



REPUBLIC OF KENYA

**MINISTRY OF CO-OPERATIVES AND MICRO,
SMALL AND MEDIUM ENTERPRISES (MSMEs)
DEVELOPMENT**

State Department for Micro, Small and Medium
Enterprises (MSMEs) Development



**STATE DEPARTMENT FOR MICRO, SMALL
AND MEDIUM ENTERPRISES DEVELOPMENT
STRATEGIC PLAN (2023-2027)**



Hustler Fund 1st Anniversary

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Hustler Fund

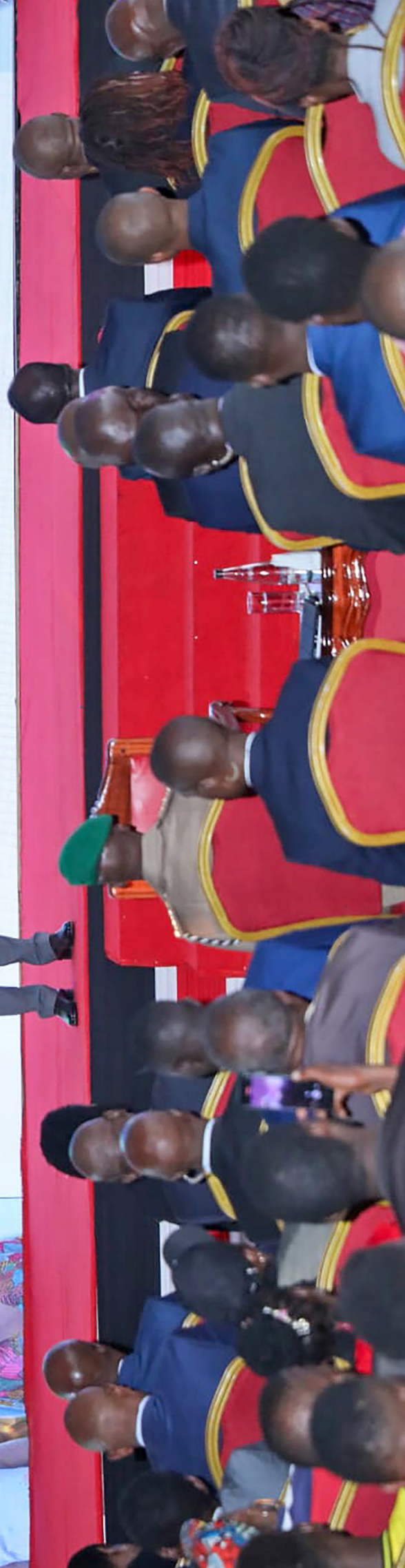


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KEY CONCEPTS AND TERMINOLOGIES

S/No.	Concept/Terminology	Definition
1.	Key activities	Actions taken or work performed, through which inputs are mobilized to produce outputs.
2.	Baseline	A description of the initial state of an indicator before the start of a project / programme, against which progress can be assessed or comparisons made.
3.	Commercial State-Owned Enterprises	Legal entities created by the Government to engage in commercial activities on its behalf.
4.	Indicator	A means for measuring progress/change that results from an intervention. It measures a change in a situation or condition and confirms progress towards achievement of a specific result. It is used to measure a project impact, outcomes, outputs and inputs that are monitored during project implementation to assess progress.
5.	Key Results Areas	They are broad areas in which you are expected to deliver results. Example; MSME Access to finance.
6.	Outcomes	The intermediate results generated relative to the objective of the intervention. It describes the actual change in conditions/situation as a result of an intervention output(s) such as changed practices as a result of a programme or project.
7.	Output	Products, services, or immediate results, tangible or intangible resulting directly from the implementation of activities or applying inputs.
8.	Strategies	Broad abstractions which are descriptive of the means for achieving the strategic objectives.
9.	Strategic Issues	These are problems or opportunities emanating from situational analysis that an organization has to manage in order to be able to fulfil its mandate and mission. Example; Limited Access to Credit and Exclusion of MSME Sector in the Financial Markets.
10.	Strategic Goal	General qualitative statements on what an organization is hoping to achieve in the long term. Each strategic goal is linked to a strategic issue. Goals are the foundations of your plan and need to be set at the start of the planning process. Example; Enhance Financial Inclusion and Credit Access.
11.	Strategic Objectives	These are what the organization commits itself to accomplish in order to achieve strategic goals. Strategic objectives should be SMART; they establish performance levels to be achieved on priority issues and measures of success in fulfilling critical mission statements elements. Example; To enhance financial inclusion and facilitate flow of credit to MSMEs
12.	Target	A result to be achieved within a given time frame.

S/No.	Concept/Terminology	Definition
13.	Top leadership	Individuals or groups of people who carry the Vision of the organization and are responsible for achieving its mandate. For Ministries top leadership includes Cabinet Secretary and Principal Secretary, Board of Directors for State Corporations and Chairpersons or Heads of Commissions and Independent Offices, and respective CEOs.
14.	Value Chain	A description of the production-to-market linkages, generating value to the customer through efficient processes and procedures. Value chains are about understanding how creation of value is distributed along the chain.
15.	Decent infrastructure	Well-developed and accessible physical, technological, and organizational structures that support the growth, productivity, and competitiveness of informal and small-scale enterprises.
16.	Decent employment/ work	Conditions that ensure the safety, dignity, and well-being of workers while promoting productivity and economic growth
17.	Decriminalization of MSMEs	The process of reviewing and reforming laws, regulations, and policies to eliminate punitive measures that unfairly penalize Micro, Small, and Medium Enterprises (MSMEs) for regulatory non-compliance.

ABBREVIATIONS AND ACRONYMS

ABC	Activity-Based Costing
AfCFTA	African Continental Free Trade Area
AG	Attorney General
AGOA	African Growth and Opportunity Act
AGPO	Access to Government Procurement Opportunities
AIA	Appropriations In aid
AIDs	Acquired Immunodeficiency Syndrome
AMFI	Association for Micro-Finance Institutions
AU	African Union
AWPs	Annual Work Plans
B2B	Business to Business
BDS	Business Development Services
BETA	Bottom-up Economic Transformation Agenda
BK BK	Buy Kenya Build Kenya
BOP	Balance of Payments
CBs	Commercial Banks
CBK	Central Bank of Kenya
CEOs	Chief Executive Officers
CGs	County Governments
CGS	Credit Guarantee Scheme
CIDCs	Constituency Industrial Development Centers
CIDPs	County Integrated Development Plans
CoG	Council of Governors
COMESA	Common Market for Eastern and Southern Africa
CPPMD	Central Planning and Project Monitoring Directorate
CRBs	Credit Reference Bureaus
CUFs	Common User Facilities
Dir. IPME	Directorate of Innovation, Product, Market and Enterprise Development
DPs	Development Partners
Dir. P&R	Directorate of Policy and Research
EAC	East African Community
ETC	Evaluation Technical Committee
FDIs	Foreign Direct Investment
FIF	Financial Inclusion Fund
GDP	Gross Domestic Product
GECA	General Economics and Social Affairs
GIZ	German Agency for International Cooperation
GoK	Government of Kenya

HIV	Human Immunodeficiency Virus
ICT	Information and Communications Technology
IGAD	Intergovernmental Authority on Development
ILO	International Labour Organization
IP	Intellectual Property
ISO /IEC	International Organization for Standardization/ International Electrotechnical Commission
ITC	International Trade Centre
JICA	Japan International Cooperation Agency
KAM	Kenya Association of Manufacturers
KBA	Kenya Bankers Association.
KCPE	Kenya Certificate of Primary Education
KCSE	Kenya Certificate of Secondary Education
KCGC	Kenya Credit Guarantee Company
KENIA	Kenya National Innovation Agency
KEPROBA	Kenya Export Promotion and Branding Agency
KEPSA	Kenya Private Sector Alliance
KIBT	Kenya Institute of Business Training
KIE	Kenya Industrial Estates
KIPI	Kenya Industrial Property Institute
KIRDI	Kenya Industrial Research and Development Institute
KNBS	Kenya National Bureau of Statistics
KNCC	Kenya National Chamber of Commerce
KNCCI	Kenya National Chamber of Commerce & Industry
KNFJKA	Kenya National Federation of Jua Kali Associations
KOMEX	Kenya National Multi-Commodities Exchange
KRAs	Key Results Areas
MDACs	Ministries, Departments, Agencies and Counties
MDAs	Ministries, Departments and Agencies
M&E	Monitoring and Evaluation
MFBs	Micro-Finance Banks
MFIs	Micro Finance Institutions
MOE	Ministry of Education
MSC	Management Skills Course
MSEA	Micro and Small Enterprises Authority
MSEs	Micro and Small Enterprises
MSMEs	Micro, Small and Medium Enterprises
MTEF	Medium-Term Expenditure Framework
MTP	Medium-Term Plan
NACOSTI	National Commission for Science, Technology and Innovation
NGOs	Non-Governmental Organizations
NHC	National Housing Corporation

NPCC	National Productivity and Competitiveness Council
NTBs	Non-Tariff Barriers
NTEP	National Treasury and Economic Planning
PESTEL	Political, Economic, Social, Technological, Environmental, and Legal
PETS	Presidential Economic Transformation Secretariat
PCC	Proficiency Course for Clerical Officers
PPP	Public Private Partnerships
PSC	Public Service Commission
PVCs	Priority Value Chains
PWDs	Persons with Disability
R&D	Research & Development
SACCOs	Savings and Credit Co-operatives
SADC	Southern African Development Community
SAGAs	Semi-Autonomous Government Agencies
SDA	State Department for Agriculture
SDGs	Sustainable Development Goals
SDH&UD	State Department for Housing and Urban Development
SDI	State Department for Industry
SDICTDE	State Department for Information Communication Technology and Digital Economy
SDLD	State Department for Livestock Development
SDL&SD	State Department for Labour and Skills Development
SDM&ETC	State Departments' Monitoring and Evaluation Technical Committee
SDMSMED	State Department for Micro Small and Medium Enterprises Development
SDPW	State Department for Public Works
SDT	State Department for Trade
SLDP	Strategic Leadership Development Programme
SMC	Senior Management Course
SOPs	Standard Operating Procedures
SPAS	Staff Performance Appraisal System
SRC	Salaries and Remuneration Commission
SSDC	Supervisory Skills Development Course
STI	Science, Technology and Innovation
SWOT	Strengths Weakness Opportunities and Threats
TNT	The National Treasury
ToRs	Terms of Reference
TVET	Technical and Vocational Education and Training
UN	United Nations
UNDP	United Nations Development Programme.
WEF	Women Enterprise Fund
YEDF	Youth Enterprise Development Fund

FOREWORD



We present the Strategic Plan (2023-2027) for the State Department for Micro, Small, and Medium Enterprises (MSMEs) Development with great anticipation and commitment. This Plan outlines our vision, mission, and comprehensive strategies aimed at transforming the MSMEs sector into a dynamic and pivotal driver of Kenya's socio-economic growth, in line with the Ministry's mandate to create an integrated, enabling environment for a highly productive and diversified MSMEs sector.

As we embark on this transformative journey, we seek to embrace the Whole-of-Government and society Approach by calling upon all stakeholders, including government agencies, private sector partners, development organizations, civil society organizations, and the MSMEs themselves,

The MSMEs transformation is one of the five core pillars of the Bottom-Up Economic Transformation Agenda (BETA) by the Government. The MSMEs sector provides employment to millions of citizens, spurs innovation, and contributes significantly to the Gross Domestic Product (GDP).

The Key BETA commitments towards transforming the MSMEs sector include decriminalisation of work, easing of policy and regulatory frameworks,

unlocking access to affordable credit, establishing market linkages, capacity building, and provision of common user commercial infrastructure. The reviewed MSMEs policy, together with this strategic plan, promises a conducive environment to support the growth and development of MSMEs in Kenya.

The Government has prioritised key value chains with high growth potential, including Leather, textiles, dairy, edible oils, coffee, tea, building and construction, rice, and artisanal mining value chains. These sectors have the potential to reduce the cost of living, eradicate hunger, create jobs, expand the tax base, improve the country's foreign exchange earnings, and promote inclusive growth.

As we start this transformative journey, we aim to adopt the Whole-of-Government and Society Approach by calling on all stakeholders, including Government agencies, private sector partners, development organisations, civil society organisations, and MSMEs, to work together in achieving the objectives outlined in this Strategic Plan.

Through collective effort and unwavering dedication, we will create an enabling environment that empowers MSMEs, ignites innovation, and fosters sustainable economic growth for the benefit of all Kenyans.

**Hon. FCPA Dr. Wycliffe Ambetsa Oparanya,
E.G.H**
CABINET SECRETARY
**Ministry of Cooperatives and MSMEs
Development**

Preface and Acknowledgement



By fostering strategic partnerships, leveraging innovative solutions, and promoting sustainable practices, the State Department aims to create synergy, reduce silos, aggregate and coordinate efforts in the ecosystem to create more levers for driving the transformation of the MSME economy.

The Micro, Small, and Medium Enterprises (MSME) sector is the backbone of Kenya's economy, serving as a vital engine for job creation, innovation, and inclusive growth.

This inaugural Strategic Plan of the State Department provides therefore, a road map for enhancing the productivity and competitiveness of MSMEs as envisaged under the Bottom-Up Economic Transformation Agenda (BETA) as well as capturing the Government aspirations under the Fourth Medium Term Plan of Vision 2030 and African Union Agenda 2063.

This Plan underscores challenges hindering the development and growth of MSMEs in Kenya including high informality, complex regulatory frameworks, limited access to affordable credit, access to markets, and inadequate capacity

to compete in the highly dynamic, competitive, technological and climate spaces. The Plan outlines strategies for maximizing on the emerging opportunities to unlock the full potential of the sector to thrive, innovate, and contribute to the growth of job and wealth creation.

The Plan has been developed through a collaborative and inclusive approach to align with the aspirations and needs of the MSME ecosystem. By fostering strategic partnerships, leveraging innovative solutions, and promoting sustainable practices, the State Department aims to create synergy, reduce silos, aggregate and coordinate efforts in the ecosystem to create more levers for driving the transformation of the MSME economy.

I acknowledge the vision of H.E. Dr. William S. Ruto for being the first President of the Republic of Kenya to recognize and dedicate a state department to support the development and growth of MSMEs in Kenya. This demonstrates the highest level of political goodwill, a renewed focus, and increased attention to the sector in recognition of its immense contribution to the Kenyan Economy.

I also recognise the leadership of our Cabinet Secretary, FCPA Dr. Wycliffe Oparanya, for his strategic guidance and unwavering support in championing the MSME agenda. We sincerely thank our development partners for the walking with us since the inception of the State Department and their demonstrated commitment towards transforming the MSMEs economy. In a special way we acknowledge the International Labor Organization (ILO), whose financial resources and technical expertise have been crucial in shaping the strategic direction of this plan.

Our gratitude extends to the private sector community, including industry leaders, business networks and associations and MSMEs who are the modern hero of our economy for their input and continued advocacy, whose feedback

enriched our Strategic Plan. The invaluable contributions of our academic and research institutions, whose rigorous studies, data-driven insights, and innovative ideas have been crucial in shaping evidence-based interventions for the MSME sector is highly appreciated.

We extend our appreciation to the financial institutions, including commercial banks, fintechs, microfinance institutions, and SACCOs, for partnering with the State Department to expand access to affordable finance for MSMEs. Most importantly, the resilience, creativity, and entrepreneurial spirit of our MSMEs is the inspiration that drove this exercise into fruition.

Lastly, our appreciation goes to the Technical Committee who led this entire process, including officers from within the state department and all other stakeholders including MDAs under the Finance and Production Sector of the MTP IV (2023-2027); the Presidential Economic Transformation Secretariat (PETS); private sector entities; development partners; and academia, for their relentless efforts in shaping this strategic plan.

As we implement the Plan, we urge all actors to continue their active engagement and support. Together, we can create a thriving and sustainable MSME ecosystem that propels Kenya's economic transformation and ensures shared prosperity for all.



Susan A. Mang'eni, C.B.S.

PRINCIPAL SECRETARY

State Department for MSME Development

VISION

A technologically advanced, highly productive, diversified and competitive MSMEs sector for a globally competitive economy.

MISSION

To create an integrated enabling environment for a highly productive and diversified MSMEs Sector through financing, incubation and entrepreneurship management and training for wealth and employment creation.

CORE VALUES

- Professionalism
- Effectiveness
- Innovation
- Sustainability
- Inclusivity
- Collaboration
- Partnership

Executive Summary

The State Department for MSMEs Development Strategic Plan (2023–2027) marks the first- ever strategic plan for the department, playing a crucial role in realizing its vision: *“A technologically advanced, highly productive, diversified, and competitive MSME sector for a globally competitive economy.”* and Its mission: *“To create an integrated enabling environment for a highly productive and diversified MSME sector through financing, incubation, entrepreneurship management, and training for wealth and employment creation.”* guided by its core values, to fulfill its mandate throughout the plan period.

The plan was formulated in accordance with the National Treasury and Economic Planning Guidelines, using a consultative approach that engaged both internal and external stakeholders. The strategy draws from past MSME sector performance, policy trends, and macro-environmental factors to enhance future outcomes.

The Department’s overarching mandate is to promote and develop the MSME sector through financing, infrastructure provision, entrepreneurship management and training, and market access. MSMEs are vital to Kenya’s socio-economic growth, contributing to Job creation, Provision of public goods and services, Poverty alleviation, Reduction of inequality and in achieving Sustainable Development Goals (SDGs).

To support MSMEs, the State Department is implementing various initiatives, including: Value addition, innovation, and incubation to foster business growth; Development of Common User Facilities (CUFs) to create employment opportunities; Market access initiatives for local and regional (EAC) markets; Industrial credit and business advisory services to enhance financial sustainability; Capacity building programs to introduce modern management practices and

provision of affordable credit through the Financial Inclusion Fund (“Hustler Fund”). These initiatives are designed to unlock the sector’s potential, particularly benefiting economically marginalized groups, including women, youth, Persons with Disabilities (PWDs), and individuals with low education levels.

The Strategic Plan aligns with key national and international frameworks, including: the Kenya Vision 2030 (Economic Pillar); the Fourth Medium-Term Plan (2023–2027) (finance and production sector); Bottom-Up Economic Transformation Agenda (BETA); and Other regional and global development obligations. This Plan will guide work plan development, Medium-Term Expenditure Framework (MTEF) targets, and annual budget formulation during the implementation period.

The Strategic Plan has identified Seven (7) Strategic Goals against Seven (7) Key Result Areas. The Strategic Goals include:

- i) Increase Formalization of the MSME sector
- ii) Diversify and Increase Market Share of MSME Products and Services
- iii) Promote Progressive Policy and Regulatory Environment for MSMEs
- iv) Enhance Productivity, Innovation and Competitiveness for MSMEs
- v) Establish and Improve MSME Infrastructure
- vi) Enhance Financial Inclusion and Credit Access
- vii) Enhance Capacity and Skills for MSMEs.

The Key Results Areas for the State Department are:

- KRA1: MSME Formalization and Decent Employment Creation
KRA 2: MSME Market Development
KRA3: MSME Policy Development and Coordination

KRA4: MSME Research, Innovation and Product Development

KRA 5: MSME Decent Infrastructure

KRA 6: MSME Access to Finance

KRA 7: MSME Capacity and Skills Development

The total estimated resource requirements for both the Development and Recurrent Budgets for the Five-Year Plan period amount to about Kshs.104.8 billion. Over the five-year period of the Strategic Plan, it is projected that the State Department will be allocated a total of Kshs.54.9 billion, resulting in a total resource deficit of Kshs.49.9 billion over the period.

In order to bridge the financial gaps, a Strategy for Resource Mobilization by the State Department

and its Agencies has been incorporated in the Strategic Plan. It specifically targets the promotion of Public Private Partnerships (PPPs), private investors and development partners as well as other innovative ways of resource mobilization.

Finally, a Monitoring and Evaluation Framework has been developed to track the progress in the implementation of the Plan and to provide for continuous monitoring and mid-term & end evaluations of the Strategic Plan.





Chapter One

Introduction

This chapter broadly examines the rationale for strategic planning against the backdrop of promoting and developing the MSMEs sector for national, regional and global competitiveness. In this chapter, a brief historical background of the State Department for Micro, Small and Medium Enterprises (MSMEs) Development has been provided. The methodology and approach used in developing the State Department's Strategic Plan 2023- 2027 has also been outlined.

In this respect, the Sustainable Development Goals (SDGs), the African Union Agenda 2063, the East African Community (EAC) Vision 2050 and the Kenya Vision 2030 are the guiding instruments.

1.1 Strategy as an Imperative for Organizational Success

Implementing a well-defined and adaptive strategy is imperative for organizational success. A Strategy plays a critical role in shaping and driving an organization's success and is essential for providing direction, aligning, adapting to change, optimizing resources, fostering innovation, managing risk, engaging employees, measuring performance, and promoting sustainability. It is the roadmap that guides an organization towards its desired future state and is indispensable for achieving long-term success.

The National Government has a clear obligation to deliver development and raise the living standards of citizens. Strategic Planning is important in order to create an enabling environment through the formulation of policy and the development of legal, regulatory and institutional frameworks. The National Government is responsible for the development of public infrastructure and provision of services primarily through designated state agencies. Further, it is responsible for planning and funding the development of human capital as well as promotion of technology including research and development.

The State Department for MSMEs Development was established through the Executive Order No. 1 of 2023 following the reorganization of Government. The mandate of the State Department as per the Executive Order No. 2 of 2023 is promotion and development of the MSME sector through financing, provision of infrastructure, entrepreneurship management and training, and access to markets.

The success of the State Department in attaining the vision depends on having a structured approach in identifying Strategic Issues affecting the MSME sector, setting Goals and Strategic Objectives with

accompanying Strategies. The Strategies, which consist of Programmes, Projects and Activities, need to be logically structured in order to produce Outputs which will individually or cumulatively contribute to the achievement of the Strategic Objectives and eventually to the Results/Goals expected along the hierarchy of Objectives.

This Strategic Plan is therefore instrumental in enabling the State Department to deliver on its mandate. It has strategies that are aligned to the national development priorities as guided by the Constitution of Kenya, 2010, under the economic pillar of the Kenya Vision 2030, the Fourth Medium Term Plan (2023-2027), the Bottom-Up Economic Transformation Agenda (BETA) as well as other national, regional and international obligations. The plan will inform the development of work plans as well as setting of targets in Medium-Term Expenditure Framework and formulation of the annual budgets during the period.

1.2 The Context of Strategic Planning

The development of this Plan took into consideration the relevant global, continental, & regional commitments and the national development agenda in order to enhance harmonization at all these levels. In this respect, this Strategic Plan has been developed taking cognizance of the Kenya National Development Priorities (The Constitution of Kenya 2010, Kenya Vision 2030, BETA priorities, Fourth Medium Term plan and sector policies) and mainstreaming the United Nations 2030 Agenda for Sustainable Development (SDG's), the African Union Agenda 2063, and the East African Community Vision 2050.

1.2.1 United Nations 2030 Agenda for Sustainable Development Goals (SDGs)

The Government of Kenya is committed to the attainment of the United Nations' Sustainable Developments Goals (SDGs) as adopted by the international community in the UN General Assembly in September 2015. There are 17 SDG's which aim to enhance the quality of life of the world's citizens. Each goal has a specific target to be achieved over the next 15 years.

The State Department of Micro, Small and Medium Enterprise Development will play a key role in the realization of various SDGs particularly through policies, programs, and initiatives that support the growth and sustainability of MSMEs in the following ways:

SDG 1 aims to eradicate poverty in all its forms everywhere, the State Department fosters the growth

of MSMEs leading to job creation and provision of economic opportunities thereby lifting people out of poverty and providing them with sustainable livelihoods. Through provision of capacity building, training, and skill development, empowers entrepreneurs, especially from disadvantaged groups, to run successful businesses. Provision of financial support, and access to affordable credit to the vulnerable populations gain economic independence. This contributes directly to reducing extreme poverty and ensuring that even the most disadvantaged groups have opportunities to improve their living standards.

SDG 2 (Zero hunger), aims to end hunger, achieve food security and improved nutrition and promote sustainable agriculture; The State Department offers financial assistance, training, and market access to small-scale farmers and food producers, improving their productivity and access to markets, thus contributing to food security and reducing hunger.

Supporting Value chain development helps to improve agricultural value chains, from production to distribution, increasing food availability and access in communities.

SDG4(quality education) aims to ensure inclusive and equitable quality education and promote lifelong learning opportunities for all. The State Department provides training programs to develop skills for business owners and employees, improving their capacity to manage businesses and increase productivity.

SDG 5 (Gender equality), aims to achieve gender equality and empower all women and girls, The State Department runs initiatives focused on empowering women and girls by providing access to finance, markets, and training. This enables women to own and manage businesses, thereby reducing gender inequality and improving women's socio-economic status.

SDG 8 (Decent work and economic growth), aims to Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all through various policies, and initiatives the State Department fosters the growth and development of MSMEs enhancing the business environment for the enterprises by facilitating access to credit, technology, and markets, fostering sustainable economic growth and decent work for all.

SDG 9 (Industry, innovation and infrastructure), MSMEs foster innovation and industrial development

in the economy, The State Department for MSMEs provides support to enhance the technological capacity of small businesses, encourages research and development, and promotes innovative business models in manufacturing and services.

SDG 12 (Responsible consumption and production). The State Department supports Sustainable business practices and eco-friendly production by supporting businesses in adopting responsible production practices, such as reducing waste, promoting recycling, and using sustainable materials; and supporting MSMEs that produce eco-friendly goods or provide sustainability-oriented services.

1.2.2 Africa Union Agenda 2063

The Africa Agenda 2063 is a collective vision and road map for social economic transformation of the continent over the next fifty years that is committed to achieving seven aspirations. Agenda 2063 builds on, and seeks to accelerate the implementation of past and existing continental initiatives for growth and sustainable development.

The State Department will contribute directly and indirectly to the realization of this agenda through integrated MSME Development Programmes which will facilitate Kenya to be prosperous based on inclusive growth and sustainable development in line with the Africa Agenda 2063 Aspirations. Specifically, the state department will contribute to Aspiration 1 which aims to eradicate poverty in one generation and build shared prosperity through social and economic transformation of the continent.

The MSME development policies are aligned to the regional obligations in order to enhance good governance, democracy, respect for human rights, justice and the rule of law. The implementation of the Strategic Plan will be people driven, relying on the potential offered by people, especially its women, youth and caring for children.

1.2.3 East Africa Community Vision 2050

The EAC Vision 2050 articulates the dreams and aspirations of the East African people and makes a commitment to what they will do to achieve these dreams. It follows closely on the development of the African Union Agenda 2063, which articulates the aspiration of all the people of the African continent. The vision is grounded on four pillars; Custom Union, Common Market, Monetary Union and Political Federation.

The State Department's role will mainly be within the pillar of Common Markets, seeking Market access to and for MSMEs. This will involve holding consultative forums with key stakeholders in the East African Community and participating in regional trade fairs and exhibitions in order to unlock the potential of MSMEs.

1.2.4 Constitution of Kenya

The Constitution of Kenya 2010 is the supreme law of the Republic of Kenya which binds all State organs at both levels of Government. The devolved governance structure under the Constitution of Kenya presents development opportunities in terms of decentralization of public services and roles of the county governments in enterprise and trade development.

The MSME sector in Kenya is aligned with the Constitution of Kenya 2010 through various provisions that recognize the importance of promoting and supporting the growth of small businesses and entrepreneurship in the country. Some of the ways in which the MSME sector aligns with the Constitution of Kenya 2010 include: Economic Rights and Fundamental Freedoms; Equality and Elimination of Discrimination; Entrepreneurship and Innovation; Access to Credit and Financial Inclusion; Protection of Property Rights; and Consumer Protection.

By upholding these constitutional principles and aligning policies and programs with the values enshrined in the Constitution of Kenya 2010, the State Department for MSMEs Development together with other relevant stakeholders can create an enabling environment for the MSME sector to thrive, contribute to economic growth, and promote inclusive and sustainable development across the country.

1.2.5 Kenya Vision 2030

Kenya Vision 2030 is the long-term development blueprint for the country and is motivated by a collective aspiration for a better society by the year 2030. The aim of Kenya Vision 2030 is to create, "a globally competitive and prosperous country with a high quality of life for all by 2030." It aims to transform Kenya into, "a newly-industrializing, middle income country providing a high quality of life to all its citizens in a clean and secure environment."

The Kenya Vision 2030 is based on three pillars namely economic, social and political, that are critical in achieving the desired transformation by 2030. The pillars are anchored on the following

foundations: macroeconomic stability; continuity in governance reforms; enhanced equity and wealth creation opportunities for the poor; infrastructure; energy; science, technology and innovation (STI); land reform; human resources development; security; and public sector reforms. The Vision is implemented through successive 5-year plans (Medium- Term Plans).

Currently the State Department is implementing the Fourth Medium Term Plan (MTP IV) 2023-2027. The Fourth Medium Term Plan 2023-2027 runs on the theme: "Bottom-Up Economic Transformation Agenda for Inclusive Growth", which focuses on achieving the Bottom-Up Economic Transformation Agenda (BETA). The Fourth Medium Term Plan key priorities are clustered under five key sectors, namely: Finance and Production; Infrastructure; Social; Environment and Natural Resources; and Governance and Public Administration. The MSME Sector is one of the five core pillars that will support the achievements of the objectives of the MTP IV in the Finance and Production sector. The key priorities and interventions in the finance and production sector will focus on the various value chains in which the state department is aligned.

The Medium-Term Plan IV (MTP IV) 2023-2027 outlines strategic priorities and interventions aimed at steering Kenya towards achieving its long-term development goals as envisioned in Vision 2030 over the period 2023-2027. The MSME sector in Kenya is aligned with the MTP IV in several key ways including: Economic Diversification and Inclusive Growth; Youth and Women Empowerment; Industrial Transformation and Value Addition; Innovation and Technology Adoption; Private Sector Development; Job Creation and Poverty Alleviation. By aligning strategic interventions and policy measures with the specific needs and potential of the MSME sector, MTP IV under Vision 2030 seeks to harness the entrepreneurial spirit and innovation of MSMEs to propel Kenya towards achieving its long-term development aspirations, addressing socio-economic challenges, and building a resilient and inclusive economy for the future.

1.2.6 Bottom-Up Economic Transformation Agenda

The Fourth Medium Term Plan (MTP IV) 2023-2027 will guide implementation of the Bottom-Up Economic Transformation Agenda (BETA), which is geared towards economic turnaround and inclusive growth through a value chain approach. BETA targets sectors with high impact to drive economic recovery. The BETA objectives are geared towards: bringing down the cost of living, eradicating hunger, creating jobs, expanding the tax base, improving foreign exchange balances and inclusive growth.

This will be achieved through targeted investments in five core pillars, namely: Agriculture; Micro, Small and Medium Enterprise (MSME) Economy; Housing and Settlement; Healthcare; Digital Superhighway and Creative Economy. BETA will be implemented through five MTP IV sectors, namely: Finance and Production; Infrastructure; Social; Environment and Natural Resources; and Governance and Public Administration.

Overall, the MSME sector in Kenya serves as a vital component of the Bottom-Up Economic Transformation Agenda, contributing to the agenda's objectives of grassroots empowerment, job creation, inclusive growth, entrepreneurship, and poverty alleviation. By addressing the needs and potential of the MSME sector, the agenda seeks to drive sustainable economic transformation from the bottom up, fostering resilience and prosperity among local communities and businesses.

Owing to the significant role played by the MSME sector in the economy, the Government constituted the State Department for MSMEs Development charged with the mandate of creating an integrated enabling environment for a highly productive and diversified MSME sector through financing, infrastructure, entrepreneurship, management training and access to markets.

1.2.7 Sector Policies and Laws

The Strategic Plan is guided by the aspirations of the Micro and Small Enterprises Act (No. 55 of 2012); Kenya Micro and Small Enterprises Policy (2020); Kenya Youth Development Policy (2019); Kenya National Trade Policy (2016); Buy Kenya Build Kenya Strategy; Access to Government Procurement Opportunities (AGPO) Program; Kenya National Industrialization Policy (2012); Financial Inclusion Fund Regulations, 2022, among other sector specific policies and strategies, Acts, international treaties and conventions.

1.3 History of the State Department

The State Department for Micro, Small and Medium Enterprises Development was established through the Executive Order No. 1 of 2023, under the constituted Ministry of Co-operatives and MSMEs Development. The State Department is charged with the responsibility of promoting and development of the MSME sector through financing, provision of requisite infrastructure, entrepreneurship management & training and facilitating access to markets. Before the formation of the State Department, the various functions were domiciled in five different MDAs including the State Department for Trade, State Department

for industry, State Department for labor and State Department for gender,)

The following are the Semi- Autonomous Government Agencies as per the Executive Order No. 2 of 2023

- i. Kenya Industrial Estates (KIE);
 - ii. Micro and Small Enterprises Authority (MSEA);
 - iii. Uwezo Fund; and
 - iv. Financial Inclusion Fund (Hustler Fund).
- The State Department comprises of five (5) Directorates which are:

- i. Innovation, Product, Market and Enterprise Development Directorate;
- ii. MSME Policy and Research Directorate;
- iii. MSME Digital Delivery and Communication Directorate;
- iv. MSMEs Financing, Partnership and Co-ordination Directorate;
- v. Capacity Building and Entrepreneurship Directorate (Kenya Institute of Business Training).

The MSME Sector plays a key role in socio-economic development of the country through the following: creation of decent jobs; provision of public goods and services; poverty alleviation; and reduced inequality, making them a key priority area for achieving the Sustainable Development Goals (SDGs). Despite the MSME Sector receiving policy attention since 1965, the sector has not achieved its full potential. As a commitment to address the challenges faced by the sector, the Government's BETA has prioritized MSME Economy among the five (5) sectors that form the core pillars of the President's Administration.

To address the challenges facing the sector, the Kenya Kwanza Administration mandated the State Department to facilitate the MSME Sector through the following: Access to Finance; Capacity Building and Skills Development; Technology and Innovation; Provision of requisite Infrastructure; Market Access & Linkages; Supportive Business Regulatory Environment; Formalization of MSMEs; and Research and Data Collection.

It is expected that the interventions will unlock the potential of the MSME sector and provide opportunities for absorbing low-skill and economically excluded segments of the Labour force including women, youth and Persons with Disability (PWDs) and those with low levels of education.

1.4 Methodology of Developing the Strategic Plan

The preparation of the Strategic Plan was guided by the fifth-generation strategic plans guidelines issued by The National Treasury and Economic Planning. A technical committee was appointed with Terms of Reference (ToRs) to develop the State Department's Strategic Plan for the period 2023-2027. The approach adopted was both consultative and inclusive involving all the relevant stakeholders during the various stages of the development of the Strategic Plan and covering issues such as the environmental analysis, stakeholder engagement, goal setting and prioritization and validation of the Strategic Plan.

Being the first Strategic Plan for the MSME sector, a consultative workshop was held to deliberate on an outward looking sector strategic model. Stakeholders were drawn from various interest groups including MDAs under the Finance and Production Sector of the MTP IV (2023-2027), Private Sector, Development Partners and Academia.

Based on the deliberations, the technical committee identified critical priorities that need to be addressed to spur MSME sector growth and competitiveness in Kenya. Further, the Committee considered the MTP IV and Bottom-Up Economic Transformation Agenda (BETA) model that focuses on bringing down the cost of living, eradicating hunger, creating jobs, expanding the tax-base, improving the country's foreign exchange balance as well as inclusive growth.

The technical committee adopted an Action Plan for the development of the Strategic Plan that was endorsed by the Top Management. In addition, the technical committee adopted a Strategic Framework for the development of the Strategic Plan which entailed the following:

- i. Establishment of the context of Strategic Planning through a review of the relevant global, regional and national policy, legal and regulatory frameworks; demonstration of the State Department's contribution towards the realization of the aspirations of such frameworks and their linkage with the National Development priorities; and
- ii. Articulating the State Department's Strategic Direction which comprises the Vision, Mission, Goals, Core Values; and Quality Policy Statement. These were preceded by a statement of the organization's mandate.

The technical committee carried out a Situational Analysis comprising the following:

- (i) The State Department's external and internal contexts as well as its stakeholders resulting in an understanding of the developments in the Macro Environment, Micro-Environment, and MSME Sector.
- (ii) An Internal Analysis involving an appraisal of the internal situation of the State Department with a view to unearthing the strengths and/or weaknesses.
- (iii) Analysis of Past Performance entailing a review based on the level or extent of achievement of the objectives in the previous Strategic Planning period by various actors in the MSME Sector. Clarity on Key Result Areas (KRAs), the specific objectives, performance achievements, challenges and lessons learnt.
- (iv) Stakeholder Analysis identifying the State Department's key stakeholders; role and expectation of each stakeholder; and vice versa.
- (v) Identification of Strategic Issues emerging out of the Situational and Stakeholder Analyses.
- (vi) Formulation of Strategic Goals and determination of Key Result Areas (KRAs) to address the strategic issues.
- (vii) Determination of the Strategies to achieve the Strategic Objectives.

The Situational Analysis guided the development of the Implementation and Coordination Framework for the Strategic Plan. This was undertaken through reviewing existing and revised institutional frameworks. The Coordination Framework for the implementation and execution of the Strategic Plan was also elaborated and a description of a comprehensive Risk Management Framework provided.

A comprehensive description of the Resource Requirements and Mobilization Strategies for effective implementation of the Strategic Plan was prepared making use of the available resources for both development and recurrent budgets estimates with proposals made for bridging financing gaps. Further, the Strategic Plan's Monitoring, Evaluation and Reporting Framework was developed to guide assessing success of the programmes.

The draft Strategic Plan was validated by both internal and external stakeholders in readiness for implementation.



Chapter Two

Strategic Direction

This chapter outlines the mandate, vision & mission statement which provides the State Department's aspirations over the Medium Term 2023-2027. It further identifies the State Department's strategic goals, core values and the quality policy statement.

2.1 Mandate

The Mandate of the State Department as per Executive Order No. 2 of 2023 is:

- i. Micro, Small and Medium Enterprises (MSMEs) Policy;
- ii. Develop SME Financing Policy to facilitate adequate flow of credit from financial institutions;
- iii. Administration of the "Hustler Fund" for the promotion, development and enhancing competitiveness of MSMEs;
- iv. Capacity Development for Entrepreneurship including access to modern management practices;
- v. Support for technology upgradation and modernization;
- vi. Establishment of integrated infrastructural facilities;
- vii. Promotion and Development of Micro and Small Enterprise and enhance their competitiveness;
- viii. Promote Progressive credit policies and practices targeting MSMEs;
- ix. Business Innovation and Incubation;
- x. Administer Preference in Government procurements to products and services of the MSMEs;
- xi. Champion subcontracting arrangements between SMEs and Large Enterprises;
- xii. Market development for MSME products and services (better access to domestic and export markets);
- xiii. Support for product development, design intervention and packaging;
- xiv. Promotion of establishment of Production clusters; and
- xv. Promotion and Development of the Cottage Industry.

The development of the MSME sector should facilitate: Job Creation, Increased Income,

Expanded Revenue Base, Inclusivity, Cost of Living, and Improving Balance of Payments (BOP).

2.2 Vision Statement

A technologically advanced, highly productive, diversified and competitive MSMEs sector for a globally competitive economy.

2.3 Mission Statement

To create an integrated enabling environment for a highly productive and diversified MSMEs Sector through financing, incubation and entrepreneurship management and training for wealth and employment creation.

2.4 Strategic Goals

The Strategic Goals of the State Department are to:

- i) Increase Formalization of the MSME sector;
- ii) Diversify and Increase Market Share of MSME Products and Services;
- iii) Promote Progressive Policy and Regulatory Environment for MSMEs;
- iv) Enhance Productivity, Innovation and Competitiveness for MSMEs;
- v) Establish and Improve MSME Infrastructure;
- vi) Enhance Financial Inclusion and Credit Access; and
- vii) Enhance Capacity and Skills for MSMEs.

2.5 Core Values

To deliver on the given mandate and achieve the above vision and mission, the State Department will be guided by the following core values:

- i) **Professionalism:** Apply the highest standards of ethical behavior, respect, accountability and transparency.
- ii) **Effectiveness:** To be responsive and exceed customer expectations in provision of services.
- iii) **Innovation:** Continuous improvement of products, services and processes through new ideas and technologies.
- iv) **Sustainability:** Balancing economic growth with environmental responsibility and social equity.
- v) **Inclusivity:** Promote diversity and incorporate

all stakeholders and the marginalized groups in provision of services.

- vi) **Collaboration and Partnership:** Build strong relationships with partners and stakeholders to achieve synergy, enhance performance and create sustainable success

2.6 Quality Policy Statement

The State Department for Micro, Small and Medium Enterprises Development is committed to creating an integrated enabling environment for a highly productive and diversified MSMEs Sector through financing, incubation, entrepreneurship management and training for wealth and employment creation. To achieve this, the State Department shall formulate and review progressive policies and practices targeting MSMEs. These policies will be geared towards supporting MSMEs access to markets, finance, technology, innovation and infrastructure. The State Department will also ensure that these policies provide an enabling

environment for graduating and formalizing informal sector operators. In addition, the State Department will endeavor to strengthen coordination, partnership and networks with stakeholders for enhanced MSMEs development, growth and internationalization.

In pursuit of this commitment, top management shall ensure compliance to regulatory framework and international obligations and continual improvement by monitoring and annually reviewing the policy and quality objectives, and effective implementation of established Quality Management Systems; ISO 9001:2015.

The overarching commitments of the State Department in delivering its mandate include: Customer Satisfaction; Continuous Improvement; Environmental Responsibility; Legal and Regulatory Compliance; and Employee Development.



Chapter Three

Situational And Stakeholder Analysis

This chapter describes the internal and external environment factors that promote or inhibit the State Department's operations. This includes strengths, weaknesses, opportunities and threats. It further provides a review of the performance of the MSME sector over the previous strategic planning period highlighting key achievements, challenges encountered and lessons learnt. It concludes with the role of various stakeholders in the implementation of this Strategic Plan.

3.1 Situational Analysis

This section focuses on the external and internal environment under which the State Department operates, analysis of the past performance including: Key Achievements; Challenges; and Lessons Learnt, and Stakeholder Analysis. Details of the analysis are provided below.

3.1.1 External Environment

The External Environment considers the Opportunities and/or Threats that emanate from outside the State Department. These include the Macro-Environment and the Micro- Environment. The Macro-Environment considers factors which have direct and indirect impacts on decision-making and performance while the Micro-Environment considers the immediate operating environment that affects access to resources necessary for the achievement of the Strategic Objectives.

3.1.1.1 Macro-Environment

In order to effectively plan and implement strategic interventions in the State Department, an assessment of the external environment was carried out to understand the operating environment and the factors that are likely to impact positively or negatively on its operations. The process involved analysis of the State Department's opportunities and threats in regard to political, economic, social, technological, environmental and legal factors (PESTEL).

By understanding the PESTEL Factors, the State Department will be better positioned to capitalize on the Opportunities and mitigate potential Threats thus ensuring that the Strategic Plan is robust and

adaptable to the dynamic external environment.

Major trends in the Macro-Environment Analysis are highlighted below:

A. Political Factors

- i. Geo-politics and alignments in the global economic power bases continue to shape investments and trade flows.
- ii. Prioritizing the MSME sector among economies.
- iii. Global, continental and regional agreements that recognize the sector.
- iv. Non-compliance with the Non-Tariff Barriers obligations among trading partners.
- v. Political stability in the region.

B. Economic Factors

- i. Existence of strong Regional Economic Blocs and Trading Agreements for expanded markets e.g. EAC, COMESA, AfCFTA and AGOA.
- ii. Inflation and economic downturns disproportionately impact MSMEs.
- iii. Existence of a vibrant capital and financial sector.
- iv. Volatility of energy prices (oil and gas) causing major disruptions in the world supply chains.
- v. Fluctuation of the foreign exchange.

C. Social Factors

- i. Rapid population growth and converse high poverty levels and income inequalities.
- ii. High levels of youth unemployment.
- iii. Social ills such as corruption and integrity issues.
- iv. Terrorism and insecurity.
- v. Cultural/Religious barriers such as land ownership issues among others.
- vi. Global shocks such as Covid-19.

D. Technological Factors

- i. Emerging technologies (energy, solar, biotechnologies, robotics, artificial intelligence, etc.) continue to shape operations within the sector.

- ii. Rapid changes in technology resulting in early retirement of existing equipment especially in ICT.
- iii. Continued automation of public service delivery systems to ease cost of doing business.
- iv. Cybersecurity threats continue to pose a risk to enterprises due to increased usage of ICT-enabled services.
- v. High digital divide-the population that cannot access technology are left out or locked out of opportunities

E. Ecological Factors

- i. Existence of national, regional, and global Programmes to enhance sustainable ecology.
- ii. Growing environmental concerns which create opportunities for enterprises in green technologies and sustainable practices.
- iii. Natural disasters such as floods and locust infestation.
- iv. Climate change effects are becoming more evident e.g. heat waves
- v. Heightened agenda on green economy and sustainable consumption

F. Legal Factors

- i. Availability of regional and international legal and regulatory instruments and institutions to support legislation processes.
- ii. Burdensome and costly regulatory requirements and processes that increase the cost of doing business.
- iii. Low compliance with legal provisions among MSMEs.
- iv. Lengthy litigations that derail planned developments.

3.1.1.2 Micro-Environment

At the micro-level, the State Department seeks to understand the immediate operating environment that will affect access to resources which are necessary for the achievement of the Strategic Objectives. Analysis of some of the key variables presents the following Opportunities and Threats:

i. Enabling Policies

The sector is guided by the **Micro and Small Enterprises (MSE) Policy of 2020 and the Micro and Small Enterprises (MSE) Act of 2012** which play a crucial role in creating a conducive business environment for MSMEs in Kenya. The MSE Policy aims to enhance the competitiveness and productivity of MSEs through regulatory reforms, capacity-building initiatives, and the promotion of innovation and entrepreneurship. Additionally, it seeks to foster inclusivity by supporting women, youth, and marginalized groups in the sector, ensuring their meaningful participation in economic activities.

The Micro and Small Enterprises (MSE) Act of 2012 was enacted to provide a legal and institutional framework for the promotion, development, and regulation of Micro and Small Enterprises (MSEs) in Kenya. It seeks to create an enabling environment that supports the growth and sustainability of MSEs by addressing challenges such as access to finance, markets, skills, and infrastructure. The Act also establishes key institutions, including the Micro and Small Enterprises Authority (MSEA), to oversee and implement policies that enhance the competitiveness of MSEs.

ii. Policy and Regulation volatility

MSMEs are often faced with frequent changes in policies and regulations that add uncertainty, limiting MSMEs' capacity for long-term planning and investment. For instance, shifts in tax policies or sudden adjustments to sector-specific regulations make it challenging for MSMEs to remain agile and profitable. Regulatory inconsistencies across different counties also create confusion, as MSMEs operating in multiple locations must meet distinct local requirements, adding to operational costs and complexity.

iii. Multiple licensing regime

One of the primary issues facing MSMEs is regulatory compliance, which is complex and often costly for MSMEs to navigate. These businesses must adhere to various requirements

from various Ministries, Departments, and Agencies at both National and County governments. These requirements increase the cost of doing business since non-compliance by MSMEs attract heavy penalties, license suspensions, and even complete business closures, which stifles MSMEs growth and sustainability.

Additionally, the cost of compliance itself can be prohibitive for MSMEs with limited resources, leading some to operate informally to avoid regulatory burdens. This situation affects their access to credit, market opportunities, and overall growth potential.

iv. Labor market skills for MSMEs

MSME operations cut across almost all sectors of the economy and therefore diverse skills are required for the development of the sector. These skills include industry-specific technical skills such as machinery operation, engineering, basic coding, accounting, software, design tools or product development techniques. Managerial and digital skills are also useful in day-to-day operations of MSMEs as well as soft skills such as communication, critical thinking, customer service among others.

Most of these skills required by MSMEs can easily be provided by graduates of Universities, Technical Institutes and vocational training centers. However, there exists highly technical sectors and operations that require highly specialized skills and expertise that are scarce and therefore not readily available.

v. Participation in Global Value Chains

The Kenyan government is actively promoting MSME integration into global value chains through the “Bottom-Up Economic Transformation Agenda (BETA)” which focuses on improving market access, enhancing value addition, and facilitating capacity building. A number of MSMEs in Kenya participate in global value chains through sectors such as leather goods, textiles, garments, dairy, coffee, tea, and construction with key linkages to larger firms by

providing raw materials, intermediary services, and finished products, often through backward and forward integration within these value chains.

Also, some of MSMEs act as suppliers to larger companies, providing raw materials or components, while also benefiting from potential market access through this connection.

Despite this opportunity for MSMEs to participate in global value chains, limited access to finance, lack of technical expertise, difficulty meeting international quality standards, and inadequate infrastructure are key challenges hindering MSMEs from fully engaging.

vi. Market access

From the KNBS MSME Survey, the majority of unlicensed businesses (17%) and licensed businesses (15%) enterprises in Kenya reported market access challenges as the most serious constraint to their growth and development. The main consumers of MSMEs goods and services in Kenya are individual local consumers. Most MSMEs are not able to supply their goods and services to domestic multinationals and corporations due to low scale of production and quality.

The market for locally manufactured products by MSMEs is shrinking, largely due to competition from larger domestic firms and the influx of cheaper imported goods especially in retail and manufacturing sectors. This trend has made it difficult for local MSMEs to compete, especially as Kenyan consumers increasingly view imported products as superior in quality compared to domestic alternatives. This undercuts the prices of goods and services of local MSMEs, reducing their profits and volume of sales.

Whereas, the government has provided for quotas for local products in government procurement under Buy Kenya and Build Kenya as well as AGPO these quotas are not met due to lack of capital, market intelligence, delayed payment and lack of technical capacity in some specialized areas.

Very few MSMEs participate in export markets

even where Kenya has negotiated international trade agreements like AGOA and AfCFTA or joined regional trading blocs like COMESA and EAC. This is because of high certification and export market requirements on product standards, quality, safety, and packaging which require substantial investment and technical knowledge that many MSMEs lack. Other factors include high cost of doing business, lack of market intelligence, low production capacity and fluctuating currency.

Although e-commerce provides new market opportunities, many MSMEs face barriers in accessing online markets due to low digital literacy and limited internet connectivity with the additional challenge of inadequate cybersecurity measures and payment processing issues making it challenging for MSMEs to establish functional online presence thus missing out on the growing consumer base in the digital market.

There are limited business linkages and low levels of collaborations between MSEs and medium and large firms. These linkages are crucial for knowledge transfer and market access and growth. The large firms could be aggregators or processors who bulk and offtake MSE's produce thereby offering a reliable market.

Although there have been several trade promotion programs, many MSMEs report difficulty in accessing these resources due to bureaucracy and limited awareness. Trade missions and expos, which could help MSMEs build connections abroad, are often beyond their reach due to associated costs and lack of information on these opportunities. As a result, the MSMEs are not able to take advantage of these opportunities.

3.1.1.3 MSME Sector

The MSME sector in Kenya holds significance across economic, social, and cultural dimensions. Its role in employment generation, economic contribution, entrepreneurship, market diversification, poverty alleviation, trade, adaptability, cultural preservation, and inclusivity makes it a critical component of Kenya's economic landscape and sustainable development aspirations.

An in-depth literature review of the MSME sector was carried out in order to appreciate developments that have both direct and indirect impacts on the growth of the sector as highlighted below.

3.1.1.3.1 Magnitude of the Sector

According to the MSME Baseline Data (2016-2019), Statistical Abstract (2019) and Economic Survey 2023:

a) Size of MSMEs

There are 1.9 million MSMEs out of which 90.1% are micro sized enterprises (employing 1-9 employees) followed by 9.1% small sized enterprises (employing 10-49 employees) and 0.8% medium sized enterprises (employing 50-99 employees).

b) Vertical Growth for MSMEs

Only 0.25% of MSMEs grow vertically from micro to small and small to medium per year as compared to 5% vertical growth per year for newly industrialized countries. The slow vertical growth of MSMEs in Kenya is attributed by absence of concrete policies, strategies and Programmes for supporting MSMEs growth and internationalization.

c) Level of Education

Out of the 1.9 million MSME operators, 4.9% are degree holders, 9.5% diploma holders and 32.2% Kenya Certificate of Secondary Education (KCSE) holders while 42.9% hold a Kenya Certificate of Primary Education (KCPE). This implies that 75.1% of the MSMEs are not certified with technical qualifications. Yet they have an average of 7 – 9 years' business experience that can be recognized as prior knowledge.

d) Business to Business (B2B) Linkages

B2B linkages enhance growth and expansion through acquisition appropriate technology, market and equity finance. However, only 5% of the total MSMEs develop vertical B2B linkages per year as compared to 2% for formal MSMEs. This low level of B2B linkage is attributed to inappropriate mechanisms and Programmes for supporting vertical B2B linkages.

3.1.1.3.2 Employment in the MSME Sector

A large portion of MSMEs operate informally. According to the MSME Baseline Survey of 2016, there were 1.56 Million formal MSMEs and 5 million informal MSMEs employing approximately 14.9 Million individuals across various sectors. Despite informality, the sector contributes significantly to employment, creating around 800,000 jobs annually.

3.1.1.3.3 Sectoral Activities

Analysis of MSME sectoral activities is illustrated as shown in Table 3.1.1.3.3.

Table 3.1.1.3.3: Distribution of Formal MSMEs by Economic Activity and Employment

Economic Activity	Number of Enterprises (000)	Percentage	Employment (000)
Agriculture, forestry and fishing	2.1	0.13%	396.2
Mining and quarrying	2.1	0.13%	54.4
Manufacturing	174.5	11.18%	1,760.4
Electricity, gas, steam and air conditioning supply	0.5	0.03%	9.5
Water supply; sewerage, waste management and remediation activities	1.7	0.11%	30.6
Construction	7.8	0.50%	97.7
Wholesale and retail trade; repair of motor vehicles and motor cycles	891.2	57.11%	8,013.7
Transportation and storage	15.2	0.97%	412.9
Accommodation and food service activities	137.7	8.82%	1,649
Information and communication	12.4	0.79%	88.9
Financial and insurance activities	65.5	4.20%	255.3
Real estate activities	7.0	0.45%	116.6
Professional, scientific and technical activities	17.4	1.12%	157.7
Administrative and support service activities	25.3	1.62%	120.2
Education	37.8	2.42%	714.4
Human health and social work activities	13.0	0.83%	122.3
Other service activities	135.1	8.66%	94.3
Arts, entertainment and recreation	13.9	0.89%	803.6
TOTAL	1,560.5	100%	14,898.3

Source: MSME Baseline Data (2016-2019), Statistical Abstract (2019) and Economic Survey 2023

3.1.1.3.4 Access to Finance

According to the Central Bank of Kenya, 2021 Survey Report on MSME Access to Bank Credit, MSMEs accessed credit through various avenues as indicated:

- Lending from Commercial Banks- 869,000 beneficiaries out of 1.6 Million MSMEs accessed finance from Commercial Banks amounting to Ksh.605 Billion (Micro- Ksh.42B, Small- Ksh.221B & Medium- Ksh.342.4 B). Commercial lending increased by 10.34 per cent from Ksh.2.9Trillion in 2017 to Kshs.3.2Trillion in 2022.
- Credit Guarantee Scheme (CGS)- The CGS was established in 2020 with Ksh.3 Billion and has grown to Ksh.6.26Billion by April, 2024 reaching 4,108 MSMEs across 46 counties creating over 25,703 jobs

and intermediating with 7 Commercial Banks.

- c) Micro-Finance Institutions (MFIs) (Regulated)- 46,115 out of 1.6 Million MSMEs accessed finance from Regulated MFIs amounting to Kshs.33.3Billion.
- d) Association for Micro-Finance Institutions (AMFI) MFIs Members- 1,712,468 MSMEs accessed finance from AMFI MFIs Members amounting to Kshs.62Billion (Micro- Ksh49.6B, Small- Ksh.9.3B, & Medium- Ksh.3.1B).
- e) GovernmentAffirmative Action Funds- 3,734,984 beneficiaries (individual, groups, SACCOs) accessed loans amounting to Kshs.35.1Billion from Government Affirmative Action Funds i.e. Kenya Industrial Estates (KIE), Women Enterprise Fund (WEF), Uwezo Fund, and Youth Enterprise Development Fund (YEDF).

3.1.1.3.5 Contribution to GDP, Economic and Social Development

According to the KNBS MSME Survey of 2016, it was established that there were over 7.4 million MSMEs in Kenya, employing over 14.4 million Kenyans across all sectors. These MSMEs contributed approximately 33.8 percent to the national GDP in 2015. Over the years, the MSME Sector contribution to GDP has increased from 33.8 percent to 40 percent, according to a UNDP and MSEA report on the Impact of COVID-19 on Kenyan MSMEs Strategies for Resilience and Recovery.

3.1.2 Summary of Opportunities and Threats

The emergent opportunities and threats that are inherent in implementation of this strategic plan were identified, analyzed and summarized in Table 3.1.

Table 3.1: Summary of Opportunities and Threats

Environmental factor	Opportunities	Threats
Political	<ul style="list-style-type: none"> • Prioritization of the MSME sector under the BETA Plan. • Global, continental and regional agreements that recognize the sector. • Cordial Inter-governmental relationships between National and County Governments. • Ongoing Programs and donor funds at both National and County governments supporting MSMEs. 	<ul style="list-style-type: none"> • Lack of a co-ordination framework for aligning actors in the MSME ecosystem. • Frequent re-organization within government leading to inconsistencies and disruptions. • Geo-politics and alignments in the global economic power bases continue to shape investments and trade flows.
Economic	<ul style="list-style-type: none"> • Regional trading blocs and trading agreements, for expanded markets e.g. EAC, COMESA, AGOA and AfCFTA. • Promotion of MSMEs sector along the socio-economic sectoral value chains in collaboration with MDAs 	<ul style="list-style-type: none"> • Inflation and economic downturns disproportionately impact MSMEs. • Non-compliance with the Non- Tariff Barriers obligations among trading partners.
Social	<ul style="list-style-type: none"> • Institutionalization and recognition of prior learning for MSMEs and their employees. • Institutionalization of entrepreneurship and business start-up Programmes within TVET institutions and Universities. • Changing demographics, consumer preferences and increasing population can create new market opportunities for MSMEs. 	<ul style="list-style-type: none"> • Emerging risks attributed to climate change, diseases and global trade wars. • High skills mismatch leading to unemployment. • Rural-urban migration leading to loss of skilled labour in rural areas. • Cultural/Religious barriers such as land ownership issues among others.

Technological	<ul style="list-style-type: none"> • Digital technologies can improve efficiency, access to markets, and marketing capabilities for MSMEs. • Continued automation of public service delivery systems to ease cost of doing business. 	<ul style="list-style-type: none"> • Cybersecurity threats pose a risk to MSMEs due to increased usage of ICT-enabled services. • Limited digital literacy and access to technology which hinders MSME growth. • Low uptake of technology by MSMEs.
Ecological	<ul style="list-style-type: none"> • Growing environmental concerns create opportunities for MSMEs in green technologies and sustainable practices. 	<ul style="list-style-type: none"> • Climate change can disrupt supply chains and impact resource availability for MSMEs.
Legal	<ul style="list-style-type: none"> • Well established national institutions to support legislation processes. • Existence of legal and regulatory frameworks for supporting the MSME sector. 	<ul style="list-style-type: none"> • Burdensome and costly regulatory requirements and processes that increase the cost of doing business. • Access to legal advice can be expensive for MSMEs.
MSME Sector	<ul style="list-style-type: none"> • Affirmative action policies targeting vulnerable and marginalized MSMEs such as AGPO. • Existence of Public, Private and Donor-driven BDS Programmes for MSMEs. • Formally established MSME associations that can be used as financial intermediaries by MFIs and commercial banks. • Financial institutions downscaling and upscaling for enhancing MSMEs access to finance. • Promotion of linkages between MSMEs and large enterprises by umbrella business organizations. • Attracting FDIs through internationalization of MSMEs. • Business start-up Programmes for MSMEs for MSME employees and professional retirees from the formal sector. • Promoting the growth and internationalization of MSMEs in collaboration ecosystem players. • Potential areas of collaboration between the State Department and existing IP and Standards institutions to support MSMEs. • Rich database for expired and unexploited patents. 	<ul style="list-style-type: none"> • High levels of informality. • Low levels of transition from Micro to Small. • Credit Access constraints. • Uncoordinated BDS Programs among ecosystem players. • Weak linkages among industry players. • Poor waste management practices in MSME work areas contributing to environmental pollution, health risks for workers and communities. • Lack of synergy among MSME ecosystem players causing inefficient use of resources and reduced effectiveness of support programs. • Limited capacity among MSMEs to meet market requirements (Standards, Quality, Packing etc.). • Limited access to intellectual property management services leading to loss of innovation and counterfeiting. • Illicit trade and counterfeits that narrow opportunities for local and export markets. • Weak resource base among MSMEs which hampers their productivity. • Complex legal frameworks create challenges for MSMEs in terms of compliance and disincentivize informal businesses from formalizing. • Low R & D and innovation levels that limit advancing technology used in the sector.

3.1.3 Internal Environment

To understand developments in the internal environment, the State Department conducted a comprehensive analysis of the micro-environment to identify strengths and weaknesses that have implications on the implementation of this plan. This section discusses elements within the State Department that ensure efficient and effective service delivery. These include governance and administrative structures, internal business processes and resources, and capabilities.

3.1.3.1 Governance and Administrative Structures

The State Department for MSMEs Development as established vide Executive Order No. 2 of 2023 has four (4) Semi- Autonomous Government Agencies namely: (i) Kenya Industrial Estates (KIE); (ii) Micro and Small Enterprises Authority (MSEA); (iii) Uwezo Fund; and (iv) Financial Inclusion Fund (Hustler Fund).

The State Department has an approved organizational structure fit to implement its mandate. The State Department comprises of five (5) Technical Directorates which are: (i) Innovation, Product, Market and Enterprise Development Directorate; (ii) MSME Policy and Research Directorate; (iii) MSME Digital Delivery and Communication Directorate; (iv) MSMEs Financing, Partnership and Coordination Directorate; (v) Capacity Building and Entrepreneurship Directorate (Kenya Institute of Business Training) alongside General Administration, Support Services and Planning. Being newly established, the State Department will fill out vacant positions in the technical cadre so as to achieve optimal staffing levels and fully operationalize the technical departments.

3.1.3.2 Internal Business Processes

The business processes at the State Department are still largely manual with little to no digitalization. This includes handling of registration and other oversight procedures that delay completion of tasks and prevents tracking of progress in task execution. The knowledge management processes are also still largely under-developed, including management of data. To effectively deliver on its mandate, the State Department is in the process of automating its processes to improve on its effectiveness and efficiency, in line with the digital super highway in the BETA plan.

3.1.3.3 Resources and Capabilities

The State Department has competent and experienced human resource, infrastructure countrywide and has put in place resources mobilization strategies to facilitate execution of its mandate. However, financial and human resources are insufficient constraining its operations. To deliver on its mandate, the State Department will restructure institutions to make them more effective and efficient in-service delivery. Human resource capacity in terms of numbers, skills and knowledge will be enhanced. The State Department will also enhance coordination of stakeholders to ensure formation of strategic linkages and partnerships for improved service delivery.

On resource mobilization, the State Department will continue to embrace Public Private Partnership (PPP's) and strategic partnerships in the sector to ensure that identified priorities are fully implemented. Further, the State Department will ensure prudent utilization of resources during the Plan period.

3.1.4 Summary of Strengths and Weaknesses

Based on analysis on the internal environment, a summary of strength and weaknesses of the Ministry is shown in Table 3.2.

Table 3.2: Summary of Strengths and Weaknesses

Factor	Strengths	Weaknesses
Governance and Administrative Structures	<ul style="list-style-type: none"> • MSE Act of 2012 and MSE Policy of 2020 coordinating the development of the sector. • Formally established MSME Sectoral associations to lobby for policies that create an enabling environment including access to finance and markets. • Stakeholders goodwill e.g. Development Partners & Private Sector. 	<ul style="list-style-type: none"> • Absence of integrated policies and regulatory framework for supporting MSMEs. • Inadequate policies and Programmes for facilitating the flow of funds to MSMEs from financial institutions. • Weak governance of MSME sectoral associations. • Weak enforcement of strategies and Programmes for supporting access to local and international markets for MSMEs.
Internal Business Processes	<ul style="list-style-type: none"> • Existence of policies, procedures and systems manuals to support service delivery. • Continued automation of public service delivery systems to ease cost of doing business. • Robust stakeholder engagement in policy and procedures development. 	<ul style="list-style-type: none"> • High cost of digitalization. • Cyber-security threats.
Resources and Capabilities	<ul style="list-style-type: none"> • Good will of Development Partners and Private Sector to support MSME development. • Prioritization of the MSME sector in resource allocation by BETA. • Skilled and competent staff. 	<ul style="list-style-type: none"> • Insufficient physical facilities – ICT, transport and office space. • Inadequate financial resources. • Low staffing levels. • Gaps in career progression and succession management. • Lack of continuous capacity building of staff through regular training. • Weak knowledge management systems.

3.1.5 Analysis of Past Performance

During the last strategic planning period (2018-2022), the State Department for MSME was not yet established. This section provides a comprehensive assessment of the performance of the MSME sector across various thematic areas, challenges encountered and lessons learnt.

3.1.5.1 Key Achievements

Key achievements in the MSME sector include:

- i. **MSME Policy:** In 2020, the MSE Policy was developed and launched with the aim of creating an integrated and supportive business environment to foster the growth and development of productive MSEs in Kenya. This policy aims to enhance the socio- economic contributions of MSEs by creating decent jobs and producing quality products. Additional sector-level policies relevant to MSME development included the Kenya Investment Policy 2019, the National Trade Policy 2017, the Kenya Youth Development Policy, the Digital Economy Blueprint 2019, and Sessional Paper No. 4 of 2020 on the National Cooperative Policy.

- ii. **Market access for MSMEs:** MSMEs participated in 20 international trade fairs and 37 trade weeks/forums, exhibitions, and regional forums, facilitated by the State Department for Trade in collaboration with county governments. These events provided platforms for benchmarking of new and innovative ideas.
- iii. **Capacity Development and Skills for MSMEs and their employees:** Key achievements included training in entrepreneurship and business management for over 27,500 MSMEs. In addition, the Industrial Consulting on Business Management initiative under the 'Human Resource Development for Industrial Development' (HRD-ID) JICA project was operationalized, leading to improved business performance in the sector.
- iv. **Access to Finance for MSMEs:** As of December 2022, there were 1.18 million active MSME loan accounts in the banking industry, totaling to Ksh.783.3 billion. This was a 29% increase from 915,115 active loan accounts valued at Ksh.638.3 billion in December 2020. Of this amount, commercial banks and mortgage finance companies, cumulatively, disbursed Ksh.750.3 billion (96%), while microfinance banks (MFBs) disbursed Ksh.32.98 billion (4%). In addition, (between 2018-2022) 3,734,984 beneficiaries (individual, groups, SACCOs) accessed loans amounting to Kshs.35.1 billion from Government Affirmative Action Funds including Kenya Industrial Estates (KIE), Women Enterprise Fund (WEF), Uwezo Fund, and Youth Enterprise Development Fund (YEDF).
- v. **Technology adoption among MSMEs:** According to the Fin-Access survey 2022, 44.1% of operating businesses used digital transaction devices like card reader machines and till numbers. The survey found that 73.5% of businesses had deployed at least one digital channel for transactions, with the highest digitalization rates among female-owned, urban, and owner-operated businesses, particularly in the 18-25 age group.
- vi. **Firm Productivity:** MSEs contributed 24%

to Kenya's GDP, with micro-enterprises contributing 12% and small enterprises contributing 11% according to KNBS 2016 MSME survey.

- vii. **Infrastructure, Housing, and Trade Spaces for MSMEs:** The government has deployed a multi-pronged approach to providing affordable and appropriate workspace to MSMEs in various sectors of the economy. Through collaboration with counties, the government is developing County Aggregation and Industrial Parks to help aggregation, value addition, and processing of farm products at county level. In addition, the national and county governments have undertaken construction of markets of farm produce and other goods in major urban towns to provide MSMEs affordable workspace.

The 2009/10 economic stimulus programme entailed construction and equipping of workshops/jua kali centers in the 210 constituencies. The government constructed Constituency Industrial Development Centers to spur industrial economic activities at constituency level. The government through Kenya Industrial Estates, developed industrial estates across the country to incubate industrial activities creating enterprises and jobs. The government through KIRDI has established centers to incubate industrial and allied innovations for commercialization. The government has made efforts to establish equipped workspaces with machinery, mainly common user facilities and technical assistance centers where MSMEs can share capital intensive machinery and centers to offer technical assistance to MSMEs. The government spatial planning has set aside designated areas for industrial activities where private enterprises lease and develop their workspaces.

- viii. **MSME Formalization:** Formalization of MSMEs involves obtaining licenses, registering with the registrar of companies and compliance with statutory requirements such as taxation, social security and Labor laws. It was established that there are over 7.4 million formal MSMEs operating in Kenya, 98% being

micro, 1.8% Small, 0.2% Medium. Further, about 21% MSMEs operate without licenses from the County Governments out of which only 27% are registered with the registrar of companies out of which Micro Enterprises registered with the registrar of companies are at 4% compared to 67% of the Small enterprises.

- ix. Employment Creation in the MSME Sector:** The MSMEs sector employs about 14.9 million persons accounting for 93% of the total labor force.

3.1.5.2 Challenges

The information in sections 3.1.1 to 3.1.4 were further re-analyzed in order to determine the emerging issues likely to affect the MSME development including management and co-ordination mechanisms.

- i. Absence of integrated policies and regulatory framework for supporting MSME creation, growth and internationalization.
- ii. Underdeveloped/Inadequate Programmes for promoting domestic and export markets for MSMEs.
- iii. Underdeveloped capacity development and skills upgrading for MSMEs support organizations, MSMEs and their employees.
- iv. Inappropriate policies and Programmes for facilitating the flow of funds for supporting MSMEs from the financial institutions.
- v. Inappropriate mechanisms for supporting innovation, technology upgrading and modernization for enhancing MSMEs competitiveness.
- vi. Inadequate integrated infrastructural facilities for supporting MSME development, Growth and internationalization.
- vii. Underdeveloped mechanisms for strengthening coordination, partnership and networking with stakeholders for enhanced MSMEs development, growth and internationalization.
- viii. Underdeveloped mechanisms for graduating and formalizing the informal sector operators.

- ix. Poor working conditions for MSMEs and their employees.
- x. Weak entrepreneurial culture.
- xi. Disruptions in the sector caused by COVID-19, floods, drought, locust invasion and other natural disasters.

3.1.5.3 Lessons Learnt

The following were the main lessons learnt following the analysis conducted which will be applied in the implementation of this Strategic Plan. The lessons include: -

- 1. Access to Finance:** Need to strengthen the financial ecosystem, including partnerships between banks, fintech companies, and MSMEs, in order to bridge the credit gap.
- 2. Digitalization and Technology Adoption:** Targeted initiatives to support MSMEs digitalization, such as subsidies for digital tools, training programs, and digital infrastructure development, are crucial for enhancing their competitiveness.
- 3. Skills Development and Capacity Building:** Strengthening partnerships between MSMEs, educational institutions, and industry associations to design and deliver customized training programs can significantly impact MSMEs development.
- 4. Market Access and Integration:** Facilitating MSMEs participation in global value chains, supporting export promotion initiatives, and streamlining trade procedures can enhance their market access.
- 5. Regulatory Environment and Policy Support:** Streamlining regulations, simplifying administrative processes, and providing targeted policy support have emerged as critical issues for enabling the growth and competitiveness of MSMEs.
- 6. Importance of Ecosystem Approach:** Successful MSME development requires a holistic, ecosystem-based approach involving various stakeholders, including the government, financial institutions, industry associations, and support organizations.
- 7. Promoting Sustainable and Inclusive Growth:** There is an increasing emphasis on integrating sustainability and social responsibility into MSME operations.

- 8. Formalization of MSMEs:** Formalization of MSMEs is key in unlocking their potential in terms of human and financial capacity as well as access to markets.
- 9. Decent Infrastructure:** There is need for integrated and equipped infrastructural facilities to support MSMEs development as well as boosting their productivity.
- 10. Resource Mobilization:** Effective resource mobilization requires a collaborative approach involving various stakeholders, such as the government, financial institutions, development agencies, and the private sector. This will enable the MSMEs to access the necessary financial, technical, and capacity-building support to drive their growth, innovation, and long-term sustainability.
- 11. Partnership and Coordination Mechanism:** Effective partnership and coordination among various stakeholders are crucial for addressing the multifaceted challenges faced by MSMEs and unlocking their full potential.
- 12. Strengthening of Institutional Capacity:** Strong institutional capacity enables policymakers and government agencies to design, implement, and monitor MSME- focused policies and programs more effectively.
- 13. Data:** Reliable and comprehensive data is crucial for informed decision-making, effective policy formulation, and the design of targeted support mechanisms for the MSME sector. There is also need for an efficient communication, data, information, and knowledge management system for effective service delivery.

3.2 Stakeholder Analysis

The State Department has a wide range of stakeholders who play a complementary role which is critical for realization of its objectives and successful implementation of this Strategic Plan. **Table 3.3** maps the key stakeholders and their complementary roles.

Table 3.3: Stakeholder Analysis

S/ NO.	Stakeholder	Role	Stakeholder Expectations	State Department Expectations
1.	Micro, Small and Medium Enterprises	<ul style="list-style-type: none"> • Provision of goods and services 	<ul style="list-style-type: none"> • Increased linkages within and with other sectors of the economy. • Conducive business operating environment and regulatory framework. • Facilitation of technology transfer. • Market for products. • Linkages to relevant institutions for business support. • Training on skills development and business management. • Provision of affordable financing 	<ul style="list-style-type: none"> • Creation of jobs. • Compliance with legislation and regulations. • Vertical graduation. • Innovation and creativity. • Advocacy for improvement of business environment. • Participation in the formulation and implementation of various sectoral policies. • Joint Public- Private Partnership initiative for sustainable development of MSMEs. • Provision of business information, quality goods and services and self- regulation within the business community.

S/ NO.	Stakeholder	Role	Stakeholder Expectations	State Department Expectations
2.	MSME Sectoral Associations	<ul style="list-style-type: none"> Organizing MSMEs and enhancing their participation in policy formulation, implementation, monitoring and institutional capacities 	<ul style="list-style-type: none"> Financial empowerment. Provision of advisory services. Capacity building, evaluation, and institutional capacities 	<ul style="list-style-type: none"> Formalization and empowerment of MSMEs in all spheres.
3.	Office of the President	<ul style="list-style-type: none"> Provide leadership, policy and co-ordination of the government 	<ul style="list-style-type: none"> Adherence and collaborations. Implementation of government guidelines and initiatives. 	<ul style="list-style-type: none"> Appropriate synergies and guidance. Provide policy guidelines and support. Goodwill.
4.	The National Treasury and Economic Planning	<ul style="list-style-type: none"> Public Finance Management. Provision of leadership and policy direction. 	<ul style="list-style-type: none"> Prudent financial management. 	<ul style="list-style-type: none"> Provide guidelines and leadership in the budget making process. Releases finances as per budget and in time. Resource mobilization.
5.	Government Ministries, Departments and Agencies	<ul style="list-style-type: none"> Collaborative support in implementation 	<ul style="list-style-type: none"> Provide strategic policy direction on MSME development. Service delivery. Expanded employment opportunities. Increased number of business start-up growing and graduating in an enabling environment. Overall contribution to: GDP; reduction in poverty; reduction in crime. Linkages with MSMEs for access to financial products, BDS and other support. 	<ul style="list-style-type: none"> Policy formulation and generation of national development agenda. Implementation of government Programmes and projects. Monitoring and evaluation of programmes and projects. Inter- Governmental relations to harmonize programmes to avoid duplication and increase efficiency. Provision of public security, enabling dispute resolution and regulatory frameworks (Police service, Judiciary and State Law Office). Human resource management (PSC, SRC). Oversight of expenditure (Office of Auditor General). Policy and legislative support. Provision of basic infrastructure and utilities for MSMEs roads, electricity, water and security. Facilitate access to international access to international markets by MSMEs. Provide BDS to growth oriented MSMEs.

S/ NO.	Stakeholder	Role	Stakeholder Expectations	State Department Expectations
6.	Parliament	<ul style="list-style-type: none"> Legislation and appropriation of financial resources 	<ul style="list-style-type: none"> Develop policies and Bills for legislation. 	<ul style="list-style-type: none"> Legislation of laws. Review and approval of the Budget. Oversight role in implementation of the Budget.
7.	Judiciary	<ul style="list-style-type: none"> Interpretation and application of the law 	<ul style="list-style-type: none"> Compliance with the laws to minimize risks and exposure of government to legal disputes. 	<ul style="list-style-type: none"> Timely dispensation of justice for disputes in a fair and just manner.
8.	County Governments	<ul style="list-style-type: none"> Extension of service delivery and policy implementation 	<ul style="list-style-type: none"> Expanded employment opportunities. Increased number of business start-ups growing and graduating in an enabling environment. Increased access to domestic and foreign markets. Continuous collaboration. Information sharing. Capacity building. 	<ul style="list-style-type: none"> Conducive regulatory framework for MSMEs. Financial support to local MSMEs. Creation of an enabling environment. Implementation of policies. Information sharing. Alignment of policies with the MSME policy and legislation.
9.	Academia and Research Institutions	<ul style="list-style-type: none"> Capacity development Research Technologies development and dissemination 	<ul style="list-style-type: none"> Collaboration in research on MSME development related issues. Up to date and information on MSME Sector. Collaboration and partnership on research and training Programmes. Facilitate linkages with MSMEs. 	<ul style="list-style-type: none"> Provide information to guide policy formulation for skills and knowledge development. Market intelligence information provision and broaden product base. Develop innovations and technologies for value addition. Findings of research on MSMEs. Technology transfer to MSMEs. Development of skills through internship Programmes.
10.	Financial Institutions (Bank, Microfinance)	<ul style="list-style-type: none"> Provision of financial services 	<ul style="list-style-type: none"> Information and data. Credit access. Partnership with MSME Association. 	<ul style="list-style-type: none"> Partnerships in funding Programmes for MSMEs. Provision of suitable financial products for MSMEs. Provide affordable credit to growth oriented MSMEs for long term investments.

S/ NO.	Stakeholder	Role	Stakeholder Expectations	State Department Expectations
11.	Development Partners	<ul style="list-style-type: none"> Support MSME development Programmes 	<ul style="list-style-type: none"> Transparency and accountability. Adequate capacity for implementation of Programmes. Proper utilization of donor funds. 	<ul style="list-style-type: none"> Resource mobilization. Provide technical and financial advisory services. Capacity building and creation of synergies on MSME Programmes.
12.	Business Membership Organizations (e.g. KNFJKA, KEPSA, KAM, KNCCI)	<ul style="list-style-type: none"> Business Community mobilization, lobbying and advocacy 	<ul style="list-style-type: none"> Promoting development for the MSMEs nationally and internationally 	<ul style="list-style-type: none"> Advocacy for improvement of business environment. Supports in the formulation and implementation of various sectoral policies on development of MSMEs. Joint Public- Private Partnership initiative for sustainable development and investments. Provision of business information, quality goods and services and self- regulation within the business community. Participates in consultation and validation of Programmes/ projects Ownership and beneficiaries of the Programmes and projects. Inform programme implementers on priority areas.
13.	Regional Blocks (EAC, AU, COMESA, IGAD, SADC etc)	<ul style="list-style-type: none"> Unlocking regional economic development through agreements 	<ul style="list-style-type: none"> Policy alignment and harmonization. Infrastructure development. Capacity building and skills development to enhance MSME competitiveness. Regional integration and cooperation. 	<ul style="list-style-type: none"> Regional Economic Integration. Job creation. Increased intra- regional and inter- regional trade.

S/ NO.	Stakeholder	Role	Stakeholder Expectations	State Department Expectations
14.	Private Sector	<ul style="list-style-type: none"> Fostering a conducive environment for MSME growth 	<ul style="list-style-type: none"> Conducive business operating environment and regulatory framework. Training on skills development and business management. Increased linkages within and with other sectors of the economy 	<ul style="list-style-type: none"> Compliance with legislation and regulations. Creation of jobs. Joint Public- Private Partnership initiative for sustainable development of MSMEs. Advocacy for improvement of business environment. Innovation and creativity. Provision of business information, quality goods and services and self- regulation within the business community.
15.	Civil Society	<ul style="list-style-type: none"> Community mobilization, lobbying and advocacy 	<ul style="list-style-type: none"> Involve them in policy formulation and review. Joint partnerships in project implementation and policy formulation. 	<ul style="list-style-type: none"> Creates consumer rights awareness and protection. Contribute to policy formulation and play oversight role in implementation process. Supports sensitization and advocacy on various sectoral matters. Community sensitization and awareness creation.
16.	Media	<ul style="list-style-type: none"> Publicity and dissemination of information 	<ul style="list-style-type: none"> Publicity and dissemination of information. 	<ul style="list-style-type: none"> Provision of adequate MSME information. Dissemination of Government policies and information. Creation of public awareness.



Chapter Four

Strategic Issues, Goals And Key Result Areas

The chapter outlines the key strategic issues identified from the analysis of the internal and external environments, the strategic goals to be achieved and the key result areas the State Department will pursue to fulfil its mandate during the plan period.

4.1 Strategic Issues

The analysis of the State Department past achievements, stakeholders and situational analysis has led to the identification of several strategic issues in the MSME sector. These issues present opportunities for the state department to minimize threats and weaknesses and to capitalize on its strengths and opportunities. These strategic issues are:

- i. Formalization, Growth and Development of MSMEs;
- ii. Market Access and Strategic Linkages for MSMEs;
- iii. Integrated Policy, Legal, and Regulatory Framework for the MSME Sector;
- iv. Productivity, Innovation and Competitiveness;
- v. Decent Infrastructure Facilities and Support Services for MSMEs;
- vi. Credit Access and Flow of Finance to MSMEs; and
- vii. Innovative Business Development services for MSME

4.2 Strategic Goals

The Strategic Goals of the State Department are to:

- i. Increase Formalization of the MSME sector
- ii. Diversify and Increase Market Share of MSME Products and Services
- iii. Promote Progressive Policy and Regulatory Environment for MSMEs
- iv. Enhance Productivity, Innovation and Competitiveness for MSMEs
- v. Establish and Improve MSME Infrastructure
- vi. Enhance Financial Inclusion and Credit Access
- vii. Enhance Capacity and Skills for MSMEs

4.3 Key Results Areas

The Key Results Areas for the State Department are:

- KRA1: MSME Formalization and Decent Employment Creation
- KRA 2: MSME Market Development
- KRA 3: MSME Policy Development and Coordination
- KRA 4: MSME Research, Innovation and Product Development
- KRA 5: MSME Decent Infrastructure
- KRA 6: MSME Access to Finance
- KRA 7: MSME Capacity and Skills Development

Table 4.1 summarizes the key strategic issues affecting the MSME sector and provides goals and key result areas to be achieved during the strategic plan period.

Table 4.1: Strategic Issues, Goals, KRAs

Overall Goal: Development of the MSME sector for enhancing: Job Creation, Increased Income, Expanded Revenue Base, Inclusivity, Reduced Cost of Living, and Improving Balance of Payments (BOP).

Strategic Issue	Strategic Goal	Key Result Areas
Formalization, Growth and Development of MSMEs;	Increase Formalization of the MSME sector	KRA 1: MSME Formalization and Decent Employment Creation
Market Access and Strategic Linkages for MSMEs;	Diversify and Increase Market Share of MSME Products and Services	KRA 2: MSME Market Development
Integrated Policy, Legal, and Regulatory Framework for the MSME Sector;	Promote Progressive Policy and Regulatory Environment for MSMEs	KRA 3: MSME Development Policy and Coordination
Productivity, Innovation and Competitiveness;	Enhance productivity, Innovation and Competitiveness for MSMEs	KRA 4: MSME Research, Innovation and Product Development
Decent Infrastructure Facilities and Support Services for MSMEs;	Establish and Improve MSME Infrastructure	KRA 5: MSME Infrastructure Decent
Credit Access and Flow of Finance to MSMEs	Enhance Financial Inclusion and Credit Access	KRA 6: MSME Access to Finance
Innovative Business Development services for MSME	Enhance Capacity and Skills for MSMEs	KRA 7: MSME Capacity and Skills Development





Chapter Five

Strategic Objectives And Strategies

Overview

This chapter outlines the strategic objectives and strategies derived from identified strategic goals and key result areas. The chapter also summarizes outcomes and annual projections in respect to the strategic objectives.

5.1 Strategic Objectives of the State Department The Strategic Objectives are:

- i. To promote and facilitate formalization of MSMEs;
- ii. To promote market development for MSMEs products and services;
- iii. To promote progressive policies and regulatory environment for MSMEs;
- iv. To strengthen coordination and partnership for MSMEs development;
- v. To enhance business innovation and competitiveness for MSMEs;
- vi. To Enhance Productivity at Enterprise, Sector and National level;
- vii. To develop and improve infrastructure for MSMEs;
- viii. To enhance financial inclusion and facilitate flow of credit to MSMEs; and
- ix. To promote entrepreneurial culture and enterprise development.

Table 5.1 provides a five-year projection for the strategic objectives highlighting outcome, outcome indicators and annual targets.

Table 5.1: Outcomes Annual Projections

KRA 1: MSME Formalization And Decent Employment Creation							
Strategic Objective	Outcome	Outcome Indicator	Projections				
			Year 1	Year 2	Year 3	Year 4	Year 5
SO1: To promote and facilitate formalization of MSMEs	Increased MSMEs Formalization	No. of MSMEs transiting from informal to formal	-	200,000	500,000	600,000	1,000,000
KRA 2: MSME Market Development							
Strategic Objective	Outcomes	Outcome Indicator	Projections				
			Year 1	Year 2	Year 3	Year 4	Year 5
SO1: To promote market development for MSME product and services	Increased Market share for MSME products and services	% Increase in market share of locally produced priority products	Edible oils 8.9%	Edible oils 8.9 %	Edible oils 8.9%	Edible oils 8.9%	Edible oils 8.9%
			Dairy 5%	Dairy 5%	Dairy 5%	Dairy 5%	Dairy 5%
			Rice 5%	Rice 5%	Rice 5%	Rice 5%	Rice 5%
			Textile and apparel 5%	Textile and apparel 5%	Textile and apparel 5%	Textile and apparel 5%	Textile and apparel 5%
			Leather 5%	Leather 5%	Leather 5%	Leather 5%	Leather 5%
			Building and Construction 5%	Building and Construction 5%	Building and Construction 5%	Building and Construction 5%	Building and Construction 5%

KRA 3: MSME Policy Development And Coordination							
Strategic Objective	Outcome	Outcome Indicator	Projections				
			Year 1	Year 2	Year 3	Year 4	Year 5
SO1: To Promote Progressive Policies and Regulatory Environment for MSMEs	Value of MSME sector Increased	Increased value of MSME sector from Ksh.3.9 Trillion to Ksh.4.5 Trillion	3.9	4.0	4.2	4.3	4.5
SO2: To strengthen coordinati on and partnership for MSMEs development	Enhanced stakeholder engagements	Increased participation of key stakeholders	20	30	40	50	60
KRA 4: MSME Research Innovation And Product Development							
Strategic objective	Outcome	Outcome Indicator	Projections				
			Year 1	Year 2	Year 3	Year 4	Year 5
SO1: To enhance business innovation and competitiveness for MSMEs	Enhanced innovation culture and competitiveness	No of MSMEs sensitized on innovation and patenting	1,000	1,500	2,000	2,500	3,000
	Enhanced standardization, patenting and commercializa- tion of Products and Services	increased awareness on product innova- tion, standardization and patenting and commercialization	-	-	100,000	150,000	200,000
	Increased technology acquisition and transfer among MSMEs	No of MSMEs trained and facilitated in technology acquisitio n and transfer among MSMEs	2,000	6,000	12,000	15,000	20,000
SO 2: To Enhance Productivity at Enterprise, Sector and National level	Increased business growth and MSME sector contributio n to GDP	% increase in MSME sector contributi on to GDP	-	34%	36%	38%	40%
KRA 5: MSME Decent Infrastructure							
Strategic objective	Outcome	Outcome Indicator	Projections				
			Year 1	Year 2	Year 3	Year 4	Year 5

SO1: To develop and improve infrastructure for MSMEs	Improved working environment	No. of MSMEs accessing decent work spaces	8,200	8,800	9,000	9,500	10,000
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KRA 6: MSME Access To Finance

Strategic Objective	Outcome	Outcome Indicator	Projections				
			Year 1	Year 2	Year 3	Year 4	Year 5
SO1: To enhance financial inclusion and facilitate flow of credit to MSMEs	Increased access to financial products and services	% increase of MSMEs accessing financial products and services (base-line year- 2023-6 Million)	20	20	20	20	20
		Amount Mobilized in Kshs in Millions by Government for facilitating to MSMEs	8,034	6,015	11,835	14,093	14,930

KRA 7: MSME Capacity And Skills Development

Strategic Objective	Outcome	Outcome Indicator	Projections				
			Year 1	Year 2	Year 3	Year 4	Year 5
SO1: To promote entrepreneurial culture and enterprise development;	Enhanced entrepreneurial skills and culture	% change in entrepreneurial culture	-	0	5	8	10
	MSMEs graduating from Micro to Small and Medium	% increase of Entrepreneurs graduating from Micro, Small to Medium enterprises	0.25	1	2	2.5	3

5.2 Strategic Choices

The State Department made choices that will be pursued to achieve the strategic objectives. In making the choices, it came up with a number of feasible alternatives, evaluated the alternatives and chose specific strategies as depicted in Table 5.2

Table 5.2: Strategic Objectives and Strategies

KRA	Strategic Objectives	Strategies
KRA 1: MSME Formalization and Decent Employment Creation	To promote and facilitate formalization of MSMEs	<ul style="list-style-type: none"> i. Develop a Formalization policy ii. Harmonization of Business Registration and compliance procedures and processes iii. Decriminalization of MSMEs in the Informal sector iv. Promote uptake of Social protection services and occupational safety and health
KRA 2: MSME Market Development	To promote market development for MSME product and services	<ul style="list-style-type: none"> i. Regular market research and analysis and dissemination of market opportunities (local and international) ii. Strengthening linkages between MSMEs and markets iii. Preferential treatment to locally manufactured MSME products by Governments (Buy Kenya Build Kenya) iv. Promote Aggregation/ consolidation of MSME products
KRA 3: MSME Policy Development and Coordination	Promote Progressive Policies and Regulatory Environment for MSMEs	<ul style="list-style-type: none"> i. Promote progressive policies and practices targeting MSMEs ii. Mainstream MSME Agenda into sectoral plans for MSME development, growth and internationalization in all MDAs
	To strengthen coordination and partnership for MSMEs development	<ul style="list-style-type: none"> i. Establish a coordination and linkages framework between MSMEs and ecosystem players ii. Strengthen Institutional coordination and partnerships
KRA 4: MSME Research, Innovation, and Product Development	To enhance business innovation and competitiveness for MSMEs	<ul style="list-style-type: none"> i. Promote innovation culture nationwide ii. Promote Intellectual Property (IP) acquisition by MSMEs iii. Digitalization of MSME sector
	To Enhance Productivity at Enterprise, Sector and National level	<ul style="list-style-type: none"> i. Promote productivity improvement culture at firm, sector and national level
KRA 5: MSME Decent Infrastructure	To develop and improve infrastructure for MSMEs	i. Promotion of cottage industries
		ii. Establish decent infrastructure facilities
KRA 6: MSME Access to finance	To enhance financial inclusion and facilitate flow of credit to MSMEs	<ul style="list-style-type: none"> i. Re-engineering of government affirmative funds to enhance the flow of credit to MSMEs ii. Promote use of alternative collateral for credit underwriting iii. Enhance the existing credit guarantee scheme to ease credit to unserved and underserved MSMEs and sectors iv. Facilitate business startup with Seed capital
KRA 7: MSME Capacity and skills development	To promote entrepreneurial culture and enterprise development	<ul style="list-style-type: none"> i. Provision of demand-driven and research-based capacity building programs in collaboration with Universities and TVET institutions ii. Provide continuous business development support Programmes for MSMEs



Chapter Six

Implementation And Coordination Framework

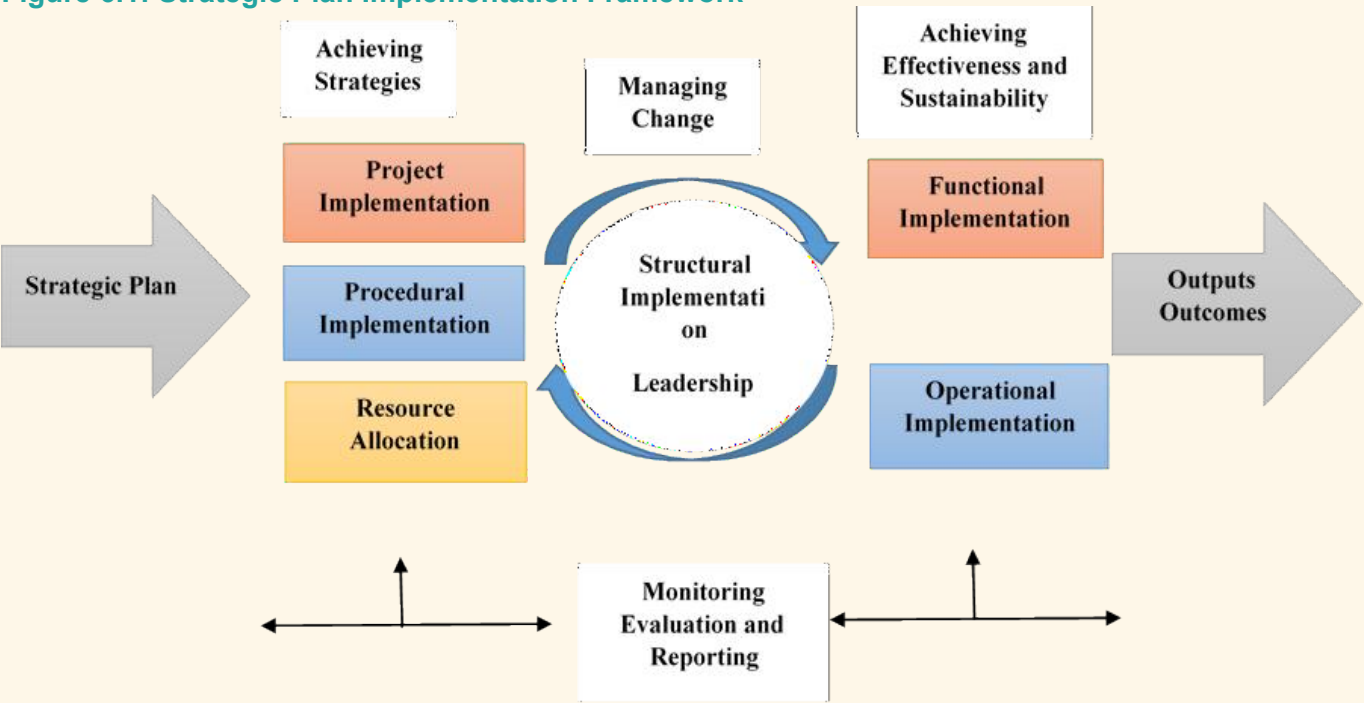
This chapter outlines the implementation and coordination framework of the Strategic Plan. It captures: The Implementation Plan, Action Plan, Annual Workplan and Budget, Performance Contracting, Coordination Framework, Institutional Framework and Risk Management Framework. A budget for physical resource requirements is also provided to ensure the required infrastructural resources have been provided.

6.1 Implementation Plan

This implementation plan describes a comprehensive action plan for implementation of the strategic plan. It further provides an insight on annual work plan and budgeting, performance contracting for the State Department in the next five years. The implementation of the plan will be financed through the Government of Kenya (GOK) annual budgets. In addition, funding will be supported by external resources from Development Partners in the form of loans and grants.

The framework for operationalization of the State Department Strategic Plan will entail detailed action plan represented by Implementation Matrix (Table 6.1), translation of the Action Plan to Annual Work Plans (AWPs) and budgets and undertaking performance contracting based on the Annual Work Plans from top management, cascaded down to all levels. Figure 6.1 below illustrates the framework adopted by the State Department in implementation of the Strategic Plan.

Figure 6.1: Strategic Plan Implementation Framework



6.1.1 Action Plan

The action plan has been prepared for each of the KRAs as depicted in Table 6.1. The scope for each KRA includes strategic issues, strategic goals, KRA, outcomes, strategic objectives, strategies, key activities, expected outputs, output indicators, annual targets, annual budgets and responsibility for execution of the activities. The budget estimates for each output, output indicators and annual targets has also been provided. In addition, the lead actor(s) and support actors have also been identified for each key activity.

Annex I: Table 6.1 Implementation Matrix

6.1.2 Annual Workplan and Budget

The strategic plan has a projected budget for the five (5) years for each of the KRAs with an annual budget estimate for each activity. The budget for the Strategic Plan is aligned to the Medium-Term Expenditure Framework (MTEF). The State Department has adopted Activity-Based Costing (ABC) in developing annual budget which are in turn informed by the annual work plan. A costed annual work plan, indicating activities and respective quarterly for the first year of implementation will be prepared covering: strategies, key activities, expected output, output indicators, target for 5 years, budgetary requirements and responsibility.

6.1.3 Performance Contracting

The State Department shall comply with the Public Service Commission Performance Management Regulations, 2021, by undertaking performance contracting based on the AWP for each respective year. The State Department plans to implement AWP across all its functions and different levels to ensure all staff execute performance contract at the beginning of each and every year. The Head of Central Planning and Project Monitoring Department shall issue guidelines and timelines for performance contracting, and ensure there is quality and consistency across the organization for all the performance contracts.

The State Department intends to undertake quarterly and mid-year individual performance reviews with a final end year objective performance appraisal.

6.2 Co-ordination Framework

The MSME sector is cross-cutting and thus efforts are needed to co-ordinate the sector. Before the establishment of the State Department, there was no single, stand-alone coordination framework specifically for the MSME sector. The function of MSME had been scattered in several Government Institutions and Ministries. This necessitated the creation of a Ministry to coordinate the sector which creates employment to a majority of Kenyans.

A. Collaborative Co-ordination with Stakeholders

Coordinating with MSME sector stakeholders in Kenya is crucial for creating a supportive ecosystem that fosters their growth.

The Sector stakeholders include the following:

- a) Government Agencies: Partner with relevant ministries implementing the MSME Agenda.
- b) Non-Governmental Organizations (NGOs): Collaborate with NGOs that provide training, financial access, and business development services to MSMEs. This can expand your reach and offer a wider range of support.
- c) Development Partners: International organizations will be valuable partners in provision of financial resources and technical knowledge.
- d) Business Membership Organizations: Chambers of commerce and industry bodies connect with MSMEs through networking events and advocacy efforts. Partnering with them will allow us to understand their needs and concerns directly.
- e) Financial Institutions: Banks, microfinance institutions, and other financial service providers are crucial for MSME growth. Collaboration can improve access to financing for entrepreneurs.
- f) Academia and Research Institutions: Partner with universities and research centers to access data and expertise on MSME challenges and best practices.

B. Co-ordination Framework within the State Department

In order to facilitate effective implementation of the KRAs, the State Department has established the Directorate of Financing, Partnership and Coordination to coordinate and partner with MDACs, umbrella business associations, financial and MSMEs associations and key stakeholders (Internal and External). Financial inclusion will be enhanced through Financial Inclusion Fund (Hustler Fund), KIE, Uwezo Fund and MSEA which are SAGAs within the State Department.

The Strategic Plan will be implemented through cascading of responsibilities to technical directorates which include:

1. MSMEs Policy and Research
2. Innovation, Product, Market and Enterprise Development
3. MSMEs Financing, Partnership and Coordination
4. MSMEs Digital Delivery and Communication
5. Capacity building and Entrepreneurship development (KIBT)

The Directorates and SAGAs will be charged with responsibility of planning and implementing projects and programs specific to them. An implementation matrix (Table 6.1) has been prepared to facilitate allocation of tasks and responsibilities across the SAGAs and Directorates. As indicated in section 6.1.2, the SAGAs will be expected to develop their respective strategic plans in line with the State Department Strategic Plan.

6.2.1 Institutional Framework

The State Department has an organization structure

which shall be a key enabler for strengthening institutional capacity. The State Department is headed by the Principal Secretary who is assisted by Heads of technical Directorates and Support Services. Each directorate has divisions which will be responsible for implementation of the strategic plan in line with the annual work plan and budgets.

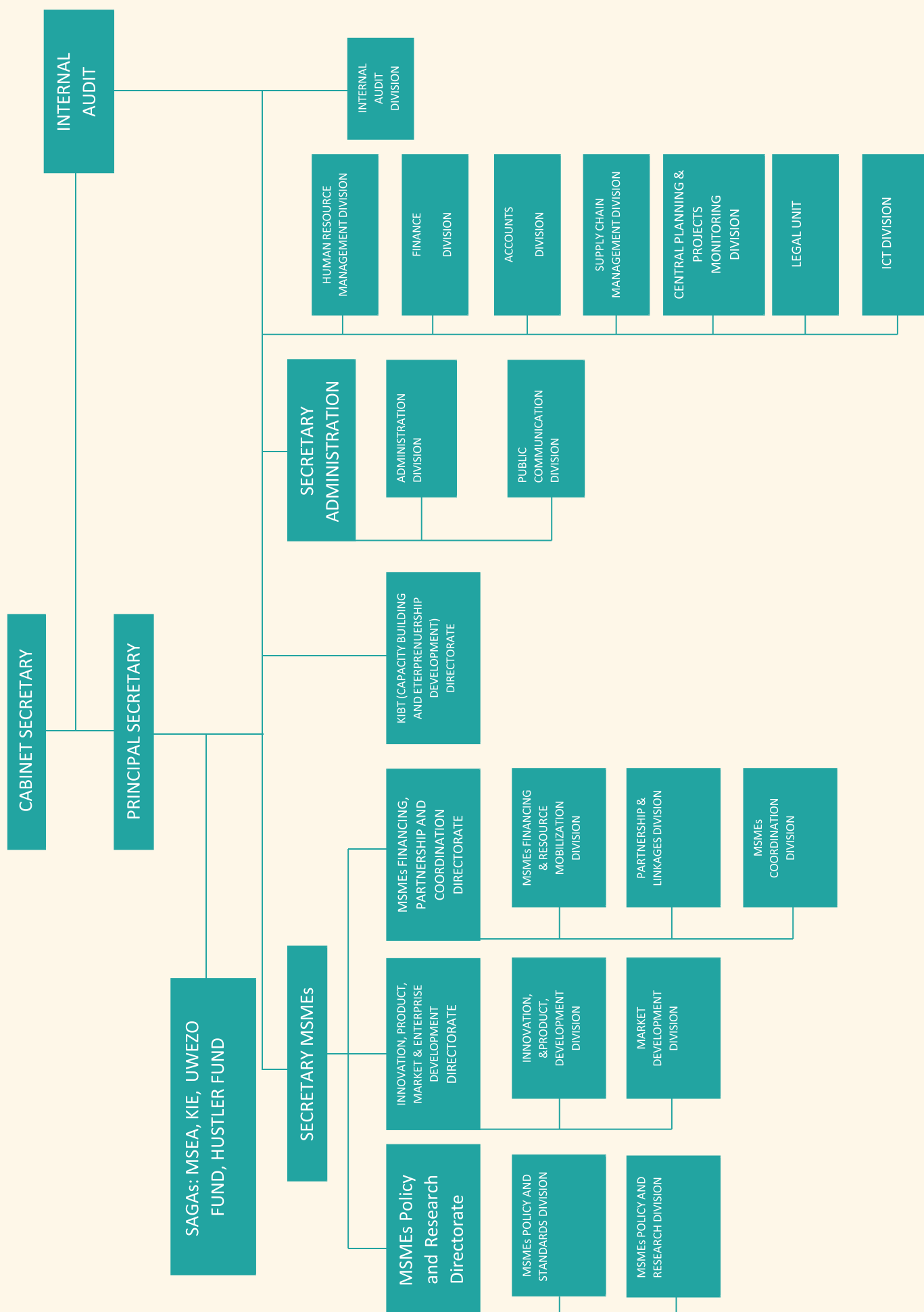
The State Department shall ensure availability of various internal policies, frameworks, rules and regulations to support successful implementation of the Strategic Plan. The required framework shall consist of the following:

- a) Human Resource and Administration Policy;
- b) Risk Management Framework;
- c) Knowledge Management Framework; and
- d) ICT Policy;

Further internal evaluation of the adequacy and appropriateness of the existing policies will be undertaken to ensure they are aligned with the Strategic Plan.

(see Figure 6.2: Organogram)





6.2.2 Staff Establishment, Skills Set and Competency Development

Human resources form the most important factor of production in an organization. Recruiting qualified staff is critical for organizational growth and the ability of the State Department to meet its desired goals.

6.2.2.1 Staff Establishment

Staff establishment is a framework that outlines approved jobs and number of posts created for the normal and regular requirements of an organization. It is usually illustrated using an organizational structure.

Currently, the State Department has a staff in-post of 91 against an approved staff establishment of 443. The filling of the staff establishment is guided by the availability of funds. Subject to availability of funds, the State Department will ensure filling of all vacant positions so as to maintain an optimal level of staffing for delivery of services. The approved organizational structure and staff establishment will be reviewed to include the technical staff at KIBT currently designated as lecturers.

The details of the current staff establishment are provided in Table 6.2.

Table 6.2.1: Summary of Staff Establishment

Cadre	Approved Establishment (A)	Optimal Staffing Level (B)	In post (C)	Variance D= (B-C)
Technical	354	354	25	(329)
Support Services	89	89	66	(23)
Total	443	443	91	(352)

Table 6.2.2: Staff Establishment

Cadre	Approved Establishment (A)	Optimal Staffing Levels (B)	In-Post (C)	Variance D = (B-C)
Principal Secretary	1	1	1	0
Enterprise Development Officers	354	354	0	(354)
Lecturers	-	-	25	-
Administration Officers	4	4	4	0
Human Resource Management and Development Officers	6	6	6	0
Economists	3	3	6	3
Finance Officers	4	4	5	1
Accountants	6	6	6	3
Supply Chain Management Officers	3	3	7	4
State Counsel	2	2	0	(2)
Auditors	2	2	3	1
Information Communication Technology Officers	3	3	5	2

Cadre	Approved Establishment (A)	Optimal Staffing Levels (B)	In-Post (C)	Variance D = (B-C)
Graphic Designer	2	2	1	(1)
Librarian	3	3	0	(3)
Public Communications Officers	3	3	1	(2)
Office Administrative Services	17	17	4	(13)
Clerical Officers	9	9	7	(2)
Drivers	11	11	5	(6)
Office Assistants	15	15	2	(13)

6.2.2.2 Skill Sets and Competence Development

The competency framework for the Public Service 2017 communicates the kind of behaviors required, valued, recognized and rewarded in an organization in respect to specific occupational roles. It ensures that staff, in general, have a common understanding of the organization's values and expected excellent performance behaviors. The State Department will carry out Training needs assessments so as to identify skill gaps and will continuously capacity build staff to develop their competency for effective service delivery.

6.2.2.2.1 Generic skill sets and competencies

The Kenya School of Government has identified the following as the generic skill sets and competencies for civil servants:

- Attitude and behavior
- Public service values and principles
- Attentiveness to client interests
- Planning and organizing
- Time management
- Communication
- Teamwork
- Willingness to learn
- Technical skills required for each cadre

6.2.2.2.2 Strategic technical skill sets and competencies

In line with the draft framework for development of career progression guidelines for the public service 2022, the State Department has identified the following technical skills and competencies. The Competency Framework for the Public Service 2017 provides details of competencies required and how they will be administered at each level. Progression in the grading structure forms part of career progression guidelines as it is based on increased competencies and changes in job content. From time to time the skills needs in a particular cadre change or require revision to incorporate new aspects as provided for in the education sector or as required, this aspect necessitates for inclusion of the skill into the career guideline.

The skills gap and competence development both for technical and support staff are well elaborated in Table 6.3.

Table 6.3: Skill Set and Competency Development

Job level	Grade	Skill set	Skill gap	Competence
Top management	2 - 5	<ul style="list-style-type: none"> i) Leadership skills ii) Strategic and innovative thinking skills iii) Policy formulation iv) Research skills v) Resource Mobilization skills vi) Planning skills vii) Budgeting Skills viii) Networking skills ix) Project Planning, Management and coordination x) Managerial skills xi) Conceptual skills xii) Communication skills xiii) Negotiation skills xiv) Problem solving and conflict resolution xv) Interpersonal Skills 	<ul style="list-style-type: none"> i) Strategic and innovative thinking skills ii) Resource Mobilization skills iii) Project Planning, Management and coordination iv) Performance Contracting v) Project Monitoring, Evaluation & Reporting 	Leadership Competencies SLDP
Senior management and high- level specialists	6 - 7	<ul style="list-style-type: none"> i) Leadership skills ii) Strategic and innovative thinking skills iii) Policy formulation iv) Resource Mobilization skills v) Planning skills vi) Budgeting Skills vii) Networking skills viii) Project Planning, Management and coordination ix) Research skills x) Managerial skills xi) Conceptual skills xii) Communication skills xiii) Negotiation skills xiv) Problem solving and conflict resolution xv) Interpersonal Skills 	<ul style="list-style-type: none"> i) Strategic and innovative thinking skills ii) Resource Mobilization skills iii) Project Planning, Management and coordination iv) Performance Contracting v) Project Monitoring, Evaluation & Reporting vi) Innovation and Creativity 	Managerial Competencies Technical Competencies SLDP
Middle management and middle level specialists	8	<ul style="list-style-type: none"> i) Planning skills ii) Budgeting Skills iii) Networking skills iv) Project Planning, Management and coordination v) Managerial skills vi) Communication skills vii) Problem solving viii) Interpersonal Skills 	<ul style="list-style-type: none"> i) Budgeting Skills ii) Project Planning, Management and coordination iii) Performance Contracting iv) Project Monitoring, Evaluation & Reporting v) Innovation and Creativity 	Technical Competencies Managerial Competencies SMC

Job level	Grade	Skill set	Skill gap	Competence
Junior management and high-level skilled officers	9 -11	i) Planning skills ii) Budgeting Skills iii) Networking skills iv) ProjectPlanning, Management and coordination v) Managerial skills vi) Communication skills vii) Problem solving viii) Interpersonal Skills	ix) Budgeting Skills x) Project Planning, Management and coordination xi) Project Monitoring, Evaluation & Reporting	Technical Competencies Managerial Competencies SSDC
Skilled/ Advanced operational Staff	12 - 14	i) Managerial skills ii) Communication skills iii) Problem solving iv) Report writing skills v) Interpersonal Skills vi) Record management skills	i) Supervisory skills	Technical Competencies MSC PCC
Semi-skilled Operational Staff	15	i) Supervisory skills ii) Communication skills iii) Problem solving iv) Interpersonal Skills v) Record management skills	i) Supervisory skills ii) Record management skills	Technical Competencies
Basic Skills	16	i) Communication skills ii) Problem solving iii) Interpersonal Skills iv) Record management skills	i) Record management skills	Core Competencies

The State Department will ensure that training needs assessment will be undertaken to identify skill gap and to support capacity building for all cadres of staff. This will be undertaken to ensure that:

- (i) Requisite technical competencies are based on respective cadres;
- (ii) The Competencies are developed in line with the Competency Framework for the public service 2017;
- (iii) Job Families identify and apply suitable competencies as appropriate.

6.2.3 Leadership

The Strategic Plan is spearheaded by the Principal Secretary under the direction of the Cabinet Secretary. The Senior Management team will ensure the Strategic Plan is effectively implemented in their respective functional areas. In particular, each Head of Directorate/Department shall incorporate the strategies and activities of the Strategic Plan into Directorate/ Department work plans and individual work plans.

6.2.4 Systems and Procedures

The State Department has systems and procedures for supporting administration, human resource, accounts, finance, procurement, ICT and planning to ensure highest standards of service delivery. In addition, systems and procedures will be developed for supporting MSMEs Policy and Research, Innovation, Product, Market and Enterprise Development, MSMEs Financing, Partnership and Coordination, MSMEs Digital Delivery and Communication and Capacity building and Entrepreneurship development in line with best practices. The State department will review its internal systems, processes and Standard Operating Procedures (SOPs) in line with best practice to ensure effective and efficient implementation of this plan.

6.3 Risk Management Framework

Risk management is the systematic process of managing the State Department's risk exposures to achieve its objectives in a manner consistent with public interest, human safety, environmental factors, and the law. It consists of planning, organizing, leading, coordinating, and controlling activities undertaken with the intent of providing an efficient pre-loss plan that minimizes the adverse impact of risk on the State Department's resources, funds and cash flows. The broad areas or category of risks identified by the State Department is summarized in Table 6.4.

Table 6.4: Risk Management Framework

S/No.	Risks	Risk Likelihood (L/M/H)	Severity (L/M/H)	Overall Risk Level (L/M/H)	Mitigation Measure(s)
1.	Strategy Risks (Risks rising from strategic decisions and actions taken by top management). Inadequate risk assessment; Ineffective risk mitigation strategies; Risk management efforts are not integrated across different departments; Organizational culture that resists changes necessary for effective risk management;	Medium	Medium	Medium	Comprehensive risk assessment through SWOT analysis and PESTLE analysis to identify all potential risks.
2.	Governance Risks (Risks due to ineffective oversight and weak risk culture within the organization). Ineffective oversight mechanisms to monitor risk management activities; Weak risk culture.	Medium	Medium	Medium	Enact and communicate clearly defined roles and responsibilities for risk management; Regularly review risk management guidelines to ensure they remain relevant and effective. Foster a strong risk culture; Establish clear accountability mechanisms to ensure every officers responsible for managing risks
3.	Legal risks (Risks associated with legal non-compliance and contractual issues). Failure to comply with regulations; Inability to keep up with changes in regulations; Failure to fulfill contractual obligations leading to legal disputes; Unclear contract terms leading to litigation;	High	High	High	Develop a legal risk management framework; Regular training and education of staff on legal issues; Data protection and security; Effective contract management;

S/No.	Risks	Risk Likelihood (L/M/H)	Severity (L/M/H)	Overall Risk Level (L/M/H)	Mitigation Measure(s)
4.	Financial Risks (Risks related to financial instability such as budget shortfalls and uncontrolled spending). Budget shortfalls; Funding cuts; Budget overruns; Uncontrolled spending;	High	High		Strict adherence to Public Financial Management principles.
5.	Technological risks (Risks from technology failures and cyber threats) – Cyber security risks; Data breaches Malware and ransomware; Phishing attacks Denial - of- Service Attacks; System failures and downtime; Data loss, data integrity, data privacy.	Low	Low	Low	Cyber security risk mitigation; System failure and downtime mitigation; Data backup solutions; Technology upgrades and replacements.
6.	Operational Risks (Risks due to failures in day to day operations) Supply chain disruptions; Equipment failure; Human errors	Medium	Medium	Medium	Implement regular training programmes for employees; Conduct periodic maintenance of equipment; Establish contingency plans for supply chain disruptions.
7.	Environmental Risks (Risks from environmental factors) Natural disasters; Climate change	Low	High	Medium	develop and implement an environmental management plan; Conduct regular environmental impact assessments; Establish emergency response plans for natural disasters; Invest in sustainable practices and technologies.
8.	Reputational Risks (Risks affecting the organization's reputation) Negative publicity and ethical breaches.	Medium	High	High	Foster a culture of ethical behavior and corporate social responsibility; Implement transparent communication practices; Develop a robust public relation and crisis management strategy; Monitor social media and public perception
9.	Human Resource Risks (Risks related to employee management) Labour disputes; Employee retention.	Medium	Medium	Medium	Develop comprehensive HR policies and practices; Conduct regular training and development sessions; Establish clear communication channels to addressing employee concerns.



Chapter Seven

Resource Requirement and Mobilization Strategies

This chapter highlights the financial resource requirements for implementing the Strategic Plan, the resources allocated, the funding gaps, resource mobilization strategies as well as financial management at the State Department over the next five years.

7.1 Financial Requirements

The resource requirements are estimated from the indicative costs of the programs, projects and activities from the implementation matrix across the plan period. The resource requirements have been disaggregated per Key Result Area per year for five years. In addition, administrative costs have been taken into consideration to take care of the Human resource and other operating costs over the plan period.

It is projected that the State Department will require a total of KShs.104.8 billion, with the bulk of resources coming from the Exchequer. The State Department will also receive support from development partners and will raise revenue internally as appropriations in aid (AIA).

The overall resource requirements per year are shown in table 7.1 below

Table 7.1: Financial Requirements for Implementing the Strategic Plan

Cost Item	Projected Resource Requirement (Ksh. Mn)					
	Year 1	Year 2	Year 3	Year 4	Year 5	Total
KRA 1: MSME Formalization and Decent Employment Creation	0	148	140	130	137	555
KRA 2: MSME Market Development	0	109	231	381	231	952
KRA 3: MSME Coordination, Policy Development and Research	4	29	141	80	84	338
KRA 4: MSME Innovation, Product Development and Competitiveness	0	20	2,049	2,036	2,025	6,130
KRA 5: MSME Decent Infrastructure	256	416	2,302	1,796	1,834	6,604
KRA 6: MSME Access to Finance	13,355	15,105	17,197	17,735	18,785	82,177
KRA 7: MSME Capacity and Skills development	1,076	1,119	1,114	1,109	1,107	5,525
Administrative Cost	383	735	359	404	635	2,516
Total	15,074	17,681	23,533	23,671	24,838	104,797

Over the five-year period of the Strategic Plan, it is projected that the State Department will be allocated a total of **KShs. 54.9 billion**, resulting in a total resource deficit of **KShs. 49.9 billion** over the period. The deficit per year is summarized in table 7.2 below.

Table 7.2: Resource Gaps

Financial Year	Estimated Financial Requirements (KShs. Mn)	Estimated Allocations (KShs. Mn)	Resource gap (KShs. Mn)
Year 1	15,074	8,033	(7,041)
Year 2	17,681	6,016	(11,665)
Year 3	23,533	11,835	(11,698)
Year 4	23,671	14,093	(9,578)
Year 5	24,838	14,930	(9,908)
Total	104,797	54,907	(49,890)

The projected allocations for the first three years are guided by the MTEF budget estimates, while the outer years are extrapolated from the previous allocations trends derived from the draft 2025 Budget Policy Statement.

7.2 Resource Mobilization Strategies

The State Department will develop a resource mobilization strategy which will guide the mapping of partners, mobilizing resources and strengthening partnerships and collaborations among the partners and other stakeholders.

The Department will employ a variety of strategies to bridge the resource requirement gaps and ensure financial resource adequacy for implementation of the Strategic Plan. Financial resources will be sourced from:

- i. The National Government through exchequer
- ii. Internally generated revenue i.e. Appropriations in Aid
- iii. Development Partners
- iv. Public Private Partnerships (PPP)

7.2.1 The National Government

The State Department will effectively bid for allocation of more resources through the Sectors during the Medium-Term Expenditure Framework budget preparation as well as lobby for additional resources through regular engagements with The National Treasury and the National Assembly Departmental Committees.

7.2.2 Internally Generated Revenue

The State Department will explore avenues to enhance internally generated revenue that is, Appropriations in Aid (AIA). This will be achieved through rental income from leasing office spaces in KIBT Building, training services offered by KIBT.

7.2.3 Development Partners

The State Department will engage Development Partners to support projects and Programmes during the Plan period. Potential development partners may provide monetary support on- budget or off-budget or through technical assistance.

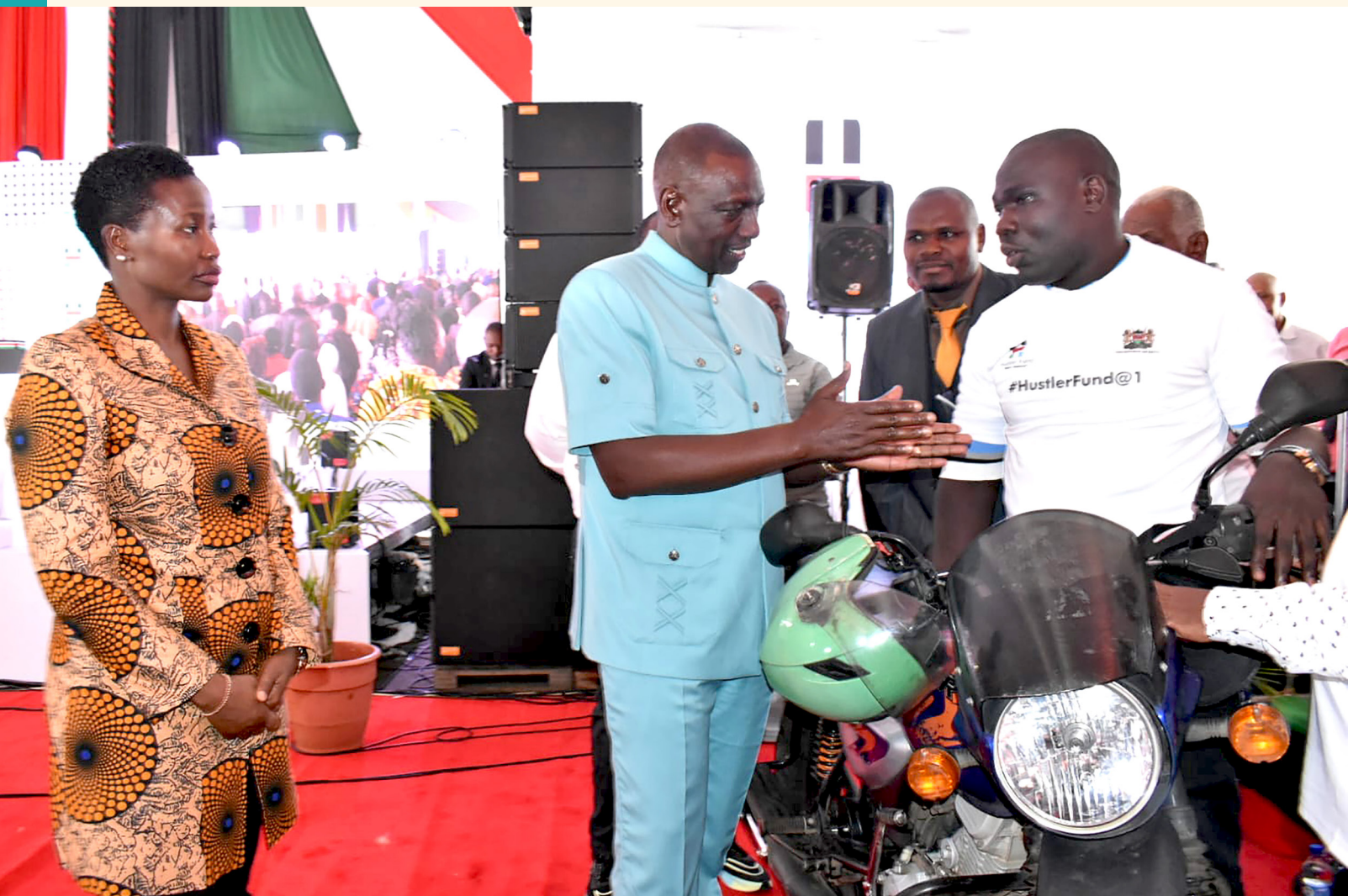
7.2.4 Public Private Partnership (PPP)

The State Department will seek Public Private Partnerships to undertake the implementation of the various Programmes and projects.

7.3 Resource Management

The State Department will put in place measures to facilitate prudent utilization of the available resources in line with the Public Finance Management Act 2012 by ensuring: proper financial accounting, reporting and auditing of allocated funds to realize value for money; maintenance of Department's facilities, equipment and vehicles; leveraging on shared ICT resources; and periodic monitoring and evaluation of programs and projects.

This chapter provides a comprehensive Monitoring, Evaluation, and Reporting Framework, complementing the performance standards and feedback mechanisms outlined for implementing the strategic priorities. The data gathered will play a vital role in informing management's evidence-based decision-making processes.



Chapter Eight

Monitoring, Evaluation and Reporting Framework

8.1 Monitoring Framework

Monitoring serves as a crucial management tool facilitating timely and targeted decision- making to drive the successful implementation of the Strategic Plan and enhance the State Department’s performance. Within the framework of this plan, monitoring will concentrate on outputs and outcomes across project/ program, institutional, and administrative levels. This necessitates that:

- i. All stakeholders align their monitoring functions and procedures with this plan according to their mandates.
- ii. The implementing departments execute this plan for each program and project undertaken.
- iii. Other involved parties establish structures to ensure program success and progress reporting.

The strategic plan’s key targets and indicators are detailed in the implementation matrix and structured into annual targets. These targets will underpin Annual Work Plans (AWPs), Performance Contracts, and the Staff Performance Appraisal System (SPAS). Directorates, Divisions, Sections, and Units will prepare and submit quarterly and annual Monitoring and Evaluation (M&E) reports to the head of CPPMD for consolidation and discussion by the State Departments’ Monitoring and Evaluation Technical Committee (SDM&ETC).

8.2 Performance Standards

The State Department will use internationally recognized norms and standards for monitoring and evaluating this strategic plan, focusing on aspects such as relevance, efficiency, effectiveness, impact, and sustainability. Adequate data will be required for the key result areas performance measurement and this will be coordinated by CPPMD.

8.3 Evaluation Framework

The Strategic Plan will use Process evaluations, Mid-term and End-term evaluations, Reviews, Self-evaluations, and Risk evaluations to assess implementation of the plan. To ensure successful evaluation of projects, programs, and service delivery, the following provisions are recommended:

- i. All evaluations will be conducted within the prescribed framework and according to the principles specified by this strategic plan, ensuring objectivity, reliability, and credibility.
- ii. The State Department will establish a Committee to oversee and manage evaluations.
- iii. The State Department will undertake all evaluations either independentlyW or in collaboration with stakeholders.

Table 8.1 describes the key result areas, outcomes and outcome indicators to be evaluated during the mid-term and end-term period of this Strategic Plan.

Table 8.1: Outcome Performance Matrix

Key Result Area	Strategic Objective	Outcome	Outcome Indicator	Baseline		Target	
				Value	Year	Mid-Term Period Target 2025/2026	End-Term Plan Target 2027/2028
KRA 1: MSME FORMALIZATION AND DECENT EMPLOYMENT CREATION	SO1: To promote and facilitate formalization of MSMEs	Increased MSMEs Formalization	No. of MSMEs transiting from informal to formal	5,000,000	2016	500,000	1,000,000
KRA 2: MSME MARKET DEVELOPMENT	SO1: To promote market development for MSME product and services	Increased Market share for MSME products and services	% reduction in the value of imports of priority products	120,828.5M	2021	Edible oils 5%	Edible oils 5%
				9,050.17M	2021	Dairy 5%	Dairy 5%
				31,148.3M	2021	Rice 5%	Rice 5%
				85,000M	2021	Textile and apparel 5%	Textile and apparel 5%
				3,255.45M	2021	Leather 5%	Leather 5%
KRA 3: MSME POLICY DEVELOPMENT AND COORDINATIONW	SO1: To Promote Progressive Policies and Regulatory Environment for MSMEs	Conducive Business Environment	No of counties with harmonized Regulations	0	2022	24	23
		Value of MSME sector Increased	Increased value of MSME sector from Ksh.3.9 Trillion to Ksh.4.5 Trillion	3.9	2022	4.2	4.5
	SO2: To strengthen coordination and partnership for MSMEs development	Improved Policy Environment	No. of Policies/ regulations Developed/reviewed to support the MSMEs sector	1	2022	2	4

Key Result Area	Strategic Objective	Outcome	Outcome Indicator	Baseline		Target	
				Value	Year	Mid-Term Period Target 2025/2026	End-Term Plan Target 2027/2028
KRA 4: MSME RESEARCH, INNOVATION, PRODUCT & MARKET DEVELOPMENT FOR COMPETITIVENESS	SO1: To enhance business innovation and competitiveness for MSMEs	Enhanced standardization, patenting and commercialization of MSME products and Services	No. of MSMEs sensitized on product innovation, standardization and patenting	0	2022	100,000	200,000
		Increased technology acquisition and transfer among MSMEs	No of MSMEs facilitated in technology acquisition and transfer among MSMEs	0	2022	12000	20000
	SO2: To Enhance Productivity at Enterprise, Sector and National level	Increased business growth and MSME sector contribution to GDP	% increase in MSME sector contribution to GDP	33.8	2016	5%	5%
KRA 5: MSME DECENT INFRASTRUCTURE	SO1: To develop and improve infrastructure for MSMEs	Improved working environment	No. of MSMEs accessing decent work spaces	8,200	2022	9,000	10,000
KRA 6: MSME ACCESS TO FINANCE	SO1: To enhance financial inclusion and facilitate flow of credit to MSMEs	Increased access to financial products and services	% increase of MSMEs accessing finance	6,000,000	2023	20	20
			Amount of money mobilized by government for lending to MSMEs	8,033	2023	11,835	14,930
KRA 7: MSME CAPACITY AND SKILLS DEVELOPMENT	SO1: To promote entrepreneurial culture and enterprise development;	Enhanced entrepreneurial skills and culture	% change in entrepreneurial culture	0	2025	5	10
		MSMEs graduating from Micro to Small and Medium	% increase of Entrepreneurs graduating from Micro, Small to Medium enterprises	0.25	2016	2	2

8.3.1 Mid-Term Evaluation

The State Department for MSME is dedicated to conducting a mid-term evaluation of this strategic plan. The Department will gather data and evaluate the implementation of planned goals, objectives, targets, and strategic activities against pre-selected indicators to assess the extent of achievement compared to set standards or targets and prepare reports. Additionally, the mid-term evaluation will furnish a scorecard reflecting the degree of commitment achievement and will pinpoint bottlenecks and emerging issues that could impede the realization of goals and objectives.

8.3.2 End-Term Evaluation

This process will entail collecting and analyzing data at the conclusion of the Strategic Plan period to evaluate the implementation status of policies, projects, and programs, among other activities. The aim is to ascertain the extent to which they have met their objectives and to assess their overall performance. This end-term evaluation will gauge the effectiveness of implementation, highlight encountered challenges, and derive lessons to inform the preparation of the subsequent five-year Strategic Plan for 2028-2032.

8.4 Reporting Framework and Feedback Mechanism

The implementation of the Strategic Plan will be facilitated through annual work plans. Reporting will encompass quarterly and annual performance reports. Each implementing Directorate/Division/units within the State Department will compile quarterly and annual reports in the designated format. These reports will then be submitted to the Director of the Central Planning and Project Monitoring Department for consolidation and discussion with the State Department's senior management, including the Principal Secretary. Monitoring will occur continuously, with reporting scheduled quarterly, at mid-year, annually, and at the conclusion of the plan period, leading to the creation of the following reports:

8.4.1 Quarterly Progress Report

This will involve providing details regarding crucial indicators compared to predetermined targets for the quarter, based on insights from annual work plans. The quarterly progress report will serve the purpose of assessing the advancement in executing annual work plans.

Table 8.2: Quarterly Progress Reporting Template

Expected Output	Output Indicator	Annual Target (A)	Quarter for Year...			Cumulative to Date			Remarks	Corrective Intervention
			Target (B)	Actual (C)	Variance (C-B)	Target (E)	Actual (F)	Variance (F-E)		

8.4.2 Annual Progress Report

At the conclusion of each fiscal year, an annual progress report will be compiled, objectively outlining significant accomplishments in comparison to established targets.

Table 8.3: Annual Progress Report Template

Expected Output	Output Indicator	Achievement for Year...			Cumulative to Date (Years)			Remarks	Corrective Intervention
		Target (A)	Actual (B)	Variance (B-C)	Target (D)	Actual (E)	Variance (E-D)		

8.4.3 Evaluation Reports

Mid-term evaluation report: Due to the dynamic nature of the MSME sector, implementing the plan necessitates a thorough assessment to address emerging issues during the strategic plan execution. The mid-term review report will guide any necessary adjustments needed in programs and projects for the remainder of the plan duration.

Table 8.4: Evaluation Reporting Template

Key Result Area	Outcome	Outcome Indicator	Baseline		Mid-Term Evaluation		End of Plan Period Evaluation		Remarks	Corrective Intervention
			Value	Year	Target	Achievement	Target	Achievement		

Conclusion of plan period report: Upon the conclusion of the Strategic Plan period, there will be a comprehensive review to evaluate achievements in relation to the established targets, providing an overall performance assessment. This review will also highlight encountered challenges and offer recommendations to guide subsequent review and planning processes.

REFERENCES

S/NO.	Document
1.	Kenya Vision 2030 Document
2.	Bottom-Up Transformation Agenda Plan
3.	MTP IV 2023-2027/ Indicator Handbook
4.	MTEF General Economic and Commercial Affairs (GECA) Sector Report 2022
5.	MTEF MSME Subsector Plan Report 2023-2027
6.	Executive Order No.2 2023
7.	Relevant Acts of Parliament, Policies and Gazette Notices for SAGAs
8.	Kenya Economic Survey, 2023 & 2024
9.	KNBS MSME Baseline Survey 2016
10.	The Constitution of Kenya, 2010
11.	The National Treasury Circulars
12.	Central Bank of Kenya Survey report on MSME Access to Bank Credit
13.	MSME Development Sessional Paper of 2012
14.	Africa Agenda 2063
15.	EAC Vision 2050
16.	Sustainable Development Goals (SDGs)
17.	KBA/JICA (2021) Report, MSME Survey Report-2,949 MSMEs under KRA's Inuka Enterprise Programme
18.	CBK 2022 Survey Report on MSME Access to Bank Credit follow-up of 2017 Survey 915,000 MSMEs (38CRs, one mortgage finance Co. and 14 regulated MFI)
19.	FINACCESS (2023)- MSME Tracker Survey (Follow-up of 2019 and 2021)
20.	FINACCESS Household Survey- 603,442 MSMEs sample of 2019 (1199 respondents)- 2012 (2926 respondents)
21.	KEPSA Report (2023) on how SMEs can reap from AfCFTA Opportunities
22.	ITC 2019 Promoting SME Competitiveness in Kenya Report (Targeted Solution for Inclusive Growth (893 MSMEs)
23.	Research studies on MSME development, growth and internationalization by MDAs, Development partners and Academia
24.	Budget Policy Statement 2025

LIST OF TECHNICAL TEAM MEMBERS WHO DEVELOPED THE SDMSMED STRATEGIC PLAN (2023-2027)

S/NO.	Name	Institution
1.	Anthony Njeru	SD MSME Development- CPPMD
2.	Seth Ouma	SD MSME Development- CPPMD
3.	Damiana Ndambuki	SD MSME Development- CPPMD
4.	Wako Galgallo	SD MSME Development- CPPMD
5.	Brenda Nyaboke	SD MSME Development- CPPMD
6.	Janet Mwende	SD MSME Development- CPPMD
7.	James Ntabo	SD MSME Development- ADMIN
8.	Charles O. Ahenda	SD MSME Development- HRM&D
9.	Paul Ndumia	SD MSME Development- ICT
10.	Patrick Nyakundi	SD MSME Development- KIBT
11.	Beatrice Thuo	SD MSME Development- FINANCE
12.	Florence Kilonzo	SD MSME Development- HRM&D
13.	Brian Odenyo	SD MSME Development- HRM&D
14.	Jackline Munyiva	SD MSME Development- HRM&D
15.	Roseline Mumbo	SD MSME Development- KIBT
16.	Putity Nyaga	SD MSME Development- KIBT
17.	David Owiti	SD MSME Development- KIBT
18.	Adelaide Wangila	SD MSME Development-ADMIN
19.	Wendy Atieno	SD MSME Development-ADMIN
20.	Rose Muisyo	SD MSME Development-ADMIN
21.	Prof. Robert Gichira	JKUAT- Facilitator
22.	Reynold Njue	Micro and Small Enterprises Authority
23.	Nancy Munyao	Micro and Small Enterprises Authority
24.	Charles Mativo	Kenya Industrial Estates
25.	Monica C. Kotut	Kenya Industrial Estates
26.	Joseph O. Ayieko	Kenya Industrial Estates
27.	Peter Lengapiani	Uwezo Fund
28.	James Donge	Uwezo Fund
29.	Albert Mwaringa	Financial Inclusion Fund
30.	Janet Meiseyieki	Financial Inclusion Fund
31.	Evans Jilani	Financial Inclusion Fund
32.	Elisha Bwatuti	Strathmore Business School
33.	Terry G. Kimonye	SD Economic Planning
34.	Oscar Rodgers Achieng	SD Agriculture
35.	Morris Githui	SD Co-operatives
36.	Ruth Musembi	SD Housing & Urban Development
37.	Bosco Olengiyaa	SD Labour
38.	Lorna Mbatia	SD Livestock
39.	Joyce Njogu	Kenya Association of Manufacturers
40.	Samuel Ndoria	Kenya Association of Manufacturers
41.	Lazarus Mbela	Kenya National Federation of Jua Kali Associations
42.	Osedo Stephen	Kenya National Chamber of Commerce & Industry
43.	Prof. Vincent Machuki	President's Council of Economic Advisors
44.	Robert Muriithi	Presidential Economic Transformation Secretariat
45.	Moses Banda	Presidential Economic Transformation Secretariat
46.	John Cheruiyot	Presidential Economic Transformation Secretariat
47.	Charles Kemboi	Presidential Economic Transformation Secretariat
48.	Ayako Ochiel	Central Organization of Trade Unions

ANNEX 1: TABLE 6.1 IMPLEMENTATION MATRIX

Strategy	Key Activities	Expected Output	Output Indicators	Target For 5 years	Target					Budget (Kshs. Mn)					Responsibility	
					Y1	Y2	Y3	Y4	Y5	Y1	Y2	Y3	Y4	Y5	Lead	Support
Strategic Issue: Formalization, Growth and Development of MSMEs																
Strategic Goal: Increase Formalization of the MSME sector																
KRA 1: MSME Formalization and Decent Employment Creation																
Outcome: Increased MSME formalization																
Strategic Objective 1: To promote and facilitate formalization of MSMEs																
Develop a Formalization Policy/ Strategy	Undertake an assessment of Key barriers to Formalization	Assessment report	Assessment report approved	1		1					10				SDMSME	MSEA, KIE, UWEZO DPs
	Develop an Integrated Policy/Strategy Response	Formalization Policy/ Strategy	Approved Formalization Policy/ Strategy	1			1					20			SDMSME	MSEA, CGs, DPs
Harmonization of Business Registration and compliance procedures and processes	Analyze and review existing regulations and frameworks on existing registration and licensing requirements	Regulations and Framework analysis Report	No. of Reports	2		1			1		20			20	SDMSME	MSEA DPs
	Advocate for the development of Registration and licensing requirement Guidelines	Registration and licensing requirement guidelines	Registration and licensing requirement guidelines harmonized	1				1					10		SDMSME	MSEA DPs
	Create awareness to MSMEs on Formalization	MSMEs sensitized on formalization	No. of MSMEs sensitized on formalization	3000000		750000	750000	750000	750000		50	50	50	50	MSEA	SDMSME KIE UWEZO DPs
	MSMEs formalization Drives	MSMEs formalizat ion	No. of MSMEs formalized	1000000		250000	25000	250000	250000		50	50	50	50	MSEA	SDMSME KIE UWEZO DPs

Strategy	Key Activities	Expected Output	Output Indicators	Target For 5 years	Target					Budget (Kshs. Mn)					Responsibility	
					Y1	Y2	Y3	Y4	Y5	Y1	Y2	Y3	Y4	Y5	Lead	Support
Decriminalization of MSMEs in the Informal sector	Partner with CGs to Secure working spaces in Counties for MSMEs	Counties with working spaces secured	No. counties with work spaces set aside for MSMEs	47		10	15	15	7		8	10	10	7	SDMSME	CGs, MSEA DPs
Promote uptake of social protection services and occupational safety and health	MSMEs association-based membership mobilization	MSME associations mobilized on social security services and occupational safety and health	No. of MSME associations mobilized on social security services, occupational safety and health	3000		750	750	750	750		10	10	10	10	MSEA	SDMSME SDLS DPs
Strategic Issue: Market Access and Strategic Linkages for MSMEs																
Strategic Goal: Diversify and Increase the market share of MSME products and services																
KRA 2: MSME MARKET DEVELOPMENT																
Outcome: Increased Market share for MSME products and services																
Strategic Objective: To promote market development for MSME product and services																
Regular market research and analysis and dissemination of market opportunities.	Undertake research on market opportunities	Market reports	No of reports	4	-	1	1	1	1	-	5	5	5	5	Dir P&R	MSEA, UWEZO, KIE
	Capacity build identified MSMEs on available Market opportunities and standardization	MSMEs capacity build on market opportunities and standardization	No. of MSMEs capacity built on market opportunities and standardization	117500	-	23500	23500	23500	23500	-	100	100	100	100	Dir. IPME	MSEA, UWEZO, KIE KIBT

Strategy	Key Activities	Expected Output	Output Indicators	Target For 5 years	Target					Budget (Kshs. Mn)					Responsibility	
					Y1	Y2	Y3	Y4	Y5	Y1	Y2	Y3	Y4	Y5	Lead	Support
Strengthening linkages between MSMEs and markets	Establish a Market Information System to facilitate access to information on market opportunities requirements and standards.	Market Information System developed	Level of MIS development	100	-	-	-	100	-	-	-	-	150	-	SDMSME	MSEA, DPs
	Facilitate seller to buyer match making/ networking forums (Business to Business and Business to Consumer models)	Seller to buyer match making/ networking forums facilitated	No. of forums facilitated	8	-	2	2	2	2	-	4	4	4	4	SDMSME	MSEA KIE UWEZO SDT DPs KEP-ROBA
	Develop linkages between MSMEs in priority value chains with processors through subcontracting and franchising	MSMEs linked through subcontracting and franchising	No of MSMEs linked through subcontracting and franchising	10000	-	-	2500	2500	2500	-	-	5	5	5	SDMSME	MSEA, KIE, UWEZO, KAM
	Facilitate MSMEs to access to local and international markets	MSMEs facilitated to access markets	No MSMEs facilitated to access markets	10000	2000	2000	2000	2000	2000	-	-	100	100	100	SDMSME	MSEA, UWEZO, KIE

Strategy	Key Activities	Expected Output	Output Indicators	Target For 5 years	Target					Budget (Kshs. Mn)					Responsibility	
					Y1	Y2	Y3	Y4	Y5	Y1	Y2	Y3	Y4	Y5	Lead	Support
Preferential treatment to locally manufactured MSME products by Governments (Buy Kenya Build Kenya)	Link priority value chain clusters to large enterprise and MDAs	Priority value chain clusters awarded contracts by large enterprises and MDAs	No. of supply contracts awarded	7	-	-	3	2	2	-	-	5	5	5	SDMSME	MSEA, KIE, UWEZO
	Low cost housing components ring fenced to MSMEs	Ring fenced key inputs such as doors, windows, balustrades, and other finishes	No. of MSMEs groups linked with low cost housing project	300	-	-	100	100	100	-	-	5	5	5	SDMSME	SDH, MSEA, KIE, UWEZO
	Linking MSME groups with Government Projects	MSME Groups linked with Government Projects	No. of MSME Groups linked with Government Projects		-	-	50	50	50	-	-	7	7	7	SDMSME	NHC SDPW
Strategic Issue: Integrated Policy, Legal and Regulatory Framework for the MSME Sector																
Strategic Goal: Promote Progressive Policies and Regulatory Environment for MSMEs																
KRA 3: MSME POLICY DEVELOPMENT AND COORDINATION																
Outcome: Conducive Operating Environment for MSMEs																
Strategic Objective: To Promote Progressive Policies and Regulatory Environment for MSMEs																
Promote progressive policies and practices targeting MSMEs	Undertake regular review and analysis of existing policies and regulatory framework	Status Report of existing policies and regulatory framework	Status Report of existing policies	6	-	-	2	2	2	-	-	10	10	10	SDMSME	KIPPRA, MSEA, UWEZO, KIE

Strategy	Key Activities	Expected Output	Output Indicators	Target For 5 years	Target					Budget (Kshs. Mn)					Responsibility	
					Y1	Y2	Y3	Y4	Y5	Y1	Y2	Y3	Y4	Y5	Lead	Support
		Amended MSE Act	MSME Act	1	-	-	1	-	-	-	-	10	-	-	SDMSME	MSEA AG Private Sector CG
		MSE Regulations developed	MSE Regulations	1	-	-	1	-	-	-	-	10	-	-	SDMSME	MSEA AG Private Sector CG
	Undertake stakeholder Engagements	Status report of existing gaps	No. of reports on existing gaps	4	-	1	1	1	1	-	10	10	10	10	SDMSME	MSEA, UWEZO, KIE private sector
	Develop favorable policies	Favorable policies	Adoption of MSME Policy	1	-	-	1	-	-	-	-	15	-	-	SDMSME	MSEA, UWEZO, KIE FIF SDT DPs
	Finalize the MSME Registration Regulations	Approved MSME Registration Regulations	MSME Registration Regulations	1	-	-	1	-	-	-	-	15	-	-	MSEA	SDMSME AG
Mainstream MSME Agenda into sectoral plans for MSME development, growth and internationalization in all MDAs	Capacity building for sector agencies	MSME Agenda mainstreamed into sector plans	No. of capacity building engagements undertaken	15	-	-	5	5	5	-	-	25	25	25	SDMSME	MSEA, KIE, UWEZO
	Develop sector specific MSME Strategies	Sector specific MSME Strategies developed	No. of sector specific MSME Strategies developed	4	-	1	1	1	1	-	10	10	10	10	SDMSME	MDAs Private Sector DPs
	Develop sector specific support programs	Sector specific support programs developed	No. of programs developed	8	-	2	2	2	2	-	5	5	5	5	SDMSME	MSEA, KIE, UWEZO

[illegible]

Strategy	Key Activities	Expected Output	Output Indicators	Target For 5 years	Target					Budget (Kshs. Mn)					Responsibility	
					Y1	Y2	Y3	Y4	Y5	Y1	Y2	Y3	Y4	Y5	Lead	Support
Outcome: Enhanced innovation culture and Competitiveness																
Strategic Objective: To enhance business innovation and competitiveness for MSMEs																
Promote innovation culture	Establish an integrated framework for awareness, identification and profiling of innovations	MSME innovations Framework	Approved Framework	1	-	-	1	-	-	-	-	6	-	-	SDMSME	MOE, KENIA, NACOSTI, SDICTDE, SDI, KIRDI, KIPI, MSEA, Private Sector
		Robust data base of MSME innovations	MSME innovations database developed	1	-	-	-	1	-	-	-	-	7	-	SDMSME	MSEA, KIPI, YEDF, FIF, UWEZO
		Develop an MSME innovations, information sharing platform.	MSME Innovations Platform developed	Interactive platform developed	1	-	-	1	-	-	-	-	15	-	-	SDMSME
Promote Intellectual Property (IP) acquisition by MSMEs	Creating awareness on IPR among MSMEs in collaboration with other players	Increased IP acquisition among MSMEs	Number of MSMEs acquiring IPR	1800	-	-	500	600	700	-	-	3	4	5	SDMSME,	SDI, KIPI, KIRDI, MOE, KENIA, NACOSTI, SDICTDE, Private Sector
	Establish a framework to facilitate commercialization of innovation and research outputs	Commercialization framework developed and implemented	Approved framework	1	-	-	-	1	-	-	-	-	5	-	SDMSME	SDI, KIPI, KIRDI, MOE, KENIA, NACOSTI, SDICTDE, Private Sector

Strategic Issues: Decent Infrastructure Facilities and Support Services for MSMEs
Strategic Goals: Establish and Improve MSME Infrastructure
KRA 5: MSME Decent Infrastructure
Outcome: Improved working environment, Enhanced business survival rate
Strategic Objective: To develop and improve infrastructure for MSMEs

Strategy	Key Activities	Expected Output	Output Indicators	Target For 5 years	Target					Budget (Kshs. Mn)					Responsibility	
					Y1	Y2	Y3	Y4	Y5	Y1	Y2	Y3	Y4	Y5	Lead	Support
Establish decent infrastructure facilities	Equipping CIDs	200 CIDs equipped with common user facilities	No. of CIDs equipped with common user facilities and operational ized	200	20	30	40	50	60	250	300	350	400	450	SDMSME	MSEA CGs
	Modernizing CIDs and linking them to TVET	CIDs modernize d and linked to TVET	No. of modernized CIDs linked to TVET	60	10	20	10	10	10	4	8	4	4	4	SDMSME	SDH SDTVET
	Securing decent working spaces in counties	Decent working spaces secured in Counties	No. of Counties With streets / spaces set aside for MSMEs	47	10	15	15	7	-	2	3	3	2	-	SDMSME	CGs MSEA
Establish decent infrastructure facilities	Operational-ization of cold storage facilities	Cold storage facilities operationalized	No. of cold storage facilities operational ized	3	-	-	3	-	-	-	-	150	-	-	SDMSME	SDA CGs SDA
	Establishing Aggregation centres within the CIDs	Aggregation centres in Constituency Industrial Development Centres (CIDs) established	No. of aggregation centres	9	-	5	4	-	-	-	105	95	-	-	SDMSME	MSEA CGs SDT
	Establishing MSMEs industrial park and incubation centres	MSMEs industrial parks and business incubation centres established and linked to TVET centers	No. of MSMEs industrial parks and business incubation centres established and linked to TVET centers	6	-	-	3	2	1	-	-	300	200	100	SDMSME	SDH TVET

Strategy	Key Activities	Expected Output	Output Indicators	Target For 5 years	Target					Budget (Kshs. Mn)					Responsibility	
					Y1	Y2	Y3	Y4	Y5	Y1	Y2	Y3	Y4	Y5	Lead	Support
Establish decent infrastructure facilities	Establishing MSMEs Business Support Centres	Biashara Centres established and operationalized	No. of Biashara Centres established and operationalized	8	-	-	3	3	2	-	-	150	150	100	MSEA	SDMSME CGs
		MSMEs business development centres established in all wards	No. of MSMEs business development centres established	50	-	-	15	15	20	-	-	750	750	1000	SDMSME	CGs
		Center for Entrepreneurship established, equipped and operationalized	No. of centres for entrepreneurship established, equipped and operationalized	1	-	-	1	-	-	-	-	150	-	-	SDMSME	KIE
	Establish, equip and operationalize satellite centers	Satellite centers established and equipped	No. of satellite centers established and equipped	5	-	-	3	2	-	-	-	30	20	-	SDMSME	KIE
Promotion of cottage industries	Establish cottage industries in priority value chains	Leather cottage industries promoted and established	No. of leather cottage industries promoted and established	45	-	-	20	15	10	-	-	200	150	100	SDL MSEA	KIRDI KIPi
		Dairy Cottage industries for animal feeds established	No. of dairy cottage industries established	200	-	-	75	75	50	-	-	120	120	80	SDMS ME	SDL

Strategic Issue: Credit Access and Flow of Finance to MSMEs

Strategic Goal: Enhance financial inclusion and Credit Access

Key Result Area 6: MSME Access to finance

Strategy	Key Activities	Expected Output	Output Indicators	Target For 5 years	Target					Budget (Kshs. Mn)					Responsibility	
					Y1	Y2	Y3	Y4	Y5	Y1	Y2	Y3	Y4	Y5	Lead	Support
Outcome: Increased access to financial products and services																
Strategic objective: To enhance financial inclusion and facilitate flow of credit to MSMEs																
Re-engineering of government affirmative funds to enhance the flow of credit to MSMEs	Establishment and operationalization of MSMEs affirmative Action Funds	Affirmative Action funds (FIF, UWEZO, KIE) for MSME operationalized	Amount of credit/ loans disbursed	50000	10000	10000	10000	10000	10000	10000	10000	10000	10000	10000	FIF	SDMS-MEs
			Amounts youth, women, and PWDs Group loans disbursed	1750	250	300	350	400	450	250	300	350	400	450	UWEZO FUND	SDMS-MEs
			Amount of industrial credit issued	185	600	1000	800	800	800	600	1000	800	800	800	KIE	SDMS-MEs
	Provision of innovative/ digital financial services and products	Innovative digital products and services	No. of innovative digital financial products and services provided	5	1	1	1	1	1	5	5	5	5	5	SDMSMEs	KIE, UWEZO, FIF

Strategy	Key Activities	Expected Output	Output Indicators	Target For 5 years	Target					Budget (Kshs. Mn)					Responsibility	
					Y1	Y2	Y3	Y4	Y5	Y1	Y2	Y3	Y4	Y5	Lead	Support
	Operationalization of MSME Savings	MSME Savings operationalized	Amount of GOK counterpart savings for borrowers (Ksh Billion)	22750	2500	3750	5000	5500	6000	2500	3750	5000	5500	6000	FIF	SDMSMEs
			Amount of money saved by MSMEs	11.325	1.25	1.875	2.5	2.7	3.0	-	-	-	-	-	FIF	SDMSMEs
	Development of demand driven financial products and services	Demand driven financial products and services	No. demand driven financial products and services developed	4	-	1	1	1	1	-	30	30	30	30	SDMSME	UWEZO KIE FIF
Promote use of alternative collateral for credit underwriting	Develop a national credit rating service	Credit rating service	National credit rating service established	1	-	-	1	-	-	-	20	-	-	-	SDMSME	FIF
	Development of a credit scoring framework	Credit scoring framework developed	Adoption of credit scoring framework by FIs	1	0	0	1	0	0	0	0	7	0	0	SDMSME	FIF UWEZO KIE, TNT
Enhance the existing credit guarantee scheme to ease credit to unserved and underserved MSMEs and sectors	Review existing credit guarantee scheme to establish the Kenya Credit Guarantee Company (KCGC)	KCGC established	Established KCGC	1	-	-	1	-	-	-	-	5	-	-	SDMSMEs	TNT

Strategy	Key Activities	Expected Output	Output Indicators	Target For 5 years	Target					Budget (Kshs. Mn)					Responsibility	
					Y1	Y2	Y3	Y4	Y5	Y1	Y2	Y3	Y4	Y5	Lead	Support
Facilitate business startup with Seed capital	Disburse startup grants entrepreneurs (Youth, Women, Men, PWDs)	Entrepreneur Beneficiaries	No. of Beneficiaries	70000	-	-	20000	20000	30000			1000	1000	1500	MSEA	SDMSMEs
Strategic issue: Innovative Business Development Services for MSMEs																
Strategic Goal: Enhance Capacity and Skills for MSMEs																
Key Result Area 7: MSME Capacity and Skills development																
Outcome: Increased Profitability and Competitiveness of MSMEs																
Strategic Objective: To promote entrepreneurial culture and enterprise development																
Provision of demand driven and research-based capacity building programs	Conduct Capacity Building Needs Assessment	A needs assessment report	No. of Reports Developed	1	-	1	-	-	-	-	5	-	-	-	SDMSME	KIBT KIE UWEZO MSEA ACADEMIA
	Reviewing and development of BDS curriculum Modules	Revised BDS curriculum Modules	No. of BDS modules developed	15	8	2	2	2	1	16	4	4	4	2	SDMSME	KIBT KIE UWEZO MSEA ACADEMIA
	Sensitization of MSMEs on BETA value chains	MSMEs sensitized on BETA value chains	No. of MSMEs sensitized annually	2000	-	500	500	500	500	0	50	50	50	50		

Strategy	Key Activities	Expected Output	Output Indicators	Target For 5 years	Target					Budget (Kshs. Mn)					Responsibility	
					Y1	Y2	Y3	Y4	Y5	Y1	Y2	Y3	Y4	Y5	Lead	Support
	Mobilization and Capacity building of MSMSEs in Priority value chains	MSMEs within cotton catchment areas mobilized and capacity built	No. of farmer MSME Capacity built	10000	2000	2000	2000	2000	2000	40	40	40	40	40		
		Farmers mobilized and Capacity built in the Edible oils value chain	No. of farmers mobilized and capacity built	5000	1000	1000	1000	1000	1000	20	20	20	20	20		
		MSMEs mapped and capacity built on leather value chains	No. of MS-MEs capacity built	12400	1400	2000	2500	3000	3500	40	30	30	25	25		
		MSMEs mapped out and capacity built on opportunities in animal feeds	No. of MSMEs mapped out and capacity built	35	7	7	7	7	7	40	40	40	40	40		

Strategy	Key Activities	Expected Output	Output Indicators	Target For 5 years	Target					Budget (Kshs. Mn)					Responsibility	
					Y1	Y2	Y3	Y4	Y5	Y1	Y2	Y3	Y4	Y5	Lead	Support
		MSMEs mobilized and capacity built on opportunities (labour & material supplies)	No. of MSMEs mobilized and capacity built	250	50	50	50	50	50	200	200	200	200	200		
		MSMEs capacity strengthened to venture into economic activities in building and construction	No. of MSMEs capacity build	10000	2000	2000	2000	2000	2000	20	20	20	20	20		
	Training of MSMEs on entrepreneurship and value addition	MSMEs trained on entrepreneurship and value addition	No. of MSMEs trained on entrepreneurship and value addition	2,000	200	300	400	500	600	600	600	600	600	600		
	Provide continuous Business development support programmes for MSMEs	MSMEs Trained and	No. of enterprises trained on BDS and mentored	500000	100000	10,000	100000	100000	100000	100	100	100	100	100		
		MSMEs advised / mentored	No. of enterprise Advised/ Mentored	50000	-	12500	12500	12500	-	10	10	10	10			





**MINISTRY OF CO-OPERATIVES AND MICRO,
SMALL AND MEDIUM ENTERPRISES (MSMEs)
DEVELOPMENT**

State Department for Micro, Small and Medium
Enterprises (MSMEs) Development



State Department for Micro, Small
and Medium Enterprises (MSMEs) Development
Prism Towers, Third Ngong Ave, Nairobi
P.O Box 30547 – 00100, Nairobi
Tel: 020-2731531-9
Email: ps@msme.go.ke
Website: www.msme.go.ke