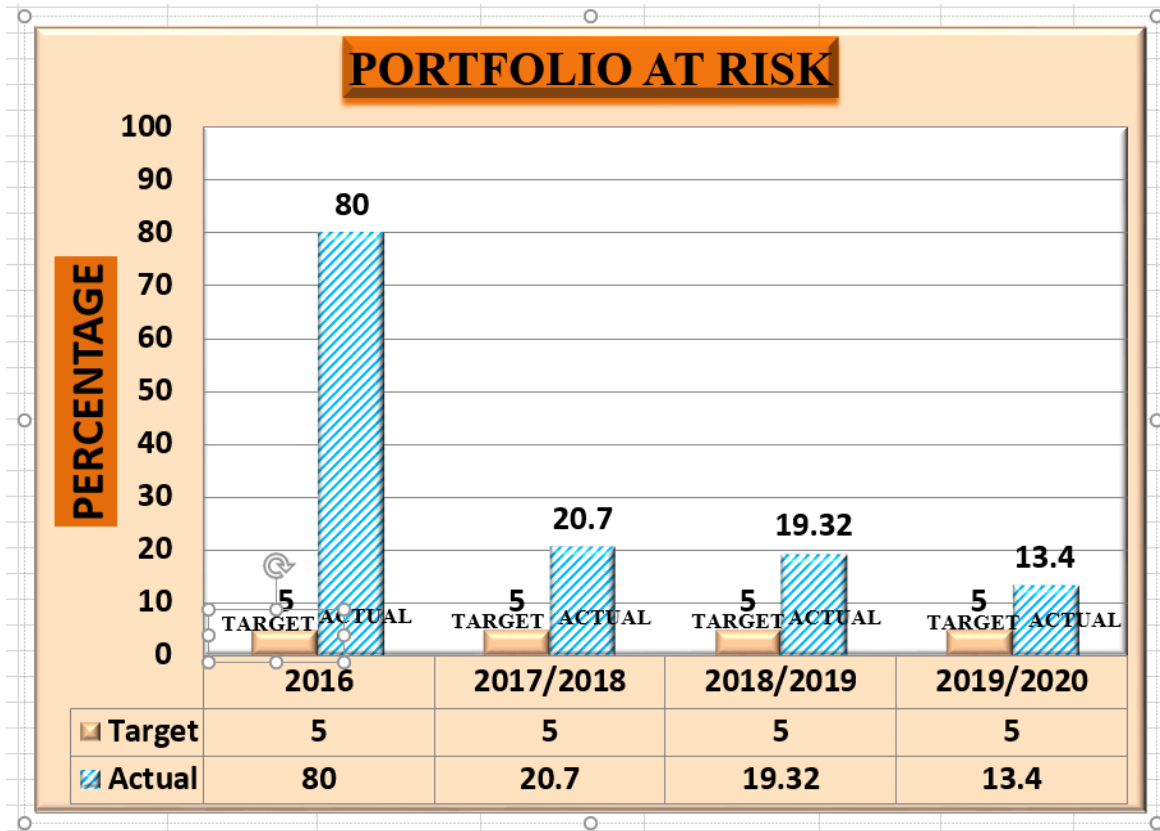
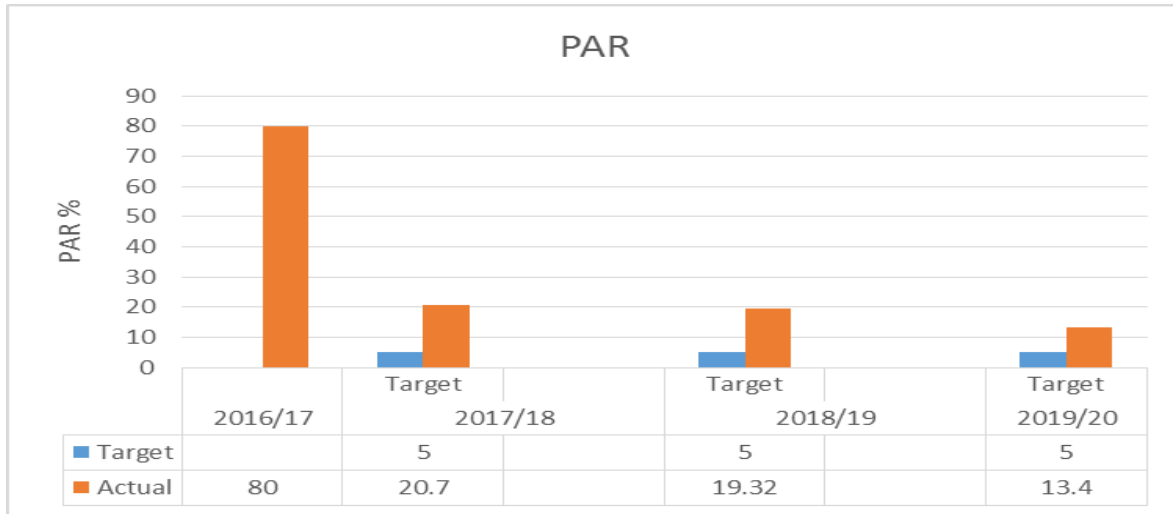
Figure 2: Disbursements



Portfolio at Risk

Portfolio at Risk reduced from 80% to 13.4% representing a performance index of over 100%.

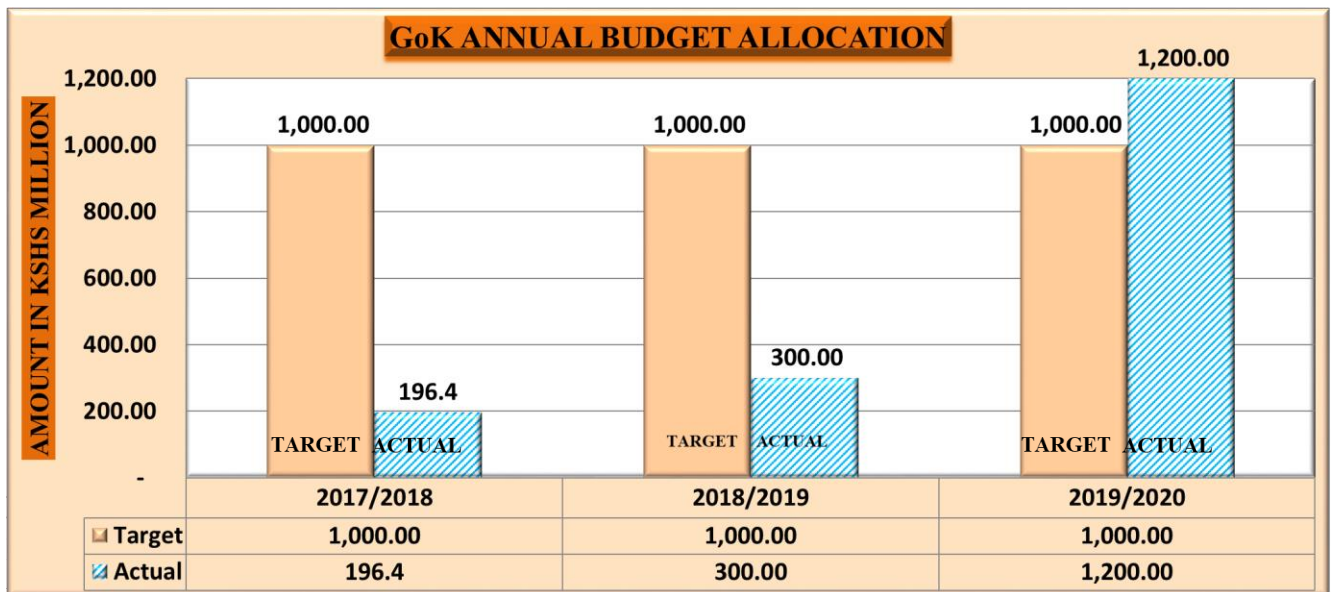
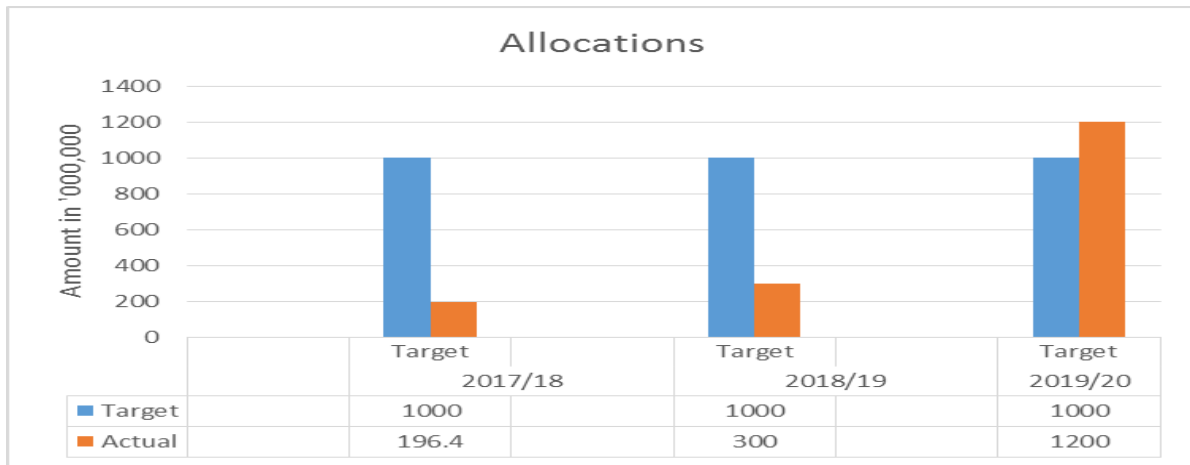
Figure 3: PAR Performance



Annual Development Allocation

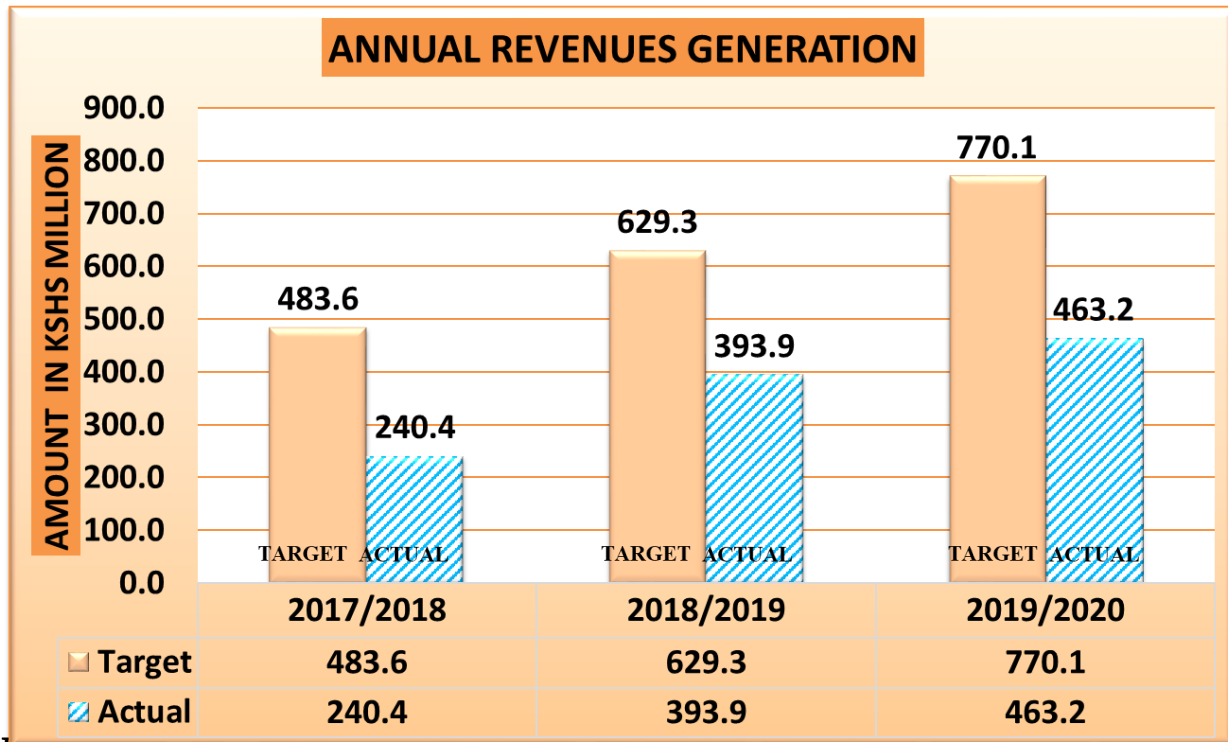
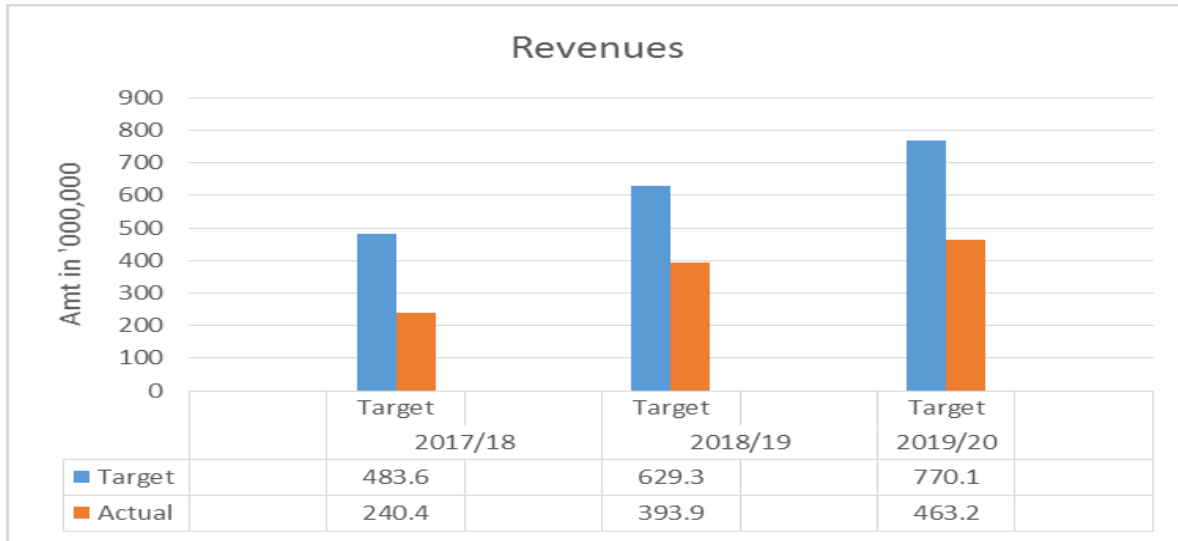
The ADA totaled KES 1696m over the plan period against a target of KES 3,000m over the same period representing a performance index of 57%.

Figure 4: Annual Allocations



Index of 50%

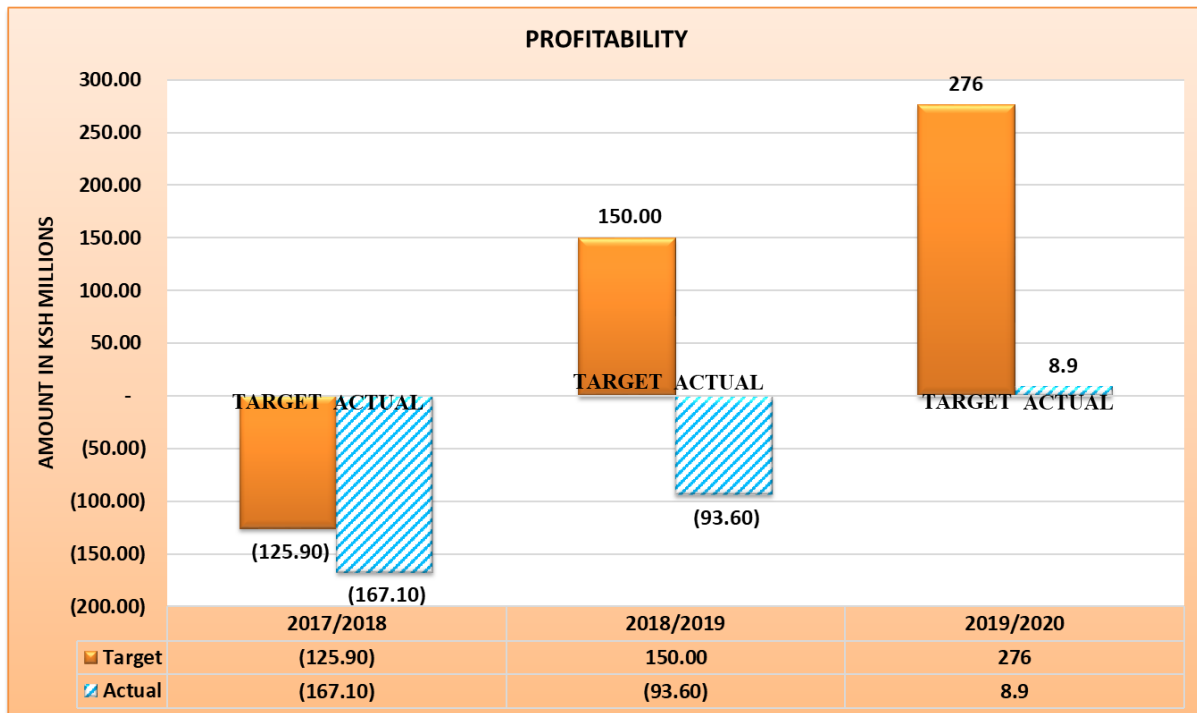
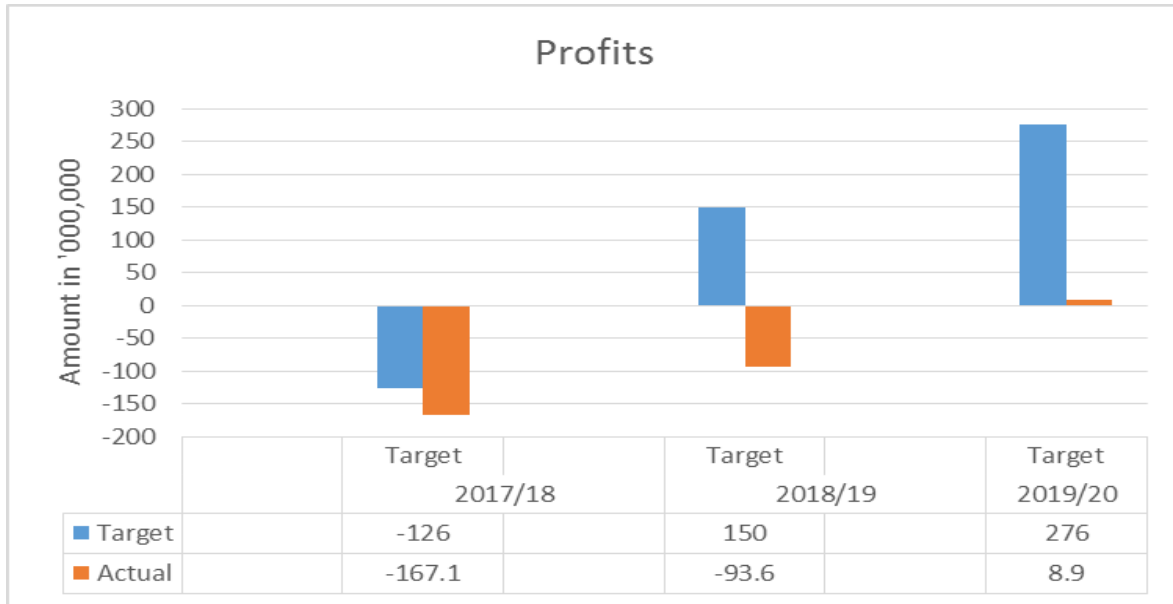
Figure 5: Revenue Growth



Profits

Profits grew from KES (125.9) in 2017 to KES 8.9 million in 2020.

Figure 6: Growth in profits



2.2 Enablers

These are factors that in one way or the other positively influenced the pursuit of the objectives and contributed to the achievement of organizational goals. These included: -

- a. Increase loan amount ceiling from Kshs 14 million to Kshs 20 million which expanded loan demand.
- b. Intensive marketing in all parts of the country in collaboration with other stakeholders
- c. Diversification of products including group guarantee loan product
- d. Improved service delivery and client relationship management
- e. Intensified debt collection which includes out of court settlement and mediation processes
- f. Focus on agro-based enterprises
- g. Close partnership with the county governments
- h. Due diligence in loan processing.
- i. Clean up of company's balance sheet
- j. Training of credit officers/credit assistants
- k. Enhanced work environment
- l. Team work

2.3 Constraints and Lessons Learnt

These are internal factors which in one way or the other prevented KIE from achieving its strategic objectives. From these constraints, KIE was able to draw key lessons.

Table 2: Constraints and Lessons Learnt

No.	Constraint	Lessons Learnt
1.	Lack of enhanced funding from exchequer	Engaging the National Government by demonstrating results and impact of our work coupled with prudent utilization of allocated funds leads to increased funding from exchequer.
2.	Poor balance sheet due to historical, legacy government guaranteed loans that could not support lending	Lack of a good balance sheet inhibits resource mobilization. There is need to ensure that conditions that led to legacy loans do not recur in the company.
3.	Inadequate staffing in branches	Adequate number of staff in branches will enhance outreach and hence more clients.
4.	Unreliable internet connectivity in a few branches	Connectivity is key to ensure all processes and communication are done within good time
5.	Low staff motivation due to poor working environment that had led	Increasing staff motivation and improving the work environment leads to improved staff productivity

No.	Constraint	Lessons Learnt
	to high staff turnover	and hence organization performance

2.5 Challenges and Strategies to overcome them

These are factors external to KIE but impacted negatively on the pursuit of organizational Goals. These and strategies to overcome the challenges are summarized below.

Table 3: Challenges

No.	Challenges	Strategies to Overcome
1.	Covid-19 pandemic;	Develop strategies to mitigate against the pandemic
2.	Inadequate funding to support KIE programmes;	Continuous engagement with the exchequer. Develop and implement a resource mobilization plan for external funding.
3.	Limited entrepreneurial & management skills among majority MSMEs;	Continuous Business Advisory and trainings for the MSMEs
4.	Lengthy processing time of documents at land registries;	Continuous engagement with ministry of lands as they digitize their country lands registries.
5.	Inadequate funding for industrial parks.	Lobby the exchequer for increased funding. Raise additional financing from external partners.

2.6 Internal Analysis

These are factors that affect internal operations at KIE, they are the **strengths** and **weaknesses**. (Strengths are internal positive features and characteristics of an organization while Weaknesses are internal features and characteristics of an organization that need improvement).

Table 4: Internal Analysis

No.	AREA	STRENGTHS	WEAKNESSES
1.	Systems – the systems that KIE has put in place to support execution of strategy and management support such as performance	1. The system is well diversified 2. M&E are followed to the later. 3. Performance monitoring at the branch and region	1. There is need for continuous improvement on the systems 2. There is need for enhanced Monitoring

No.	AREA	STRENGTHS	WEAKNESSES
	management, M&E, Operations	undertaken regularly	and evaluation across the organization
2.	Staff – The adequacy of personnel available to implement the strategy	<ol style="list-style-type: none"> 1. Well educated staff 2. Several incentives in place 3. Adequate number of staff available 4. Well motivated staff force 	To drive organization performance there is need to drive productivity
3.	Shared Values - the organization culture and how it supports implementation of strategy	<ol style="list-style-type: none"> 1. Organization Upholds integrity 2. Innovations largely encouraged 	There is need to Continue having activities that enhance shared values in the company.
4.	Skills - the skills and competencies available among staff to implement strategy	Skilled staff	There is need for Continuous skills enhancement.
5.	Strategy – The alignment of objectives and strategies to organization goals, mission and vision	<ol style="list-style-type: none"> 1. Well aligned objectives to the goals of the organization 2. Well connected to other government agencies 3. Great positioning of itself as a ‘go to’ public institution in its mandate of supporting SMEs in the country. 	There is need to Drive strategies for engagement with external partners for resource mobilization
6.	Style – the ability of leadership, supervision and governance to drive the strategy	<ol style="list-style-type: none"> 1. Good Leadership that is participatory, inclusive and perceived to be fair 	There is need to Continue to entrench it across the organization
7.	Shillings - the availability of resources for implementation of strategic activities	<ol style="list-style-type: none"> 1. Improved budgetary allocations 2. Subsidized interest rates on loans 	Need to mobilize resources to realize strategic objectives
8.	Strength (Competitive)	<ol style="list-style-type: none"> 1. Wealth of experience in supporting SMEs through credit provision, incubation and Business 	

No.	AREA	STRENGTHS	WEAKNESSES
		advisory services 2. Existing and ability to make collaborations with partners to implement programmes	

2.7 PESTEL (External) Analysis

The **opportunities** and **threats** affect the implementation of the strategy. Opportunities are positive external conditions which KIE can use to its advantage while Threats are negative external conditions which can adversely affect KIE.

Table 5: External Analysis

ISSUE	DESCRIPTION	OPPORTUNITIES	THREATS
Political	These relate to the impact of elections and decisions made by National governments, from new laws and policies to political goals and ideologies. Devolution etc.	<ul style="list-style-type: none"> • Devolution -enhanced MSMEs growth due to opportunities available at counties. • Regional integration • Prioritization of MSMEs in government agenda 	<ul style="list-style-type: none"> • Election cycles leading to shift government focus • Political instability leading to collapse of SMEs. • Delayed GoK payments and other related services affecting MSMEs • Possible merger of State Agencies
Economic	Issues related to the distribution, supply and availability of money such as the performance of global, national and county economies (such as GDP, Fluctuations in foreign currency and inflation)	<ul style="list-style-type: none"> • Devolution in relation to resource availability to MSMEs • Kenya is a net consumer economy hence the need for rapid industrialization. • Opportunities to partnership with organizations (international lenders) 	<ul style="list-style-type: none"> • Poor performance of MSMEs due to external threats like Covid 19. • Poor performance in agriculture affects availability and cost of raw materials for the manufacturing sector. • Reduced government funding owing to tough economic times and other competing interest.
Social	This is the impact of social factors, such as collective social beliefs of what is right or wrong, changes in attitudes or population structure, security,	<ul style="list-style-type: none"> • Many people are adopting locally made products. • MSMEs have demonstrated entrepreneurial capabilities making 	<ul style="list-style-type: none"> • Rural – urban migration has frustrated rural industrialization initiative. • High level of unemployment and poverty

ISSUE	DESCRIPTION	OPPORTUNITIES	THREATS
	livelihoods and preferences. Pandemics e.tc.	them the most in the successful SMEs in the Counties in job and wealth creation.	<ul style="list-style-type: none"> High level of insecurity deters investment.
Technological	Emerging, new and enabling technologies can improve KIE competitiveness including its operational effectiveness and its innovative capability	<ul style="list-style-type: none"> Online marketing and client generation Enhanced use of technology in running business. Availability of more reliable and cost-effective communication links. Emerging technologies such artificial intelligence and Big data is changing how businesses are run. 	<ul style="list-style-type: none"> Insecurity of data and privacy and financial implications Counterfeit technology continues to impact negatively on economies. High cost and rapid obsolescence of technologies is a challenge to small industries. Cyber crimes Misuse of ICT technology & services.
Environmental	These relate to the changes in the environment such as climate change and its impacts; urbanization etc.	<ul style="list-style-type: none"> Increased urbanization leads to increased industrialization. Environmental management developments have opened new business opportunities in green production and reduced industrial waste. Sufficient rainfall has made agribusiness to thrive in the region thereby enabling the company to maintain viable projects 	Climate change and global warming is affecting manufacturing enterprises that rely on agricultural raw materials.
Legal and Regulatory	These relate to the impact of existing laws, proposed changes to laws, or the introduction or removal of laws: especially relating to devolution, the COK, 2010, and other Laws under the COK, 2010	<ul style="list-style-type: none"> Ban on plastics and timber harvest has created new opportunities Promoting use of locally made products e.g. cotton products, coffee, tea, etc 	<ul style="list-style-type: none"> KEBS Mark of quality affects MSMEs due to lengthy processes and costs implications. High cost of business registration is an impediment to MSMEs Complex and costly

ISSUE	DESCRIPTION	OPPORTUNITIES	THREATS
	among others.	<ul style="list-style-type: none"> Devolution has introduced new legal requirements for investment. 	<p>process of registration of intellectual property rights stifles innovation</p> <ul style="list-style-type: none"> Credit guarantee scheme may set high qualifying criteria for participating lenders

2.9 Strategies to Mitigate the Threats:

1. On Covid-19 the organization to continue loan restructuring to give new lease to projects instead of enforced recovery.
2. Expand group loan products to grow the loan book due to limited current loan requirements.
3. Promote cottage industries
4. Continuous Capacity building to MSMEs
5. Digitize operations
6. KIE should mobilize funds from other sources of Financing to supplement the Government funds
7. Close collaborations with the national government towards policies shifts more so those affecting MSMEs.
8. Close collaboration with the devolved governments.
9. Compliance with relevant laws and regulations
10. KIE should sensitize SMEs on how to mitigate/adapt to effects of climate change on their businesses
11. Continue to inculcate entrepreneurial culture through training, profiling success stories and mentorship programmes.

2.10 Stakeholder Analysis

Stakeholders are categories of individuals or institutions whose actions have a direct effect on the activities of KIE. Stakeholders are primary or secondary. The list of key stakeholders for KIE is summarized in the table below:-

Table 6: Stakeholder Analysis

Name of Stakeholder	Stakeholder Expectation towards KIE	Obligation of KIE to stakeholder
MSMEs	Efficient and effective services	Efficiency in provision of credit, capacity building, incubation, linkages. Provide products that meet the needs of the stakeholder Provide regular updates and information to the stakeholder
National Treasury	Return on investments	Prudent management of finances; Investments in areas that have maximum returns Accountability
National Assembly	Services reach the entire citizenry	Compliance with the laws of the land Spread services to all parts of the country
Parent Ministry	Compliance with legal and policy requirements	Ensure full implementation of policies Timely signing and implementation of performance contract obligations Delivery of required services.
Development Partners and other donors	Partnerships in the support of MSMEs	Prudent utilization of the grants; reaching out to hard to reach populations.
County Governments	Development of industrial parks in counties	Partnerships in growing the sector across various value chains Ensuring equity in the development and support of industrial parks and incubation centers.
Other Sector players including MSEA, Banks, MFIs and other lenders	Partnerships in the support of MSMEs	Development of strategic partnerships
Suppliers of goods and services to KIE	Timely delivery of goods and services to KIE	Prompt payments and monitoring of the SLAs to ensure timelines are adhered to.

3.0 STRATEGIC MODEL

The strategic model presents the vision of the company alongside the mission and core values. The model also looks at the strategic focus areas and the corresponding targets for 2023.

3.1 Vision Statement

To lead in the development of vibrant and sustainable Micro, Small and Medium Enterprises in Kenya.

3.2 Mission Statement

To empower MSMEs in value addition by providing industrial incubation, affordable finance, and business advisory services *to support industrialization* for job and wealth creation (in Kenya).

3.3 Core Values

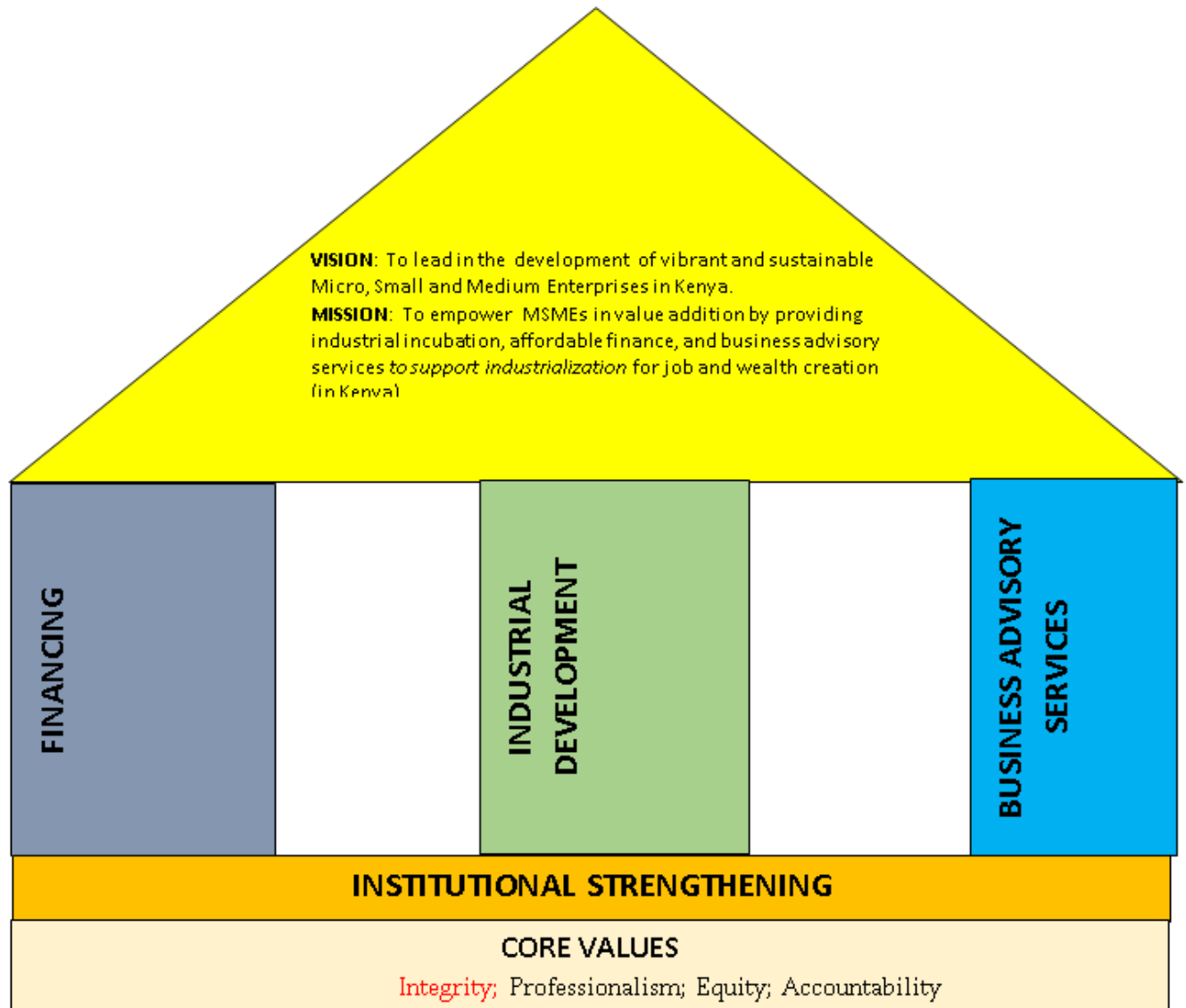
- Integrity
- Professionalism
- Equity
- Accountability

Acronym: **IPEA**

3.4 Customer Value Proposition

We will champion the development of MSMEs in Kenya by ensuring the enterprises are incubated, provided with affordable credit, adequate workspace as well as develop their capacity in a sustainable way. Our promise is anchored on quick turnaround time, exceptional customer experience, innovation and affordable pricing.

3.5 KIE Strategy House



3.6 Key Result Areas and Priorities for 2023

The key result areas, strategic objectives for 2023 as well as the objectives are summarized in the table below.

Strategic Objective 1: Scale up KIE Operations in Line with Vision 2030 Goals

Strategic Objective 2: Enhance Profitability and Financial Sustainability of the Organization

Strategic Objective 3: Enhance Efficiency and Effectiveness in Service Delivery

Strategic Objective 4: Enhance Institutional Capacity

Strategic Objective 5: Enhance KIE Corporate Image

Table 7: KRAs and Strategies for 2023

No.	Key Result Area	Strategic Priorities/Objectives	Key Performance Indicators
Strategic Objective 1: Scale up KIE Operations in Line with Vision 2030 Goals			
1	Financing	• Resource Mobilization	• Mobilize Kshs 3.0 billion from GoK and 50% (Kshs 1.5 billion) from other sources
		• Increasing Disbursements	• Disburse at least Kshs. 4 billion
		• Enhancing Repayments	• Achieve a PAR of 5% and below
2a.	Industrial Development (Infrastructure)	• Construction of New Parks	• Industrial Parks in 12 regions • Industrial parks in high demand areas
2b.	Industrial Development (Services)	• Enhancing Incubation	• 1,000 businesses incubated and/or accelerated
		• Increasing Acceleration	
3	Business Advisory	• Capacity Development (training, Coaching, Mentoring)	• 150,000 entrepreneurs reached
		• Enhancing Linkages	
		• Other Support Services	
Strategic Objective 2: Enhance Profitability and Financial Sustainability of the Organization			
4.1	Institutional Strengthening	• Improving Financial Management	• Manage cost
4.2	Institutional Strengthening	• Enhancing Risk Management	• 100% compliance with Risk Framework
4.3	Financial Sustainability	• Profitability	• Kshs. 198.4M
		• Return on Investment (ROI)	• 2.5%
Strategic Objective 3: Enhance Efficiency and Effectiveness in Service Delivery			
4.4	Institutional Strengthening	• Efficient Internal Systems	• As per service charter

No.	Key Result Area	Strategic Priorities/Objectives	Key Performance Indicators
Strategic Objective 1: Scale up KIE Operations in Line with Vision 2030 Goals			
		and Processes	
• Strategic Objective 4: Enhance Institutional Capacity			
4.5	Institutional Strengthening	<ul style="list-style-type: none"> Human Capital Development 	<ul style="list-style-type: none"> Productivity index of 1:3 (Staff Costs to Revenues)
• Strategic Objective 5: Enhance KIE Corporate Image			
4.6	Institutional Strengthening	Enhance Corporate Image	Brand awareness

4.0 IMPLEMENTATION FRAMEWORK

For any strategic plan to be implemented successfully, it is imperative to link strategies to an implementation framework. Such a framework will entail linking activities and resources to desired results. In ensuring that the strategic priorities are implemented an appropriate methodology will be developed based on the following three areas.

1. Performance Objectives - What strategy must be achieved and what is critical to its success
2. Measure - How success will be measured and tracked
3. Target – Performance expectation

4.1 Critical Success Factors

For implementation of the strategy to be successful, a set of critical success factors have been identified. These factors, if not addressed, may affect the implementation of the strategy negatively. They are summarized in the table below:-

Table 8: Critical Success Factors

Success Factor	Strategic Imperatives
Institutional Capacity	The capacity of the company to implement the strategic plan needs to be enhanced. Capacity includes both the human resource numbers and capabilities and supporting equipment and facilities.
Collaborations and partnerships	The Company cannot implement the strategic plan without the support of the stakeholders. There will be need to develop partnerships with the stakeholders' to support the implementation of the strategic plan.
Corporate Governance	The capacity of the Board in governance and management of public sector institutions should also be strengthened.
Research and Development	The Company should adopt the use of modern technology which will enable the growth of its research and development function. There should be room for innovations across all levels of the company.
ICT	The Company should integrate technology in all its operations. The capacity of the staff to optimally use ICT should also be enhanced.

Success Factor	Strategic Imperatives
Communication	The success of any strategic plan is driven by a robust internal and external communication strategy. Effective communication leads to stakeholder engagement, buy in and ultimately support. The company should invest in improving both internal and external communication which should be guided by a communication strategy.

4.2 Implementation Plan

The implementation plan connects the dots between big picture strategy elements such as mission (our purpose), vision (what we aspire for), core values (what we believe in), strategic focus areas (themes, results and/or goals) and the more operational elements such as objectives (continuous improvement activities), measures (or key performance indicators, or KPIs, which track strategic performance), targets (our desired level of performance), and initiatives (projects that help you reach your targets). The implementation plan is presented below:-

Table 9: Implementation Plan

No.	Objective	Key Performance Indicator	Target	Initiatives	Time Frame				Responsible
					Q1	Q2	Q3	Q4	
Strategic Objective 1: Scale up KIE Operations in Line with Vision 2030 Goals									
1.0	Key Result Area 1: Financing								
1.1	Mobilize resources to finance organizational activities	Amounts mobilized	KES 1.5 Billion from GoK KES 3.0 Billion from Other Sources	Develop a resource mobilization policy, strategy and plan					MBAS
				Align Organization activities to development partners and GoK Priorities by developing concept papers for engagement with development partners					MD
				Strategically engage different players for lobbying including media, the parent Ministry, Parliament, National Treasury and development partners.					MD
1.2	Increase disbursements	Amount of Money in KES disbursed	KES 4.0 Billion	Review products and align to customers' needs					CM
				Enhance digitization of the loaning process					CM
				Institutionalize knowledge management to leverage on data collection, collation, analysis and usage					CM
				Enhance external service providers compliance with SLAs (valuers, auctioneers, lawyers)					PO MLS RMM
				Expand outreach to counties where KIE has no physical presence					OM
1.3	Enhance Loan Portfolio Management	Portfolio at Risk;	PAR of 5% and Below;	Review of credit risk management policy					MRM
				Develop and implement a training framework for credit risk management practices					MRM

No.	Objective	Key Performance Indicator	Target	Initiatives	Time Frame				Responsible
					Q1	Q2	Q3	Q4	
				Enhance customer relationship management to minimize defaults					MRM
				Enhance periodic monitoring and evaluation reports on portfolio performance					MRM
KEY RESULT AREA 2a: INDUSTRIAL DEVELOPMENT INFRASTRUCTURE									
2a.1	Increase availability of industrial workspace for MSMEs	Number of new Industrial Parks developed	12 in Unserved Counties 5 in high density areas	Undertake feasibility Studies and prioritize the identified sites for development					IEDISM
				Undertake construction of the industrial incubators					IEDISM
KEY RESULT AREA 2b: INDUSTRIAL DEVELOPMENT SERVICES									
2b.1	Accelerate the growth of MSMEs from Micro-small-medium	Number of MSMEs incubated and/or scaled up	1,000	Undertake a needs assessment and categorization of potential incubatees					IEDISM OM
				Facilitate onboarding of incubates/ SME parks occupation					IEDISM OM
				Provide Targeted Capacity Building (Financing, Marketing and Linkages Support, Entrepreneurial Training, coaching, mentoring)					IEDISM MBAS CM MM&PR
KEY RESULT AREA 3: BUSINESS ADVISORY SERVICES									
3.1	Develop the Entrepreneurial Capacity of MSMEs	No. Of Entrepreneurs Reached;	150,000 MSMEs	Provide entrepreneurial training and business advisory support (counseling, Coaching, Mentoring)					MBAS
				Facilitate Linkages (technology, markets, Business information,					MBAS
				Facilitate Exchange Visits among					MBAS

No.	Objective	Key Performance Indicator	Target	Initiatives	Time Frame				Responsible
					Q1	Q2	Q3	Q4	
				entrepreneurs					
				Provide consultancy Services					MBAS
KEY RESULT AREA 4: INSTITUTIONAL CAPACITY (CROSS CUTTING)									
Strategic Objective 2: Enhance Profitability and Financial Sustainability of the Organization									
4.1	Prudent Financial Management	Reduction on costs	5%	Develop and implement a cost management plan and activities					FM
4.2	Enhance Risk Management	Compliance with risk management	100%	Review and enhance the risk management policy					RMM
				Monitor and continuously update the risk register, business continuity plan, and disaster recovery plan					RMM
4.3	Financial Sustainability	Profitability	Kshs. 198.4M	Move from a projected profit of Kshs 13.5M in 2021/22 to a profit of Kshs 198.4M by 2023/24					FM
		Return on Investment (ROI)	2.5%	Improve ROI from a projected (0.002)% in 2021/22 to 2.5% by 2023/24					FM
Strategic Objective 3: Enhance Efficiency and Effectiveness in Service Delivery									
4.4	Efficient Internal Systems and Processes	Service delivery Turn Around Time (TAT)	As per service charter	Review and enhance internal policies , systems infrastructure, process and procedures and enhance automation					OM
				Transition to ISO 9001:2015 certification					CSPM
Strategic Objective 4: Enhance Institutional Capacity									
4.5	Human Capital Development	Productivity	1:3 (Staff	Develop staff capacity including training for internal capacity					HRAM
				Staff motivation & teamwork programmes					HRAM

No.	Objective	Key Performance Indicator	Target	Initiatives	Time Frame				Responsible
					Q1	Q2	Q3	Q4	
		index	Costs to Revenues)	Enhance performance management system					HRAM
Strategic Objective 5: Enhance KIE Corporate Image									
4.6	Enhance Corporate Image	Brand awareness	100%	Review and continuously implement the corporate communication strategy					M-M/PR

4.3 Risk Analysis and Mitigation Measures

A description of risks and their categorization (High, Medium or Low) with planned actions for mitigation, monitoring and reporting of those risks is summarized in the table below.

Table 10: Risk Matrix

Type of Risk	Description of the risk from the KIE perspective	Rate the level of risk (High, Medium, Low)	Mitigation of risk
Market Risk	Exposures arising from fluctuations in market rates of various parameters such as interest rates and tariffs of the various market products	Medium	Enhance planning and forecasting
Operational Risk	Exposures to the Company that could arise as a result of failures or deficiencies related to/occasioned by systems, processes and people	Medium	Regular Audits for assurance
Technology Risk	Exposures occasioned by reliance on technology for the purpose of carrying out business transactions	High	Install security measures to prevent hacking
Strategic Risk	The Company may fail to achieve its strategic objectives	Low	Come up with an implementation plan and utilize existing intellectual capital
Liquidity Risk	The Company will not have sufficient liquid funds to meet its obligations	High	Need for implementation of a robust resource mobilization strategy
Governance Risk	Failure to establish documented governance arrangements setting out clear organization/departmental structures with well-defined transparent and consistent reporting lines and roles, responsibilities and accountabilities	High	Restructure and reposition all the departments. Develop a new structure that aligns to strategy if need be.
Reputation Risk	The Company's reputation could be negatively impacted by the actions of the officers and agents	Medium	Train, empower and motivate
Political Risks	Exposures arising out of the	Medium	Develop a political

Type of Risk	Description of the risk from the KIE perspective	Rate the level of risk (High, Medium, Low)	Mitigation of risk
	changing political landscape		strategy that will counter political eventualities
Environmental Risks	Exposures that could arise out of changes in the environment including effects of climate change.	High	Develop climate change mitigation measures.
Other Risks	Exposure to other risks may affect the performance of the Company	Medium	Develop departmental risk registers and continuously monitor

5.0 MONITORING AND EVALUATION

5.1 Monitoring and Evaluation (M&E) Framework

The following M&E framework will be adopted in order to ensure successful implementation of the strategic plan:-

- i. Establish M&E structures including M&E committees to champion implementation of the strategic plan both at the management level and board level.
- ii. The M&E committee should hold regular meetings (preferably monthly) chaired by the MD, to review the status of the strategic plan implementation as it relates to their respective roles. In addition, areas requiring strategy change should be identified.
- iii. The M&E committee will avail progress reports regularly (preferably quarterly) to the Board on the progress made towards the attainment of the goals.
- iv. Annual Work plans shall be developed to guide the annual implementation of the strategic plan. The work plan shall highlight the annual targets and resources available.
- v. The strategic plan will be reviewed annually so as to ensure that necessary changes in the objectives, strategy, activities, etc. (informed by new information regarding the sector or the changes in global, regional and local environments) are effected.

The M&E Framework will be a results-based framework measuring results at the different levels in the results chain. At the initial stages of implementation of this strategic plan, baseline values shall be determined for all activities and expected results. A detailed monitoring and evaluation plan for the strategic plan shall then be developed to guide the implementation process.

5.2 Monitoring

This will involve monitoring the implementation of the planned activities and evaluating their impacts on the desired goals. The monitoring activities will result in identification of any gaps or deficiencies which will then be addressed by management. To ensure effective participation in plan implementation, there will be need to:

1. Establish standard formats for data collection and reporting;
2. Clearly spelt out documents to be prepared, periods covered, and details of information to be supplied;
3. Implement a Performance Management system making every officer to be accountable to the use of resources and attainment of set objectives; and
4. Effectively use available resources to ensure smooth implementation of the strategic plan.

5.3 Evaluation

The purpose of evaluation is to measure the actual performance against target levels and establishing the size of variance, causal factors for the variance and recommending appropriate remedial measures, including a review of the objectives and/or strategies. The evaluation plan will help determine objectively the relevance, effectiveness and efficiencies of the activities proposed in the strategic plan. The final evaluation will assess the achievement of the activities of the plan and identify and document the success or failure. The final evaluation will be undertaken at the end of the plan period which is at the end of 2023.