**The sectors that will transform counties and attract investment**

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**Kenya**:

As devolution takes root, counties must identify the priority sectors that will spur investment. Among these are agriculture, energy, finance, transport, security, health and education. The way counties organise these sectors is very important because not all of them are strategic for all counties, given the differences in natural endowments. There isn’t a one-size-fits-all strategy. Counties have to package themselves as different products in a competitive market. For investors to be attracted to one county over another, they should invest in areas they have comparative and competitive advantages. This will require the involvement of all stakeholders, especially the private sector and non-governmental organisations. This would also give private sector organisations (such as the Kenya Association of Manufacturers, Chamber of Commerce and Kenya Private Sector Alliance) an opportunity to decentralise so that they can promote their activities in the counties. However, the private sector will only be attracted to a county through the incentives provided by the county governments. These devolved units should see themselves as “small countries” in the bigger Kenya. They, therefore, have to create wealth for their citizens. And since one of the roles of the national government is to create an enabling environment that attracts potential investors to spur investments and growth, so must counties. So how can they do this? First, there has to be a deliberate and strategic focus on sectors that would not only attract investors, but also help in achieving the overall goals of the county, which include economic growth and development, employment generation and poverty reduction. Agriculture, being the country’s mainstay, should be the priority because, besides promoting food security, it is one of the enablers of industrialisation. But agricultural development and other investments will require finance, energy to power industries and a good transport system to get products to the market.

Also, the importance of water in development cannot be left out because of its role in agriculture and health promotion. It will also be necessary to carry out capacity building for communities to be empowered to participate effectively in the county development agenda. An empowered community will also be able to keep the county leadership in check, promoting transparency and accountability. So, let’s break it down.

**Water**

There is a story that Nairobi was named the capital of Kenya instead of Machakos because of the availability of water. This illustrates the importance of water in investment decisions. Counties should be able to guarantee investors the availability of clean water for industrial and domestic use. For instance, abattoirs in Wajir would need clean water for hygienic handling of beef products if these are to be accepted for export. Making water and improved sanitation easily accessible also implies that girls would spend more time in school, and women would spend more time in productive activities, improving the general well-being of households. The UNDP estimates that a $1 investment in water and sanitation leads to an $8 return in economic productivity.

**Agriculture**

This is a very key sector for any county. Given its significant contribution to national employment, any improvements in agricultural productivity will automatically translate into higher employment levels — especially for the rural poor - improved standards of living and economic growth. Thus, agriculture can on its own spur growth. Transformation of agriculture would also lead to its commercialisation, transforming subsistence farming. It is also one of the main sources of raw materials for industries. Agricultural counties could promote and increase agricultural products, and then set up agro-processing industries to add value. Without value addition, agriculture and livestock will be of little value to counties. For example, counties in Rift Valley and central Kenya can concentrate on milk processing industries for different products like fresh and powdered milk, cheese and yoghurt; those in arid and semi-arid areas could establish beef and beef-product industries. Counties like Kisii and Meru could prioritise processing of bananas into infant food and other products like jam.

Agriculture transformation should not be business as usual. It will require deliberate effort and candid decisions. The reason Sudan and Mauritius’ sugar industries thrive and Kenya’s does not is because of the mechanisation in the industry, and that they use high-yielding sugarcane varieties. There is also need to embrace greenhouse farming. This will lead to efficient use of water, and enhance productivity and production of various varieties of crops that would not otherwise thrive in the natural climate in some regions — the flower industry in Naivasha is thriving because of greenhouse technology. It would also ensure people do not rely on seasons.

**Financial infrastructure**

Finance is an enabler of economic activity and is one of the factors of production because it is the source of capital. It is the grease that oils the cogs of business. One of the growth sectors that will thrive in the counties in the short and medium term is construction because of the need for offices and residential areas for staff. Investors will require funds for construction. Because of time constraints, the approval and disbursement of loans will need to be quick. This will be possible if counties provide incentives to financial institutions — like banks, insurance firms and co-operative societies — to establish branches. Despite the numerous players in the market, the national coverage rate of formal financial services is low, with only 19 per cent of Kenyans being bankable, while 35 per cent have access to informal financial services and 8 per cent rely on saccos. Access to formal financial services is also skewed towards the urban populace. Therefore, a gap exists that county governments could explit to scale up the provision of financial services to their population. Co-operative societies should be among the first financial institutions to be strengthened because they are community initiatives and are already in operation in many counties. One important factor that could attract finance to counties is the kind of financial management systems put in place. If investors perceive weaknesses in the management of finances in a county, it shall be difficult for them to provide the required funds.

**Transport**

Transport enhances the movement of goods and services, enabling trade. If the cost of transporting goods is too high, it adversely affects the cost of doing business. A study by the Kenya Shippers Council revealed that the costs of inland transport in Kenya are greater than the costs incurred in air and sea transport due to the lengthy delays experienced on roads. Development of roads and other transport modes like air and railway should be one of the counties’ focus areas. Consider the needs of investors who may need to ferry bulk cargo or perishable goods.

**Health**

The role of health in attracting investments may not be explicit. However, there are two angles to it. First, good health facilities could promote health tourism. Second, investors could refuse to set up business in some regions because of a lack of auxiliary services like health services. The ability of counties’ health systems to handle Kenya’s high disease burden will largely depend on their ability to attract more funds. Some counties are already recognising the need for more investment in this sector. For instance, in Nyeri, plans are underway to build an institute to research on and treat kidney diseases and cancer. Security: Security is very important for both persons and property. A county that is perceived insecure (for instance due to kidnappings, cattle rustling or ethnic violence) will struggle to attract investors. Enhanced security promotes peace and harmony, characteristics that reduce risk and facilitate long-term planning and investment. Insurance premiums and interest on capital are likely to be high in counties that are perceived to be risky or hostile. Counties should promote cohesion and social capital, especially through exchange programmes and other local activities like sports.

**Energy**

The powering of economies is very important. Energy is the transformer of effort from manual to mechanical, without which efficiency in an economy is lost. One of the constraints facing businesses is the lack of reliable energy. Industries are forced to run their operations on generators or even manually, increasing the cost of goods and services. Counties should aim at generating surplus energy (especially from wind, solar and molasses — assuming hydro, coal and other natural-resource sources belong to the national Government) and sell this to energy-deficit counties or energy-generating firm KenGen. Leaders could begin by relieving the national grid of domestic energy consumption by supplying subsidised solar systems to all households. Those with permanent rivers could also initiate micro-hydropower projects. There have been such projects in tea-growing areas, but the energy produced is only used to power tea factories. Counties could partner with NGOs, as is happening in Kirinyaga County where an NGO, Gpower, has been working with local communities in micro-hydropower projects. Counties could also subsidise power costs, though this may not reduce inefficiencies.

**Community ownership**

This entails involving the community in decision-making. The success of county governments’ plans will largely depend on whether the communities they serve “own” the projects. It will require including all segments of the population as failure to do so may cause conflicts resulting from perceived or real marginalisation of members of the community, derailing progress.