

**MICRO AND SMALL ENTERPRISES
(AMENDMENT) BILL, 2025**

A Bill for

**AN ACT of Parliament to amend the Micro and
Small Enterprises Act; and for connected
purposes.**

ENACTED by the Parliament of Kenya, as follows-

Short title. 1. This Act may be cited as the Micro and Small Enterprises (Amendment) Act, 2025.

Amendment of the long title of Cap. 499C. 2. The Micro and Small Enterprises Act, hereinafter referred to as “the principal Act” is amended by deleting the long title and substituting therefor the following new long title—

AN ACT of Parliament to provide for the promotion, development and regulation of micro, small and medium enterprises; to provide for the establishment of the Micro, Small and Medium Enterprises Authority, and for connected purposes.

Amendment of Cap. 499C. 3. The principal Act is amended by deleting the term “micro and small enterprises” wherever it occurs and substituting therefor the term “micro, small and medium enterprises”.

Amendment of the short title of Cap. 499C. 4. The principal Act is amended by deleting section 1 and substituting therefor the following new section—

This Act may be cited as the Micro, Small and Medium Enterprises Act.

Amendment of section 2 of Cap. 499C. 5. The principal Act is amended by deleting section 2 and substituting therefor the following new section—

Interpretation. 2. In this Act, —

“association” means a group of not less than ten micro, small and medium enterprises registered under this Act for the purpose of accessing common services and mobilizing resources for the development of the aforementioned enterprises;

“Authority” means the Micro, Small and Medium Enterprises Authority established under section, 29;

“Board” means the Board established under section 30;

"Cabinet Secretary" means the Cabinet Secretary of the Ministry for the time being responsible for matters relating to micro, small and medium enterprises;

"enterprise" means an undertaking or a business concern whether formal or informal engaged in production of goods or provision of services;

"factoring" means buying of invoices at a discount and taking the responsibility of collecting the payment due on them;

"farm enterprise" includes micro, small and medium scale agricultural, livestock and fishing enterprises;

"Fund" means the Micro, Small and Medium Enterprises Development Fund established under section 51;

"infrastructure facilities" include common user facilities, incubation facilities, model centers of excellence, business information centers, social amenities, worksites, industrial development centers, warehouse and cold storage facilities and other facilities necessary for the development of micro, small and medium enterprises;

"manufacturing sector" means enterprises that add value to basic raw material to produce an enhanced product;

"micro enterprise" means a business activity whose annual turnover is below one million shillings and meets the following criteria;

- (a) employs less than ten people; or
- (b) has total assets as shall be determined by the Cabinet Secretary from time to time, and includes-
 - (i) the manufacturing sector, where the investment in plant

and machinery or the registered capital of the enterprise does not exceed ten million shillings; and

- (ii) service and farming enterprises, where the equipment investment, as well as registered capital of the enterprise, does not exceed five million shillings;

“medium enterprise” means a firm, trade, service, industry or business activity whose annual turnover ranges between five million shillings and twenty five million shillings and meets any of the following criteria;

- (a) employs between fifty-one and one hundred people; or
- (b) has total assets and financial investment as shall be determined by the Cabinet Secretary from time to time, and includes—
 - (i) the manufacturing sector, where the investment in plant and machinery as

well as the registered capital of the enterprise, is between fifty million and one hundred million shillings;

- (ii) service and farming enterprises, where the equipment investment, as well as registered capital of the enterprise, is between twenty million and fifty million shillings;

“organisation” refers to any micro enterprise, small enterprise, medium enterprise, association, umbrella body, or group that either seeks registration or is already registered by the Registrar under this Act;

“Registrar” means the Registrar of micro, small and medium enterprises designated as such under section 4;

“small enterprise” means a firm, trade, service, industry or business activity whose annual turnover ranges between one million shillings and below five million shillings and meets any of the following criteria;

- (a) employs between ten and below fifty people; or

(b) has total assets and financial investment as shall be determined by the Cabinet Secretary from time to time, and includes—

(i) the manufacturing sector, where the investment in plant and machinery as well as the registered capital of the enterprise, is between ten million shillings and fifty million shillings;

(ii) service and farming enterprises, where the equipment investment as well as registered capital of the enterprise is between five million shillings and twenty million shillings.

“Tribunal” means the Micro, Small and Medium Enterprises Tribunal established under section 54; and

“umbrella body” means a representative body of not less than one hundred micro, small and medium enterprise associations registered under this Act.

Amendment to
section 4 of
Cap. 499C.

7. The principal Act is amended in section 4 by inserting the following new subsections immediately after subsection (3)—

(3a) The Registrar shall be responsible for registration of micro enterprise, small enterprise,

medium enterprise, association, umbrella body and group in accordance with the provisions of this Act.

(3c) The Registrar shall maintain a register of micro, small and medium enterprises, associations, umbrella organisations and group.

(3d) The register under subsection (3c) shall—

- (a) comprise certificates of Registration issued by the Registrar; and
- (b) contain data on micro, small and medium enterprises, associations, umbrella organizations and groups per county;
 - (i) disaggregate data per sector on sex;
 - (ii) region;
 - (iii) age;
 - (iv) products and services offered;
 - (v) target market among others to enable proper planning for micro, small and medium enterprises sector.

(3e) The Registrar and county governments shall integrate database of micro, small and medium enterprises operating in each county under this section.

(3f) The Register shall register groups of such membership and on such terms as directed by the Cabinet Secretary in writing from time to time.

Amendment of
section 7 of
Cap. 499C.

8. The principal Act is amended in section 7 by renumbering the current section as subsection (1) and inserting the following new subsections thereafter—

(2) The certificate of registration shall be conclusive evidence that the requirements of this Act relating to registration have been complied with and that the organisation is duly registered under the Act;

(3) An organization registered under this Act shall be duly recognised as a micro, small or medium enterprise for purposes of access to government programs and initiatives targeting micro, small and medium enterprises;

(4) An association or umbrella organization registered under this Act shall be a body corporate with perpetual succession and a common seal and shall, in its corporate name, be capable of—

- (a) suing and being sued;
- (b) taking, purchasing or otherwise acquiring, holding, charging or disposing of movable and immovable property;
- (c) borrowing money or making investments;
- (d) entering into contracts;
- (e) doing or performing all other acts or things for the proper performance of its functions which may lawfully be done or performed by a body corporate.

Amendment of
section 30 of
Cap. 499C.

9. The principal Act is amended by deleting section 30 and substituting therefor the following new section—

Board of the
Authority

(1) The management of the Authority shall vest in the Board, which shall consist of—

- (a) a non-executive chairperson, who shall be a person with knowledge and at least ten years' experience in business and entrepreneurship development or a related field, appointed by the President;
- (b) the Principal Secretary of the Ministry for the time being responsible for matters relating to micro, small and medium enterprises development or a

- representative appointed in writing;
- (c) the Principal Secretary of the Ministry for the time being responsible for finance or a representative appointed in writing;
 - (d) the Principal Secretary of the Ministry for the time being responsible for matters relating to industrialization or a representative appointed in writing;
 - (e) a representative of the Office of the Attorney General;
 - (f) seven persons nominated as follows and appointed by the Cabinet Secretary—
 - (i) one person nominated by business membership organizations or one person nominated by the most representative private sector organization with national membership and having micro, small and medium enterprises support programs;
 - (ii) one person nominated by the most representative

- association of women engaged in micro, small and medium enterprises;
- (iii) one person nominated by the most representative association of youth engaged in micro, small and medium enterprises;
 - (iv) one person nominated by the most representative association of persons with disability engaged in micro, small and medium enterprises;
 - (v) one person, not being a public officer, with knowledge and at least ten years' experience in micro, small and medium enterprise development;
 - (vi) one person nominated by the umbrella association of workers; and
 - (vii) one person nominated by the Council of Governors who have experience in matters related to trade and micro, small and medium enterprises; and
- (f) Director-General who shall be an *ex officio* member

with no right to vote at any meeting of the Board.

(2) In selecting, nominating, approving or appointing the chairperson and members of the Board, the appointing authority shall—

- (a) ensure that the nominees to the Board reflect the interests of all sections of the society;
- (b) ensure equal opportunities for persons with disabilities and other marginalized groups; and
- (c) ensure that not more than two-thirds of the members shall be of the same gender.

(3) The Board may co-opt to serve on it for such length of time as it deems necessary any number of persons whose assistance or advice it may require, but a person so co-opted shall neither be entitled to vote in a meeting of the Board nor be counted as a member thereof for the purpose of forming a quorum.

(4) A person shall not qualify for appointment as a member of the Board unless such person is the holder of a minimum Kenya Certificate of Secondary Education

or an equivalent qualification and has at least five years practical experience in matters related to micro, small and medium enterprises.

Amendment to
Section 31 of
Cap. 499C.

10. The principal Act is amended in section 31 (1) by inserting the following new paragraphs immediately after paragraph (k)—

(ka) advocate, coordinate, harmonize, implement and promote national branding initiatives and policies to promote the consumption of local enterprises products in Kenyan markets;

(kb) advise local enterprises on technology upgrading, quality and design improvement, standards and products development, and innovation;

(kc) collaborate with county governments, non-governmental organizations and the private sector to promote the consumption of goods and services by local enterprises and micro and small enterprises;

(kd) collaborate with county governments to facilitate the participation of local enterprises and micro and small enterprises in promotion events including trade fairs;

Amendment of
section 32 of
Cap. 499C.

11. Section 32 of the principal Act is amended by inserting the following new paragraphs immediately after paragraph (h)—

(ha) having title over micro, small and medium enterprises public land registered in its name;

(hb) entering into joint venture, investing in and co-investing with micro, small and medium enterprises;

Amendment of
section 35 of
Cap. 499C.

12. The principal Act is amended by deleting section 35 and substituting therefor the following new sections—

Director-General

35. (1) There shall be a Director-General of the Authority who shall be competitively recruited and appointed by the Board, on such terms and conditions as the Board shall determine.

(2) The Director-General shall be an *ex officio* member of the Board and shall have no right to vote at any meeting of the Board.

Tenure of office
of Director-General.

35A. The Director-General shall be appointed for a term of five years and shall be eligible for reappointment for one further and final term of five years.

Functions of the
Director-General.

35B. (1) The Director-General shall be the chief executive officer of the Authority and secretary to the Board.

(2) In exercise of his or her functions under this Act, the Director-General shall, subject to the direction of the Board—

- (a) be responsible for the day-to-day management of the Authority;
- (b) manage the funds, property and affairs of the Authority;
- (c) be responsible for the management of the staff of the Authority;
- (d) implement the policies, programmes and objectives of the Authority;

- (e) cause to be prepared for the approval of the Board—
 - (i) the strategic plan and annual plan of the Authority; and
 - (ii) the annual budget and audited accounts of the Authority; and
- (f) perform such other duties as may be assigned by the Board.

Amendment of
section 36 of
Cap. 499C.

13. The principal Act is amended by deleting section 36 and substituting therefor the following new sections—

Qualifications
for
appointment as
Director-
General,

36. A person shall be appointed as a Director-General of the Authority if that person has—

- (a) experience in micro and small enterprise development and entrepreneurship;
- (b) a degree from a university recognised in Kenya;
- (c) proven leadership ability; and
- (d) management experience in the areas of both personnel and budget control.

Removal of
Director-
General.

36A. The Board may terminate the appointment of the Director-General in accordance with his terms and conditions of service for—

- (a) inability to perform the functions of the office arising out of physical or mental incapacity;
- (b) gross misconduct or misbehaviour;
- (c) incompetence or neglect of duty; or
- (d) any other ground that would justify removal from office under the terms and conditions of service.

Amendment of
section 38 of
Cap. 499C.

14. The principal Act is amended by deleting section 38 and substituting therefor the following new section—

Common seal.

38. (1) The common seal of the Authority shall be kept in the custody of the Director- General or such other person as the Board may direct, and shall not be used except upon the order of the Board.

(2) The common seal of the Board shall, when affixed to a document and authenticated, be judicially and officially noticed and unless the contrary is proved, any order or authorization by the Board under this section shall be presumed to have been duly given.

(3) The seal of the Authority shall be authenticated by the signature of the Director-General and the chairperson of the Board or in the absence of either person, such other member of the Board who shall be designated by the Board for that purpose on his or her behalf.

Amendment of
section 41 of
Cap. 499C.

15. The principal Act is amended by deleting section 41 and substituting therefor the following new section—

Funds of the
Authority.

41. (1) The funds of the Authority shall comprise of—

- (a) such moneys as may accrue to, or vest in the Authority in the course of the exercise of its powers or the performance of its functions under this Act;
- (b) such moneys as appropriated by the National Assembly;
- (c) such moneys as may be payable to the Authority pursuant to this Act or any other written law;

- (d) such gifts as may be donated to the Authority;
- (e) such money as may be appropriated by Parliament for the purposes of the Authority; and
- (f) moneys from any other source granted, donated, or lent to the Authority.

(2) All the funds of the Authority and the balance at the end of each financial year shall be retained for the purposes for which the Authority is established and shall, for that purpose, establish a reserve account.

Amendment of
section 46 of
Cap. 499C.

16. The principal Act is amended by deleting section 46 and substituting therefor the following new section—

Authority to
advise on
zoning, etc, of
land

46. The Authority shall liaise with National Government Ministries and County Governments for earmarking and zoning out of land for the development of micro, small and medium enterprises;

Amendment of
section 47 of
Cap. 499C.

17. The principal Act is amended by deleting section 47 and substituting therefor the following new section—

Development
of
infrastructure

47. The Authority shall—

- (a) develop, refurbish and manage infrastructure facilities for micro, small and medium enterprises and may partner with other stakeholders in the development of the infrastructure facilities;
- (b) develop management policies for micro small and medium enterprises infrastructure facilities

including levies and charges to be imposed on users; and

- (c) take necessary action including instituting legal proceedings to reclaim and safeguard land earmarked for micro, small and medium enterprises.

insertion of new sections immediately after section 48 in Cap. 499C.

18. The principal Act is amended by inserting the following new sections immediately after section 48 —

Credit guarantee scheme.

48A (1) The Cabinet Secretary for finance shall, in consultation with the Cabinet Secretary, establish a credit guarantee scheme for the development and growth of the micro, small and medium enterprises sector.

(2) The object of a credit guarantee scheme under subsection (1) shall be to —

- (a) improve and stimulate the national economy by encouraging additional lending to micro, small and medium enterprises, increasing investment opportunities for micro, small and medium enterprises and strengthening skills and capacities of proprietors of micro, small and medium enterprises;
- (b) facilitate the financing of micro, small and medium enterprises by partially guaranteeing credit advanced to the enterprises;

- (c) create a conducive business environment and promote partnerships between the government and financial intermediaries with respect to credit guarantees for micro, small and medium enterprises and other related activities;
- (d) avail financial and credit information on micro and small enterprises; and
- (e) facilitate capacity building on financial and risk management to micro and small enterprises.

Application for
grant or
revocation of
patents

48B. The Authority shall facilitate micro, small and medium enterprises in the—

- (a) application for registration, grant, revocation and institution of legal action for infringement of intellectual property rights; and
- (b) filing and registration of intellectual property at the international level.

Fiscal
incentives.

48C. The Cabinet Secretary shall, in consultation with the Cabinet Secretary for finance, put in place measures for the granting of fiscal incentives including tax

incentives as shall be considered necessary for the development of the micro, small and medium enterprises sector in the country.

Establishment of a single micro, small and medium enterprises portal.

48D (1). The Authority shall, in consultation with county governments, establish a single micro, small and medium enterprises portal.

(2) The single micro, small and medium enterprises portal shall—

- (a) provide an integrated single window portal for the simplified licensing, approvals and registration of micro, small and medium enterprises by the national and county governments;
- (b) facilitate the registration of micro and small enterprises, associations and umbrella organizations representing micro and small enterprises;
- (c) provide details of all registered micro and small enterprises, associations and umbrella organizations representing micro and small enterprises;
- (d) provide a platform for interaction among the micro and small enterprises, associations and umbrella organizations representing micro, small and medium enterprises and the national and county governments, private institutions, investors, and other relevant institutions;

- (e) provide access to finance, information, innovation, and investments for the micro, small and medium enterprises sector;
- (f) provide information on licensing, clearances, approvals and registration requirements;
- (g) receive complaints and recommendations from industry stakeholders and the general public; and
- (h) serve as a gateway to all micro, small and medium enterprises services by the national and county governments.

Preferences and reservations in procurement.

48E (1). The Cabinet Secretary for finance shall, in consideration of the micro, small and medium enterprises sector, prescribe preferences and or reservations in public procurement and asset disposal.

Cap. 412C.

(2) An accounting officer of a procuring entity at the national and county levels of government shall, when processing procurement, reserve a prescribed percentage of its procurement budget, which shall not be less than thirty per cent, to the micro, small and medium enterprises and comply with the provisions of the Public Procurement and Asset Disposal Act and the regulations in respect of preferences and reservations.

Standardization of micro, small and medium

48F (1). The Authority shall in collaboration with relevant institutions

enterprises products.
Cap. 499C.

including Kenya Bureau of Standards established under section 3 of the Standards Act, facilitate standardization and product development for different micro, small and medium enterprises sectors.

Risk Management.

48G. The Authority shall support micro, small and medium enterprises in development of risk management frameworks which shall include—

- (a) fraud prevention mechanism;
- (b) internal controls that builds robust business operations;
- (c) fiscal risk management; and
- (d) climate change adaptation and mitigation strategies.

Amendment section 51 of Cap. 499C.

19. The principal Act is amended by deleting section 51 and substituting therefor the following new section—

Micro, Small and Medium Enterprises Development Fund.

51 (1). There is established a Fund to be known as the Micro, Small and Medium Enterprises Development Fund.

(2) The purpose of the fund shall be to—

- (a) finance the promotion and development of micro, small and medium enterprises in accordance with this Act;
- (b) provide affordable and accessible credit to micro, small and medium enterprises;
- (c) finance capacity building of micro, small and medium enterprises;

- (d) finance research, development, innovation and transfer of technology.

(3) The Cabinet Secretary may, by notice in the *Gazette*, fix the size of the Fund sufficient to facilitate the promotion and development of micro, small and medium enterprises.

(4) The Fund shall consist of—

- (a) such monies appropriated by the National Assembly;
- (b) Micro, Small and Medium Enterprises Development Levy;
- (c) such monies or assets as may accrue to or vest in the Fund under this Act;
- (d) such moneys as may be payable to the Fund pursuant to this Act or any other written law;
- (e) interest accruing on the Fund;
- (f) such gifts as may be given to the Fund; and
- (g) all monies from any other source provided, donated or lent to the Fund.

(6) The monies constituting the Fund shall be placed in an account to be used for the promotion and development of micro, small and medium enterprises, and the surplus monies of the fund shall be invested by the Authority in accordance with the Public Finance Management Act.

Amendment of
section 53 of
Cap. 499C.

20. The principal Act is amended by deleting section 53 and substituting therefor the following new section—

Accessing the Fund.

53. (1) Any person, group, small, micro and medium enterprise, community-based organization, non-governmental organization, association, umbrella organization, or any other institution involved in the promotion and development of the micro, small and medium enterprise sector activities may, on application to the Authority, access funds for various micro, small and medium enterprise programmes.

(2) Any small, micro and medium enterprise, organization registered under this Act may, on an application to the Authority, access funds by way of loan, factoring, guarantee and micro-insurance from the Fund for the benefit of its members.

(3) The Cabinet Secretary may, in consultation with the Authority, by Regulations, make provision for—

- (a) the procedure to be followed by a person seeking to access funds from the Fund;
- (b) forms to be used while making an application under this section;
- (c) the amounts that may be accessed;
- (d) the kind of securities that may be given by an applicant under this section;
- (e) the rates of interest on the loan; or
- (f) the maximum period of loan repayment.

(4) The organization of the management and the regulations governing the Fund

receipts and expenses, custody and use shall be drawn up by the Authority.

Amendment of section 73 of Cap. 499C. 21. Section 73 (2) of the “principal Act” is amended in paragraph (b) by deleting the words “Government Ministries or Departments” appearing immediately after the words “the various” and substituting therefor the words “National Government Ministries or Departments”.”.

Amendment of section 74 of Cap. 499C. 22. Section 74 of the principal Act is amended in subsection (2) by inserting the following new paragraphs immediately after paragraph (b)—

(ba) prescribing the mechanism for the development, marketing and branding of products by local enterprises and micro and small enterprises;

(bb) establishment of the Micro, Small and Medium Enterprises Development Levy;

(bc) prescribe the affirmative action on products by local enterprises and micro, small and medium enterprises to promote their consumption within the borders of Kenya.

MEMORANDUM OF OBJECTS AND REASONS

Statement of the Objects and Reasons for the Bill

According to the Kenya National Bureau of Statistics (KNBS), micro, small and medium enterprises (MSMEs) Survey of 2016, there are over 7.4 million MSMEs (1.6 million MSMEs licensed by the county governments with 5.8 million unlicensed MSMEs) in Kenya, employing over 14.9 million Kenyans across all sectors with unlicensed establishment contributing 57.8 percent.

Recent employment data from the 2024 KNBS Economic Survey Report found that employment in the informal sector, which is dominated by Micro, Small and Medium Enterprises (MSMEs) created 720,900 new jobs in 2023, which is 85% of all new jobs created.

The value of the MSMEs output is estimated at Ksh 3,371.7 billion against a national output of Ksh 9,971.4 billion representing a contribution of 33.8 percent in 2015.

Manufacturing ranked the highest by contributing 24.3 percent of MSMEs gross value added. Wholesale and retail trade, transport and storage, and education services ranked high by contributing 22.8, 15.4 and 7.3 percent respectively to the gross value added.

Unlicensed establishments contributed 10.4 percent of MSMEs gross value added. In terms of sector distribution, majority of MSMEs are in the service sector with most operating in wholesale and retail trade, repair of motor vehicle and motorcycle followed accommodation and food services.

County Governments in Kenya play a critical role in the Development of MSMEs, which are core to addressing poverty, job creation and other development issues. Since the advent of devolution, counties have made strides in some areas, notably provision of markets and decent workspaces and simplification and automation of business licensing.

However, challenges in coordinated market access, affordable financing, multiple levies and CESS that hamper inter-county trade, and adoption of modern technology, remain largely unresolved. A collaborative approach with all stakeholders for aligned policies and county-level partnerships is necessary to address the unique local challenges and empower MSMEs to thrive.

There is an evident need for continued intergovernmental cooperation between the institutions and agencies of both levels of government to harness their interdependence and respective mandates to ensure that the combined bureaucracy of government remains a catalyst of business.

While the Micro and Small Enterprises Act, Cap. 499C, has laid a strong foundation, several gaps remain. One limitation is the focus on micro and small enterprises, with insufficient attention paid to medium-sized enterprises, which face distinct challenges yet offer immense opportunity for value creation, employment creation and economic growth. Additionally, the Act does not fully address emerging trends, such as digitalization, globalization, African Continental Free Trade Area (AfCFTA), gender and social inclusion, which have a great impact on business operations. Consequently, subsequent policies have sought to fill these gaps and enhance the MSME ecosystem.

Therefore, the purpose of this Bill is to amend the Micro, small and medium enterprises Act (Cap. 499C) to provide for deeper involvement of the national and county governments in the growth and development of the micro, small and medium enterprises sector. The Bill seeks to, among other things—

- (a) enhance compliance, financing, business development services coordination mechanisms, and institutional frameworks for the MSME sector;
- (b) promote targeted fiscal and business incentives for MSMEs;
- (c) strengthen governance in MSME associations and umbrella organizations;
- (d) enhance data and knowledge management in the MSMEs sector;
- (e) establish a single window portal for the simplified licences/approvals/registration of MSMEs;
- (f) encourage the use of simplified and alternative dispute resolution mechanisms for MSMEs;
- (g) strengthen and promote the linkages between the learning and research institutions, technology developers and MSMEs for skills transfer;
- (h) strengthen and integrate entrepreneurship programs into the existing education curriculum;
- (i) promote acquisition of Intellectual Property Rights/ Support use of IP;

- (j) promote the adoption of digital technologies to enhance business operations and market reach;
- (k) enhance access to decent and affordable infrastructure for MSMEs;
- (l) enhance access to diversified and affordable financial products and services for MSMEs;
- (m) enhance market access and economic opportunities for MSME's products and services;
- (n) support and enhance innovation and development of the MSME sector and promote Innovation by MSMEs; and
- (o) enhance MSME resilience and adaptability.

The amendments are also intended to review the membership of the Micro, small and medium enterprises Authority.

Statement on the delegation of legislative powers and limitation of fundamental rights and freedoms

This Bill delegate legislative powers to the Cabinet Secretaries for micro, small and medium enterprises and finance to make regulations for better carrying out of the provisions of the Bill.

Statement of how the Bill concerns County Governments

The Bill concerns county governments as it has provisions that touch on the functions of county governments under paragraph 7 of Part 2 of the Fourth Schedule to the Constitution.

Statement that the Bill is not a money Bill within the meaning of Article 114 of the Constitution

This Bill is a money Bill within the meaning of Article 114 of the Constitution as it contains provisions on: the imposition of charges on a public fund or the variation or repeal of any of those charges and the appropriation, receipt, custody, investment or issue of public money.

Dated the, 2025

.....
Senator or Member of National Assembly.

Section 2 of Cap. 499C which it is proposed to amend

2. Interpretation

In this Act, unless the context otherwise requires –

"association" means a group of not less than thirty five micro and small enterprises registered under this Act for the purpose of accessing common services and mobilizing resources for the development of the aforementioned enterprises;

"Authority" means the Micro and Small Enterprises Authority established under section, 29;

"Cabinet Secretary" means the Cabinet Secretary of the Ministry for the time being responsible for matters relating to micro and small enterprises;

"enterprise" means an undertaking or a business concern whether formal or informal engaged in production of goods or provision of services;

"factoring" means buying of invoices at a discount and taking the responsibility of collecting the payment due on them;

"farm enterprise" includes micro and small scale agricultural, livestock and fishing enterprises;

"Fund" means the Micro and Small Enterprises Development Fund established under [section 51](#);"manufacturing sector" means enterprises that add value to basic raw material to produce an enhanced product;

"micro enterprise" means a firm, trade, service, industry or a business activity –

(a)whose annual turnover does not exceed five hundred thousand shillings;

(b)which employs less than ten people; and

(c)whose total assets and financial investment shall be as determined by the Cabinet Secretary from time to time, and includes—

(i)the manufacturing sector, where the investment in plant and machinery or the registered capital of the enterprise does not exceed ten million shillings;

(ii)the service sector and farming enterprises where the investment in equipment or registered capital of the enterprise does not exceed five million shillings;

"Registrar" means the Registrar of micro and small enterprises designated as such under [section 4](#);

"small enterprise" means a firm, trade, service, industry or a business activity –

(a) whose annual turnover ranges between five hundred and five million shillings; and

(b) which employs between ten and fifty people; and

(c) whose total assets and financial investment shall be as determined by the Cabinet Secretary from time to time, and includes—

(i) the manufacturing sector, where the investment in plant and machinery as well as the registered capital of the enterprise is between ten million and fifty million shillings; and

(ii) service and farming enterprises, where the equipment investment as well as registered capital of the enterprise is between five million and twenty million shillings;

"Tribunal" means the Micro and Small Enterprises Tribunal established under [section 54](#); and

"umbrella organization" means an organization of micro and small enterprise associations.

Section 4 of Cap. 499C which it is proposed to amend

4. Registrar of micro and small enterprises

(1) There shall be an office of the Registrar of Micro and Small Enterprises which shall be an office in the public service.

(2) The office of Registrar shall be headed by an officer who shall be designated the Registrar of Micro and Small Enterprises.

(3) The Registrar shall be responsible for the registration of micro and small enterprises in accordance with the provisions of this Act.

Section 7 of Cap. 499C which it is proposed to amend

7. Certificate of registration

Upon registering an association or umbrella organisation, the Registrar shall issue a certificate of registration in the prescribed form.

Section 30 of Cap. 499C which it is proposed to amend

30. Composition of the Authority

(1) The Authority shall consist of—

(a) a non-executive Chairperson, who shall be a person with knowledge, and at least ten years experience, in business and entrepreneurship development or a related field, appointed by the President;

(b)the Principal Secretary of the Ministry for the time being responsible for matters relating to micro and small enterprises development or his or her representative appointed in writing;

(c)the Principal Secretary of the Ministry for the time being responsible for finance or his or her representative appointed in writing;

(d)the Principal Secretary of the Ministry for the time being responsible for matters relating to industrialization or his or her representative appointed in writing;

(e)the Principal Secretary of the Ministry for the time being responsible for matters relating to trade or his or her representative appointed in writing;

(f)the Principal Secretary of the Ministry for the time being responsible for matters relating to the youth or his or her representative appointed in writing;

(g)seven persons nominated as follows and appointed by the Cabinet Secretary—

(i)four persons nominated by the umbrella organization from the following national sectoral associations—

(aa)manufacturing;

(bb)traders;

(cc)services;

(dd)agri-business;

(ii)one person nominated by the most representative association of women engaged in micro and small enterprises;

(iii)one person nominated by the most representative association of youth engaged in micro and small enterprises;

(iv)one person nominated by the most representative association of persons with disability engaged in micro and small enterprises;

(h)one person nominated by the most representative private sector organization with national membership and having micro and small enterprise support programs;

(i)one person nominated by the most representative umbrella organization of micro finance institutions;

(j)one person, not being a public officer, with knowledge and at least ten years' experience in micro and small enterprise development;

(k)one person nominated by the umbrella association of workers;

(l)the Chief Executive officer.

(2)The Authority may co-opt to serve on it for such length of time as it deems necessary any number of persons whose assistance or advice it may require, but a person so co-opted shall neither be entitled to vote in a meeting of the Authority nor be counted as a member thereof for the purpose of forming a quorum.

(3)A person shall not qualify for appointment as a member of the Authority unless such person is the holder of a minimum Kenya Certificate of Secondary Education or an equivalent qualification and has at least five years practical experience in matters related to micro and small enterprises.

Section 31 of Cap. 499C which it is proposed to amend

31. Functions of the Authority

The functions of the Authority shall be to—

(a)formulate and review policies and programs for micro and small enterprises;

(b)monitor and evaluate the implementation of existing policies and programmes related to, or affecting, micro and small enterprises and advise the Government on appropriate policies and course of action to be taken;

(c)coordinate, harmonize and facilitate the integration of various public and private sector activities, programmes and development plans relating to micro and small enterprises;

- (d) promote and facilitate research, product development and patenting in the micro and small enterprises sector;*
- (e) promote the mainstreaming of youth, gender and persons with disabilities in all micro and small enterprises activities and programs;*
- (f) mobilize resources for the development of micro and small enterprise sector;*
- (g) promote access to markets by micro and small enterprises;*
- (h) promote innovation and development of products by micro and small enterprises;*
- (i) formulate capacity building programmes for micro and small enterprises;*
- (j) facilitate technology development, acquisition and transfer by micro and small enterprises;*
- (k) develop mechanisms, tools and programs for collection of comprehensive data disaggregated by sex, region and age among others, in collaboration with key stakeholders, to enable proper planning for the, micro and small enterprises sector.*

Section 32 of Cap. 499C which it is proposed to amend

32. Powers of the Authority

The Authority shall have all powers necessary for the proper performance of its functions under this Act and in particular, but without prejudice to the generality of the foregoing, the Authority shall have power to—

- (a) enter into contracts;*
- (b) manage, control and administer the assets of the Authority in such manner and for such purposes as best promote the purpose for which the Authority is established;*
- (c) determine the provisions to be made for capital and recurrent expenditure and for the reserves of the Authority;*
- (d) receive any grants, gifts, donations or endowments and make legitimate disbursements therefrom;*
- (e) enter into association with such other bodies or organizations within or outside Kenya as it may consider desirable or appropriate and in furtherance of the purposes for which the Authority is established;*

- (f) open such banking accounts for its funds as may be necessary;*
- (g) invest any funds of the Authority not immediately required for its purposes;*
- (h) offer services to any person upon such terms as the Authority may from time to time determine;*
- (i) undertake any activity necessary for the fulfilment of any of its functions.*

Section 35 of Cap. 499C which it is proposed to amend

35. Chief Executive Officer

- (1) There shall be a Chief Executive Officer of the Authority who shall be appointed by the Authority through a competitive process.*
- (2) The Chief Executive Officer shall hold office for a period of five years, on such terms and conditions of employment as the Authority may determine, and shall be eligible for re-appointment for a further and final term of five years.*
- (3) The Chief Executive Officer shall be an ex officio member of the Authority but shall have no right to vote at any meeting of the Authority.*
- (4) The Chief Executive Officer shall—*
 - (a) subject to the direction of the Authority, be responsible for the day-to-day management of the Authority;*
 - (b) in consultation with the Authority, be responsible for the direction of the affairs and transactions of the Authority, the exercise, discharge and performance of its objectives, functions and duties, and the general administration of the Authority;*
 - (c) be the Secretary of the Authority.*

Section 36 of Cap. 499C which it is proposed to amend

36. Qualifications for appointment as Chief Executive officer

A person shall not be appointed the Chief Executive officer of the Authority unless that person has—

- (a) experience in micro and small enterprise development and entrepreneurship;*
- (b) proven leadership ability;*

(c)management experience in the areas of both personnel and budget control.

Section 38 of Cap. 499C which it is proposed to amend

38. Common seal

(1) The common seal of the Authority shall be kept in the custody of the Chief Executive officer or of such other person as the Authority may direct, and shall not be used except upon the order of the Authority.

(2) The common seal of the Authority, when affixed to a document and duly authenticated, shall be judicially and officially noticed, and unless the contrary is proved, any necessary order or authorisation by the Authority under this section shall be presumed to have been duly given.

(3) The common seal of the Authority shall be authenticated by the signature of the chairperson of the Authority and the Chief Executive officer, but the Authority shall, in the absence of either the chairperson or the Chief Executive officer, in any particular matter, nominate one member of the Authority to authenticate the seal of the Authority on behalf of either the chairperson or the Chief Executive officer.

Section 41 of Cap. 499C which it is proposed to amend

41. Funds of the Authority

(1) The funds and assets of the Authority shall consist of—

(a)such monies or assets as may accrue to or vest in the Authority in the course of the exercise of its powers or the performance of its functions under this Act;

(b)such moneys as may be payable to the Authority pursuant to this Act or any other written law;

(c)such gifts as may be given to the Authority; and

(d)all moneys from any other source provided, donated or lent to the Authority.

(2) All the funds of the Authority and the balance at the end of each financial year shall be retained for the purposes for which the Authority is established and shall, for that purpose, establish a reserve account.

Section 46 of Cap. 499C which it is proposed to amend

46. Authority to advise on zoning, etc, of land

The Authority shall advise and liaise with the relevant authorities for the earmarking and zoning out of land for the development of micro and small enterprises.

Section 47 of Cap. 499C which it is proposed to amend

47. Development of infrastructure

The Authority shall advise and facilitate the relevant Government Ministries and other agencies in developing worksite management policy, provide suitable infrastructure, including worksites, social amenities, business information centres, model centres of excellence, common usage facilities and other facilities necessary for development of micro and small enterprises.

Section 49 of Cap. 499C which it is proposed to amend

49. Development of markets and provision of marketing services

In order to promote the development of market for goods and services from micro and small enterprises, the Authority shall, in partnership with the relevant Government Ministries and agencies and other stakeholders—(a) provide technical assistance in the development of products; (b) identify markets for products generated by micro and small enterprises and provide linkages between the micro and small enterprises and potential markets; (c) organize trade fairs and shows in order to promote products generated by micro and small enterprises; (d) conduct market research, survey and analysis.

Section 51 of Cap. 499C which it is proposed to amend

51. Micro and Small Enterprises Development Fund

(1) There is hereby established a Fund to be known as the Micro and Small Enterprises Development Fund.

(2) The purpose of the fund shall be to—

(a) finance the promotion and development of micro and small enterprises in accordance with this Act;

(b) provide affordable and accessible credit to micro and small enterprises;

(c) finance capacity building of micro and small enterprises;

(d) finance research, development, innovation and transfer of technology.

(3) The Cabinet Secretary may, by notice in the Gazette, fix the size of the Fund sufficient to facilitate the promotion and development of micro and small enterprises.

(4) The Fund shall consist of—

(a) such monies or assets as may accrue to or vest in the Fund under this Act;

(b) such moneys as may be payable to the Fund pursuant to this Act or any other written law;

(c) interest accruing on the Fund;

(d) such gifts as may be given to the Fund; and

(e) all moneys from any other source provided, donated or lent to the Fund.

(5) The monies constituting the Fund shall be placed in an account to be used for the promotion and development of micro and small enterprises, and the surplus monies of the fund shall be invested by the Authority in treasury bills, treasury bonds or other securities issued by the Government and any income from the investments shall be credited to the Fund.

Section 53 of Cap. 499C which it is proposed to amend

53. Accessing the Fund

(1) Any community-based organisation, non-governmental organisations, association, umbrella organization, or any other institution involved in the promotion and development of the micro and small enterprise sector activities may, on application to the Authority, access funds for various micro and small enterprise programmes

.(2) Any association or umbrella organization registered under this Act may, on an application to the Authority, access funds by way of loan, factoring, guarantee and micro-insurance from the Fund for the benefit of its members.

(3) The Cabinet Secretary may, in consultation with the Authority, by Regulations make provision for—

(a) the procedure to be followed by a person seeking to access funds from the Fund;

(b) forms to be used while making an application under this section;

(c) the amounts that may be accessed;

(d) the kind of securities that may be given by an applicant under this section;

(e) the rates of interest on the loan; or (f) the maximum period of loan repayment.

(4) The organization of the management and the Regulations governing the Fund receipts and expenses, custody and use shall be drawn up by the Authority.

Section 73 of Cap. 499C which it is proposed to amend

73. Annual report

(1) The Authority shall, within three months after the end of each financial year, prepare and submit to the Cabinet Secretary a report of the operations of the Authority for the immediately preceding year.

(2) The annual report shall provide information regarding the activities and plans of the Authority during the year to which it relates sufficient to impart an accurate understanding of the nature and scope of its activities and its plans and priorities and, without limitation, shall include—

(a) details of the performance of the Authority against its key performance indicators;

(b) report on the overall status, progress, impact and challenges or impediments in the implementation of the micro and small enterprises development policies and programmes as well as the appropriate measures to address any challenges that should be taken by the various Government Ministries or Departments, including the Authority's projections;

(c) a report on the growth and development of micro and small enterprises in the country;

(d) such information and other material as the Authority may be required by this Act or regulations made thereunder to include in the annual report; and

(e) such additional information or other material as the Cabinet Secretary may request in writing.

(3) In addition to what is required under subsection (2), the annual report shall include the financial statements of the Authority for the year to which the report relates.

(4) The Cabinet Secretary shall, within three months after receiving the annual report, transmit it to the Clerk of the National Assembly for tabling before the National Assembly.

Section 74 of Cap. 499C which it is proposed to amend

74. Regulations

(1) The Cabinet Secretary may, in consultation with the Authority, make Regulations for prescribing anything which under this Act may be prescribed, and generally for the better carrying into effect the provisions of this Act.

(2) Without prejudice to the generality of subsection (1), Regulations made under this section may provide for all or any of the following matters—

- (a) forms and fees or any levies to be used under this Act;
- (b) regulation and licensing of business development service providers;
- (c) access of loans granted under [section 53](#)(2) by micro and small enterprises;
- (d) prescribing the form of accounts to be used by associations or umbrella organization;
- (e) securing the submission to the Registrar of periodical returns relating to the constitution, rules, membership and management of associations or umbrella organization;
- (f) prescribing penalties for the breach of any such regulations.