



MINISTRY OF INDUSTRIALIZATION,
TRADE AND ENTERPRISE
DEVELOPMENT



National Training Workshop on Fostering Productive Capacities in Kenya

Policies and Strategies for post Covid 19 Recovery with emphasis on MSMEs.

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Presentation outline:

1. Overview of the MSME Sector in Kenya
2. Effects of COVID 19 to the MSME Sector
3. Remedial Measures Adopted by MSMEs
4. Government Strategic Interventions During the Pandemic
5. Post-COVID 19 Government Policies and Strategies developed



Overview of the MSME Sector in Kenya:



Micro Enterprise:

- Employs less than 10
- Turnover of less than Kshs. 1,000,000



Small Enterprise:

- Employs between 10-49
- Turnover of Kshs. 1,000,000 – Kshs. 5 Million

Medium Enterprise:

- Employs between 50-99
- Turnover of Kshs. 5 Million – Kshs. 20 Million



Overview of the MSME Sector in Kenya:

- ▶ MSMEs play a critical role in Kenya's economic development and employment creation.
- ▶ MSMEs cover a wide range of activities in almost all sectors of the economy and are a major engine of inclusive economic growth.
- ▶ The Kenya National Bureau of Statistics (KNBS 2016 Survey) indicates that there were over 7.4 million MSMEs in the country, which employ approx. 14.9 million Kenyans and contribute approx. 40% of the GDP.
- ▶ MSMEs comprise of more than 90% of private sector enterprises in the country
- ▶ Majority of MSMEs in the country operate informally. Over 85% of MSMEs are unlicensed enterprises, with majority falling under the category of 'Micro'



Effects of COVID 19 to the MSME Sector:

- ▶ Different sectors, regions and communities of people have been affected in different ways with COVID-19, exposing and increasing existing vulnerabilities. COVID-19 pandemic has impacted on millions of lives and livelihoods.
- ▶ MSME sector employment is estimated to have contracted to 14.5 million jobs in 2020 and accounted for 83.4% of the total employment outside of small-scale agriculture.
- ▶ One out of every ten enterprises shut down their businesses as a result of the COVID-19 pandemic
- ▶ While large enterprises adopted changes such as digital technology to maintain business operations with options such as working virtually MSME did not have such lifelines and remain underserved by gaps and access to the financial and technology.



Effects of COVID 19 to the MSME Sector:

MSMEs have been disproportionately impacted by the crisis including:

- ▶ Loss of revenue owing to disruptions in supply chains,
- ▶ Declining consumers and loss of labor,
- ▶ Deduction of customers,
- ▶ Low sales,
- ▶ Market closures,
- ▶ Movement restrictions,
- ▶ Increased costs of doing business
- ▶ Cash flow problems including loss of capital



Effects of COVID 19 to the MSME Sector:

- ▶ This is attributable to their size, liquidity, access to capital and proneness to informality which make them more vulnerable to extreme disturbances and economic shocks.
- ▶ Operating in the informal economy also makes MSMEs less likely to benefit from government and private sector initiatives, such as moratoriums, tax reliefs, emergency financial support and grants.



Remedial measures by MSMEs during the pandemic:

- ▶ Retrenchment of staff, reducing working hours, reducing remuneration of staff
- ▶ Diversification of business
- ▶ Exploration of alternative marketing strategies
- ▶ Negotiation for financial re-structuring and alternate sources of finance
- ▶ Innovations such as availing incentives to attract customers and digitize some services
- ▶ Adoption and transition to online and digital platforms for market access and business operations. Use of social media platforms such as WhatsApp, and Facebook was prevalent.



Government Strategic Interventions During The Pandemic:

- ▶ Reduction in turnover taxes for all Micro, Small and Medium Enterprises (MSMEs) from 3% to 1%. The reduction in tax rate was expected to benefit the MSMEs whose turnover does not exceed Ksh 5 million
- ▶ Fast-track the clearance of pending bills and accelerate VAT refunds
- ▶ Temporary suspension of the listing with Credit Reference Bureaus (CRBs) of any person, MSMEs and corporate entities. All these efforts provided liquidity, stabilized financial markets and maintained investor confidence in the country.
- ▶ Moratorium on banks not to increase interest rates



Post-COVID 19 Government policies and strategies developed:

- ▶ Development of Kenya Micro and Small Enterprises Policy on Promoting Micro and Small Enterprises (MSEs) (2020) *for Wealth and Employment Creation* - Promotes Start-ups, enhances access to affordable finance, promotes formalization of MSEs etc
- ▶ Development of an MSE Fund
- ▶ Partnership with Development Partners on MSME recovery plans in the following areas:
 - Access to finance for example partnership with Master Card Foundation
 - Capacity building programmes
 - Development and utilization of e-platforms e.g training done in collaboration with ITCILO
 - Research for instance with UNDESA on Impact Assessment of COVID 19 among MSMEs in Kenya
- ▶ Development of the Micro and Small Enterprises Strategic Plan 2020 - 2024 - Enumerates various COVID 19 recovery strategies for MSMEs



Post-COVID 19 Government policies and strategies developed:

- ▶ Budget Policy Statement by The National Treasury for the year 2021/22 (Third Economic Stimulus Programmes), which details:
 - “Kazi Mtaani” programme to create employment for 200,000 youth
 - A moratorium for MSMEs from Credit Bureau Reference listing
 - Engagement of digital payment providers, which resulted in lowering the cost of mobile transactions and expansion of transactions limits
 - Credit Guarantee Scheme (CGS) - as at 30th of June 2021, the Government had guaranteed 334 credit facilities amounting to Ksh 634.5 Million, CGS to be expanded in 2021/2022

- ▶ Enhancement of the Kenya Youth Employment Opportunities Project



Post-COVID 19 Government policies and strategies developed:



- ▶ The Government is implementing power bill reduction by 30% as per the Presidential Directive during 57th Jamhuri Day celebration. This is aimed at reducing cost of production
- ▶ A proposed specialized Export Finance Agency to provide Finance for export development, and to address MSMEs and other enterprises financial requirement needs for export development that may not be met by mainstream conventional banking institutions.
- ▶ Buy Kenya, Build Kenya policy which aims at promoting consumption of Kenya made products besides spurring production and enhancing job creation.
- ▶ Formalization of informal firms (MSMEs) - Easing of registration processes as well as sensitizing MSMEs on the benefits of registration to facilitate MSME formalization.
- ▶ Enhanced marketing opportunities for MSMEs. The government facilitated 320 Kenyan MSMEs to participate in the 21ST EAC trade fair
- ▶ Creation of an MSE Business Regulatory toolkit-understanding of kenyan regulatory environment



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THANK YOU

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