REPUBLIC OF KENYA

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

STATE DEPARTMENT FOR MICRO, SMALL AND MEDIUM ENTERPRISES (MSME) DEVELOPMENT

VOTE 1176

SUB-SECTOR REPORT

2026

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ACRONYMS

ADME	Alternative Data Mapping Exercise
AIA	Appropriations in Aid
AMFI	Association for Microfinance Institutions
ASK	Agricultural Society of Kenya
BDS	Business Development Services
BETA	Bottom-Up Economic Transformation Agenda
CBK	Central Bank of Kenya
CIDCs	Constituency Industrial Development Centres
CIS	Credit Information Sharing
CRB	Credit Reference Bureau
C4E	Center for Entrepreneurship
DFSAK	Digital Financial Services Association of Kenya
EAC	East Africa Community
FIF	Financial Inclusion Fund
GOK	Government of Kenya
ILO	International Labour Organization
JICA	Japan International cooperation Agency
KBA	Kenya Bankers Association
KIBT	Kenya Institute of Business Training
KIE	Kenya Industrial Estates
KJET	Kenya Jobs and Economic Transformation
KNBS	Kenya National Bureau of Statistics
KYEOP	Kenya Youth Employment Opportunities Project
MSE	Micro and Small Enterprises
MSEA	Micro and Small Enterprises Authority
MSMEs	Micro, Small and Medium Enterprises
MSMI	Micro, Small and Medium Industries
NYOTA	National Youth Opportunities Towards Advancement Project
PBCs	Performance-Based Conditions
PWDs	Persons with Disabilities
SAGA	Semi- Autonomous Government Agencies
SASRA	SACCO Societies Regulatory Authority
SMEs	Small and Medium Enterprises
ToT	Training of Trainers
TVET	Technical and Vocational Education and Training
UNDP	United Nations Development Programme

EXECUTIVE SUMMARY

The sub-sector is one of the eight (8) sub-sectors in the General Economic and Commercial Affairs (GECA) Sector of the Medium-Term Expenditure Framework (MTEF) 2027/28 – 2029/30. The Sub-sector comprises five (5) directorates and four (4) semi-autonomous government agencies (SAGAs)/institutions. The directorates are: Innovation, Product and Market Development Directorate; MSME Policy and Research Directorate; MSME Digital Delivery and Communication Directorate; MSME Financing, Partnership and Coordination Directorate; Capacity Building and Entrepreneurship Directorate (Kenya Institute of Business Training); and General Administration, Planning and Support Services. The SAGAs/institutions are: Kenya Industrial Estates (KIE); Micro and Small Enterprises Authority (MSEA); Uwezo Fund; and Financial Inclusion Fund (Hustler Fund).

The Sub-sector was established through the Executive Order No. 1 of 2023 following the re-organization of the Government. The mandate of the State Department as set out in Executive Order No. 1 of 2025 is promotion and development of the MSME sector through financing, provision of requisite infrastructure, entrepreneurship management and training, and access to markets.

During the review period, the overall approved recurrent budgetary allocation to the Sub-sector across three Financial Years was KShs. 6,393.39 million with an actual expenditure of KShs. 5,415.79 million. The overall approved development budget was KShs. 20,147.3 million against an expenditure of KShs. 15,480.17 million. The sub-sector's overall absorption rate over the review period was 78.73 per cent.

The Sub-sector implemented four (4) Programmes and seven (7) sub-Programmes. During this review period, the Sub-sector undertook mainstreaming and coordination of the MSMEs sector by reviewing policy and legislation and aligning players within the ecosystem to create a favorable environment for sustainable enterprises. This was achieved through several engagements with development partners, public institutions and the private sector. These engagements discussed initiatives and measures to be put in place to create a conducive business environment.

The highlights of achievement during this period include:

- Facilitated financial access to MSMEs through the provision of affordable credit through its various funds including: Financial Inclusion Fund (through its Personal Loan, Bridge Loan, Group Loan and Savings products). The Fund has established a national financial inclusion platform reaching citizens across all 47 counties. The latest performance position indicates that 28,103,877 customers have opted into the Fund, with cumulative loan disbursements of KES 90.39 billion, repayments of KES 76.65 billion, an outstanding loan portfolio of KES 13.73 billion, and savings mobilized of over KES 5.8billion. KShs. 4.92bn Industrial credit creating 427,972 Jobs through KIE. In FY 2025/26 (KShs. 448.1 million to the Priority Value Chains of edible oils (13M), Dairy (45 M), Rice (28.2M), leather and leather products (6.62M), Textile and Apparels (96.24M), Building and Manufacturing materials (258.97M)); KShs.1,212 million to 11364 groups of youth (2452 groups KShs. 239,191,000), women (8,448 groups, KShs. 951,682,000) and PWDs (464 groups, KShs. 28,627,000) through Uwezo Fund; and start-up grants of KShs. 5.34Bn disbursed to 124,522 youth through the NYOTA project.

- Created market linkages for 3,606 MSMEs through local and regional trade fairs and for 32,928 SMEs through subcontracting arrangements. A total of 8746 MSEs were linked to the affordable housing programme.
- Supported MSEs formalization by registering 4,389 MSEs Cluster and sensitizing over 5,803 MSEs Cluster on formalization.
- Capacity Build 120,000 groups on entrepreneurship, table banking and market linkages; 431,139 SMEs on entrepreneurship and financial management training; and 11,800 MSMEs trained and counselled on opportunities within Leather, Edible oil, Garments and Textiles, Dairy sector, Rice, and Building and Construction value chain;
- Provided work spaces to MSMEs by equipping 33 CIDCs to support the priority value chains of leather, dairy, edible oils and construction; and installed solar power and water storage utilities for the 3 Cold Storage Facilities (Nyandarua, Kisii and Meru).

During the MTEF period 2027/28 – 2029/30, the Sub-Sector will focus its resources on: promotion and development of MSME sector through: regulation, entrepreneurship and business development services, upgrading and consultancy, market linkages; provision of decent work spaces and formalization of the sector; Creation of conducive business environment through the review of the MSE Act; and provision of affordable credit to MSMEs with a specific focus on the Priority Value Chains.

The Sub-sector's requirements for the MTEF period are as follows: KShs. 3,486.72 million, in FY 2027/28, KShs. 3,700.38 million in FY 2028/29 and KShs. 3,770.09 million in FY 2029/30 for the Recurrent Budget. In the Development Budget the Sub sector requires KShs. 19,511.86 million in FY 2027/28, KShs.6,780.00 million in FY 2028/29 and KShs.5,561.59 million in FY 2029/30.

CHAPTER ONE

1.1 Background

The State Department for MSMEs Development was established through the Executive Order No. 1 of 2023 following the re-organization of the Government. The mandate of the State Department as set out in the Executive Order No. 1 of 2025 is promotion and development of the MSME sector through financing, provision of requisite infrastructure, entrepreneurship management and training, and access to markets.

The Micro, Small, and Medium Enterprises (MSME) sector in Kenya is a vital component of the country's economy, contributing significantly to the Gross Domestic Product (GDP), employment, innovation, and economic growth. The sector promotes collaboration, resource-sharing and skill development among small enterprises, fostering economic growth and resilience at the grassroots level. The sector comprises mainly micro, small and medium entrepreneurs, who operate across sectors including agriculture, manufacturing, trade and services.

MSMEs play a pivotal role in Kenya's economy, contributing to over 90 per cent of total labour force. Over the years, the MSME Sector has provided opportunities for low-skill and economically excluded segments of the labor force, including youth, women, persons with disabilities and those with low levels of education. According to the MSME Survey of 2016 by the Kenya National Bureau of Statistics (KNBS), the sector constitutes 98% of all business in Kenya, creating employment for over 15 million people with a value output of KShs. 3.3 trillion as well as contributing significantly to GDP growth.

Despite the critical role MSMEs play in the economy, MSMEs are frequently confronted with market imperfections including:

i. Difficulties in accessing credit;
ii. Limited access to markets;
iii. Lack of skilled manpower;
iv. Inability to integrate into large-scale business relationships due to lack of international standards and quality controls; and
v. Majority operate without any type of certification, which greatly reduces their prospects of developing backward linkages with large enterprises.

In Kenya, it is estimated that ten (10) million informal MSME operators and workers generate less than KShs.5,000 income per month on average, which is below the living wage for one person. This reflects the hostile environment that they operate in, criminalization of their enterprises (e.g. hawkers), as well as disguised unemployment. In realization of the challenges faced by the sector, the Government's Bottom-Up Economic Transformation Agenda has prioritized MSME Economy among the five sectors that form the core pillars of the Administration's agenda.

To address the challenges facing MSMEs the sub-sector is committed to the following to transform the MSME Sector:

a) Ending criminalisation of work

The Government will facilitate issuance of licenses by developing policies and laws that will make trading license and provision of a trading location an entitlement to every citizen who applies. The Government will work with County Governments to provide one street trading premise per 50 urban residents, with a view to increasing average daily income of informal traders by KShs. 200.

b) Reduce regressive taxation bureaucracy and regulatory compliance costs

The National Government will work with the County Government in reviewing and rationalizing all business licenses, cap total licenses at 1.5 percent of turnover, and enact administrative burden law (similar to US Reduction of Paper Work Act) ensuring no business spends more than 4-person hours a month on tax and regulatory compliance.

c) Access to finance

Commit resources through the Financial Inclusion Fund to ensure financial inclusion for all MSMEs. The funds will be distributed through four products namely: Personal Loans Product; Micro Loan Product; Start-Up Loans; and Small Medium Enterprise Loan.

d) Infrastructure & Capacity Building

Establish MSME Business Development Centre in every ward, and an industrial park and business incubation centre in every TVET institution. The State Department is currently constructing and operationalizing CIDCs, Cold Storage Facilities, Incubation Centres and Centres of Excellence.

e) Market Linkages

Create market linkages for MSMEs through establishing linkages between MSMEs and large enterprises through subcontracting arrangements; developing a one-stop digital marketing platform that will provide a link between producers, aggregators/off takers and the final consumer in both the domestic and international markets; enforcement of the directive on access to government procurement opportunities; and facilitating MSMEs to showcase their products in Trade fairs and Exhibitions.

1.2 The Sub-Sector Mandate

The Mandate of the State Department as per Executive Order No.1 of 2025 includes:

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 Enterprises 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.

1.3 Vision, Mission and Strategic Objectives of the State Department

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

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.

Strategic Goals/Objectives of the State Department
The Strategic Objectives of the State Department include 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.

1.4 Autonomous and Semi-Autonomous Government Agencies

The State Department executes part of its mandate through the following four (4) Parastatals/SAGAs and one Institute:

Micro and Small Enterprises Authority (MSEA)

The Micro and Small Enterprises Authority was established through the Micro and Small Enterprises (MSE) Act No. 55 of 2012. The Act mandates MSEA to promote, develop, and regulate the MSE sector. The Act gives the Authority the mandate to formulate and coordinate policies that will facilitate the integration and harmonization of various public and private sector initiatives, for the promotion, development and regulation of the Micro and Small Enterprises to become robust industries.

Kenya Industrial Estates (KIE)

The Kenya Industrial Estates was established by the government of Kenya in 1967 with a mandate to promote Small and Medium Industries with a focus on Rural Industrialization. Further, it is mandated to provide finances, workspace, Business Development Services (BDS) and promotion of subcontracting linkages to Micro, Small and Medium Industries (MSMIs) in order to foster the development of indigenous MSMIs countrywide.

Uwezo Fund

Uwezo Fund is a flagship programme for Vision 2030 established vide legal notice No. 21 of 21st February, 2014 (Public Finance Management (Uwezo Fund), Regulations, 2014) aimed at enabling women, youth and persons with disabilities access finances to promote businesses and enterprises at the constituency level, thereby enhancing economic growth towards the realization of the same and the Sustainable Development Goals No. 1 (eradicate extreme poverty and hunger) and 3 (promote gender equality and empower women). The Fund is highly devolved and adopted the concept of bottom-up approach with decision making done at the grass-root level.

Financial Inclusion Fund

The Financial Inclusion Fund- Hustler Fund was established on November 30, 2022 vide the Public Finance Management (Financial Include Fund) Regulations, 2022. The purpose of the Financial Inclusion Fund is to innovate, develop and deploy bottom of the pyramid financial services and products that are affordable, accessible and appropriate for the unserved and underserved persons, including credit, saving, insurance and investment products.

Kenya Institute of Business Training (KIBT)

The Institute was established in 1966 with the assistance of ILO/UNDP under the name Management Training and Advisory Centre (M.T & A.C). The objective of the Centre was to train and develop indigenous managers and entrepreneurs in practical management and business skills. The Mandate of the institute is to provide Business & Management Development Services to MSMEs and other Interest Groups and to provide Counselling, Extension Services and Business Information for improved performance.

1.5 Role of Sub-Sector Stakeholders

The Sub-Sector stakeholders play a major role in the achievement of the Sub-Sector goals and objectives. The key stakeholders either include internal or external customers whose involvement is key to formulation of policies, implementation, monitoring and evaluation of programmes and projects as well as promotion and development of the Sub Sector. They range from public sector institutions/organizations, private sector, MSME Associations, Civil Society, Regional Trading Blocs and Development Partners.

The table below summarizes the key roles of the Sub Sector stakeholders:

Table 1: Summary of the Sub-Sector Stakeholder Roles

S/No.	STAKEHOLDER	ROLES OF THE STAKEHOLDER
1.	The Presidency	▪ Provides the general leadership ▪ Assenting to Bills ▪ Providing the National Development Agenda
2.	The Cabinet	▪ Provide Policy Direction ▪ Sourcing for funds from Development Partners
3.	The National Treasury and Economic Planning	▪ Provide guideline and leadership in the budget making process ▪ Releases finances as per budget and in time ▪ Resource mobilization.
4.	National Government Ministries, Departments, Agencies and Independent Commissions	▪ 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)

S/No.	STAKEHOLDER	ROLES OF THE STAKEHOLDER
		▪ Oversight of expenditure (Office of Auditor General)
5.	County Governments	▪ MSME development and regulation, including: Markets; licenses (excluding regulation of professions); provision of decent work spaces, and Promotion of fair-trade practices
6.	Parliament	▪ Represent aspirations of citizens ▪ Legislation and ratification of laws ▪ Review and Approval of the Budget ▪ Oversight role in the implementation of the Budget
7.	Regional Economic and Trading Blocs	▪ Harmonization of policies, standards and regulations. ▪ Coordination of implementation of agreements ▪ Free movement of factors of production
8.	Partner States	▪ Ratifying and implementing appropriate Treaties and Protocols ▪ Ensuring consistency and clarity on policy issues.
9.	Development Partners	▪ Resource mobilization ▪ Provide technical assistance, financial and advisory services ▪ Capacity building and creation of synergies.
10.	Private Sector	▪ 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.
11.	Civil Society	▪ Creates consumer rights awareness and protection ▪ Contributes to policy formulation and plays an oversight role in the implementation process. ▪ Supports sensitization and advocacy on various sectoral matters.
12.	Education and Research	▪ Provide evidence to guide policy formulation for skills

S/No.	STAKEHOLDER	ROLES OF THE STAKEHOLDER
	Institutions	and knowledge development ▪ Market intelligence information provision and broaden product base ▪ Develop innovations and technologies for value addition
13.	Media	▪ Dissemination of Government policies and Information ▪ Creation of public awareness
14.	The General Public, Self Help Groups, SACCOs, Associations	▪ Participates in consultation and validation of Programmes/projects ▪ Ownership and beneficiaries of the Programmes and projects ▪ Inform Programme implementers on priority areas

CHAPTER TWO

2.0 Programme Performance Review for Financial Year 2023/24-2025/26

During the period under review, the Sub-sector had four Programmes and eight (8) sub-Programmes:

a) **Promotion and Development of MSMEs**
   - MSMEs Development and promotion
   - Entrepreneurship and Business Development Services

b) **Product and Market Development for MSMEs**
   - Market linkages for MSMEs (Domestic & Export Market)
   - Value addition, Innovation & Incubation for MSME

c) **Digitization and Financial Inclusion for MSMEs**
   - Financial Inclusion
   - Youth Employment Services
   - Youth, Women and PWDs empowerment

d) **General Administration, Planning and Support Services**
   - General Administration, Planning and Support Services

2.1 Review of Sub-sector Programmes Performance- Delivery of Outputs/ KPIs/Targets

2.1.1 Promotion and Development of MSMEs

The Sub-sector is committed to policy review, legislation, and stakeholder alignment within the MSME sector. The process seeks to create a favorable environment for sustainable enterprises that balance the legitimate pursuit of profit with the imperative of promoting human dignity and decent work.

The sub sector has put in place initiatives and measures aimed at creating a conducive business environment. Specifically:

a) The Revised MSME Policy, 2026 was finalized, approved by the cabinet and launched by the President during the World MSME day. The Policy provides for establishment of a single window portal for the licenses/ approvals/ registration of MSMEs.
b) The Draft Formalization was developed and is awaiting public participation.
c) The Draft Financial Inclusion Policy was developed and is awaiting Public Participation.
d) The Review of the MSE Act of 2012 was ongoing. The proposed amendments on the Act from different stakeholders have been compiled and subjected to stakeholders for validation. However, the Act was subjected to the Parliamentary committee who advised that the sub-sector needed to consider emerging issues facing the sector in the review. This necessitated a further review and stakeholder engagement.

e) The MSMEs Connect was launched to serve as a platform for dialogue between the Public and Private sector. The platform brings together policymakers, industry leaders, financial institutions, and entrepreneurs to strengthen policies, regulations, and legal frameworks supporting MSMEs, implement targeted interventions for MSME development, enhance financial inclusion and market access through supply chain integration, improve productivity and competitiveness of small enterprises and promote partnerships and networking within the MSME ecosystem.
f) Several engagements were held with the County Government Chief Officers, Directors of Trade, Kenya National Chamber of Commerce and Industry to discuss the challenges facing MSMEs within the Counties, align them with the priorities of the government and seek a way to create an enabling work environment for MSMEs by decriminalizing their work, addressing licensing and taxation as well as identifying and setting aside work spaces for MSMEs across the country.
g) Progress continued in FY 2024/25 with the development of worksite regulations to guide collaboration between County Governments and the sub-sector.
h) The development of the Common User Manufacturing Facilities Use Policy was initiated.

On Infrastructure Support Services, the Sub-sector provided infrastructure support services to MSMEs through refurbishment/equipping of Constituency Industrial Development Centers (CIDCs) and MSEs worksites across the country. The Sub-sector in the period under review refurbished and operationalized 33 CIDCs namely; Marimanti CIDC, Murang'a Town CIDC, Nyamaia CIDC, Nandi Hills CIDC, Funyula CIDC, Ikolomani CIDC, Khwisero CIDC, Runyenjes CIDC, Kisii CIDC, Saboti CIDC, Moiben CIDC, Kawangware CIDC, Kabujoi CIDC, Homa Bay CIDC, Suneka CIDC, Kisumu Central CIDC, Nambale CIDC, Mitunguu CIDC, Timau CIDC, Kimana CIDC, Garissa Town CIDC, and Londiani CIDC. In addition, the Sub-sector identified and developed the capacity of 4,389 MSEs on the priority value chains.

Additionally, the sub-sector mapped out and equipped CIDCs in the priority value chains as follows:
a) Textile value chain: Kisii CIDC, Saboti CIDC, Moiben CIDC, Kawangware CIDC, Kabujoi CIDC, Homa Bay CIDC, Mwea CIDC; Kitale CIDC; Olkalau; Embakasi North.
b) CIDCs operationalized through equipping in the Leather value chain in: Suneka; Isiolo South; Malindi CIDC; Runyenjes; Banisa.
c) Construction and building value chain; Machakos Town; Kajiado- Central; Ilasit; Iten CIDC; Aldai-Kabujoi CIDC, Kimana CIDC, Funyula CIDC and Khwisero CIDC
d) Dairy value chain in: Kangema; Othaya; Londiani, and Garrisa town CIDC.
e) Edible oils value chain in: Funyula; Marimanti; Kianyaga CIDC; Chonyi.

Equipping done through the provision of the following machines:

- Roller machine used for rolling plates
- Cnc machine used for making molds,
- Vertical Grinder used for reducing the thickness and making good finish of the product
- Power saw used for cutting shaft

Further, following the completion of the main construction works for the Nyandarua, Meru, and Kisii Cold Storage Facilities, the Sub-sector installed solar power and water storage utilities during the period under review. The facilities are currently being operationalized under a Public-Private Partnership (PPP) model to facilitate their sustainable utilization. The MSME Centre of Excellence in Kariobangi which provides opportunities for MSME through technology adoption, adaptation and transfer as well as enhancing MSMEs capacity through upskilling and reskilling in new technologies and innovations was upgraded with new modern machines and equipment to enhance technology transfer and adoption for MSMEs.

The Sub-sector created employment opportunities for youth, women and marginalized groups by providing a range of services, including grants for business start-ups. In the period under review, the Sub- sector disbursed start-up grants amounting to KShs. 589,480,000 to 14,737 youth under the Kenya Youth Employment and Opportunities Project creating 20,632 jobs (1:1.4) and operationalized 33 CIDCs creating 2,310 (1:70) jobs directly and indirectly.

Through the NYOTA project, start-up grants worth KShs. 5.34 billion were disbursed creating the largest direct youth-enterprise capitalization undertaken by the sub-sector to date, reaching 124,522 beneficiaries across all 47 counties. Of these, 88,934 received their first and second tranches amounting to KShs. 50,000 each after having undergone a mentorship programme. A further 35,588 youth received their first tranche of KShs. 25,000 each, awaiting the mentorship phase and tranche 2 disbursement. This has created 311,305 jobs (1:1.5) directly and indirectly.

On Market Access for MSMEs, the sub-sector facilitated MSMEs to access markets locally, regionally, and internationally through trade fairs, exhibitions, and county shows. In the period under review, 3,606 MSMEs were facilitated to attend various local and regional trade fairs and exhibitions including 1127 MSEs facilitated to showcase their products at the 25th EAC trade fair held in Nairobi; 1,150 MSEs were sensitized on how to access the opportunities within the Africa Continental Free Trade Area; 45 MSEs products were onboarded on the Soko Biashara Ecommerce platform. In addition, the sub-sector managed to facilitate subcontracting linkages in the affordable housing project to 8746 MSEs.

On the sidelines of the 25th EAC trade fair, the sub-sector hosted a high-level Ministerial meeting that brought together EAC Ministers/Permanent Secretaries and Senior Government officials responsible for MSMEs and other policy makers. The meeting discussed domestication of the Global Call-to-Action on MSMEs, focusing on 4 key pillars namely Access to finance, Access to markets, Digital transformation and Green Transition.

To promote the formalization of MSMEs, the Sub-sector registered 5,803 MSEs Clusters. This was achieved through to a rapid registration program and linking the MSEA database to the Hustler fund group loan products and the registration of wezesha majuu programmes groups.

During the review period, the Sub-sector trained and counselled 720 MSMEs and provided on-site consultancy to 18 firms in Nairobi, Nakuru, and Mombasa. With support from GIZ, training modules were aligned to priority value chains, and both a TNA (FY 2023/24) and an Entrepreneurship Skills Gap Survey (FY 2024/25) were conducted. In FY 2024/25, 60 MSMEs in the edible oils value chain were trained, and 15 Training of Trainers (ToTs) were conducted for artisanal gold miners in Kilgoris, Migori, and Vihiga.

The Sub-sector is implementing the Kenya Jobs and Economic Transformation (KJET) Project whose objective is to address key constraints within government and market systems that hinder the creation of high-quality jobs and the adoption of environmentally sustainable practices by MSMEs. During the period under review, the first cohort of generalized Business Development Services (BDS) training was completed for 95 MSME clusters across all 47 counties, targeting priority value chains in preparation for co-investment support and mentorship support for trained clusters.

2.1.2 Product and Market Development for MSMEs

The Sub-sector is charged with the implementation of the identified seven key priority value chains. The Sub-sector continues to leverage on the opportunities available along the Value chains by creating an entrepreneurial culture for MSMEs. It is anticipated that enterprising the MSME sector will increase production within the value chains, promote value addition and in the long-run reduce the balance of trade deficit through import substitution.

In the FY 2024/25, the Sub-sector mapped out MSME production clusters along the priority value chains in order to enable access to common user facilities, specialization, skills growth and access to markets. Counties covered include: Taita Taveta, Embu, Homa Bay, Makueni, and Kirinyaga.

Further, the Sub-sector disbursed credit to SMEs in the manufacturing/value addition sector to the tune of KShs. 4.92 billion over the review period thereby creating 427,972 jobs across the country. During the financial year 2023/2024, the Sub-sector received loan applications from SMEs amounting to KShs. 2,906,285,756 out of which only KShs.1,602,118,256 was disbursed. During the financial year 2024/2025, the Sub-sector received loan applications from SMEs amounting to KShs.3,339,057,500 out of which only KShs.2,101,293,550 was disbursed. During the financial year 2025/2026, the Sub-sector received loan applications from SMEs amounting to KShs.4,117,080,000 out of which only KShs. 1,219,257,500 was disbursed. The remaining applications totaling to KShs. 2,897,822,500 which are at various stages of approval are yet to be disbursed due to inadequate financial resources. Additionally, the Sub-sector linked 32,928 SMEs to markets, raw materials, source of technology. The sub-sector also trained 431,139 in entrepreneurial skills.

Out of the KShs. 1.22billion disbursed in the FY 2025/26 to SMEs engaged in manufacturing, value addition and cottage industries across the country, a total of KShs 448.1 million (36.7%) were disbursed to the following priority value chains: Edible oil - KShs. 13 million (1.1%), Dairy - KShs. 45 million (3.7%), Rice - KShs. 28.2 million (2.3%), Building and Construction materials - KShs. 258.97 million (21.2%), Leather and leather products - KShs. 6.62 million (0.5%), Textile and Apparels - KShs. 96.24 million (7.9%). There was low uptake in leather and leather products, edible oils, building and construction, dairy, rice processing than targeted.

To boost productivity and grow incomes, the Sub-sector will continue to create a sustainable and reliable market access for MSME products. The Sub-sector has: Initiated the process of development of online marketing platform; Partnered with e-mobilis to provide access to market to 2,000 groups, 1,620 youth supported and facilitated to market their products; Youth Groups aggregation per sector in progress; 10,000 youth capacity built on leather value chain; Facilitated 7,470 linkages among MSMEs and between MSMEs and large enterprises (horizontal & vertical) linkages. This was actualized by linking MSMEs to: Markets, benchmarking opportunities through exchange visits; Sources of raw materials; and suppliers of machinery and Equipment (forward & backward linkage within the industry); facilitated 1,635 MSMEs to attend various local and regional trade fairs and exhibitions; trained 625 MSEs in the value addition of local materials including the priority value chains, the MSEs have been trained on improving product quality and standards as well as enhancing efficiency in their production process; and supported 34 beneficiary groups of Uwezo Fund to exhibit in ASK Shows, exhibitions and forums.

The Sub-sector is implementing the Centre for Entrepreneurship (C4E) Project a flagship initiative aimed at empowering youth and youth entrepreneurs by facilitating employment, self-employment, start-up creation, and the promotion of youth-owned enterprises in both the formal and informal sectors. The overarching goal is to facilitate a successful transition of youth to sustainable self-employment and job creation, with a target of 450,000 youth through various sensitization and outreach Programmes and to create 50,000 jobs. In preparation for the establishment of the C4E satellite centres, the Sub-sector conducted assessments of Kenya Industrial Estates (KIE) facilities across several counties to identify five (5) suitable satellite centres aligned with key production clusters. These assessments were complemented by consultative forums with county officials to sensitize local leadership on the project’s objectives and modalities. The sensitization of youth beneficiaries commenced in the counties earmarked to host the C4E satellite centres, alongside neighboring regions. These engagements aimed to inform potential beneficiaries about the project and prepare them for active participation once the centres become operational. The procurement of an Implementation Consultant (IC) is at the contract preparation stage.

2.1.3 Digitization and Financial Inclusion for MSMEs

On Financial Inclusion and Digitization, the Sub-sector is in the process of re-engineering the Government owned Funds. This will increase efficiency and reduce time taken in processing of loans by shifting from manual to digital processing. The digitalization of the loans will also reduce turn-around time and ensure that more entrepreneurs are able to access credit. Kenya Industrial Estates (KIE) and UWEZO Fund have started implementing the re-engineering strategy.

Further, to correct the existing market failures within the credit market, the Sub-sector launched the Financial Inclusion Fund was launched in partnership with the sector players (the telcos and financial institutions). At the time of launch, more than 8,000,000 borrowers had been blacklisted by Credit Reference Bureaus (CRBs) and therefore, the Fund was established to rehabilitate them and offer them a second chance to repair their credit ratings as well as helping them to build up a trusted credit rating that would enable them access credit in the mainstream financial markets.

The Financial Inclusion Fund (Hustler Fund) continues to demonstrate the transformative impact of the Government's bottom up economic agenda. The Fund has now on-boarded 28 million Kenyans onto its digital lending and savings platform, a scale unmatched by any single financial product in the country's history and has cumulatively disbursed approximately KShs. 90 billion across its three flagship products: the Personal Loan, the Bridge Loan, and Hustler Groups (now serving 58,713 registered groups nationwide). Alongside this, borrowers have collectively mobilized approximately KShs. 6 billion in savings through the Fund.

Beyond expanded scale, data from the financial year 2025/2026 points to a maturing credit market. Over 10 million Kenyans are now repeat borrowers and 4.5 million of them have earned A and B credit ratings through consistent, timely repayment. This is evidence that previously excluded Kenyans are building formal, bankable credit histories for the first time with 4.5 million beneficiaries who were previously listed on Credit Reference Bureaus using the Fund to begin rebuilding their credit standing.

The Sub-sector commissioned the Alternative Data Mapping Exercise (ADME) Technical Working Group in July 2024, bringing together key stakeholders from the State Department for MSMEs Development, CBK, KBA, CRBs, Safaricom, SASRA, CIS Kenya, DFSAK, and AMFI. The exercise aims to strengthen the Credit Information Sharing (CIS) framework and enhance credit access for marginalized groups. As a medium-term strategy, the adoption of alternative data is expected to improve the credit reporting ecosystem and unlock financing for underserved populations. The recently completed Alternative Data Landscape Report for Kenya: Identifies potential sources of alternative data; Highlights local and global initiatives leveraging such data; Recommends models for data sharing beyond traditional credit bureaus; and Proposes consumer-led, consent-based data sharing mechanisms. The Sub-sector will leverage on the Financial Inclusion Fund **(**Hustler Fund) to pilot the use of alternative data by analyzing financial behaviors of recurrent borrowers with enhanced credit limits. Insights from this pilot will inform product innovation, graduation pathways, and refinancing opportunities. This work represents significant progress toward modernizing credit assessment and enhancing financial inclusion through innovative data solutions.

The Sub-sector disbursed KShs.1,212,025,000 to 11364 groups of youth (2452 groups KShs. 239,191,000), women (8,448 groups, KShs. 951,682,000) and PWDs (464 groups, KShs. 28,627,000);120,000 groups have been trained on entrepreneurship, table banking and market linkages through the Uwezo Fund. The Fund has successfully onboarded on the e-citizen, loan request and repayment, which will increase access among the target population. Uwezo Fund has fully digitalized the Loan Application and Loan Management systems and have been launched. Loan repayment increased from KShs. 3,082,593,854to KShs. 3,578,131,076. The Cumulative loan repayments stands 42%. Additionally, the Fund has supported 221 youth through the Labour Mobility Product (Wezesha Majuu) to the tune of KShs.35 million.

2.1.4 General Administration, Support Services, and Planning

The sub-sector has developed a five-year strategic plan, which will guide the sector in addressing challenges facing the sector through several interventions. The interventions include promoting and developing the MSME sector through financing, provision of requisite infrastructure, entrepreneurship management & training, and access to markets. Towards finalization of the refurbishment of KIBT building, the sub-sector developed BQs for Phase I which included Safety and Priority Works focuses on essential safety and compliance measures including lifts, CCTV, basement drainage and flood mitigation, fire and accessibility compliance, and critical water ingress repairs

Annex 4A: Review of Programme Sector/ Sub-Sector Programme Performance

Programme	Delivery Unit	Key Outputs	Key Performance Indicators	Planned Target			Achieved Target			
				2023/24	2024/25	2025/26	2023/24	2024/25	2025/26	Remarks
PROGRAMME 1: Promotion and Development of MSMEs										
OUTCOME: Enhanced Growth of the MSME Sector										
S.P. 1.1 MSMEs Development and Promotion	MSME Policy, Research and Development Directorate	Formalization Policy	% completion of Formalization Policy	-	-	10	-	-	50	Following the inception and situation analysis phases, the draft Formalization policy has been developed., awaiting public participation.
		Policy framework for the MSME Sector developed	No. of MSME Act Amended	-	1	1	-	-	0	Review of the MSMEs Act ongoing
			Final MSMEs Policy	-	1	1	-	0	1	Policy finalized and launched
			No. of Reviewed MSMEs policies	-	-	1	-	-	Draft	Draft MSME Financial inclusion policy developed awaiting public participation
	MSEA	MSME Registration Services	No. of MSEs sensitized on formalization	2,000,000	2,000,000	1,000,000	2000000	2000000	1000000	A total of 1,000,000 MSEs sensitized on formalization through face to face forums, social media platforms and news and bulletins
			No. of MSEs/Clusters registered	1,410	1,880	1,880	403	3990	1490	1490 clusters registered. The previous year's performance was boosted by the registration of **wezesha majuu** programmes groups registration
		Kenya Youth Employment Opportunities Program (KYEOP) implemented	No. of youths benefiting from grants	7,100	-	-	-	-	-	Programme ended in FY 2023/2024

Programme	Delivery Unit	Key Outputs	Key Performance Indicators	Planned Target			Achieved Target			
				2023/24	2024/25	2025/26	2023/24	2024/25	2025/26	Remarks
		National Youth Opportunities Towards Advancement (NYOTA) Project	No. of youth MSEs benefiting from Business Development Services/Mentorship	-	12,800	54,000	-	0	124,522	124,522 youth underwent BDS, Programme implemented within one year instead of the 5 years planned period hence surpassing target
			No. of Youth MSEs awarded start-up capital	-	12,800	54,000	-	0	124,522	124,522 youth awarded strat up capital Programme implemented within one year instead of the 5 years planned period hence surpassing target
			No. of social enterprises supported	-	1,000	1,000	-	0	0	Inadequate funding to implement both sub-components
			Amount of startup capital disbursed to youth MSEs (KShs.KShs.s. Million)	-	320	2,700	-	0	5,336	KShs. 5.34 Billion disbursed to 124,522 youth
			MSME Eco-system platform operationalized (%)	-	60	20	-	10	20	Specifications for the MSMEs ecosystem platform developed, currently undergoing stakeholder validation.
			No. of MSMEs trained digitally on AGPO, Uwezo Fund, WEF, YEDF, FIF (Hustler Fund), and Constituency Industrial Development Centers delivered to MSMEs	-	-	50,000	-	-	0	Training curriculum for the sensitization of youth on AGPO, Catalytic funds and CIDCs finalized.
		Kenya Jobs and Economic Transformation (KJET)	No. of MSE clusters mapped out and established	-	70	350	0	-	377	377 clusters mapped out and selected across the country
			No. of MSEs clusters benefiting from Business Development Services (Generalized and Specialized BDS)	-	70	350	0	-	95	95 MSMEs cluster underwent generalized BDS and mentorship. The target was revised to match the resources allocated

Programme	Delivery Unit	Key Outputs	Key Performance Indicators	Planned Target			Achieved Target			
				2023/24	2024/25	2025/26	2023/24	2024/25	2025/26	Remarks
			No. of MSEs cluster co-investments	-	-	47	-	-	0	Inadequate funding leading to no co-investment undertaken
		Management Information System (MIS) for the KJET project	MIS system operationalized	-	-	1	-	-	0	Interim MIS system developed and operational. Application done through online system
		Common User Facilities	No. of CIDCs refurbished/operationalized	4	8	80	14	13	6	Six CIDCs operationalized. Target revised to six due to reduced budget allocation
			No. of CIDCs/MSE Worksites equipped with common user facilities	12	8	80	14	13	6	Six CIDCs equipped. Target revised to six due to reduced budget allocation
			No. of Cold storage facilities operationalized	-	3	3	-	3	3	3 Cold storages installed with water and solar power
			No. of MSEs trained on utilization of machines for value addition in priority value chains	300	200	300	270	200	294	294 MSEs trained on machine and equipment utilization.
			No. of Centers of Excellence Established/Equipped	-	-	10	-	-	1	Target was revised to 1 due to low budget allocation. The kariobangi centers was modernized by equipping with modern equipment
		Market Access for MSMEs	No. of MSEs linked to the regional and international markets through trade fairs and digital market platforms (EAC MSMEs Trade Fair)	300	300	1,000	1057	1422	1127	1127 MSEs facilitated to showcase their products at the 25th EAC trade fair held in Nairobi.
			No. of MSMEs linked to various markets through subcontracting linkages	-	150	500	-	1305	8746	224 MSEs associations linked to Affordable Housing subcontracting initiatives across the country bringing the cumulative figures to 8746 MSEs.

Programme	Delivery Unit	Key Outputs	Key Performance Indicators	Planned Target			Achieved Target			
				2023/24	2024/25	2025/26	2023/24	2024/25	2025/26	Remarks
			No. of MSEs linked to the domestic Markets	900	1,200	1,200	1200	1000	1,431	1,431 MSEs facilitated to showcase their products at trade fairs nationwide
		Employment Opportunities	No. jobs created through NYOTA	-	12,800	54,000	-	-	311,305	311,305 jobs created through the NYOTA project. M&E of beneficiaries shows 1.5 additional jobs created by each beneficiary
			No. of jobs created through KJET (Clusters)	-	-	47	-	-	0	Co-investments phase not implemented due to low budget allocations
			No. jobs created through operationalization of CIDCs	2,240	560	5,600	980	910	420	Only six CIDCs operationalized in the period which create at least 70 jobs per CIDCs
			No. jobs created through market access	2,400	1,500	1200	2257	2422	2445	2445 jobs created through facilitation to markets
			No. of jobs created through subcontracting linkages	-	-	500	-	1305	8746	8746 jobs created through subcontracting
S.P. 1.2: Entrepreneurship and Business Development Services	Kenya Institute of Business Training (KIBT)	MSMEs capacity built	No. of MSMEs capacity build on priority value chains	6000	8000	8,000	6000	4900	900	11,800 MSMEs in various priority value chains were capacity built on priority value chains through partnerships over the period. Partnerships through GIZ and JICA were scaled down affecting achievement of the target.

Programme	Delivery Unit	Key Outputs	Key Performance Indicators	Planned Target			Achieved Target			
				2023/24	2024/25	2025/26	2023/24	2024/25	2025/26	Remarks
			No. of Training Needs Assessment surveys in the priority value chains	3	3	3	0	1	1	Survey Report on Identification of Entrepreneurial Skills Gap in Public Technical Vocational and Education Training Institutions (TVETs) and Vocational and Training Centres (VTC) done Target not achieved due to budgetary constraints
			No. of BDS training modules developed	7	7	7	3	4	7	7 BDS modules developed and aligned to priority value chains
		BDS accreditation framework	BDS accreditation framework developed in four (4) priority value chains (leather and textiles, building and construction, agro-processing and tourism)	-	-	1	-	-	1	MSMEs Business Development Services (BDS) Accreditation Framework Tools (Curriculum, Training Guide, and Occupational Standards Manual) developed
		Training of Trainers (ToTs)	No. of TOTs trained for eight (8) key priority value chains (Leather, Textiles, Dairy, Edible Oils, Rice, Blue Economy, Building & Construction, and Natural Resources) undertaken	-	-	235	-	-	266	Target achieved
		Business Incubation Framework	No. of Framework for Business Incubation Centres in VTCs, TVETs and Universities to transit the graduates to industry for self-employment developed	-	-	1	-	-	draft	Concept Note on Integration of Entrepreneurship Training within the Recognition of Prior Learning (RPL) Framework developed. Engagement with the State Department for TVET for collaborations ongoing
PROGRAMME 2: Product and Market Development for MSMEs										
OUTCOME: Increased Uptake of MSME Products										

Programme	Delivery Unit	Key Outputs	Key Performance Indicators	Planned Target			Achieved Target			
				2023/24	2024/25	2025/26	2023/24	2024/25	2025/26	Remarks
S.P 2.1: Market linkages for MSMES	Innovation, Product & Market Development Directorate	MSME products	No. of reports on product development needs	-	-	5	-	-	5	Target Achieved
			No. of potential clusters or MSMEs linked to various product development organizations	-	-	10	-	-	24	
			No. of MSMEs sensitized on product innovation, standardization and patenting	-	-	200	-	-	220	
			No. of MSMEs facilitated in technology acquisition and transfer	-	-	20	-	-	22	
		Access to Market Opportunities for MSMEs	No. of EAC MSMEs Trade Fair report	-	-	1	-	-	1	
			No. of reports on market opportunities	-	-	5	-	-	5	
			No. of MSMEs clusters sensitized on formalization	-	-	5	-	-	19	
		MSME agenda mainstreamed in bilateral and regional trade negotiations/engagements	No. of bilateral trade engagements	-	-	4	-	-	6	
		Working spaces/sites for Production Clusters Identified	No. of counties that have secured working spaces for MSMEs	7	10	-	7	10	-	
			No. of production clusters identified in the priority value chains	-	5	-	-	5	-	
SP 2.2: Value addition, Innovation, and Incubation for MSMEs	KIE	Industrial credit	Amount of industrial credit issued (KShs. billion)	1.10	2.50	1.2	1.6	2.1	1.22	Target met
			% of credit disbursed to the priority value chains: agro-processing (edible oils, cotton, dairy, tea, rice, and others), leather and leather products, textile and apparel, and building and manufacturing materials.	-	40	40	37.4	39.5	36.7	Edible oi(13M) Dairy(45M) Rice(28.2M) Building & construction(258.97 M) Leather & leather products (6.62M) Textile (96.24M)
			% Completion of Nairobi Incubation Centre	-	-	95%	-	-	95%	Completion stagnated due to lack of budgetary allocation
			No. of enterprises financed (including cottage industries)	2,208	3,920	1,200	768	766	2,239	The average loan size per SMEs increased
			No. of new jobs created	33,120	96,000	90,000	48,064	206,610	173,298	Target achieved
			No. of new SMEs trained on business skills	60,000	120,000	90,000	84,473	133,019	213,647	Target achieved
			No. of new market linkages created	6,000	15,000	9,000	9,679	10,422	12,827	Target achieved

Programme	Delivery Unit	Key Outputs	Key Performance Indicators	Planned Target			Achieved Target			
				2023/24	2024/25	2025/26	2023/24	2024/25	2025/26	Remarks
		Centre for Entrepreneurship (C4E) Project	No. of Physical Centres established and equipped (Nairobi, Busia, Mombasa, Baringo, Uasin Gishu & Kirinyaga)	-	1	1	-	-	0	Implementation of the Centre for Entrepreneurship (C4E) Project has experienced delays arising from challenges encountered in the procurement of the Implementation Consultant (IC). The IC is a pre-requisite for roll out of the project.
PROGRAMME 3: Digitalization and Financial Inclusion for MSMEs										
OUTCOME: Increased Wealth Creation through the MSME Sector										
SP 3.1: Financial Inclusion	Financial Inclusion Fund	Financial Inclusion Services	No. of financial products developed	1	1	1	1	1	0	**FY23/24** – Group/Business Loan launched in 2023. **FY24/25** - Bridge Loan product and A1-C3 behavioral credit scoring system unveiled. **FY25/26** - Preparatory work done for the proposed Bridge Loan II product that aims to offtake Hustler Fund borrowers with good credit to banks.
			Amount of revolving credit issued (KShs. Billion)	10	10	10	22.27	17.94	16.52	All three years met nominal annual targets of 10bn Cumulative amount of credit is 88.92bn.
			Cumulative No. of persons accessing credit (Millions)	20.5	23	26.5	22.9	25.3	28	Targets met and no of borrowers is on upward trend.

Programme	Delivery Unit	Key Outputs	Key Performance Indicators	Planned Target			Achieved Target			
				2023/24	2024/25	2025/26	2023/24	2024/25	2025/26	Remarks
			Cumulative No. of Chamas/ Groups/ Associations accessing credit	50,000	55,000	70,000	56575	58707	58,715	**FY 2023/24:** 10219 groups had been registered and accessed around KShs.KShs.s.95m group loans. **FY 2024/25:** Limited net growth in registered groups 2132. Disbursements were KShs.KShs.s.14.4m. **FY 2025/26**: 8 groups registered, disbursed group loan KShs.KShs.s.142,000
			No. of people reached through awareness and outreach Programmes	10,000	10,000	30,000	4523	5048	8050	Target has not been met due to budgetary constraints.
			Cumulative Amount of Money mobilized in saving. (KShs. Billion)	2	2.75	5	2	4.8	6	Target met and voluntary saving is in upward trend
	MSME Digital Delivery and Communication Directorate	Digital Marketplace	% level of digital marketplace operationalized	-	-	50	-	-	20	Specifications for the System under going stakeholder validation
	MSMEs Financing, Partnership, Program, and Coordination Directorate	MSMEs Policy and Frameworks	No. of MSMEs Financing Framework developed	-	-	1	-	-	Draft	LPO Financing framework at the Stakeholder Engagement Stage
			No. of resource mobilization strategies developed	-	1	1	-	-	0	Concept note for the resource mobilization developed
			No. of MSMEs Connect dialogue forums held	-	-	10	-	-	4	4 forums held in Mombasa, Kisumu, Turkana & Isiolo
			National Credit Rating Score established	-	0	1	-	-	0	TWG developed & concept note developed
S.P. 3.2: Youth, Women, and PWDs Empowerment	Uwezo Fund	Economic empowerment of youth, women, and PWDs	Amount of credit disbursed to Youth, Women, and PWDs Groups (KShs Million)	500	600	600	518	425	312	The Fund operations were affected by most CUFMCs' tenure expiring.
			No. of Groups Trained and Funded	4,000	5,500	6,000	4,219	3,497	3000	The Fund operations were affected by most CUFMCs' tenure expiring.
			% level of funds processed and products digitized	60	100	-	60	100	-	The Fund is fully digitalized.

Programme	Delivery Unit	Key Outputs	Key Performance Indicators	Planned Target			Achieved Target			
				2023/24	2024/25	2025/26	2023/24	2024/25	2025/26	Remarks
			No. of individuals sensitized	50,000	80000	100,000	100,000	150,0000	250,000	The sensitization program has been on an upward trajectory due to the ministerial joint Programs initiative.
			No. of jobs created	60000	80,000	32,000	84,380	69,940	60,0000	The fluctuations are caused by the expiry of Cufmcs.
			Repayment rate for Amount Disbursed (%)	45	47	45	41	42	44	The Fund relies heavily on the CUFMCs for loan recovery. In the absence of a functional CUFMC, the recovery is affected. Most constituencies too do not have substantive secretaries due to a number of YDO having retired.
PROGRAMME 4: General Administration, Planning and Support Services										
OUTCOME: Effective and Efficient Service Delivery										
		Planning, Monitoring and evaluation services	Quarterly Monitoring and Evaluation Reports	4	4	4	4	4	4	Target Achieved
		Administration Services	% level of completion of KIBT Parklands Building	-	-	95	-	-	84	BQs for Phase I developed—Safety and Priority Works focuses on essential safety and compliance measures including lifts, CCTV, basement drainage and flood mitigation, fire and accessibility compliance, and critical water ingress repairs. Implementation faced challenges due to EGP
		Financial Services	MTEF Budget, Quarterly Reports	5	5	5	5	5	5	Target achieved

Programme	Delivery Unit	Key Outputs	Key Performance Indicators	Planned Target			Achieved Target			
				2023/24	2024/25	2025/26	2023/24	2024/25	2025/26	Remarks
		Human Resource Services	No. of officers/staff trained	-	-	100	-	-	10	Target not achieved due to lack of exchequer
			No. of training needs assessment report	-	-	1	-	-	0	

Table 4.2: Analysis of Recurrent Expenditure (KShs. Million)

State Department for Micro, Small and Medium Enterprises Development						
VOTE 1176						
Economic Classification	**Approved Budget Allocation**			**Actual Expenditure**		
	2023/25	**2024/25**	**2025/26**	**2023/24**	**2024/25**	**2025/26**
Gross	**2,090.37**	**2,046.02**	**2,257.00**	**1,466.30**	**1,732.04**	**2,217.45**
AIA	330.01	812.73	734.96	333.93	527.63	734.96
NET	**1,760.36**	**1,233.29**	**1,522.04**	**1,132.37**	**1,204.41**	**1,482.48**
Compensation to Employees	98.70	152.47	257.27	81.35	151.59	230.13
Transfers	1,691.68	1,566.25	1,802.14	1,205.67	1,281.16	1,067.18
Other Recurrent	**299.99**	**327.29**	**201.59**	**179.28**	**299.29**	**185.17**
Utilities	5.59	8.20	5.20	4.49	2.36	3.77
Rent	12.00	45.00	45.00	12.00	41.79	39.68
Subsidies	0.00	0.00	0.00	-	0.00	0.00
Insurance	0.00	0.00	0.00	0.00	0.00	0.00
Gratuity	0.00	0.00	0.00	0.00	0.00	0.00
Contracted Guards and Cleaner Services	4.00	14.40	4.40	0.00	0.00	4.16
Others	278.40	259.69	146.99	162.79	255.14	137.56

Table 4.3: Analysis of Development Expenditure (KShs. Million)

VOTE 1176	**Description**	**Approved Budget Allocation**			**Actual expenditure**		
		2023/24	**2024/25**	**2025/26**	**2023/24**	**2024/25**	**2025/26**
State Department for Micro, Small and Medium Enterprises Development	**Gross**	**5,929.20**	**4,376.50**	**9,841.60**	**1,871.07**	**4,296.50**	**9,312.60**
	GoK	5,529.20	2,508.50	490.00	1,572.41	2,508.50	303.14
	Loans	400.00	1,628.00	0.00	298.66	1,548.00	0.00
	Grants	0.00	240.00	9,351.60	0.00	240.00	9,009.45
	Local AIA	0.00	0.00	0.00	0.00	0.00	0.00

Table 4.4: Analysis of Programme Approved Budget Vs Actual Expenditure (KShs. Million)

1176: State Department for Micro, Small and Medium Enterprises Development	Approved Budget			Actual expenditure		
	2023/24	**2024/25**	**2025/26**	**2023/24**	**2024/25**	**2025/26**
Programme 1: Promotion and Development of MSMEs						
SP.1.1: MSMEs Development and Promotion	1,131.60	2,879.69	10,288.29	1,022.46	2,798.38	9,806.70
SP.1.2: Entrepreneurship and Business Development Services	55.92	89.27	112.83	44.06	80.06	69.11
Total Programme 1	**1,187.52**	**2,968.96**	**10,401.12**	**1,066.52**	**2,878.44**	**9,875.81**
PROGRAMME 2: Product and Market Development for MSMEs						
SP 2.1: Market Linkages for MSMEs	4.85	12.60	20.23	3.68	11.73	13.55
SP 2.2: Value Addition, Innovation and Incubation for MSMEs	573.50	514.45	157.99	365.99	517.02	157.99
Total Programme 2:	**578.34**	**527.05**	**178.22**	**369.67**	**528.75**	**171.53**
PROGRAMME 3: Digitization and Financial Inclusion for MSMEs						
SP 3.1: Financial Inclusion	5,120.00	2,410.00	309.00	800.00	2,122.34	309.00
SP 3.2: Youth Employment Services	350.08	148.90	126.63	445.69	148.90	126.63
SP 3.3: Youth, Women and PWDs Empowerment	395.70	-	50.00	242.00	-	25.00
Total Programme 3	**5,865.78**	**2,558.90**	**485.63**	**1,487.69**	**2,271.24**	**460.63**

Programme 4: General Administration, Planning and Support Services						
SP 4.1: General Administration, Planning and Support Services	387.93	367.61	298.67	262.89	350.11	280.90
Total Programme 4	**387.93**	**367.61**	**298.67**	**262.89**	**350.11**	**280.90**
Total Expenditure for Vote 1176	**8,019.57**	**6,422.52**	**11,363.64**	**3,186.77**	**6,028.54**	**10,788.87**

Table 4.5: Analysis of Programme Approved Budget Vs Actual Expenditure (KShs. Million)

Economic Classification	Approved Budget			Actual Expenditure		
	2023/24	2024/25	2024/25	2023/24	2024/25	2025/26
Programme 1. Promotion and Development of MSMEs						
Current Expenditure	**454.62**	**592.46**	**964.52**	**434.96**	**581.94**	**941.86**
Compensation of Employees	30.99	69.80	66.93	23.73	68.30	51.50
Use of goods and Services	24.94	29.75	32.47	20.32	20.74	25.25
Grants and other Transfers	398.70	492.90	865.12	390.90	492.90	865.12
Other Recurrent	-	-	-	-	-	-
Capital Expenditure	**732.90**	**2,264.00**	**9,436.60**	**631.56**	**2,264.00**	**8,933.95**
Acquisition of Non-Financial Assets						
Capital Grants to Government Agencies	732.90	2,264.00	9,436.60	631.56	2,264.00	8,933.95
Other Development						
Total Programme 1	**1,187.52**	**2,856.46**	**10,401.12**	**1,066.52**	**2,845.94**	**9,875.81**
PROGRAMME 2: Product and Market Development for MSMEs						
Current Expenditure	**493.04**	**527.05**	**123.22**	**289.67**	**528.75**	**116.53**
Compensation of Employees	-	-	7.77	-	-	4.76
Use of goods and Services	4.85	12.60	12.46	3.68	11.73	8.78
Grants and other Transfers	488.20	514.45	102.99	285.99	517.02	102.99
Other Recurrent	-	-	-	-	-	-
Capital Expenditure	**85.3**	**112.5**	**55.00**	**80.00**	**0.00**	**55.00**
Acquisition of Non-Financial Assets	-	-	-	-	-	-
Capital Grants to Government Agencies	85.30	-	55.00	80.00	-	55.00
Other Development	-	-	-	-	-	-

Economic Classification	Approved Budget			Actual Expenditure		
	2023/24	2024/25	2024/25	2023/24	2024/25	2025/26
Total Programme 2	**578.34**	**527.05**	**178.22**	**369.67**	**528.75**	**171.53**
PROGRAMME 3: Digitization and Financial Inclusion for MSMEs						
Current Expenditure	**754.78**	**558.90**	**326.63**	**478.78**	**271.24**	**326.63**
Compensation of Employees	-	-	-	-	-	-
Use of goods and Services	-	-	-	-	-	-
Grants and other Transfers	754.78	558.90	326.63	478.78	271.24	326.63
Other Recurrent	-	-	-	-	-	-
Capital Expenditure	**5,111.00**	**2,000.00**	**159.00**	**1,008.91**	**2,000.00**	**134.00**
Acquisition of Non-Financial Assets	-			-		
Capital Grants to Government Agencies	5,111.00	2,000.00	159.00	1,008.91	2,000.00	134.00
Other Development	-			-		
Total Programme 3	**5,865.78**	**2,558.90**	**485.63**	**1,487.69**	**2,271.24**	**460.63**
PROGRAMME 4: General Administration, Planning and Support Services						
Current Expenditure	**387.93**	**367.61**	**298.67**	**262.89**	**350.11**	**74.48**
Compensation of Employees	67.71	82.67	77.77	57.62	83.29	74.48
Use of goods and Services	270.21	176.00	96.86	155.27	159.62	-
Grants and other Transfers	50.00	-	-	50.00	-	-
Other Recurrent	-	108.94	124.04	-	107.20	-
Capital Expenditure	-	-	-	-	-	-
Acquisition of Non-Financial Assets	-	-	-	-	-	-
Capital Grants to Government Agencies	-	-	-	-	-	-
Other Development	-	-	-	-	-	-
Total Programme 4	**387.93**	**367.61**	**298.67**	**262.89**	**350.11**	**280.90**
Total 1176	**8,019.57**	**6,310.02**	**11,363.64**	**3,186.77**	**5,996.04**	**10,788.87**

Table 4.6: Analysis of Recurrent Approved Budget Vs Actual Expenditure for SAGAS (KShs. M)

State Department for MSMEs Development						
Micro, Small Enterprise Authority (MSEA)						
Economic Classification	**Approved Budget**			**Actual Expenditure**		
	2023/24	**2024/25**	**2025/26**	**2023/24**	**2024/25**	**2025/26**
Gross	**445.4**	**492.9**	**833.06**	444.8	**492.9**	**833.06**
AIA	4.5	4.5	4.5	3.9	9.8	4.5

NET	**440.9**	**488.4**	**828.56**	**440.9**	**483.1**	**828.56**
Compensation to Employees	357.23	419.27	543.43	362.6	418.85	478
Transfers						
Other Recurrent			289.63			383.69
Utilities	0.01	0	1.5	0.01	0	0
Rent	15.55	15.14	46.42	15.52	15.13	20.68
Subsidies						
Insurance						
Gratuity						
Contracted Guards and Cleaner Services	4.57	2.54		4.56	2.54	3.66
Others	68.04	55.95		81.34	61.19	359.35
Kenya Industrial Estates (KIE)						
Economic Classification						
	2023/24	**2024/25**	**2025/26**	**2023/24**	**2024/25**	**2025/26**
Gross	**505.1**	**517.02**	**633.45**	**505.1**	**517.02**	**633.45**
AIA	219.11	402.59	530.46	219.11	402.59	530.46
NET	**285.99**	**114.43**	**102.99**	**285.99**	**114.43**	**102.99**
Compensation to Employees	297.26	306.93	320.43	297.26	306.93	320.43
Transfers	0	0	0	0	0	0
Other Recurrent	**207.84**	**210.09**	**313.02**	**207.84**	**210.09**	**313.02**
Utilities	6.15	6.15	6.34	6.15	6.15	6.34
Rent	6.03	6.03	6.83	6.03	6.03	6.83
Subsidies		11.3	0		11.3	0
Insurance	11.3	0	11.5	11.3	0	11.5
Gratuity	0	1.5		0	1.5	
Contracted Guards and Cleaner Services	1.5	23.23	24.4	1.5	23.23	24.5
Others	160.36	161.88	262.35	160.36	161.88	262.35
Uwezo Fund						
Economic Classification						
	2023/24	**2024/25**	**2025/26**	**2023/24**	**2024/25**	**2025/26**
Gross	**309.7**	**140.7**	**160.6**	**156**	**109.65**	
AIA	-			-	-	
NET	**309.7**	**140.7**	**126.6**	**156**	**109.65**	
Compensation to Employees	11.54	7	6	5.61	5.72	5.02
Transfers						
Other Recurrent	**298.16**	**133.7**		**150.39**	**103.93**	

Utilities	1.69	2	2	1.69	1.84	1.9
Rent	13.5	12.4	12.5	12	12	11.9
Insurance			0.6			0.5
Subsidies						
Gratuity						
Contracted Guards and Cleaner Services	3	3	3.08	3	3	2.9
Others	279.97	116.3	102.5	133.7	87.09	93.9
Financial inclusion Fund						
Economic Classification	**2023/24**	**2024/25**	**2025/26**	**2023/24**	**2024/25**	**2025/26**
Gross	**-**	**410**	**209**	**-**	**122.34**	**129.5**
AIA	120	400	200	120	112.34	120.5
NET	**120**	**10**	**9**	**120**	**10**	**9**
Compensation to Employees	-	10	20	-	10	10
Transfers	**-**		**0**	**-**		**0**
Other Recurrent	**-**		**188.6**	**-**		**82.2**
Utilities	-		135	-		67
Rent	-			-		
Insurance			0.6			0
Subsidies	-			-		
Gratuity	-			-		
Contracted Guards and Cleaner Services			25	-		7.6
Others	120	400	28	120	112.34	7.6

Annex 4C: Analysis of Capital Projects (Amount in KShs. Million)

Project Name % Project Code	Estimated Cost of the Project (Financing)			Timeline		FY 2023/24				FY 2024/25				FY 2025/26					Remarks
	Total estimated cost of project (KShs. million) (a)	GOK	Foreign	Start date	Expected completion date	Approved GoK Budget	Approved foreign financed budget	Cumulative Expenditure as at 30th June 2024	Completion Stage as at 30th June 2024 (%)	Approved GoK Budget	Approved foreign - financed budget	Cumulative Expenditure as at 30th June 2025	Completion status as at 30th June 2025(%)	Approved GoK Budget	Approved foreign financed budget	Cumulative Expenditure as at 30th June 2026	Outstanding Balance as at 30th June 2026	Completion status as at 30th June 2026(%)	
KShs. Million																			
Uwezo Fund	11,000.00	11,000.00		6/1/23	Continuous	86.00	-	6,801.0	62%	0	-	7,009	64%	50	0	7,034	3,966	64%	This is a continuous programme aimed at providing affordable credit and business development services to groups of youth, women and persons with disabilities
Equipping and Operationalization of Constituency Industrial Development Centres	3000	3000	0	1/7/2016	1/7/2030	332.9	-	1452.9	58.12 %	326	-	1,778.9	60%	108.77	0	1888	1,112	63%	This project aimed at expanding economic opportunities for rural areas for employment creation and regional development. The project targeted to facilitate youth participation as artisan and entrepreneurs in value added activities. It targeted construction and

Project Name % Project Code	Estimated Cost of the Project (Financing)			Timeline		FY 2023/24				FY 2024/25				FY 2025/26					Remarks
	Total estimated cost of project (KShs. million) (a)	GOK	Foreign	Start date	Expected completion date	Approved GoK Budget	Approved foreign financed budget	Cumulative Expenditure as at 30th June 2024	Completion Stage as at 30th June 2024 (%)	Approved GoK Budget	Approved foreign - financed budget	Cumulative Expenditure as at 30th June 2025	Completion status as at 30th June 2025(%)	Approved GoK Budget	Approved foreign financed budget	Cumulative Expenditure as at 30th June 2026	Outstanding Balance as at 30th June 2026	Completion status as at 30th June 2026(%)	
KShs. Million																			
																			equipping of one CIDC in each Constituency.
Kenya Youth Employment and Opportunities Project	4,836.65	-	4,836.65	1/7/2016	8/31/2023		3,000	4,836.65	100%	0	0	-	-	0	0	-	0	100%	Project completed in FY 2023/2024
Provision of Finances to SMEs in the Manufacturing Sector	8350	8350	0	1/7/2015	30/06/2028	80	0	3698.23	44.29 %	0	0	3698.23	44.29%	55	0	3698.23	4,651.77	44.29%	This is a continuous ongoing project of providing affordable credit to MSMEs in the Manufacturing g and Agro-processing sector
Centre for Entrepreneurship	3,171.7	193.2	2978.5	1/7/2023	30/06/2027	5.3	0	0	0	32.5	0	29.08	0.9%	50		78.5	3,092.5	2.47%	The project intends to set up a "**Centre for Entrepreneurship (C4E)**", serving to empower the youth for self-employment, growth-oriented start-ups and young entrepreneurs in the formal and informal sectors

Project Name % Project Code	Estimated Cost of the Project (Financing)			Timeline		FY 2023/24				FY 2024/25				FY 2025/26					Remarks
	Total estimated cost of project (KShs. million) (a)	GOK	Foreign	Start date	Expected completion date	Approved GoK Budget	Approved foreign financed budget	Cumulative Expenditure as at 30th June 2024	Completion Stage as at 30th June 2024 (%)	Approved GoK Budget	Approved foreign-financed budget	Cumulative Expenditure as at 30th June 2025	Completion status as at 30th June 2025(%)	Approved GoK Budget	Approved foreign financed budget	Cumulative Expenditure as at 30th June 2026	Outstanding Balance as at 30th June 2026	Completion status as at 30th June 2026(%)	
KShs. Million																			
Financial Inclusion Fund	50,000.00	50,000.00	0	1/11/2022	Continuous	800	0	12800	25.6%	2,000.00	0	14,800	29.6%	300	-	15100	34900	30.2%	FIF is aim is to expand access to affordable financial services for the underserved and unserved population in Kenya
National Youth Opportunities Towards Advancement (NYOTA)	12,500	-	12,500	21/6/2024	31/12/2028	-	-	-	0%	-	1240	1032.7	8.26%	0	8625	8584	3,916	67.15%	Project fast tracked in FY 2025-2026 increasing beneficiaries
Kenya Jobs Economic & Transformation Project	12,845		12,845	7/9/2024	31/12/2028	-	-	-	0%	0	548	532.5	4.145%	548		443	12,402	3.44%	the overall objective to increase private sector investments, access to markets and sustainable finance to create and improve jobs
Cold Storage Facilities	600	600		1/7/2024	30/6/2028	-	-	-		75	0	75	12.5%	40	0	115	485	19.17%	The cold storage facilities are meant to assist at least 5000 farmers in by giving them a common user facility to preserve their

Project Name % Project Code	Estimated Cost of the Project (Financing)			Timeline		FY 2023/24				FY 2024/25				FY 2025/26					Remarks
	Total estimated cost of project (KShs. million) (a)	GOK	Foreign	Start date	Expected completion date	Approved GoK Budget	Approved foreign financed budget	Cumulative Expenditure as at 30th June 2024	Completion Stage as at 30th June 2024 (%)	Approved GoK Budget	Approved foreign - financed budget	Cumulative Expenditure as at 30th June 2025	Completion status as at 30th June 2025(%)	Approved GoK Budget	Approved foreign financed budget	Cumulative Expenditure as at 30th June 2026	Outstanding Balance as at 30th June 2026	Completion status as at 30th June 2026(%)	
KShs. Million																			
																			produce.
Centers of Excellence	1600	1600		1/7/2024	30/06/2028	-	-	-	-	75	0	75	5%	50	0	100	1500	6.2%	MSEs Centre of Excellence are aimed at providing a modern Centre for MSEs manufacturing, technical capacity building and up scaling riding on common user production concept to boost standard, quantity and quality MSEs products. The centers offer opportunities for technology adoption, adaptation and transfer as well as enhancing MSMEs capacity through upskilling and reskilling in new technologies and innovations.

Project Name % Project Code	Estimated Cost of the Project (Financing)			Timeline		FY 2023/24				FY 2024/25				FY 2025/26					Remarks
	Total estimated cost of project (KShs. million) (a)	GOK	Foreign	Start date	Expected completion date	Approved GoK Budget	Approved foreign financed budget	Cumulative Expenditure as at 30th June 2024	Completion Stage as at 30th June 2024 (%)	Approved GoK Budget	Approved foreign-financed budget	Cumulative Expenditure as at 30th June 2025	Completion status as at 30th June 2025(%)	Approved GoK Budget	Approved foreign financed budget	Cumulative Expenditure as at 30th June 2026	Outstanding Balance as at 30th June 2026	Completion status as at 30th June 2026(%)	
KShs. Million																			
KIBT Building Partitioning	4950	4950	-	1/3/2009		30/6/2026	-			40	-	4144	84%	40	-	4144	80	84%	

Annex 4D: Review of Pending Bills

Type/Nature	Due to Lack of Exchequer			Due to lack of provision		
	2023/24	2024/25	2025/26	2023/24	2024/25	2025/26
1. Recurrent						
Compensation of Employees						
Use of Goods and Services	-	6,895,545	9,251,266.15			
Social Benefits						
Other expense						
2. Development						
Acquisition of non-financial assets						
Use of Goods and Services						
Others-Specify						
Total Pending Bills						

Annex 4E: Summary of Court Awards

Details of the Award[1]	Date of Award	Amount	Payment to date
-	-	-	-

[1] The Sub-sector has no court awards

CHAPTER THREE

3.0 Medium Term Priorities and Financial Plan For The MTEF Period FY 2027/28 – 2029/30

3.1 Prioritization of Programmes and Sub-Programmes

The Sub Sector has (4) Programmes and seven (7) sub-Programmes, namely

S/No.	Programme	Sub Programme
1.	Promotion and Development of MSMEs	a) MSMEs Development and Promotion b) Entrepreneurship and Business Development Services
2.	Product and Market Development for MSMEs	a) Market linkages for MSMEs b) Value addition, Innovation and Incubation for MSME
3.	Digitization and Financial Inclusion for MSMEs	a) Financial Inclusion b) Youth, Women and PWDs empowerment
4.	General Administration, Planning and Support Services	a) General Administration, Planning and Support Services

3.1.1 Programme and their Objectives

Programme	Strategic Objective
Promotion and Development of MSMEs	To create a conducive environment for growth and sustainability of MSMEs sector
Product and Market Development for MSMEs	To promote standardization and enhance quality of MSMEs products and services
Digitization and Financial Inclusion for MSMEs	To Increase Wealth Creation through MSMEs Sector
General Administration, Planning and Support Services	To provide Effective and Efficient Service Delivery

3.1.1.2 Medium Term Priorities

The sub sector is particularly important in providing jobs and income opportunities for economically excluded segments of the population, including youth, women, persons with disabilities and low-skilled persons, who experience disproportionately high unemployment. Over the Medium Term, the sub-sector will seek to increase investments in nine (9) priority value chains, which include: edible oil; leather and leather products; textile and apparels; tea; coffee; dairy; building and construction; blue economy; and rice. The sub-sector's interventions will center on: Provision of the requisite infrastructure; Training and capacity-building of

MSMEs; Support to market access by MSMEs; Enhancing financial access by MSMEs; and reviewing the policy setting and regulatory framework:

From the foregoing, the medium-term priorities and specific interventions are as follows:

1) **Promotion and Development of MSMEs**

i. **MSMEs Development and Promotion**

a) **Policy framework for MSME Sector**

The MSMEs’ business environment is characterized by the requirement for multiple licences which are expensive and cumbersome to get approval. This leads to an increased cost of doing business and missed opportunities in the sector. The sub-sector is developing policies geared towards harmonization of licenses and levies across all Counties.

On ending criminalization of work, the sub-sector intends to put in place modalities to facilitate issuance of licenses by developing policies and laws that will make trading license and provision of a trading location an entitlement to every citizen who applies. The sub-sector will engage and work with County Governments to provide one street trading premise per 50 urban residents, with a view to increasing average daily income of informal traders by Sh200. Some counties have already identified corridors where these traders are conducting their businesses without disturbance from the authorities and the sub-sector’s target is to ensure all the 47 counties do the same.

To reduce regressive taxation, bureaucracy, and regulatory compliance costs, the sub-sector will work with the County Government to review and rationalize all business licenses, making them more favorable to the MSMEs.

The sub-sector has developed the Start-up Bill, which is currently before parliament. Once enacted, this law will further enhance the already robust innovative environment. Its role will be to create a favorable environment for innovators, attract talent and capital to Kenya by offering appropriate incentives. It will set standards and guidelines for start-ups and incubator companies. It will promote the devolution of Start-ups to Counties to expand the opportunities to all talented youth across the country.

b) **Formalization of MSMEs sector:**

The MSMEs sector is characterized by informality and uncoordinated markets. The high level of informality among MSMEs has made it challenging for the government and other partners to provide support and ensure MSMEs' survival. Formalization is the process by which businesses acquire formal legal status and comply with regulations. The sub-sector is mandated to formalize the MSMEs sector through the registration of MSEs, MSEs Association and Umbrella

Organizations. Through registration, the government will develop a national database of MSMEs that will enable it to utilize the data to make informed, data-driven, evidence-based decisions. The sub-sector will develop a comprehensive database of MSMEs, disaggregated by value chain, sector, and gender, to provide targeted support to these MSMEs and to formulate relevant policies and frameworks that create a conducive operating environment for MSMEs to operate across the country.

c) MSMEs Business Development Services:

Business Development services are auxiliary services offered to MSMEs to enhance their business operations and growth. These services are intertwined with other interventions to enable MSMEs mitigate business challenges by offering solutions such as advisory, mentorship, capacity building and coaching. In line with the Bottom-up Economic Transformation Agenda the Authority has set up country wide offices to offer business development services to MSMEs by providing them with business advisory, capacity building/training, mentorship and coaching. These services aim to promote and develop MSMEs to become competitive and enhance their efficiency and production capacity.

d) National Youth Opportunities Towards Advancement:

The sub-sector is implementing component 2 and component 4.2 of NYOTA which is a 5-year Kenya Government Project funded by World Bank envisioned to focus on setting a foundation and systems for sustained creation of opportunities for employment, earnings and savings to improve economic empowerment among the youth in all 47 counties and will crowd in partnerships from the private sector employers and counties to generate meaningful employment for a large number of vulnerable youth annually in Kenya.

Project Goals

1. Improving youth employability
2. Support job creation
3. Improve Labor Market Information
4. Strengthened Youth Policy Development and project management.
5. Interventions for vulnerable Youth.
6. Saving and provision of additional savings opportunities.

These goals are aligned with efforts of the GOK to help youth who are at the bottom of the pyramid.

The sub-sector through MSEA is implementing component II on support to youth Entrepreneurship. Youth in the project will receive the same package of support, based on best practices for support to youth entrepreneurship. In addition to a business grant the youth will receive life skills training (LST), Business Development Services (BDS) and mentorship, a new element introduced to ensure sustainability of youth businesses. They would then be linked to the open market including the Hustler fund, Youth Enterprise Development Fund, Women Enterprise Fund and other credit facilities in the open market. Those with innovative products will be supported to access markets through trade fairs.

Through the Project, the sub-sector will also develop an M&E system for government catalytic Funds to help them better target vulnerable beneficiaries. The System will focus on supporting Catalytic Funds namely the Uwezo Fund, Women's Enterprise Fund (WEF), Youth Enterprise Development Fund (YEDF) and, more recently, the FIF. Their systems lack M&E capabilities. The system will the government address broader issues of tracking and managing these funds. It will also assist the entities to collect data in their MIS for purposes of tracking fund performance, conducting beneficiary assessments to ascertain satisfaction or dissatisfaction with their respective interventions and support their impact evaluation activities.

The M&E system design will also include development of a data repository with forward market linkages for MSMEs. This will include integrating other aspects including access to government procurement opportunities, capacity Building, youth business support systems and ecosystem clustering among others to build a functional Eco-system Platform for MSMEs. Through this Eco-system platform, the sub-sector will continuously map out new opportunities and onboard them to ensure sustainability and scalability of MSMEs while also potentially fostering their growth and development

e) Kenya Jobs and Economic Transformation

The Kenya Jobs and Economic Transformation (KJET) Project is five year a World Bank funded project that aims to complement and strengthen efforts to address the challenges related to low levels of firm growth, weak productivity, eroding competitiveness in Kenya reflected in various market failures, notably regulatory barriers to entry and growth and diversification of productive firms, lack of market access, and low firm capabilities. The overall goal is to create and improve productivity of select MSME clusters based on priority value chains.

Objectives of the Project

The overall objective of the project is to increase private sector investments, access to markets and sustainable finance to create and improve jobs.

The specific goals are;

1. Enhancing inclusive, high quality, resilient and sustainable job creation
2. Strengthening business and investment environment.
3. Strengthen competitiveness and build capacity of MSME clusters
4. Enhance market access for MSMEs
5. Scaling up green MSME Financing

These goals are aligned with efforts of the GOK through the Bottom-up Economic Transformation Agenda (BETA) to create productive and sustainable jobs as well as Transforming the MSME Economy.

The sub-sector is implementing component 2 of KJET that aims at enhancing MSME Cluster Competitiveness. This component aims to strengthen competitiveness and market access of the MSMEs. Across all interventions, this component will leverage, align, and expand existing MCMSME and MSEA initiatives for MSME support such as Constituency Industrial Development Centers (CIDCs). It will also build downstream linkages with other ongoing large-scale GoK interventions including from WB and IFC portfolio as relevant.

Further, the sub-sector will strengthen the Monitoring and Evaluation (M&E) systems and capacity of national implementing agencies, and finance project management activities with the aim to build sustainable systems that last beyond the lifetime of this project.

f) Common User facilities to support MSMEs in the priority value chains

The Sub-sector provides infrastructure support services to MSMEs as an intervention to provide conducive operating environment for MSMEs as well as improve their production capacity and competitiveness. The Specific infrastructure facilities to MSMEs include:

- **Constituency Industrial Development Centers**: The Constituency Industrial Development Centers (CIDCs) is an on-going government intervention intended to address the challenge of limited access to decent, quality, affordable and reliable workspaces for Micro and Small Enterprises (MSEs) in Kenya. CIDCs facilitate shared work-spaces and provision of common user equipment for start-ups and the micro and small enterprises (MSEs). Among other objectives, the CIDCs were envisaged to jumpstart the economy, invest in long-term solutions including expansion of economic opportunities in rural areas for employment creation, promotion of regional development for equity and social stability and to expand the access to, and build ICT capacity to expand economic opportunities and accelerate economic growth. In line with Bottom Up Economic Transformation Agenda (BETA) on building sustainable MSMEs economy and in keeping up with the Global sustainable development goals (SGDs) goal no. 9 on building resilient infrastructure, industrialization and innovation, the Authority is keen on upgrading the CIDCs as a one-stop shop offering myriad of business development services other than infrastructure development and equipment but to include among others capacity building of MSEs, product development through value addition, aggregation of products, MSE business information services, and technology transfer.

Objectives of the CIDCs

The CIDCs/ business hubs general objective is to enhance the survival of MSMEs during their infancy and their participation towards economic development. Specific objectives are to;

a. Provide access to business development advisory services from relevant agencies in the MSME ecosystem.
b. Provide access to incubation services to nurture entrepreneurship
c. Promote aggregation of MSME produce
d. Enhanced productivity of local materials through product development and value addition
e. Promote access to appropriate technology for MSEs to enhance MSE adaptation and absorption of modern technology
f. Enhance access to common user machines and equipment
g. Bridge the skills gap of MSMEs through capacity building services

- **MSEs Centers of Excellence:** MSEs Centre of Excellence are aimed at providing a modern Centre for MSEs manufacturing, technical capacity building and up scaling riding on common user production concept to boost standard, quantity and quality MSEs products. The centers offer opportunities for technology adoption, adaptation and transfer as well as enhancing MSMEs capacity through upskilling and reskilling in new technologies and innovations. The Centers of excellence will empower MSMEs through provision of incubation services, business development services, provision of common user machines, provision of decent work space, skills upgrading, technology acquisition and transfer based on the needs of the MSMEs. The sub-sector has developed one Center of Excellence in Nairobi County, Kariobangi Center of Excellence where MSEs enjoy a broad range of services that enable them to develop and grow into established enterprises. The sub-sector seeks to construct at least one center of excellence in each county.

The following services are offered in the Centers of excellence:

- Incubation programme
- Training and capacity building
- Common user machine and workspaces
- Technology adoption, adaptation and transfer
- Skilling, reskilling and upskilling in new technologies and innovations
- Research and innovation in new technologies

- **Cold Storage Facilities:** The sub-sector received KShs. 300 million under a Presidential Directive for construction of three cold storage facilities in Nyandarua, Meru and Kisii Counties. The cold storage facilities are meant to assist the potato and banana farmers in the region by giving them a common user facility to preserve their produce. The facility is the first of its kind with the long-term storage designed to employ a temperature regulation system based on mechanical ventilation to ensure that the produce is safe from weather variables, pests and rodents. These facilities are projected to serve over 5000 farmers in Kisii, Meru and Nyandarua regions that are among the largest producers of potatoes and bananas in Kenya. The main works for the three facilities were completed and the president commissioned Nyandarua cold storage facility. The other two to be commissioned in due time. Over the medium term, the sub-sector seeks to operationalize these three facilities and ensure they are fully functional by sensitizing farmers on use of the facilities, provide seed funding to equip the facilities to start operations and link framers to market.

- **MSMEs Industrial Parks:** Industrial parks are designated areas where the government provides support infrastructure and incentives to MSMEs to set up industries. The Authority seeks to set up MSMEs industrial parks across the priority value chains in each county where cottage industries can be set up by small scale entrepreneurs. This will be achieved by working in collaboration with county and other government agencies to set aside land for development, develop the necessary support infrastructure, develop policy frameworks for provision of incentives to attract MSMEs and capacity build MSMEs on product quality and standardization.

g) Market Access:

Market access and linkages for MSMEs is an intertwined problem of information asymmetry, poor market infrastructure, inability to meet market demand, poor marketing capacity and weak value chain linkages in accessing raw materials and stock and reaching potential customers. In addition, inadequate access to affordable and reliable credit has hampered MSMEs in accessing markets and taking up opportunities. The sub-sector will facilitate MSMEs to access markets through a number of interventions namely; participating in national, regional and international trade fairs and exhibitions, development of e-commerce platforms, training and sensitization including online/digital marketing and product development Programmes.

h) Entrepreneurship and Business Development Services

Capacity Development for Entrepreneurship including access to modern management practices is key to the survival and growth of MSMEs and Business Innovators. Towards, the sub-sector will undertake training and capacity building for MSMEs. This will be done by rolling out a comprehensive programme to train and capacity-build MSMEs on various thematic areas including; Financial management and alternative financing, Digitization, Value addition, Marketing and Promotions, Packaging, labelling and branding among others to enhance the capacity of MSMEs to cope with the challenges that confront them in their day-to-day activities.

2) **Product and Market Development for MSMEs**

a) **Market Linkages for MSMEs**

Over the medium term, the Sub-sector will champion the preferential treatment of MSMEs as well Access to Government Procurement Opportunities (AGPO). This will require Government Institutions to procure goods and services from local manufacturers to facilitate market access for products manufactured locally. The sub-sector will develop a framework to support linkage of farmers/small scale MSMEs with Priority Value Chains Processors through subcontracting.

Further, the sub-sector will develop a One Stop Digital Marketing platform to support marketing of MSME products. The online platform will provide a link between producers, aggregators/off-takers and the final consumers in both the domestic market and international market.

b) **Value Addition, Innovation and Incubation for MSME**

One of the biggest challenges facing MSMEs is Lack of access to affordable finance to undertake value addition and innovation of new products. Many MSMEs are unable to access funds from financial institutions like banks due to high cost and stringent requirements. Many Banks and Financial institutions do not give long term loans and require the loan facilities to be paid within a short period making it difficult for the MSMEs to afford. To mitigate against this challenge, the sub-sector supports the MSMEs in manufacturing by providing affordable credit ranging from KShs. 100,000 to KShs. 20,000,000 with a maximum loan repayment of 8 years. Currently, the sub-sector has experienced an overwhelming demand for credit by MSME's across the Country. As a result, a pipeline of KShs. 1.6 billion of Loans that had been appraised and awaiting financing.

Over the medium term, the sub-sector will provide credit to MSMEs in manufacturing and value addition and agro-processing in all 47 counties, Incubate MSMEs to accelerate their survival and growth, develop skill and inculcate entrepreneur culture among MSMEs and link MSMEs to large enterprises, source of raw and technology. These interventions are expected to translate into: credit access of **KShs. 5.2 billion** to MSMEs; **8,400 enterprises** supported; **120,000 jobs** created; **196,000 MSME**s trained; and **18,300 linkages** created.

To support the value chain approach, the sub-sector is committed to apply a minimum of 40% of its loans products to the provide loans to enterprises in the value chain.

- **The Centre for entrepreneurship (C4E):** The Centre for entrepreneurship project aim is to address challenges facing youths in Kenya namely: transition to the job Market, reduction of youth unemployment and support provision of Business Development Services to youth owned enterprises.

The C4E is being implemented through a loan from KFW provided through the government of Kenya. Once completed, the Center will target the youth entrepreneurs aged between 18 and 35 across the country. The C4E will provide information to 250,000 youth entrepreneurs through brand campaigns, website and call-in to the center and 100,000 youth entrepreneurs will access in depth screening services (Coaching, mentoring, career guidance). Additionally, 50,000 youth entrepreneurs will benefit from training through the voucher system. The project is expected to create 20,000 new jobs and 60,000 indirect jobs.

The project outputs are:

i. A physical Center for Entrepreneurship established and equipped at Kenya Industrial Estates head office;
ii. 5 satellite centers established and equipped at KIE regional offices
iii. An online platform will be established for screening and provision of information
iv. A voucher system will be established for financing of skills development and,
v. An accreditation unit established to accredit the skill development service providers.

3) Digitization and Financial Inclusion for MSMEs

a) Financial Inclusion

Access to credit is a prerequisite for growth and prosperity of any firm within the economy. Access to credit improves firms' performance, facilitate market entry, growth of companies and risk reduction, promotes innovation and entrepreneurial activity. However, MSMEs particularly the micro enterprises have been unable to access credit to expand their businesses due to their limited track record, limited acceptable collateral security, and inadequate financial statements and business plans.

Over the medium term, the sub-sector will continue to provide innovative financial services and products that are affordable and accessible to the unserved and underserved persons as well as MSMEs. This will be done through the Financial Inclusion Fund. The Fund is growing its products to include the Biashara Loan Product as well as provide saving, insurance and investment products.

b) Youth, Women and PWDs Empowerment

The sub-sector provides loans to special interest groups through the Uwezo Fund. The Fund is operationalized at two levels; Oversight Board and at the Constituencies. At the Constituencies, the activities of the Fund are implemented by the Constituency Uwezo Fund Management Committees. The Committees comprises of membership drawn from every ward in the constituency nominated by the Member of Parliament, three representatives (Women, Youth and Person with disability) nominated by the County Women Representative and representative of the District County Commissioner, National Sub County Accountant, Sub County Youth Development Officer, NG-CDF Account Manager and the District Development Officer.

Over the medium term, the sub-sector targets to issue loans to 5,000 groups of youth, women and Persons with Disabilities in the current financial year. Currently 82,957 groups have been loaned out of the more than 115,000 applicants received. As a result of the increased demand of the loans due to enhanced public awareness campaigns and sensitization the Fund is requesting for an additional KShs. 650 million to cater for the deficits and in support of new product targeting priority value chains. The funds will also cater for the capacity building of the beneficiary groups which is a mandatory requirement before they are issued with the loans.

4) General Administration, Planning and Support Services

The sub-sector will continue to implement strategic interventions aimed at addressing the challenges facing the sector. The interventions include promoting and developing the MSME sector through financing, provision of requisite infrastructure, entrepreneurship management & training, and access to markets. The sub-sector will also prioritize finalization of the refurbishment of KIBT building to prepare the building to fully undertake its mandate.

Table 3.1.2: Summary of the Programme Key Outputs, Performance Indicators and Targets for FY 2027/28 – 2029/30

Programme	Delivery unit	Key output	Key Performance Indicator (KPI)	Target 2025/26	Actual Achievement (2025/26)	Target (Baseline) 2026/27	Target 2027/28	Target 2028/29	Target 2029/30
Programme 1: Promotion and development of MSMEs									
Programme Outcome: Enhanced growth of the MSMEs sector									
SP 1.1: MSMEs development and promotion	MSME Policy and Research Directorate	Market Research & Analysis	No. of reports	0	0	1	1	1	-
		Policy and Regulatory Framework	No. of MSE Act Amended	1	0	1	-	-	-
			% completion of Formalization Policy	10	50	100	-	-	-
			% completion of the Financial Inclusion Policy	10	50	100	-	-	-
			No. of sector specific MSME Strategies developed	0	0	1	1	1	-
		FIF Impact Assessment	Impact assessment report on Financial Inclusion Fund	-	0	1	-	-	-
		MSMEs Survey 2027	MSMEs Survey 2027 Undertaken	-	-	1	-	-	-
			MSMEs Sector Report	-	-	-	1	1	1
	MSEA	Formalization of MSEs	No. of MSEs sensitized on formalization	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
			No. of MSEs registered	400	369	500	600	800	1000
			No. of MSEs Groups/Associations registered	1,880	1,490	2,000	2,200	2,500	2,700
		National Youth Opportunities Towards Advancement (NYOTA) Project	No. of Youth MSEs benefiting from Business Development Services/Mentorship	54,000	124,522	35,000	-	-	-
			No. of Youth MSEs awarded start-up capital	54,000	124,522	35,000	-	-	-
			No. of MSEs social enterprises supported	1,000	-	1,000	9,000	-	-
			Amount of start-up capital disbursed to youth MSEs (KShs. million)	2,700	5,336	875	147	-	-
			MSME Eco-system platform operationalized (%)	20	20	80	100	-	-
			No. of MSMEs digitally trained on AGPO, Uwezo Fund, WEF, YEDF, FIF (Hustler Fund), and Constituency Industrial Development Centers	50,000	0	600,000	-	-	-

Programme	Delivery unit	Key output	Key Performance Indicator (KPI)	Target 2025/26	Actual Achievement (2025/26)	Target (Baseline) 2026/27	Target 2027/28	Target 2028/29	Target 2029/30
		Kenya Jobs and Economic Transformation (KJET) Project	No. of MSEs cluster benefiting from Business Development Services (Generalized and Specialized BDS)	350	95	282	823	-	-
			No. of MSEs cluster co-investments	47	-	189	412	-	-
		Management Information System (MIS) for the KJET project	MIS system developed (%)	20	10	100	-	-	-
		Monitoring and Evaluation Services	Baseline data from MSME Clusters collected	-	95	282	823	-	-
			Performance monitoring of MSME beneficiary Cluster across Counties undertaken	-	-	47	47	-	-
			MSMEs Co-investment beneficiary clusters audited on E&S to ensure compliance	-	-	189	412	-	-
		Common User Facilities	No. of CIDCs Refurbished/operationalized	80	6	15	54	70	80
			No. of CIDCs equipped with common user facilities	80	6	15	54	70	80
			No. of Cold storage facilities operationalized	3	3	0	3	-	-
			No. of MSEs trained on utilization of machines for value addition in priority value chains	300	298	350	400	450	500
			No. of Centers of Excellence Established/Equipped	10	1	0	10	10	10
		Market Access for MSEs	No. of MSEs Capacity built on available market opportunities and standardization in priority value chains	500	1,574	500	500	500	500
			No. of MSEs linked to the regional and international markets through trade fairs and digital market platforms (EAC Nguvu Kazi)	1,000	1,127	400	400	400	400
			No. of MSEs linked to various markets through subcontracting linkages	500	8,746	1,000	500	500	500
			No. of MSEs linked to the domestic Markets	1,200	1,431	1,500	1,600	1,700	1,800

Programme	Delivery unit	Key output	Key Performance Indicator (KPI)	Target 2025/26	Actual Achievement (2025/26)	Target (Baseline) 2026/27	Target 2027/28	Target 2028/29	Target 2029/30
		Employment Opportunities	No. jobs created through NYOTA	54,000	311,305	87,500	-	-	
			No. of Jobs created/improved through KJET (Clusters)	47	-	189	412	-	-
			No. of jobs created through operationalization of CIDCs	5,600	420	1,050	3,780	4,900	5,600
			No. of jobs created through subcontracting linkages	500	8,746	1,000	500	500	500
SP 1.2. Entrepreneurship and Business Development Services (BDS)	Business development services	MSMEs capacity build	No. of MSMEs capacity build on priority value chains	8,000	900	1,000	1,500	2,000	2,500
		BDS Accreditation Framework	No. of Stakeholder Sensitization forums on Tools of the BDS Accreditation Framework in the priority value chains undertaken	-	-	10	5	5	5
		Training of Trainers (ToTs)	No. of TOTs trained for eight (8) key priority value chains (Leather, Textiles, Dairy, Edible Oils, Rice, Blue Economy, Building & Construction, and Natural Resources) undertaken	235	266	500	1000	1500	2000
		Business Incubation Framework	No. of Framework for Business Incubation Centers in VTCs, TVETs and Universities to transit the graduates to industry for self-employment developed	1	0	1	-	-	-
Programme 2: Product and Market development for MSMEs									
Programme Outcome: Increased uptake of MSME products									
SP 2.1. Market linkages for MSMEs	Innovation, Product and Market Development Directorate	MSME products	No. of reports on product development needs	5	5	5	8	10	15
			No. of potential clusters or MSMEs linked to various product development organizations	10	24	10	15	20	30
			No. of MSMEs sensitized on product innovation, standardization and patenting	200	220	200	250	300	350
			No. of MSMEs facilitated in technology acquisition and transfer	20	22	20	25	30	30
		Access to market opportunities for	Annual EAC MSMEs Trade Fair report	1	1	1	1	1	1

Programme	Delivery unit	Key output	Key Performance Indicator (KPI)	Target 2025/26	Actual Achievement (2025/26)	Target (Baseline) 2026/27	Target 2027/28	Target 2028/29	Target 2029/30
		MSMEs	No. of reports on market opportunities	5	5	5	5	5	5
			No. of MSMEs clusters sensitized on formalization	5	19	5	10	15	20
		MSME agenda mainstreamed in bilateral and regional trade negotiations/ engagements	No. of bilateral trade engagements	4	6	6	8	10	10
S.P. 2.2. Value addition, innovation and incubation for MSMEs	KIE	Industrial credit	Amount of Credit Disbursed (KShs. Billions)	1.2	1.22	1.3	4	4.2	4.4
			No. NYOTA beneficiaries on-boarded	-	-	30,550	30,550	30,550	30,550
			Amount of Credit disbursed to NYOTA beneficiaries (KShs. Billions)	-	-	8.2	10	12	15
			No. FIF beneficiaries on-boarded	-	-	2,000	3,000	5,000	7,000
			Amount of Credit disbursed to FIF beneficiaries (KShs. Billions)	-	-	1	3	7	10
			No. of beneficiaries in Youths in Coffee Value Chain	-	-	1,000	2,000	3,000	4,000
			Amount of Credit Disbursed Youths in Coffee Value Chain (KShs. millions)	-	-	325	500	750	1,000
			% of credit disbursed to the priority value chains Agro processing (Edible oils, Cotton, Dairy, Tea, Rice among others) Leather and Leather products, Textile and Apparels, Building and manufacturing materials	40	36.7	40	40	40	40
			No. of Loan Management Information System installed	-	-	1	-	-	-
			% Completion of Nairobi Incubation Centre	95%	95%	-	100%	-	-
			No. of branches renovated and refurbished including replacement of asbestos roofs	-	-	-	11	11	14
			No. of enterprises financed (including cottage industries)	1,200	2,439	3,700	4,000	4,200	4,500

Programme	Delivery unit	Key output	Key Performance Indicator (KPI)	Target 2025/26	Actual Achievement (2025/26)	Target (Baseline) 2026/27	Target 2027/28	Target 2028/29	Target 2029/30
			No. of new jobs created	90,000	173,298	192,000	240,000	260,000	280,000
			No. of new SMEs trained on business skills	90,000	213,647	95,000	100,000	105,000	120,000
			No. of new market linkages created	9,000	12,827	12,000	14,000	15,000	16,000
		Centre for Entrepreneurship (C4E) Project	No. of Physical centers established and Equipped (Nairobi, Busia, Mombasa, Baringo, Uasin Gishu & Kirinyaga)	1	-	1	5	-	-
Programme 3: Digitalization and Financial Inclusion for MSMEs									
Programme Outcome: Increased wealth creation through MSMEs sector									
S.P. 3.1. Financial Inclusion	Financial Inclusion Fund	Financial Inclusion Services	No. of financial products developed	1	-	1	1	1	1
			Amount of revolving credit issued (KShs. Billions)	10	16.52	17.0	17.5	18.0	19.0
			Cumulative No. of persons accessing credit (Millions)	26.5	28.0	28.2	28.4	28.9	29.0
			Cumulative No. of Chamas/ Groups/ Associations accessing credit	70,000	58,715	60,000	61,070	61,230	61,500
			No. of people reached through awareness and outreach Programmes	30,000	8,050	35,000	40,000	45,000	50,000
			Cumulative Amount of Money mobilized in saving. (KShs. Billion)	5	6	7.5	9.0	11.5	13.0
			% of Loan recovery level	100	85	87	89	91	93
	MSME Digital Delivery and Communication Directorate	Digital Marketplace	% level of digital marketplace operationalized	50	20	60	100	-	-
	MSMEs Financing, Partnership, and Coordination Directorate	MSMEs Policy and Frameworks	No. of MSMEs Financing Framework developed	1	-	1	-	-	-
			No. of resource mobilization strategies developed	1	-	1	-	-	-
			No. of MSME connect dialogue forums held	10	4	5	6	7	8
			National Credit Rating Score established	1	0	1	-	-	-
	Uwezo Fund	Economic empowerment of youth, women, and	Amount of credit disbursed to Youth, Women, and PWDs Groups (KShs. Million)	600	312	550	650	750	800

Programme	Delivery unit	Key output	Key Performance Indicator (KPI)	Target 2025/26	Actual Achievement (2025/26)	Target (Baseline) 2026/27	Target 2027/28	Target 2028/29	Target 2029/30
		PWDs	No. of Groups trained and funded	6,000	3,000	6,500	7,500	8,000	8,500
			% level of funds processed and products digitalized	75	80	100	100	100	100
			No. of individuals sensitized	100,000	120,000	150,000	200,000	300,000	400,000
			No. of jobs created	32,000	60,000	60,000	65,000	70,000	80,000
			Repayment rate for amount disbursed	45	44	45	46	47	48
Programme 4: General Administration, Planning, and Support Services									
Program Outcome: Effective and Efficient Service Delivery									
S.P. 4.1. General Administration Planning	CPPMD	Planning, monitoring, and evaluation services	Quarterly monitoring and evaluation reports	4	4	4	4	4	4
			Strategic plan reviewed	-	-	1	-	-	-
	Administration	Administration Services	% level of completion of KIBT Parklands Building	95	84	95	100	-	-
	Finance	Financial Services	MTEF Budget, Quarterly Reports	5	5	5	5	5	5
	HRMD	Human Resource Services	No. of officers/staff trained	100	10	120	140	195	205
			No. of Training Needs Assessment reports	1	0	1	-	-	-
	ICT	Digitalization of Government services	Develop, validate, and secure approval of the Departmental Enterprise Architecture aligned to Government Enterprise Architecture (GEA)	-	-	1	-	-	-

3.1.2.2 Programmes by Order of Ranking

The State Department for Micro, Small and Medium Enterprise Development has four programmes ranked in order of priority as follows:

1. Promotion and Development of MSMEs;
2. Product and Market Development for MSMEs;
3. Digitization and Financial Inclusion for MSMEs; and
4. General Administration, Support Services and Planning

Sub Sector noted what was provided in the circular and domesticated the same with the following priority.

i. Linkage of the programmes that support Economic Recovery
ii. Linkage of programmes that support completion of ongoing interventions under the `BETA' Plan either as drivers or enablers
iii. Linkage of the programme with the priorities of Medium-Term plan IV of Vision 2030
iv. Degree to which a programme addresses job creation and poverty reduction.
v. Degree to which the programme is addressing the core mandate of the MDAs, expected output and outcomes from a programme
vi. Cost effectiveness and sustainability of the programme:
vii. Extent to which the programme seeks to address the viable stalled projects and verified pending bills, and
viii. Requirements for furtherance of the implementation of the constitution

Table 3.3: Sector & Sub-Sector Recurrent Requirements/Allocations (Amount KShs. Million)

VOTE 1176: State Department of Micro Small and Medium Enterprises Development							
ECONOMIC CLASSIFICATION	APPROVED BUDGET ALLOCATION	REQUIREMENT			ALLOCATION		
	2026/27	2027/28	2028/29	2029/30	2027/28	2028/29	2029/30
Gross	**2,338.69**	**3,486.72**	**3,700.38**	**3,770.09**			
AIA	594.50	734.96	746.96	764.96			
NET	**1,744.19**	**2,751.76**	**2,953.42**	**3,005.13**			
Compensation to Employees	278.90	704.82	718.41	732.41			
Grants and Transfers	1,636.13	2,366.84	2,547.73	2,588.41			
Other recurrent	423.65	415.06	434.24	449.27			

Table 3. 4: Sector & Sub-Sector Development Requirements/Allocations (Amount KShs. Million)

VOTE 1176: State Department of Micro Small and Medium Enterprises Development							
DESCRIPTION	**APPROVED BUDGET ALLOCATION**	**REQUIREMENT**			**ALLOCATION**		
	2026/27	**2027/28**	**2028/29**	**2029/30**	**2027/28**	**2028/29**	**2029/30**
Gross	**3,394.82**	**19,511.86**	**6,780.00**	**5,561.59**	**-**	**-**	**-**
GoK	490.03	6,521.77	5,780.00	4,561.59			
Loans	2,504.79	12,490.88	1,000.00	1,000.00			
Grants	400.00	499.21					
Local AIA	-	-	-	-	-	-	-

Table 3. 5: Analysis of Programmes and Sub-Programmes (Current and Capital) Resource Requirements (KShs. Million)

1176: STATE DEPARTMENT FOR MICRO SMALL AND MEDIUM ENTERPRISES DEVELOPMENT												
Programmes and Sub-Programme Resource Requirement (KShs. Millions)	Approved Estimates			Projection (requirement)								
	2025/26			2027/28			2028/29			2029/30		
	Current	Capital	Total	Current	Capital	Total	Current	Capital	Total	Current	Capital	Total
PROGRAMME 1: Promotion and Development of MSME												
SP 1.1: MSME Development and Promotion	744.12	3,254.82	3,998.94	1,595.63	15,211.86	16,807.49	1,690.70	3,330.00	5,020.70	1,739.47	3,410.00	5,149.47
SP 1.2: Entrepreneurship and Business Development Services	77.75	40.00	117.75	114.89	100.00	214.89	118.09	-	118.09	121.78	-	121.78
Total Programme	**821.87**	**3,294.82**	**4,116.69**	**1,710.52**	**15,311.86**	**17,022.38**	**1,808.79**	**3,330.00**	**5,138.79**	**1,861.25**	**3,410.00**	**5,271.25**
PROGRAMME 2: Promotion and Market Development for MSMEs												
SP 2.1 Market linkages for MSMES	39.92	-	39.92	69.81	-	69.81	72.49	-	72.49	75.29	-	75.29
SP 2.2Value addition, Innovation & Incubation for MSMEs	587.00	-	587.00	751.80	2,700.00	3,451.80	811.31	1,800.00	2,611.31	777.53	151.90	929.43
Total Programme	**626.92**	**-**	**626.92**	**821.61**	**2,700.00**	**3,521.61**	**883.80**	**1,800.00**	**2,683.80**	**852.82**	**151.90**	**1,004.72**
PROGRAMME 3: Digitization and Financial Inclusion for MSMEs												
SP 3.1 Financial Inclusion	211.64	-	211.64	310.00	1,000.00	1,310.00	318.00	1,000.00	1,318.00	325.00	1,000.00	1,325.00
SP 3.3 Youth, Women and PWDs Empowerment (Uwezo Fund)	119.31	100.00	219.31	307.03	500.00	807.03	339.00	650.00	989.00	368.95	1,000.00	1,368.95
Total Programme	**330.95**	**100.00**	**430.95**	**617.03**	**1,500.00**	**2,117.03**	**657.00**	**1,650.00**	**2,307.00**	**693.95**	**2,000.00**	**2,693.95**
PROGRAMME 4: General Administration, Support Services and Planning												
SP 4.1: General Administration, Support Services and Planning	558.94	-	558.94	337.56	-	337.56	350.79	-	350.79	362.07	-	362.07

Total Programme	**558.94**	**-**	**558.94**	**337.56**	**-**	**337.56**	**350.79**	**-**	**350.79**	**362.07**	**-**	**362.07**
Total Vote 1176	**2,338.69**	**3,394.82**	**5,733.51**	**3,486.72**	**19,511.86**	**22,998.58**	**3,700.38**	**6,780.00**	**10,480.38**	**3,770.09**	**5,561.90**	**9,331.99**

Table 3.6 Analysis of Programmes and Sub-Programme (Current and capital) Resource Allocation (KShs. Millions)

Programmes and Sub-Programmes	Approved Estimates			Allocation								
	2025/26			2026/27			2027/28			2028/29		
	Current	Capital	Total	Current	Capital	Total	Current	Capital	Total	Current	Capital	Total
1176: STATE DEPARTMENT FOR MICRO SMALL AND MEDIUM ENTERPRISES DEVELOPMENT												
PROGRAMME 1: Promotion and Development of MSME												
SP 1.1: MSME Development and Promotion	744.12	3,254.82	3,998.94	-	-	-	-	-	-	-	-	-
SP 1.2: Entrepreneurship and Business Development Services	77.75	40.00	117.75	-	-	-	-	-	-	-	-	-
Total Programme	**821.87**	**3,294.82**	**4,116.69**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
PROGRAMME 2: Product and Market Development for MSMEs												
SP 2.1 Market linkages for MSMES (Domestic & Export Market)	39.92	-	39.92	-	-	-	-	-	-	-	-	-
SP 2.2Value addition, Innovation & Incubation for MSMEs	587.00	-	587.00	-	-	-	-	-	-	-	-	-
Total Programme	**626.92**	**-**	**626.92**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
PROGRAMME 3: Digitization and Financial Inclusion for MSMEs												
SP 3.1 Hustler Fund	211.64	-	211.64	-	-	-	-	-	-	-	-	-
SP 3.2 Youth, Women and PWDs Empowerment (Uwezo Fund)	119.31	100.00	219.31	-	-	-	-	-	-	-	-	-
Total Programme	**330.95**	**100.00**	**430.95**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
PROGRAMME 4: General Administration, Support Services and Planning												
SP 4.1: General Administration, Support Services and Planning	558.94	-	558.94	-	-	-	-	-	-	-	-	-
Total Programme	**558.94**	**-**	**558.94**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total Vote 1176	**2,338.69**	**3,394.82**	**5,733.51**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

Table 3. 7: Programmes and Sub-Programmes by Economic Classification Economic Classification (Amount KShs. Million)

GECA Sector Programmes and Sub-Programmes by Economic Classification (KShs. Million)	Approved Estimates 2026/27	Resource Requirement			Resource Allocation		
		2027/28	2028/29	2029/30	2027/28	2028/29	2029/30
1176: STATE DEPARTMENT FOR MICRO SMALL AND MEDIUM ENTERPRISES DEVELOPMENT							
PROGRAMME 1: Promotion and Development of MSME							
Current Expenditure	**821.87**	**1,710.52**	**1,808.79**	**1,861.25**	**-**	**-**	**-**
Compensation Of Employees	76.95	527.61	537.76	548.21	-	-	-
Use Of Goods And Services	26.74	184.90	191.61	196.11	-	-	-
Grants And Other Transfers	718.18	998.01	1,079.42	1,116.93	-	-	-
Other Recurrent	-	-	-	-	-	-	-
Capital Expenditure	**3,294.82**	**15,311.86**	**3,330.00**	**3,410.00**	**-**	**-**	**-**
Acquisition of Non-Financial Assets	40.00	100.00	-	-	-	-	-
Capital Grants to Government Agencies	2,304.82	13,580.09	2,300.00	2,410.00	-	-	-
Other Development	950.00	1,631.77	1,030.00	1,000.00	-	-	-
Total Programme	**4,116.69**	**17,022.38**	**5,138.79**	**5,271.25**	**-**	**-**	**-**
PROGRAMME 2: Product and Market Development for MSMEs							
Current Expenditure	**626.92**	**821.61**	**883.80**	**852.82**	**-**	**-**	**-**
Compensation Of Employees	33.72	26.45	26.96	27.48	-	-	-
Use Of Goods And Services	6.20	43.36	45.53	47.81	-	-	-
Grants And Other Transfers	587.00	751.80	811.31	777.53	-	-	-
Other Recurrent	-	-	-	-	-	-	-
Capital Expenditure	**-**	**2,700.00**	**1,800.00**	**151.90**	**-**	**-**	**-**
Acquisition of Non-Financial Assets	-	2,700.00	1,800.00	151.90	-	-	-
Capital Grants to Government Agencies	-	-	-	-	-	-	-
Other Development	-	-	-	-	-	-	-
Total Programme	**626.92**	**3,521.61**	**2,683.80**	**1,004.72**	**-**	**-**	**-**
PROGRAMME 3: Digitization and Financial Inclusion for MSMEs							
Current Expenditure	**330.95**	**617.027**	**657**	**693.95**	**0**	**0**	**0**
Compensation Of Employees	-	-	-	-	-	-	-
Use Of Goods And Services	-	-	-	-	-	-	-
Grants And Other Transfers	330.95	617.03	657.00	693.95	-	-	-
Other Recurrent	-	-	-	-	-	-	-
Capital Expenditure	**100.00**	**1,500.00**	**1,650.00**	**2,000.00**	**-**	**-**	**-**
Acquisition of Non-Financial Assets	-	-	-	-	-	-	-
Capital Grants to Government Agencies	100.00	1,500.00	1,650.00	2,000.00	-	-	-
Other Development	-	-	-	-	-	-	-
Total Programme	**430.95**	**2,117.03**	**2,307.00**	**2,693.95**	**-**	**-**	**-**
PROGRAMME 4: General Administration, Support Services and Planning							

GECA Sector Programmes and Sub-Programmes by Economic Classification (KShs. Million)	Approved Estimates 2026/27	Resource Requirement			Resource Allocation		
		2027/28	2028/29	2029/30	2027/28	2028/29	2029/30
Current Expenditure	**558.94**	**337.56**	**350.79**	**362.07**	**-**	**-**	**-**
Compensation Of Employees	168.23	150.76	153.69	156.72	-	-	-
Use Of Goods And Services	386.54	186.80	197.10	205.35	-	-	-
Grants And Other Transfers	-	-	-	-	-	-	-
Other Recurrent	4.17	-	-	-	-	-	-
Capital Expenditure	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Acquisition of Non-Financial Assets	-	-	-	-	-	-	-
Capital Grants to Government Agencies	-	-	-	-	-	-	-
Other Development	-	-	-	-	-	-	-
Total Programme	**558.94**	**337.56**	**350.79**	**362.07**	**-**	**-**	**-**
Total Vote	**5,733.51**	**22,998.58**	**10,480.38**	**9,331.99**	**-**	**-**	**-**

Table 3. 8: Analysis of Recurrent Resource Requirement Vs Allocation for SAGAS (KShs. Million)

VOTE 1176: STATE DEPARTMENT FOR MICRO, SMALL AND MEDIUM ENTERPRISES							
Economic classification	**2026/27**	**Requirements**			**Allocation**		
	Approved estimates	**2027/28**	**2028/29**	**2029/30**	**2027/28**	**2028/29**	**2029/30**
SAGA 1: MSEA							
Gross	**718.18**	**998.01**	**1,079.42**	**1,116.93**			
AIA	4.50	4.50	4.50	4.50			
NET	**713.68**	**993.51**	**1,074.92**	**1,112.43**	**-**	**-**	**-**
Compensation of employees	573.51	614.21	632.64	651.62			
Other Recurrent	144.67	383.80	446.78	465.31	-	-	-
Of which							
Insurance	3.58	3.58	3.58	3.58			
Utilities	1.50	1.65	1.76	1.80			
Rent	44.34	36.00	18.00	18.00			
Subscriptions International Organization	-						
Subscriptions to Professional Bodies	-						
Contracted Professionals (Guards & Cleaners)	5.00	9.00	9.90	10.89			
Gratuity	-						
Others	90.26	333.58	413.55	431.05	-	-	-
SAGA 2: KIE							
Gross	**587.00**	**751.80**	**811.31**	**777.53**			
AIA	390.00	530.46	542.46	560.46			

VOTE 1176: STATE DEPARTMENT FOR MICRO, SMALL AND MEDIUM ENTERPRISES							
Economic classification	**2026/27**	**Requirements**			**Allocation**		
	Approved estimates	**2027/28**	**2028/29**	**2029/30**	**2027/28**	**2028/29**	**2029/30**
NET	**197.00**	**221.34**	**268.85**	**217.07**	**-**	**-**	**-**
Compensation of employees	367.29	436.74	477.35	486.50			
Other Recurrent	***219.71***	***315.06***	***333.95***	***291.03***	**-**	**-**	**-**
Of which							
Insurance		14.50	14.86	15.23			
Utilities		6.15	6.16	6.24			
Rent		6.83	7.17	7.89			
Subscriptions International Organization							
Subscriptions to Professional Bodies		1.50	2.00	2.50			
Contracted Professionals (Guards & Cleaners)		27.08	28.34	28.50			
Gratuity		1.49	1.49	1.49			
Others(including computers, motor vehicle, furniture anc cctv installation)	219.71	257.51	273.94	229.18	-	-	-
SAGA 3: UWEZO FUND							
Gross	**119.31**	**307.03**	**339.00**	**368.95**			
AIA	-	-	-	-			
NET	**119.31**	**307.03**	**339.00**	**368.95**	**-**	**-**	**-**
Compensation of employees	6.00	6.57	6.90	7.58			
Other Recurrent	**113.31**	**300.46**	**332.11**	**361.37**	**-**	**-**	**-**
Of which							
Insurance	1.10	1.10	1.16	1.27			
Utilities	1.60	2.00	2.10	2.31			
Rent	13.50	13.50	14.18	15.59			
Subscriptions International Organization	-						
Subscriptions to Professional Bodies	0.40	100.00	105.00	115.50			
Contracted Professionals (Guards & Cleaners)	3.50	3.68	4.04	4.05			
Gratuity							
Others	93.21	180.19	205.63	222.65	-	-	-
SAGA 4: FIF							
Gross	**211.64**	**310.00**	**318.00**	**325.00**			
AIA	200.00	200.00	200.00	200.00			
NET	**11.64**	**110.00**	**118.00**	**125.00**	**-**	**-**	**-**
Compensation of employees	20.00	86.86	88.56	90.32			
Other Recurrent	***191.64***	***223.14***	***229.44***	***234.68***	**-**	**-**	**-**
Of which							

VOTE 1176: STATE DEPARTMENT FOR MICRO, SMALL AND MEDIUM ENTERPRISES							
Economic classification	**2026/27**	**Requirements**			**Allocation**		
	Approved estimates	**2027/28**	**2028/29**	**2029/30**	**2027/28**	**2028/29**	**2029/30**
Insurance	1.50	1.50	1.50	1.50			
Utilities	1.20	1.20	1.20	1.20			
Rent	2.40	2.40	2.40	2.40	-	-	-
Subscriptions International Organization	-	-	-	-	-	-	-
Subscriptions to Professional Bodies	0.85	0.85	0.85	0.85	-	-	-
Contracted Professionals (Guards & Cleaners)	1.20	1.20	1.20	1.20	-	-	-
Gratuity	-	-	-	-		-	-
Others	184.49	215.99	222.29	227.53	-	-	-
Total Vote 1176: MSMEs							
Gross	**1,636.13**	**2,366.84**	**2,547.73**	**2,588.41**	**-**	**-**	**-**
AIA	594.50	734.96	746.96	764.96	-	-	-
NET	**1,041.63**	**1,631.88**	**1,800.77**	**1,823.45**	**-**	**-**	**-**

CHAPTER FOUR

4.0 Cross-Sector Linkages and Emerging Issues/Challenges

4.1 Cross Sector Linkages

The Sub-Sector has direct and indirect linkages with other Sectors in promoting socio-economic growth and development. The Programmes and projects within the Sub-Sector have strong linkages with other Sub-sectors within the GECA Sector and beyond through forward and backward value chain connections, thereby contributing to the achievement of Vision 2030.

These linkages have been further reinforced by the Revised Micro, Small and Medium Enterprises (MSME) Policy 2026, which anchors MSME development on an integrated value chain approach and provides for a whole-of-government framework for coordination between the National Government, County Governments, the private sector, development partners and other non-state actors.

The linkages are explained in the table below:

Table 4.1: Summary of Cross Sector Linkages

Sector	Linkages
Agriculture, Rural and Urban Development (ARUD)	The ARUD Sector supports the provision of land for building markets, physical and spatial planning, as well as production. The MSMEs Sub-Sector supports ARUD by promoting enterprise development along the priority agricultural value chains – including edible oils, dairy, tea, coffee, rice, cotton and the blue economy – through value addition, aggregation, marketing and market access initiatives. In rural and urban development, the Sub-Sector enhances access to building and construction materials and facilitates the provision of Common User Facilities. Under the Revised MSME Policy 2026, the Sub-Sector will further mainstream and integrate MSME zones into national and county spatial planning, thereby securing designated, serviced worksites for enterprises. These interventions strengthen agricultural production systems, expand distribution channels for agricultural and manufactured goods, and stimulate inclusive growth across rural and urban areas.
Energy, Infrastructure and ICT	The Sector plays a role in the provision of energy, lighting in market centres, and reliable road and rail networks for the transportation of goods to markets. In addition, the Sector creates linkages through ICT and innovation, hence facilitating market access and enhancing global linkages and collaborations. While energy is an enabler in the production of goods and services, ICT is responsible for promoting

	emerging technologies, e-commerce and e-business, trade information and knowledge management. The MSMEs Sub-Sector drives demand for energy, transport and ICT services while leveraging these enablers to expand business opportunities. It actively promotes the uptake of emerging technologies and digital platforms to enhance productivity, e-commerce and market access. Over the medium term, the Sub-Sector will collaborate with the ICT Authority and other agencies to operationalise the single window portal for MSME registration, licensing and approvals, and to align MSME support programmes with the National Artificial Intelligence Strategy 2025–2030, thereby fostering innovation and sustainable business growth.
Health	The Health Sector plays a crucial role in providing health care services to MSMEs, their employees and the general public. In addition, the Sector regulates business premises to ensure that businesses operate in a clean and healthy environment. The Sub-Sector forms part of the larger health sector through MSMEs and start-ups offering health services and manufacturing pharmaceutical and medical supplies. The Sub-Sector further collaborates with the Sector to promote occupational health and safety and to expand access to social protection and health insurance cover for MSME operators and their employees.
Education	Through curriculum development and MSME training, businesses and individuals acquire relevant skills, knowledge and attitudes to spearhead their enterprises. The Education Sector also provides managerial and entrepreneurial skills for MSMEs in both the industrial and service sectors, and undertakes the recognition of prior learning for artisans with practical experience. The MSMEs Sub-Sector creates job opportunities for the trained manpower through the promotion and development of MSMEs. The Sub-Sector works with the Sector to integrate entrepreneurship programmes into the existing education curriculum, to strengthen linkages between learning and research institutions, technology developers and MSMEs for skills transfer, and to establish business incubation centres within TVET institutions.
Governance, Justice, Law and Order	The Sector facilitates the administration of justice, particularly in the resolution of disputes arising from the licensing of MSMEs, commercial disputes, the prosecution of persons who practice illicit trade, and the protection of intellectual property rights.

	The Sub-Sector collaborates with the Sector to promote the uptake of simplified and alternative dispute resolution mechanisms by MSMEs, and to delineate the jurisdictional boundaries between the Micro and Small Enterprises Tribunal and the Small Claims Court so as to reduce the cost and duration of commercial dispute resolution for enterprises.
Macro Working Group	The Sector facilitates resource allocation and the provision of export and investment incentives to the MSMEs Sub-Sector. It also provides overall national development planning and public expenditure management, budget tracking, MSME regulation, business information, monitoring and evaluation of development programmes and activities, as well as access to support services. Through prudent use of allocated resources, the Sub-Sector enhances good governance and economic growth. The Sub-Sector further works with the Sector on the design of data-driven fiscal and non-fiscal incentives for MSMEs, the expansion of the Credit Guarantee Scheme, and compliance with zero-based budgeting, the electronic Government Procurement system and the transition to accrual accounting.
National Security	The MSME Sub-Sector works closely with the National Security Sector to ensure a safe and fair business environment. This includes protecting enterprises, safeguarding the production and distribution of goods and services, combating counterfeiting, and promoting fair trade practices. These efforts enhance investor confidence and contribute to improving Kenya's Ease of Doing Business Index. The Sub-Sector additionally collaborates with the Sector on cybersecurity awareness for enterprises transacting on digital platforms and on curbing online fraud targeting MSMEs.
Environment Protection, Water and Natural Resources	The Sector provides compliance guidelines for environmentally friendly operations and coordinates national climate change adaptation and mitigation responses. The MSMEs Sub-Sector advances green growth by promoting environmentally friendly business practices and sustainable packaging, while actively participating in national initiatives such as the National Tree Growing Restoration Campaign (15 billion trees by 2032). In line with the Revised MSME Policy 2026, the Sub-Sector will promote the adoption of climate-smart technologies, facilitate MSME access to green financing, and establish an MSME disaster economic recovery programme. Through these efforts, the Sub-Sector contributes to environmental conservation, climate resilience, and the broader green transition of the economy.

Public Administration and International Relations	The Sector provides the governance and accountability framework and policies, which are important in creating a conducive business environment. The Sector also facilitates the linkage between local producers and consumers abroad through economic diplomacy. The MSMEs Sub-Sector supports economic diplomacy by developing products for export and creating business opportunities that expand markets for locally produced goods and services. The Sub-Sector leverages the African Continental Free Trade Area, the East African Community, the Common Market for Eastern and Southern Africa and the Economic Partnership Agreement with the European Union to advance the internationalization of Kenyan MSMEs, thereby strengthening Kenya's participation in regional and global trade.
General Economic and Commercial Affairs (GECA)	The Sector plays a major role in facilitating trade through offering affordable credit facilities, trade and investment, and internal and external markets. It also facilitates trade through the facilitation and creation of cooperatives and SACCOs. The MSMEs Sub-Sector contributes to the development of infrastructure, champions the review of legal and regulatory frameworks, and facilitates the ease of doing business while mobilizing resources to support enterprise growth. Within the Sector, the Sub-Sector coordinates closely with the State Departments for Trade, Industry, Investment Promotion and Co-operatives to eliminate duplication of MSME interventions and to strengthen the cluster and value chain approach to enterprise development.

4.2 Emerging Issues and Challenges

Despite the significant role of MSMEs in GDP and employment creation, the Sub-Sector continues to face persistent and evolving challenges that need to be addressed to unlock the full potential of the sector. The emerging issues and challenges that affect the implementation of various activities, projects and Programmes in this Sub-Sector include:

a. **Operationalization of the Revised MSME Policy 2026:** The Revised Micro, Small and Medium Enterprises (MSME) Policy 2026 expands the policy framework to cover medium enterprises, embeds the value chain and cluster approach, and strengthens the devolution dimension of MSME development. Its full operationalization, however, requires the alignment and amendment of the Micro and Small Enterprises Act, No. 55 of 2012, which currently does not extend to medium enterprises or reflect the mandate of the State Department. Until the legal framework is aligned, institutional gaps in coverage, coordination and enforcement will persist, and the Sub-Sector will be constrained in delivering the full range of interventions envisaged under the Policy.

b. **Technology, Artificial Intelligence and Innovation:** The rapid pace of technological change has created both opportunities and gaps. While the adoption of ICT, digital platforms and e-commerce is increasing, MSMEs still face high costs of digital infrastructure, limited digital literacy, and exposure to cyber threats. The emergence of artificial intelligence presents significant opportunities for productivity, market intelligence and product development, but the cost of adoption, the shortage of relevant skills and the uneven distribution of connectivity risk widening the divide between digitally enabled and digitally excluded enterprises. The use of artificial intelligence and alternative data in credit underwriting is promising but raises concerns about transparency, data privacy and the potential exclusion of vulnerable groups.

c. **Access to Affordable Finance:** Credit constraints remain the leading challenge for MSMEs. Many face stringent loan conditions such as high collateral requirements, short repayment periods and high interest rates. Informality and weak record-keeping exacerbate information asymmetry, further limiting access to affordable finance. Although the Credit Guarantee Scheme has demonstrated cost-effectiveness in unlocking private sector credit, the high level of informality and low financial literacy render many enterprises ineligible for the facility. Beyond credit, complementary products such as insurance, leasing, pensions and capital market instruments for MSMEs remain underdeveloped.

d. **The Missing Middle and Low Enterprise Graduation:** The enterprise size distribution remains heavily skewed towards micro enterprises, with medium establishments accounting for a marginal share of licensed businesses. High mortality among newly established enterprises and low rates of vertical graduation from micro to small and from small to medium continue to deny the economy decent jobs and wealth creation. Addressing the missing middle requires sustained support across the enterprise transition cycle, including subcontracting arrangements, aggregation, standards compliance and long-term growth capital.

e. **Skills Gap and Capacity Challenges:** The Sub-Sector absorbs the majority of new job entrants, yet youth unemployment and underemployment remain high due to a mismatch between available opportunities and skills. Many MSMEs lack sound management practices in accounting, financial planning and strategy, contributing to high business failure rates. A large proportion of MSME operators hold competencies acquired informally that remain uncertified, limiting their mobility and access to formal opportunities.
f. **Business Premises and Infrastructure:** A majority of MSMEs operate in congested, informal and temporary premises with inadequate facilities. Limited availability of affordable and modern workspaces, industrial parks and Common User Facilities has restricted productivity, innovation and market access. Where facilities have been constructed, uptake has in some cases been constrained by siting decisions that do not respond to customer proximity and foot traffic, underscoring the need for standardisation and demand-driven design of workspaces and markets.
g. **High Levels of Informality:** Many MSMEs remain unregistered due to high registration costs, bureaucratic processes and limited awareness of the benefits of formalization. This excludes them from access to financial services, government support, social protection and external markets. Inadequate coordination between Ministries, Departments, Agencies and Counties results in duplicative and contradictory registration and licensing requirements, further discouraging formalization.
h. **Data, Information Gaps and Data Protection Compliance:** Outdated and fragmented MSME data hampers evidence-based planning, budgeting and monitoring. The absence of an integrated national MSME database and the lack of harmonization across agencies and Counties lead to duplication of efforts and inefficient policy targeting. As the Sub-Sector proceeds to develop integrated data systems, a national credit scoring framework and digital trade platforms, compliance with the Data Protection Act, 2019, including the conduct of data protection impact assessments and the execution of inter-agency data sharing agreements, becomes an additional obligation that must be planned and resourced.
i. **Regulatory Complexity and Intergovernmental Coordination:** Multiple, overlapping regulatory requirements at National and County levels increase compliance costs and discourage formalization. The complexity of taxation, licensing and labour regulations has made the business environment less conducive for MSMEs. Multiple levies and cess continue to hamper inter-county trade, and there is no dedicated mechanism for resolving conflicts between national MSME policy objectives and county trade regulations, levies or infrastructure decisions.

j. **Market Access Constraints and AfCFTA Readiness:** Despite growing opportunities in regional and global markets, MSMEs often lack information, certification and competitiveness to access these opportunities. Participation in export markets remains marginal owing to stringent certification and standards requirements, high costs of doing business, limited market intelligence and low production capacity. The African Continental Free Trade Area offers access to a continental market of over 1.4 billion people, but also introduces competitive pressures for which most enterprises are not yet equipped. Global supply chain disruptions linked to geo-political conflicts have further raised the cost of inputs and reduced competitiveness.

k. **Environmental and Climate-Related Risks:** MSMEs are increasingly vulnerable to climate-related shocks such as droughts and floods, which affect production and supply chains. At the same time, the shift to green growth and the tightening of Environmental, Social and Governance requirements in international supply chains require MSMEs to adapt through environmentally friendly practices, which demand investment and technical support. The absence of a structured disaster economic recovery mechanism leaves enterprises exposed following covariate shocks.

l. **Fiscal Consolidation, Pending Bills and Resource Constraints:** The Sub-Sector continues to operate under a constrained fiscal environment characterized by resource requirements that substantially exceed indicative ceilings. The ongoing fiscal consolidation strategy, the adoption of zero-based budgeting and the requirement to prioritize the settlement of verified pending bills and the completion of stalled projects limit the resources available for new interventions. This gap slows the rollout of infrastructure projects, delays the operationalization of completed facilities, and constrains the scaling up of financing and capacity building Programmes.

m. **Social and Digital Media Dynamics and Cybersecurity:** Social media platforms are increasingly used for brand promotion, marketing and stakeholder engagement, but they also pose risks of misinformation, online fraud and reputational damage for MSMEs. The growth of digital lending and mobile-based commerce has been accompanied by a rise in fraud and predatory practices targeting enterprises with limited financial and digital literacy.

CHAPTER FIVE

5.0 Conclusion

The MSMEs are critical contributors to the socio-economic objectives of the country including: creation of decent jobs; provision of public goods and services; poverty alleviation; and reduced inequality, making them a key priority area for achieving the National Development Agenda as stated in the Constitution of Kenya 2010, Kenya Vision 2030, the Sustainable Development Goals (SDGs) and the Bottom-Up Economic Transformation Agenda (BETA).

The Sub-Sector is committed to supporting MSMEs through a wide range of interventions, including value addition, innovation and incubation services; job creation through the construction and equipping of Common User Facilities (CUFs); enhancing market access by linking enterprises to local, regional (EAC) and continental (AfCFTA) markets; expanding access to industrial credit and business advisory services; strengthening capacity building in modern management practices; and promoting access to affordable credit to spur enterprise growth.

During the review period, the operating environment for the Sub-Sector was significantly reshaped by the approval of the Revised MSME Policy 2026, which expands the policy framework to cover medium enterprises and thereby completes the enterprise support continuum, embeds the value chain and cluster development approach, strengthens the devolution dimension of MSME development, and mainstreams digitalization, resilience and the green transition. The Policy provides the strategic direction against which the Sub-Sector programmes and interventions over the Medium-Term Budget period have been prioritised.

In the Medium-Term Budget (MTB) period 2027/28 – 2029/30, the Sub-Sector will continue playing its role towards realizing the targets of the Fourth Medium Term Plan 2023-2027 of the Kenya Vision 2030 and towards consolidating these gains into the successor Medium Term Plan. Key to this, the Sub-Sector will pursue the following:

i. Finalization of the review of the Micro and Small Enterprises Act, No. 55 of 2012, and development of the subsidiary legislation and implementation framework required to operationalize the Revised MSME Policy 2026, including provisions extending coverage to medium enterprises.
ii. Development and implementation of policies to foster the MSME sector in Kenya, including policies that will oversee the provision of favorable trading licenses and trading premises to every applicant across the 47 Counties, and the harmonization of fees, levies and cess affecting inter-county trade.

iii. Formalization of the MSME sector through the registration of MSMEs and of Associations and Umbrella Organizations, supported by the establishment of a single window portal for simplified registration, licensing and approvals.
iv. Promotion of incubation services for MSMEs in manufacturing, value addition and agro-processing across all 47 Counties, complemented by other growth interventions, to accelerate enterprise development and competitiveness.
v. Providing infrastructure support to MSMEs through Common User Facilities, including Constituency Industrial Development Centres (CIDCs), MSME Centres of Excellence, Cold Storage Facilities and MSME Industrial Parks, to enhance productivity, innovation and market competitiveness.
vi. Enhancement of entrepreneurial capacity through capacity development programmes on financial management, digitization, artificial intelligence and digital entrepreneurship, standards compliance and value addition.
vii. Promoting financial inclusion by creating innovative bottom-of-the-pyramid financial services and products, establishing and socializing the National Credit Score, and strengthening MSME de-risking mechanisms.
viii. Enhancing market access and the internationalization of Kenyan MSMEs through preferential treatment for locally manufactured products, digital trade, standardization, and preparedness for the African Continental Free Trade Area and other regional trade frameworks.
ix. Building MSME resilience and adaptability through the promotion of climate-smart technologies, risk management, access to social protection and occupational safety and health, and the establishment of an MSME disaster economic recovery programme.
x. Creation of employment opportunities through economic empowerment by scaling up MSME-focused initiatives with a particular focus on youth, women and persons with disabilities to promote inclusive and sustainable job creation.

CHAPTER SIX

6.0 Recommendations

To promote the effective contribution of the Sub-Sector to Kenya's economy and the attainment of targets set in the medium term, it is recommended that the Government:

i. Provide a stimulus package for MSMEs, particularly in manufacturing and agro-processing, to cushion enterprises against the high cost of production inputs and to support the priority value chains.
ii. Strengthen and promote MSMEs through affordable, long-term financing and sustained investment in infrastructure facilities, including the completion, equipping and operationalization of ongoing Common User Facilities before commencement of new projects.
iii. Expedite the review and enactment of the Micro and Small Enterprises Act, No. 55 of 2012, to align the legal framework with the Revised MSME Policy 2026, extend statutory coverage to medium enterprises, and strengthen institutional structures for coordinated MSME support.
iv. Scale up empowerment programmes to address youth unemployment and enhance the demographic dividend, with deliberate targeting of women, youth and persons with disabilities.
v. Increase investment in ICT infrastructure to lower broadband costs and enable digital MSME growth, and provide dedicated funding for the single window portal, the integrated national MSME database and the National Credit Score.
vi. Undertake reforms to strengthen financial services, improve credit access and reduce information asymmetry, including recapitalization and expansion of the Credit Guarantee Scheme and the re-engineering of Government affirmative action funds.
vii. Enhance resource mobilization through partnerships with development partners, the private sector and cooperatives, and through Public Private Partnerships, to bridge the financing gap between the Sub-Sector resource requirements and the indicative ceilings.
viii. Provide funding for organizational structures, staff recruitment and the expansion of Sub-Sector programmes to address the persistent human resource capacity constraints within the State Department and its Agencies.
ix. Review and harmonize existing Acts and Regulations affecting MSMEs at both levels of Government to remove overlaps and inefficiencies, and operationalise an Intergovernmental MSME Dispute Resolution Mechanism under the Intergovernmental Relations Act, 2012.
x. Provide adequate resources for the settlement of verified pending bills and the completion of stalled projects, in line with the guidelines for the preparation of the 2027/28 – 2029/30 Medium-Term Budget.

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