

Abstract

Industrial clusters have increasingly become the engine of growth in developing countries because of agglomeration economies. Motivated by success in East Asia, Kenya's industrialization initiatives now hinge on the promotion of industrial clusters. This paper explores the growth prospects of garage mechanics and metalworking enterprises by rigorously analyzing primary data on enterprise in one of the largest industrial clusters in Nairobi. It is evident that while the industry is generally growing in terms of the number of workers and value added, some of the enterprises are undergoing transformation from being informal to formal. Although their products are generally crude, they now find it profitable to improve product quality. Quality improvement is undertaken by entrepreneurs who are highly educated, have experience from the formal sector, have received technical training, have taken more business trips, and those taking advantage of the cluster's tradition of the division of labor.