



Institute of
Economic Affairs



PRESS RELEASE

For Immediate Release

The Era of Digitalization in the Manufacturing Sector

A strong manufacturing base for any economy is the foundation upon which long-lasting economic frameworks are made. Very few developed economies around the world can speak of their growth success without attributing it largely to their manufacturing sector.

Nairobi, Kenya, 12th April 2018 -The matter of the moment has to do with the Big 4 Agenda items fronted by President Kenyatta in his final term in office; one of which is manufacturing. The government plans to create 1.3 million manufacturing jobs by 2022 and use manufacturing to pave the way for Kenya's future in a bid to move the economy from a low middle income to an upper middle-income country by the year 2030.

Notably, a strong manufacturing base for any economy is the foundation upon which long-lasting economic frameworks are made. Very few developed economies around the world can boast of their growth success without attributing it largely to their manufacturing sector. For Kenya to achieve the intended growth in GDP contribution from the current 9.2% to 15% by 2025 urgent steps must be taken with a clear commitment towards centralizing sustainable industrialization in every conversation about development in the country. This should stem right the industry players, policy makers, trade-unions and to policy implementing organs and down to citizens. In order to realize this agenda, there is need to demystify the sector and make it everybody's agenda.

Embracing the dynamic technological advancements has rapidly led to a re-arrangement in different country economies, the industries therein and more importantly, the society in general. In majority of developing countries Kenya notwithstanding, the manufacturing sector remains a key impetus to productivity, aids in economic growth through various avenues but specifically through production of goods and services, and creation of decent jobs. However, with the dynamic information communications technologies, things are changing more so for the traditional manufacturing sector as it existed just but a few decades ago. Notably, Kenya will have to put in place new models in a bid to realize increased productivity, and creation of employment opportunities taking into keen consideration the dynamic ICT era.

It is important therefore to bring to the fore aspect digitalization that is occurring across board in various sectors of the Kenyan economy. 'Digitalization' refers to the continuous trend of the usage or the introduction of automatic equipment in manufacturing, the use of digital technologies and of data in order to create revenue, improve business, replace/transform business processes (not simply digitizing them) and create an environment for digital business, whereby digital information is at the core. It also includes the usage of potent software, algorithms, platform and crowd-based applications.

The rapidly increasing introduction of digitization and automation in contemporary manufacturing circles thus necessitates an understanding of the potential economic and employment impacts across sectors and countries as

well as a deep assessment of societal and political implications to the country. Embracing digital technologies could therefore come as a welcome move to enhance productivity in the manufacturing sector, and in the same vein, help to create and increase job opportunities as well as an inclusive and fair society.

However, there are factors that may work against the notion of having a manufacturing based development agenda. As a matter of fact, issues that have been contested over long periods of time include infrastructure and labour costs, which have notably been key in bringing about consolidation of manufacturing units thereby affecting competition. This is coupled with innovation and technological advancements, which have yielded lower labor costs as they enable use of artificial intelligence and machine led robots in various production processes.

While this is going on, it is important to note that many sub-Saharan countries require impetus in terms of investment in the manufacturing sector to spur wholesome economic growth. It is thus imperative that Kenya seeks to improve the existing business environment that is key in both the near and the long-term to create adequate and decent jobs, taking into consideration effects that will accrue from digitalization within the sector and how digitalization influences various aspects of life, work and society.

About the Workshop on Manufacturing Digitalisation

The IEA-Kenya and Friedrich-Ebert-Stiftung (FES), Kenya Office are collaborating to review the subject of manufacturing in Kenya, one of the Big 4 agenda issues. We took notice of the importance of highlighting the changes and challenges that have occurred, buoyed by developments in this dynamic sector of Information Communication and Technology. In order to realize this agenda, there is need to lay bare, issues in manufacturing and related sectors in a bid to engage and get buy-in from all stakeholders involved. In addition, this presents a golden opportunity to commence discourse from the point of view of those most affected, thereby shifting from the normal engagements spearheaded by industry players and opinion leaders.

About the FES

Friedrich-Ebert-Stiftung is a non-profit German foundation whose mission is to promote freedom, solidarity and social justice through the political process with a commitment to advancement of both socio-political and economic development in the spirit of social democracy.

About IEA Kenya

The Institute of Economic Affairs (IEA Kenya) is a think-tank that provides a platform for informed discussions in order to influence public policy in Kenya. We seek to promote pluralism of ideas through open, active and informed debate on public policy issues. We undertake research and conduct public education on key economic and topical issues in public affairs in Kenya and the region, and utilize the outcomes of the research for policy dialogue and to influence policy making.

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