REPUBLIC OF KENYA

COUNTY GOVERNMENT OF NYANDARUA

MUNICIPALITY OF ENGINEER

ENGINEER MUNICIPALITY PRIVATE SECTOR DIAGNOSTIC TOOL

Foreword

Nyandarua County is undergoing a period of remarkable transformation. With the rapid growth of Ol Kalou, Engineer, and Mairo Inya municipalities as emerging urban centers, the need for robust collaboration between the County Government and the private sector has never been more urgent. Strengthening these partnerships is key to achieving inclusive, sustainable, and resilient economic development for all our people.

The **Private Sector Engagement Framework (PSEF)** establishes a structured platform for dialogue, investment, and collaboration. It provides clear mechanisms for joint planning, resource mobilization, service delivery, and innovation, all critical pillars in accelerating urban development and enhancing the competitiveness of our local economy.

Through this framework, the County Government affirms its commitment to positioning the private sector as a co-creator and key partner in the implementation of the **County Integrated Development Plan (CIDP III, 2023–2027)**. The PSEF is fully aligned with **Kenya's Vision 2030**, the **Bottom-Up Economic Transformation Agenda (BETA)**, and the **Sustainable Development Goals (SDGs)** ensuring that our growth is both inclusive and future-ready.

As the Governor of Nyandarua County, I reaffirm our administration's unwavering dedication to operationalizing this framework and cultivating a business-friendly environment that attracts investment, stimulates innovation, and improves livelihoods across all sectors. Together, with our private sector partners, we will unlock Nyandarua's full potential and build a prosperous future for every resident.

Tabitha Wambui,
Chairperson, Engineer Municipal Board

Acknowledgements

The development of this framework was made possible through the collaboration of multiple stakeholders. The County Government of Nyandarua wishes to acknowledge:

- The Municipal Boards of Ol Kalou, Engineer, and Mairo Inya, for their leadership in convening stakeholders.
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- Development partners including the Kenya Urban Support Programme (KUSP II), who provided technical guidance.
- Civil society and community-based organizations for highlighting inclusivity and social impact considerations.
- The technical working group from the Department of Lands, Housing, Urban Development & Trade for coordinating the drafting process.

This framework is a collective product of dialogue, consultation, and shared vision.

Njoki Gatuhi,
Manager, Engineer Municipality

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1.0 Executive Summary

Core Summary

This diagnostic report represents a comprehensive, evidence-based analysis of the private sector operating environment within Engineer Municipality, Nyandarua County. Conducted under the auspices of the Kenya Urban Support Programme II (KUSP II), this assessment serves as the foundational bedrock for developing a tailored Private Sector Engagement Framework (PSEF). The diagnostic employs a structured four-lever analytical framework to systematically examine the institutional, infrastructural, skills-based, and financial ecosystems that collectively determine municipal competitiveness. The findings reveal a private sector characterized by significant untapped potential, particularly within the agricultural value chains, yet severely constrained by interconnected and systemic bottlenecks. This report translates these findings into actionable, prioritized interventions designed to catalyze private sector-led economic growth, enhance job creation, and foster sustainable development within the municipality.

Expanded Key Findings

- **Strengths:** Engineer Municipality boasts exceptional agro-ecological conditions conducive to diverse agricultural production, particularly in potatoes, dairy, and horticulture. Its strategic geographical positioning provides proximity to major consumer markets including Nairobi, Nakuru, Nyeri, and Thika, offering significant logistical advantages. The area maintains a generally peaceful and secure environment, providing a stable foundation for business operations and investment.
- **Weaknesses:** The municipality faces critical infrastructural deficits, with poor feeder road networks severely hampering market access and contributing to post-harvest losses exceeding 40% for some commodities. The ecosystem for value addition is nascent, resulting in low farm-gate prices and lost economic opportunities. A pervasive mismatch exists between available workforce skills and market demands, while access to affordable, tailored financial products for MSMEs remains critically limited. Regulatory processes are perceived as cumbersome, costly, and lacking transparency, discouraging business formalization.
- **Opportunities:** Substantial potential exists for investment in agro-processing, cold storage, and aggregation centers to capture greater value from agricultural

production. The burgeoning tourism circuit linked to the Aberdare ranges presents opportunities for hospitality sector growth. Abundant renewable energy resources (solar and wind) offer prospects for addressing power reliability issues. Digital technologies (agri-tech, fin-tech) can be leveraged to modernize value chains, improve market access, and enhance financial inclusion.

- **Threats:** The private sector is highly vulnerable to climate change impacts, including erratic rainfall patterns and droughts that threaten agricultural productivity. Extreme market price volatility and exploitative practices by middlemen erode producer incomes. High and fluctuating costs of key farm inputs and energy undermine business planning and profitability. Inconsistent policy implementation and regulatory burdens create an unpredictable operating environment.

Detailed Priority Recommendations

1. **Regulatory Streamlining & Governance:** Consolidate all municipal-level business permits into a single, simplified license and establish a fully functional physical and digital one-stop-shop to drastically reduce the time and cost of business compliance. Institutionalize a bi-annual Governor's Roundtable with formal private sector representation to ensure structured public-private dialogue (PPD).
2. **Critical Infrastructure Development:** Allocate and ring-fence a dedicated portion of the municipal development budget for the systematic rehabilitation and maintenance of prioritized agricultural feeder roads. Develop at least one Municipal Aggregation and Industrial Park (MAIP) with pre-serviced plots, reliable utilities (power, water), and integrated cold storage facilities to be managed through public-private partnerships.
3. **Human Capital & Innovation System Strengthening:** Conduct a comprehensive skills-gap analysis in partnership with industry and reform the curricula of local Vocational Training Centres (VTCs) to focus on high-demand areas such as food processing, renewable energy technology, and hospitality management. Establish an Agri-Tech Innovation Hub in collaboration with a tertiary institution to foster youth entrepreneurship and technology adoption.
4. **Financial & Business Support Ecosystem:** Operationalize a Municipal Enterprise Fund with clear, apolitical governance structures to provide matching grants and loan guarantees specifically for MSMEs and cooperatives engaged in value addition. Develop a subsidized Business Development Services (BDS) voucher program to

connect MSMEs with qualified providers for training in financial management, marketing, and quality standards.

Expected Impact

Successful implementation of the recommended interventions is projected to yield transformative outcomes: a measurable improvement in the Ease of Doing Business indicators within the municipality; a significant reduction in post-harvest losses and increased value captured by local producers; enhanced employability of youth through relevant skills training; increased private investment in value-added activities; and the creation of sustainable, higher-quality employment opportunities, thereby contributing to poverty reduction and inclusive economic growth.

2.0 Introduction

2.1 Background and Purpose of the Diagnostic

Engineer Municipality stands at a pivotal juncture in its development trajectory. As a primary contributor to Nyandarua County's agricultural output, the municipality's economic fortunes are inextricably linked to the performance and competitiveness of its private sector, which is predominantly composed of Micro, Small, and Medium Enterprises (MSMEs). Despite its rich agricultural endowment and strategic location, the municipality continues to face persistent challenges including high youth unemployment, vulnerability to climate shocks, and low levels of value addition. Recognizing that a vibrant private sector is the primary engine for job creation, innovation, and sustainable local economic development (LED), this diagnostic has been commissioned.

The primary purpose of this exercise is twofold. First, it responds to the mandatory requirements of the KUSP II program, which emphasizes evidence-based urban planning

and robust private sector engagement as pillars for sustainable urbanization. Second, and more fundamentally, it seeks to move beyond anecdotal understanding to provide a rigorous, data-driven analysis of the real and perceived constraints facing businesses in Engineer Municipality. This diagnostic thus serves as the critical evidence base for the subsequent development of a context-specific, actionable, and measurable Private Sector Engagement Framework (PSEF). The ultimate goal is to equip the Municipality Board and its partners with the insights needed to design and implement policies and programs that will unlock private sector potential, stimulate investment, and drive broad-based economic prosperity.

2.2 Diagnostic Objectives

The diagnostic was guided by five specific, interlinked objectives:

1. **To Map and Characterize the Private Sector:** To develop a detailed profile of the private sector landscape in Engineer Municipality, including its size, sectoral composition (with emphasis on agriculture, trade, and services), formal-informal dynamics, and the structure of key value chains.
2. **To Assess the Enabling Environment:** To systematically evaluate the strengths and weaknesses of the business environment using the "Four Lever" analytical framework, covering institutional/regulatory, infrastructural, skills/innovation, and financial/enterprise support dimensions.
3. **To Identify Binding Constraints and Opportunities:** To pinpoint the most critical bottlenecks that hinder business growth, investment, and competitiveness, while simultaneously identifying latent opportunities for diversification, value addition, and market expansion.
4. **To Evaluate Municipal Institutional Capacity:** To assess the existing capacity, resources, and processes within the Engineer Municipality government to effectively engage with, support, and regulate the private sector, identifying key gaps that need to be addressed.
5. **To Generate an Evidence-Based Action Agenda:** To synthesize findings into a clear set of prioritized, feasible, and time-bound recommendations that will directly inform the PSEF and provide a concrete agenda for Public-Private Dialogue (PPD).

2.3 Scope of the Diagnostic

The diagnostic covers the entire geographical jurisdiction of Engineer Municipality. The sectoral focus is comprehensive but prioritized areas of economic significance as identified in preliminary consultations and planning documents. The primary sectors analyzed include:

- **Agriculture and Agri-processing:** Potatoes, dairy, horticulture (cabbages, carrots, flowers).
- **Trade and Services:** Wholesale and retail trade concentrated in urban centers (Ndunyu Njeru, Weru, Murungaru, Engineer Town), and the nascent hospitality sector linked to Aberdare tourism.
- **Cross-cutting issues** such as youth employment, women's economic participation, and environmental sustainability were integrated into the analysis of each lever.

3.0 Socio-Economic Overview and Private Sector Profile of Engineer Municipality

Demographic and Macroeconomic Context

Engineer Municipality is a key administrative and economic hub within Nyandarua County. While precise current population figures should be verified with the latest Kenya National Bureau of Statistics (KNBS) data, the municipality has a significant population largely dependent on agriculture. It contributes substantially to the county's GDP, primarily through agricultural production. The economic structure is relatively undiversified, with over 70% of the population engaged in agriculture, making the local economy highly susceptible to climatic variations and commodity price fluctuations in national and international markets. Poverty levels and youth unemployment remain pressing concerns, highlighting the urgent need for economic transformation and job creation beyond primary production.

Private Sector Structure and Dynamics

The private sector in Engineer Municipality is overwhelmingly dominated by **Micro, Small, and Medium Enterprises (MSMEs)**, the vast majority of which operate in the **informal sector**. This informality is driven by perceived high costs of formalization, complex bureaucratic procedures, and limited perceived benefits of registration.

- **Sectoral Distribution:** The economy is anchored by **primary agriculture**. This is followed by a vibrant but fragmented **retail and wholesale trade** sector, which serves local markets and acts as an intermediary for agricultural produce. A small but potential-filled **services sector** exists, including basic repairs, transportation, and hospitality.
- **Key Value Chains:**
    - **Potato Value Chain:** Engineer is a leading potato producer in Kenya. However, the chain is characterized by smallholder production, high post-harvest losses (30-40%), poor storage, minimal processing, and dominance of brokers who capture a disproportionate share of value.
    - **Dairy Value Chain:** This is a relatively organized sector with active farmer cooperatives and SACCOs. Challenges include fluctuating milk prices, high cost and variable quality of animal feed, limited artificial insemination services for breed improvement, and insufficient cooling/bulking infrastructure.
    - **Horticulture Value Chain:** Includes vegetables (cabbages, carrots) and flowers. This sector has export potential but is constrained by poor water management/irrigation, lack of certified seeds/inputs, and inadequate knowledge of export standards and market requirements.
- **Business Associations:** Key organized private sector entities include the Kenya National Chamber of Commerce and Industry (KNCCI) branch, Kenya Association of Manufacturers (KAM) representation, and numerous farmer cooperatives and SACCOs. However, their capacity for effective advocacy and service delivery to members is often limited.

Stakeholder Landscape

A multi-stakeholder ecosystem exists but requires stronger coordination:

- **Public Sector:** Engineer Municipality Government (all departments), relevant National Government agencies (KEBS, KRA, NEMA), County Assembly, and the Judiciary.
- **Private Sector:** Formal and informal businesses, farmer groups, KNCCI, KAM.
- **Financial Institutions:** Commercial banks, microfinance institutions (MFIs), Agricultural Finance Corporation (AFC), and SACCOs.
- **Development Partners:** World Bank (through KUSP), USAID, DANIDA, FCDO, UN agencies (UNDP, FAO).
- **Civil Society:** NGOs, CBOs, and other Business Membership Organizations (BMOs).

4.0 Diagnostic Methodology and Process

4.1 Methodological Approach

A **mixed-methods approach** was employed to ensure triangulation of data, enhance validity, and provide both breadth and depth of understanding. The diagnostic was guided by the **"Four Lever" framework for competitive municipalities**, which examines:

1. Institutions and Regulations
2. Infrastructure and Land
3. Skills and Innovation
4. Enterprise Support and Finance
   This framework ensured a systematic and holistic assessment of the business environment.

4.2 Data Sources and Collection Techniques

- **Secondary Data Review:** An extensive desk review was conducted of key planning and policy documents, including:
    - County Integrated Development Plan (CIDP III)

    - County Fiscal Strategy Papers (CFSP)
    - County Annual Development Plan (ADP)
    - Engineer Municipality Integrated Strategic Urban Development Plan (ISUDP)
    - National and county statistical abstracts from KNBS
    - Previous relevant studies and reports.
- **Primary Data Collection:**
    - **Key Informant Interviews (KIIs):** 20 semi-structured interviews were conducted with purposively selected leaders from the municipal government, county departments, private sector associations (KNCCI, cooperative leaders), financial institutions, and civil society organizations.
    - **Focus Group Discussions (FGDs):** 10 FGDs were held with diverse groups of business owners, segmented by sector (agriculture, trade, services), gender, and location (urban vs. rural), to delve into shared experiences and perceptions.
    - **Structured Business Survey:** A survey was administered to over 100 MSMEs across the municipality to quantify constraints related to licensing, infrastructure, finance, and skills. The sample was stratified to ensure representation across sectors and size.

4.3 Stakeholder Engagement Process

Stakeholder engagement was integral, not extractive. Preliminary consultations were held to shape the diagnostic focus. During data collection, interviews and FGDs were framed as dialogues. A validation workshop is planned as a next step to present findings and refine recommendations collaboratively, ensuring ownership and feasibility.

4.4 Limitations

- **Data Availability:** Limited recent and disaggregated municipal-level data on economic indicators and private sector performance.
- **Informal Sector Measurement:** Capturing accurate data from the large informal sector is inherently challenging, potentially underrepresenting its size and specific constraints.
- **Sample Bias:** While efforts were made for representativeness, the survey sample may not fully capture the diversity of all micro-enterprises.

- **Perceptual Data:** Much of the data on issues like corruption and regulatory burden is perceptual, though consistently reported patterns are highly indicative of the business climate.

5.0 Diagnostic Findings and Analysis

5.2 Lever 2: Infrastructure and Land

Transport and Logistics

- **Road Infrastructure:** The state of **feeder and rural access roads** is unequivocally the most cited physical constraint by businesses, especially in agriculture. Most feeder roads are unpaved, poorly maintained, and become impassable during rainy seasons. This directly leads to:
    - High transportation costs and vehicle damage.
    - Significant delays in getting produce to market.
    - **High post-harvest losses** (estimated at 30-40% for perishables) due to spoilage during transit.
    - Limited access for farm inputs and services.
- **Market Connectivity:** While proximity to major highways is a strength, the "last mile" connectivity from farms to aggregation points or highways is severely deficient.

Utilities and Services

- **Energy:** Access to **reliable and affordable electricity** is a major bottleneck for any business seeking to engage in processing, refrigeration, or mechanization. Frequent power outages and voltage fluctuations damage equipment, halt production, and increase operational costs. This stifles investment in value addition.
- **Water:** Reliable water supply for both agricultural and industrial use is a challenge, particularly during dry seasons. Irrigation infrastructure is underdeveloped.
- **Digital Connectivity:** Internet connectivity is poor and expensive outside of main town centres, hindering the adoption of digital tools for marketing, financial transactions, market information, and business management.

Land and Spatial Planning

- **Industrial Land:** There is a **critical lack of planned, serviced, and zoned industrial or commercial land**. Investors interested in setting up agro-processing plants, warehouses, or other facilities face the prohibitive task of individually identifying, acquiring, and servicing land, including securing water and power connections.
- **Spatial Plans:** Existing spatial plans are often not fully implemented or enforced, leading to haphazard development and conflicts between residential, agricultural, and potential commercial uses.

Summary of Findings (Lever 2): Infrastructure deficits, particularly in transport and energy, constitute the single most binding physical constraint on private sector growth in Engineer Municipality. They act as a heavy tax on all economic activity, reduce competitiveness, and directly block investment in higher-value, job-creating activities like processing.

5.1 Lever 1: Institutions and Regulations

Business Regulatory Environment

- **Licensing and Permits:** The process of obtaining necessary business licenses and permits (single business permit, health certificate, signage permits, etc.) is widely perceived as **cumbersome, non-transparent, and costly**. Businesses report dealing with multiple municipal and national agencies without clear guidance, leading to delays and opportunities for rent-seeking. While some permit consolidation has occurred, the full burden of compliance remains high, especially for MSMEs.
- **Taxation:** The predictability and administration of local taxes and fees are concerns. Businesses, particularly in the informal sector, report arbitrary assessments and a lack of clear information on payable amounts, which discourages formalization.

Local Governance and Enforcement

- **Corruption and Transparency:** Perceptions of corruption, particularly in the enforcement of regulations, procurement processes, and allocation of market spaces, persist. This erodes trust in public institutions and acts as an implicit tax on business, favouring those with connections over those operating purely on merit.

- **Policy Consistency and Predictability:** Businesses report a lack of predictability in policy implementation and enforcement. Sudden changes in trading rules, enforcement crackdowns, or unexplained delays in approvals create an uncertain environment that discourages long-term planning and investment.
- **Dispute Resolution:** Access to efficient and fair mechanisms for resolving commercial disputes or grievances with the municipal authority is limited. This increases the risk of doing business, especially for smaller enterprises without legal resources.

Property Rights and Contract Enforcement

- **Land Tenure and Access:** The complex system of land tenure (a mix of communal, private, and public land) makes accessing land for commercial or industrial use **difficult, lengthy, and expensive**. There are no clearly designated, serviced industrial parks or business zones, forcing investors to navigate individual land acquisition and servicing, which is a significant barrier to investment in processing or manufacturing.
- **Security of Tenure:** For those with land, the security of tenure is generally adequate for privately titled land, but disputes can arise, and the resolution process is slow.

Summary of Findings (Lever 1): The institutional and regulatory environment is a **significant impediment** to private sector development. It is characterized by red tape, perceived corruption, and a lack of transparency, which increases the cost and risk of doing business, stifles entrepreneurship, and reinforces informality.

5.3 Lever 3: Skills and Innovation

Labor Skills and Market Alignment

- **Skills Mismatch:** There is a profound **mismatch between the skills possessed by the available workforce (especially youth) and the needs of existing and potential businesses**. The labor pool is largely geared towards basic agricultural labor, while businesses report shortages in technical, managerial, and service-oriented skills.
- **Specific Skill Gaps:** Key gaps identified include:

    - Technical skills for operating and maintaining agro-processing machinery, refrigeration systems, and irrigation equipment.
    - Quality control, food safety, and standards compliance (e.g., for KEBS certification).
    - Business management, record-keeping, financial literacy, and digital skills.
    - Hospitality and customer service skills for the tourism sector.

Education and Training System

- **TVET Institutions:** The existing Vocational Training Centres (VTCs) and other tertiary institutions (only two in the municipality) are **poorly equipped, under-resourced, and their curricula are often outdated** and not aligned with market demands. There is weak linkage between these institutions and the private sector to inform curriculum development and provide practical training opportunities.
- **Training Relevance:** Most available short-term training is not demand-driven and does not lead to recognized certifications or improved employability.

Innovation and Technology Adoption

- **Entrepreneurial Ecosystem:** The culture of innovation and entrepreneurship is weak. There are no business incubators, accelerators, or maker spaces to support start-ups, especially in Agri-tech.
- **Research & Development Linkages:** Connections between local farmers/businesses and national research institutions (KALRO, universities) are minimal. The adoption rate of improved technologies, high-yield seed varieties, and modern farming practices is slow.
- **Digital Divide:** Low digital literacy and poor connectivity limit the uptake of mobile-based agricultural extension services, market platforms, and fin-tech solutions that could enhance productivity and market access.

Summary of Findings (Lever 3): The **human capital and innovation system is underdeveloped and misaligned** with economic opportunities. This skills gap traps the economy in low-productivity activities and prevents a transition to more sophisticated, value-added industries, while also contributing to high youth unemployment.

5.4 Lever 4: Enterprise Support and Finance

Access to Finance

- **Credit Availability: Access to affordable credit is the most critical financial constraint** for MSMEs and cooperatives. Commercial banks perceive agriculture and small businesses as high-risk, leading to:
    - **High-interest rates** that are prohibitive for thin-margin businesses.
    - **Stringent collateral requirements** (often requiring title deeds) that most smallholders and MSMEs cannot meet.
    - Lack of financial products tailored to agricultural cycles (e.g., longer grace periods).
- **Alternative Finance:** While SACCOs and microfinance institutions play a role, their reach and loan sizes are often insufficient for significant business expansion or capital investment in processing equipment.

Business Development Services (BDS)

- **BDS Ecosystem:** The market for quality, affordable BDS is **extremely thin and underdeveloped**. MSMEs have limited access to advisory services in:
    - Business plan development
    - Financial management and accounting
    - Marketing and branding
    - Product development and quality standardization
    - Export procedures and market linkages
- **Support Structures:** Business incubators, mentorship networks, and structured market linkage programs are virtually non-existent.

Market Information and Linkages

- **Information Asymmetry:** Farmers and small businesses lack timely and accurate information on market prices, quality standards, and buyer requirements, putting them at a disadvantage against middlemen.

- **Value Chain Coordination:** There is weak coordination among actors in key value chains (input suppliers, producers, processors, marketers), leading to inefficiencies and lost opportunities for collective action.

Summary of Findings (Lever 4): The **enterprise support and financial ecosystem is failing to meet the needs of the private sector**. The lack of finance stifles investment and growth, while the absence of quality BDS leaves MSMEs without the knowledge and tools to improve their competitiveness, innovate, and access new markets.

6.0 Comprehensive Analysis: SWOT and Key Challenges

Detailed SWOT Matrix

Table 1. Detailed SWOT Matrix

STRENGTHS	**WEAKNESSES**
1. Prime agro-ecological conditions for diverse crop and livestock production.	1. **Critical deficit in transport infrastructure**, especially rural feeder roads.
2. High-volume production in potatoes, dairy, and horticulture.	2. **Extremely limited value addition and agro-processing capacity.**
3. Strategic location with proximity to major urban markets (Nairobi, Nakuru).	3. **Severe lack of affordable, tailored financial products for MSMEs.**
4. Existence of organized farmer cooperatives and SACCOs.	4. **Profound skills mismatch; education/training system not market-aligned.**
5. Generally peaceful and secure social environment.	5. Cumbersome, costly, and non-transparent business regulatory processes.

STRENGTHS	**WEAKNESSES**
6. Presence on the Mau Mau road corridor, enhancing transit potential.	6. Unreliable and expensive electricity supply.
OPPORTUNITIES	**THREATS**
1. High-return investment in cold storage, processing plants, and aggregation centers.	1. **High vulnerability to climate change impacts** (droughts, erratic rains).
2. Development of the Aberdare tourism circuit to boost hospitality sector.	2. **Extreme volatility in agricultural commodity prices** and exploitation by brokers.
3. Leveraging abundant solar and wind resources for renewable energy.	3. **Rising and unpredictable costs** of farm inputs, fuel, and energy.
4. Adoption of digital technologies (agri-tech, fin-tech, e-commerce).	4. **Policy inconsistency and regulatory uncertainty** at county/national level.
5. Tapping into growing demand for processed, high-quality food products.	5. Land fragmentation and complex tenure systems hindering commercial agriculture.
6. Partnerships with development partners and private investors for PPPs.	6. Competition from other regions with better infrastructure and incentives.

Synthesis of Key Cross-Cutting Challenges

1. **The Infrastructure Trap:** Poor roads and unreliable energy form a vicious cycle that increases costs, reduces quality, limits market access, and deters investment in the very processing facilities that could break the cycle of low-value primary production.
2. **The Finance-Skills Nexus:** The lack of affordable finance prevents businesses from investing in technology and upgrading, which are often skills-intensive. Simultaneously, the skills gap means that even if finance were available, businesses may lack the human capital to deploy it effectively for innovation and value addition.

3. **The Informality-Institutional Weakness Cycle:** Burdensome regulations and weak, non-transparent governance incentivize businesses to remain informal. Informality, in turn, makes businesses less visible to support services, limits their access to finance, and reduces the municipal revenue base, perpetuating institutional weakness.
4. **Climate and Market Vulnerability:** The economy's over-reliance on rain-fed agriculture makes it highly vulnerable to climate shocks. Coupled with poor market information and weak bargaining power, this leaves producers exposed to price volatility and exploitative practices, undermining income stability and investment confidence.

7.0 Municipality Institutional Capacity Assessment

Mandates, Resources, and Structures

- **Formal Mandate:** The Engineer Municipality Board, through its various departments (Trade, Revenue, Public Works, Lands, etc.), has the statutory responsibility to regulate, plan for, and support local economic development and private sector growth.
- **Financial Resources:** The municipality's budget is constrained and heavily reliant on transfers from the county government and own-source revenue (OSR). OSR collection is inefficient, limiting the funds available for development projects critical to the private sector, such as road maintenance and market development.
- **Human Resources:** Technical departments are **understaffed and lack specialized skills**. There is a shortage of staff trained in key areas such as investment promotion, public-private partnership (PPP) structuring, business environment reform, regulatory impact assessment, and effective facilitation of public-private dialogue.

Processes and Coordination Mechanisms

- **Internal Coordination:** Cross-departmental coordination on issues affecting the private sector (e.g., planning, licensing, infrastructure) is **ad-hoc and weak**, leading to disjointed policies and service delivery.
- **External Engagement (PPD):** There is **no formalized, structured, and sustained mechanism for Public-Private Dialogue**. Interactions with the private sector are largely transactional (licensing, enforcement) or project-based, rather than strategic and collaborative. The municipality lacks a dedicated interface or office for private sector liaison.
- **Planning and M&E:** While planning documents (CIDP, ADP) exist, they are not sufficiently informed by robust private sector analysis. Monitoring and evaluation of policies' impact on the business environment is not systematically conducted.

Skills, Knowledge, and Culture

- **Capacity Gaps:** Identified gaps include:
    - **Technical:** Skills in economic analysis, PPP project development, business licensing system automation, and feasibility studies for infrastructure projects.
    - **Soft Skills:** Negotiation, facilitation, customer service orientation (viewing businesses as clients), and change management.
- **Mindset:** A shift is needed from a purely regulatory and controlling mindset towards a more **service-oriented, facilitative, and partnership-based approach** to engaging the private sector.

Assessment Summary: The Municipality Board has the willingness but **lacks the full institutional capacity** to effectively execute its role as a catalyst for private sector development. Strengthening this capacity—through training, improved processes, and potentially restructuring—is a prerequisite for successful implementation of the PSEF and any subsequent interventions.

8.0 Recommended Priority Interventions and Action Plan Framework

8.1 Detailed Recommended Interventions by Lever

Lever 1: Institutions and Regulations

1. **Establish a Municipal One-Stop-Shop (OSS):** Conduct a full regulatory mapping exercise to identify all licenses, permits, and fees. Draft and pass a Municipal Business Facilitation Act to legally consolidate permits. Physically co-locate relevant officers from Revenue, Health, Planning, and Environment in one office and develop a parallel online portal for applications, payments, and tracking.
2. **Institutionalize Structured Public-Private Dialogue (PPD):** Formalize a bi-annual "Engineer Municipality Business Roundtable" chaired by the Municipal Manager with a fixed agenda co-developed with private sector representatives (led by KNCCI). Establish sector-specific working groups (e.g., on agriculture, trade) to tackle technical issues. Publish minutes and action trackers publicly.
3. **Enhance Transparency and Accountability:** Publish all fee schedules, application requirements, and processing timelines online and at the OSS. Implement a digital, transparent system for allocation of market stalls and other municipal resources. Establish a dedicated, well-publicized business grievance redress mechanism.

Lever 2: Infrastructure and Land

1. **Implement a Feeder Road Investment and Maintenance Program:** Conduct a participatory, data-driven prioritization of the feeder road network based on agricultural traffic, population served, and economic potential. Ring-fence a minimum percentage (e.g., 20%) of the municipal development budget for this program. Explore PPP models for maintenance, such as performance-based contracts with local contractors.
2. **Develop the Engineer Municipal Aggregation and Industrial Park (EMAIP):** Identify and secure a suitable parcel of land (50+ acres) close to transport links. Master-plan the park with zones for processing, warehousing (including cold storage), and light manufacturing. Pre-install key utilities (high-capacity power line, water reservoir, internet backbone). Offer plots to investors and cooperatives on a long-term leasehold basis through a transparent bidding process.
3. **Promote Renewable Energy Solutions:** Partner with private energy service companies (ESCOs) to develop pilot solar mini-grids or rooftop solar solutions for the

proposed industrial park and other business clusters. Facilitate access to green financing and provide information to businesses on renewable energy options.

Lever 3: Skills and Innovation

1. **Execute a Demand-Driven Skills Development Program:** Commission a detailed skills audit in key growth sectors (agro-processing, construction, hospitality). Based on the audit, work with VTCs to develop and accredit new short-course modules and full curricula. Establish a Sector Skills Council involving employers to ensure ongoing relevance. Introduce apprenticeship and internship schemes with local businesses.
2. **Launch the "Engineer Agri-Tech and Innovation Hub":** Partner with a university (e.g., University of Nairobi, Dedan Kimathi University) and a tech partner. The hub should provide co-working space, high-speed internet, basic prototyping tools, and mentorship. It should run regular hackathons and pitch competitions focused on solving local agricultural challenges and offer incubation support for promising start-ups.
3. **Strengthen Agriculture Extension with Technology:** Partner with organizations like DigiFarm or iCow to promote the use of mobile-based extension services. Train led farmers and agro-dealers as digital champions to disseminate information on weather, pests, and best practices.

Lever 4: Enterprise Support and Finance

1. **Operationalize the Engineer Municipal Enterprise Fund (EMEF):** Develop clear legal and operational guidelines for the fund to ensure independence and transparency. Capitalize it with seed funding from the county government, development partners, and potentially a private bank. Design specific products: a **Matching Grant** (e.g., 50% cost-share) for technology adoption and a **Loan Guarantee Facility** (covering 30-50% of default risk) to encourage bank lending to MSMEs. Appoint an independent, professional board to manage it.
2. **Create a BDS Marketplace and Voucher Scheme:** Map and qualify a roster of competent BDS providers (consultants, trainers). Develop a menu of standardized BDS packages (e.g., "Business Plan Development," "KEBS Certification Support"). Issue targeted vouchers to eligible MSMEs and cooperatives (with a focus on women and youth-led businesses) to partially cover the cost of these services, creating demand and stimulating the BDS market.

3. **Facilitate Market Linkages and Information:** Establish a simple, SMS-based market information system broadcasting daily prices from major markets. Organize annual or biannual "Engineer Investment and Trade Fairs" to connect local producers with buyers, processors, and exporters. Support cooperatives in developing collective marketing strategies and meeting bulk order requirements.

8.2 Action Plan Framework

Table 2. Action plan Framework

Priority Intervention	**Key Actions (Detailed)**	**Lead Responsible Actor(s)**	**Key Partners**	**Timeframe**	**Estimated Resources Required**	**Key Performance Indicators (KPIs)**
1. Establish One-Stop-Shop	1.1 Regulatory mapping & process mapping. 1.2 Draft Business Facilitation Bill. 1.3 Renovate/ physical set-up of	Director, Revenue Services	Municipality ICT Officer, County Attorney, KNCCI	Y1 (Phased)	Consultants for mapping, ICT development costs, training costs, office setup.	1. # of permits consolidated. 2. Avg. time to get a permit (target: <7 days). 3. % of applications done online.

Priority Intervention	Key Actions (Detailed)	Lead Responsible Actor(s)	Key Partners	Timeframe	Estimated Resources Required	Key Performance Indicators (KPIs)
	OSS. 1.4 Develop & launch online portal. 1.5 Train staff on new processes & customer service.					
2. Institutionalize PPD	2.1 Sign formal MoU with KNCCI & other BMOs. 2.2 Develop PPD Charter & TORs for Roundtable.	Municipal Manager	KNCCI Branch Chair, Private Sector Reps	Y1-Q2 Ongoing	Secretariat staff time, meeting logistics.	1. # of Roundtables held per year (target: 2). 2. % of agreed actions implemented within timeframe.

Priority Intervention	Key Actions (Detailed)	Lead Responsible Actor(s)	Key Partners	Timeframe	Estimated Resources Required	Key Performance Indicators (KPIs)
	2.3 Convene inaugural Roundtable. 2.4 Establish secretariat to track actions.					
3. Feeder Road Program	3.1 GIS-based road inventory & condition survey. 3.2 multi-stakeholder prioritization workshop. 3.3 Secure & allocate	Director, Infrastructure & Public Works	County Roads Dept, Ward Admins, Farmer Coops	Y1-Y3 (Rolling)	Significant capital budget, survey costs, engineering supervision.	1. Km of feeder roads upgraded to all-weather standard per year. 2. Reduction in reported post-harvest losses in targeted corridors.

Priority Intervention	Key Actions (Detailed)	Lead Responsible Actor(s)	Key Partners	Timeframe	Estimated Resources Required	Key Performance Indicators (KPIs)
	dedicated budget in ADP. 3.4 Procure contractors & commence works on Priority 1 roads.					
4. Develop EMAIP	4.1 Feasibility study & site selection. 4.2 Land acquisition/lease & environmental impact assessment. 4.3 Detailed	Municipal Manager / Municipality Board	County Lands Dept, National Treasury (PPP Unit), Private Investors	Y1-Y4 (Multi-year)	Very high capital investment; requires PPP or donor funding.	1. Hectares of serviced land available. 2. # of businesses/coops established in park. 3. Private investment leveraged.

Priority Intervention	Key Actions (Detailed)	Lead Responsible Actor(s)	Key Partners	Timeframe	Estimated Resources Required	Key Performance Indicators (KPIs)
	master planning & engineering design. 4.4 Secure funding & commence Phase 1 construction (site servicing). 4.5 Develop PPP model for park management.					
5. Skills Development Program	5.1 Commission detailed skills-gap analysis.	Director, Education & Social	VTC Principals, KNCCI, Sector	Y1-Y2	Cost of skills audit, curriculum develop	1. # of new market-relevant courses launched.

Priority Intervention	Key Actions (Detailed)	Lead Responsible Actor(s)	Key Partners	Timeframe	Estimated Resources Required	Key Performance Indicators (KPIs)
	5.2 Curriculum co-development workshops with VTCs & employers. 5.3 Upgrade VTC workshops with modern equipment. 5.4 Train trainers & launch new courses. 5.5 Establish apprentice	Services	Associations		ment, equipment, trainer training.	2. # of graduates from new programs (disaggregated by gender). 3. Employment rate of graduates after 6 months.

Priority Intervention	Key Actions (Detailed)	Lead Responsible Actor(s)	Key Partners	Timeframe	Estimated Resources Required	Key Performance Indicators (KPIs)
	ship database.					
6. Launch Municipal Enterprise Fund	6.1 Develop EMEF legal framework & operational manual. 6.2 Mobilize seed capital from county & partners. 6.3 Appoint independent Board of Trustees & hire fund manager.	Director, Trade & Economic Development	County Treasury, Commercial Banks, Development Partners	Y1-Y2	Seed capital fund (substantial), fund management costs, legal fees.	1. Total value of loans/grants disbursed. 2. # of MSMEs/coops supported (by sector, gender). 3. Jobs created/sustained by supported businesses.

Priority Intervention	Key Actions (Detailed)	Lead Responsible Actor(s)	Key Partners	Timeframe	Estimated Resources Required	Key Performance Indicators (KPIs)
	6.4 Develop marketing materials & launch call for applications. 6.5 Appraise & disburse to first cohort.					
7. Strengthen BDS Ecosystem	7.1 Map & pre-quality BDS providers. 7.2 Design BDS voucher program & eligibility	Municipality Board / Economic Development Committee	KNCCI, NGOs with BDS expertise	Y1-Y2	Voucher subsidy fund, program administration, marketing.	1. # of active, pre-qualified BDS providers. 2. # of MSMEs using vouchers (disaggregated). 3. Client

Priority Intervention	Key Actions (Detailed)	Lead Responsible Actor(s)	Key Partners	Timeframe	Estimated Resources Required	Key Performance Indicators (KPIs)
	criteria. 7.3 Launch voucher program & awareness campaign. 7.4 Monitor provider performance & client satisfaction.					satisfaction score with BDS received.

9.0 Conclusion and Next Steps

Conclusion

This diagnostic presents an unambiguous picture: Engineer Municipality possesses the fundamental assets—fertile land, productive people, and strategic location—required for thriving economic development. However, this potential is currently locked in by a combination of severe infrastructural deficits, a misaligned skills system, a restrictive financial environment, and governance challenges. These constraints interact to trap the economy in low-value primary production, high informality, and vulnerability. The recommendations outlined are not merely a wish list but a targeted, interdependent set of interventions designed to break these cycles. Addressing infrastructure is foundational, but it must be coupled with improved skills, accessible finance, and a more business-friendly regulatory climate to achieve transformative impact.

Immediate Next Steps (0-6 Months)

1. **Stakeholder Validation Workshop:** Convene a one-day workshop with key stakeholders from government, private sector, and civil society to present, validate, and refine the findings and recommendations of this diagnostic.
2. **PSEF Drafting:** Immediately constitute a small technical working group (including municipality staff and private sector representatives) to use this diagnostic as the primary input for drafting the formal **Engineer Municipality Private Sector Engagement Framework (PSEF)** document.
3. **Inaugural Public-Private Dialogue Forum (PPDF):** Organize the first formal PPDF under the new structured framework to officially launch the PSEF development process, build consensus on priority interventions, and establish sector working groups.
4. **Quick Wins Identification:** Identify 2-3 "quick win" interventions from the action plan (e.g., launching the PPD structure, beginning the regulatory mapping for the OSS) that can be initiated within the current financial year to build momentum and demonstrate commitment.
5. **Resource Mobilization:** Begin proactive engagement with the County Government, National Government (through KUSP), and development partners to secure technical

and financial support for implementing the priority interventions, starting with feasibility studies and detailed design work.

Medium-Term Integration (6-18 Months)

1. **Mainstream into Planning:** Ensure the priority interventions from the PSEF are fully costed and integrated into the next **County Integrated Development Plan (CIDP)**, the Municipality's **Annual Development Plan (ADP)**, and the relevant **sector plans** (e.g., agriculture, trade, infrastructure).
2. **Capacity Building Initiation:** Develop and commence a capacity-building program for municipal staff focused on PPD facilitation, investment promotion, and regulatory reform.
3. **Monitoring Framework Setup:** Finalize and operationalize the MELR framework with clear baselines and targets for each KPI identified in the action plan.

Call to Action

The transformation of Engineer Municipality's economy cannot be achieved by the public sector alone. It requires a **genuine, sustained, and structured partnership** between the Municipality Board, the private sector, civil society, and development partners. The private sector must move beyond complaining to actively participating in dialogue and solution design. The Municipality must transition from regulator to facilitator and partner. This diagnostic and the ensuing PSEF provide the roadmap. The time for coordinated action is now.

10.0 Appendices

- **Appendix A:** List of Key Informants and Focus Group Participants (Anonymized)
- **Appendix B:** Business Climate Survey Questionnaire and Interview Guides
- **Appendix C:** Bibliography of Reviewed Documents (CIDP, CFSP, ISUDP, etc.)
- **Appendix D:** Detailed Data Tables and Analysis Charts (Survey Results, Road Inventory Summary, etc.)

- **Appendix E:** Photographic Evidence of Key Infrastructure Challenges (Roads, Market Facilities)
- **Appendix F:** Terms of Reference for Proposed Technical Working Groups and PPD Structures