



KEPSA CEO'S OPENING REMARKS DURING THE KEPSA ANNUAL SME CONFERENCE, AWARDS & EXHIBITION PROGRAMME ON 23RD AUGUST, 2024 (8:00AM TO 5:00 PM, EAT).

Theme: Unlocking SME Financing and Scaling Up Innovations for Accelerated Growth

- The Chief Guest- Hon. Wycliffe Oparanya, Cabinet Secretary, Ministry of Cooperatives and MSMEs Development
- Dr. Chris Kiptoo, Principal Secretary, National Treasury
- Dr. Kamau Thuge, The Governor - Central Bank of Kenya
- Dr. Vimal Shah, The Chairman, BIDCO Africa Limited
- Mr. Henry M. Rithaa, Micro and Small Enterprises Authority - Chief Executive Officer
- Ms. Cynthia Kropac, The Chief Enterprise Business Officer, Safaricom PLC
- Mr. Veerakumar Natarajan, Country Head, Zoho Kenya
- Mr. Joseph Murabula - Chief Executive Officer, The Kenya Climate Innovation Center (KCIC)

Distinguished Guests,
Ladies and Gentlemen,

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INTRODUCTION

The Kenya Private Sector Alliance (KEPSA) is the umbrella apex body of the private sector in Kenya. It brings together local and foreign business associations, federations, chambers of commerce, professional bodies, corporates including multinationals, large and medium-sized corporates, SMEs, and start-ups from all sectors of the economy, representing over 1 million businesses to enable them to speak with one voice when engaging Government, development partners and other stakeholders on cross-cutting policy issues affecting private sector development and implements programs that ensure social-economic development of the country.

STATUS OF SMES IN KENYA

- SMEs are the backbone of our economy since they account for 98% of businesses in Kenya, a significant contribution to the country's GDP), driving innovation, creating jobs, and fostering economic growth.
- In Kenya as in many other countries, SMEs play a pivotal role in Kenya's economy. They contribute to over 90% of the total labour force and play a key role in poverty reduction and economic development. They are also a source of innovation, competitiveness, goods and services, and entrepreneurial skills. There are over 7.4 million SMEs employing approximately 14.9 million Kenyans in various sectors of the economy. In addition, the SMEs cover a wide range of establishments in almost all sectors of the economy. It is also worth noting that most SMEs operate informally. Moreover, the important role of SMEs in promoting GDP growth and employment is underlined in Kenya's Vision 2030, the country's long-term development blueprint.
 - According to the CBK, SMEs are a major provider of employment and livelihoods. Kenya's informal sector created the bulk of new jobs last year contributing 85 percent of all the new openings reported in 2023, according to a Kenya National Bureau of Statistics (KNBS) survey. The 2024 Economic survey puts the total new jobs generated in the economy at 848 000 in 2023, where 721,000 of the new jobs came from the informal sector, a sector with a history of not offering quality returns to workers. SMEs therefore play an important role in enhancing economic prosperity and social wellbeing.
- Due to the informal nature of these SMEs, most of the information about them is often based on estimates. The amount of money they make is also hard to confirm since they largely use cash transactions. However, with the growth in adoption of technology such as mobile money (MPESA) there is an opportunity for closing this information gap.
- The sector's contribution to Kenya's gross domestic product (GDP) has increased from 13% in 1993 to 33.8% in 2016 according to the Kenya National Bureau of Statistics. In comparison, SMEs in developed countries contribute even more than 50% of the GDP.

- The sector is dominated by Micro-enterprises which form 92.2% of the licensed SMEs and more than half operate in the Wholesale and retail trade.
- The COVID-19 pandemic adversely affected many businesses, and some closed down. The government of Kenya, as in other parts of the world, put in place measures to help businesses, including a reduction in taxes. Many small companies benefited from the measures and could keep a few employees on the payroll. As the pandemic eases across the globe, recovery has started for SMEs in Kenya although entrepreneurs still face challenges that were in existence before the pandemic.

OUR HISTORICAL BACKGROUND IN SME DEVELOPMENT

Our Advocacy Journey and Achievements in Shaping the Regulatory Framework for the SME Sector

- **Micro Small Enterprises (MSE) Act (2012).** Prior to the Micro Small Enterprises (MSE) Act 2012, the sector was largely unregulated, considering most micro and small enterprises are unregistered and informal. To enhance Regulation of the MSE sector KEPSA was involved in **Drafting and fast-tracking the enactment of the Micro & Small Enterprise Bill (KEPSA Private Members Bill)** which sought to regulate the sector and bring them under a legal framework that would enable them to access credit and also pay taxes. The MSE Act 2012 was passed in December 2012 after almost 10 years of advocacy and multi-stakeholder consultations. KEPSA developed a simplified version (32-page popular Version) of the MSE Act 2012 to educate SMEs on the Act's benefits and also the rules and regulations to enhance adherence. Under the MSE Act, KEPSA played an active role in championing for:
 - Establishment of the MSE Authority mandated with formulating and reviewing of MSE policies and programs in Kenya to enhance the growth of the sector, and
 - Establishment of Micro and Small Enterprises Fund (MSEF) to promote the development of SMEs through access to affordable credit, capacity building, research and development.
 - Both MSEA and MSEF have not been effective in performing the above roles and need strengthening or reforms to enable them to deliver on their mandate.

Other Critical policy and Legislation interventions to benefit SMEs that KEPSA has successfully advocated.

- **The Business Regulation Bill (2012)** – aimed at enhancing the representation of the private sector in the business regulatory reforms committee; introducing mandatory regulatory impact assessment (RIA) and resolving conflict of the bill with existing regulatory bodies established by Act of Parliament.
- **Review of the Limited Liability Partnership Act (2011)** which shifted the liability of a partnership firm in the event of insolvency from the personal property of the proprietors to the property of the LLP. This was crucial, especially for Kenya's professional services firms (PSFs) which mostly trade as partnerships (accountants, lawyers, surveyors etc.) in protecting the personal assets of the owners in the event of insolvency of their firms.
- **Companies Act (2015)** which sought to simplify the process of registering a company including a proposal for a one-person company registration; requirement that companies re-register once they

move from being a public entity to private or vice-versa; introduce reforms in the way companies in Kenya are managed in the interest of shareholders, creditors and the investing public.

- **The Business Registration Service Act (2015)** created a legal framework for a more effective and efficient administration of at least 11 laws that were regulating business operations in Kenya. These included the Companies Act, Partnership Act, Limited Liability Partnership Act, Societies Act, College of Arms Act, Registration of Business Names Act, Hire Purchase Act, Books and Newspapers Act, Bankruptcy Act and Chattels Transfer Act. The Act improved the regulatory environment for business start-up, set the legal framework for the One-Stop Business Registration Centres (Huduma Centres) and introduced other measures that have greatly eased busy registration for large and small businesses alike. It provided a window to address some of the bottlenecks and challenges seen to undermine the business regulatory environment in the absence of a clear and defined structure for regulation. KEPSA has played an active role in pushing for the implementation of the Act to decentralize the Business Registration Services through the rollout of the one-stop shop Huduma Centres countrywide and improve their effectiveness.
- **The Movable Property Security Rights Act (2017)** also established an e-collateral registry to ease credit access.
- **Establishment of Credit Guarantee Scheme** – KEPSA played a pivotal role in the establishment of the Credit Guarantee Scheme by spearheading efforts to design and advocate for its implementation. We actively engaged with key stakeholders, including government bodies, financial institutions, and industry experts, to shape the framework of the scheme.
- **Establishment of SME division at KRA** – now operational and will help SMEs formalize.
- **Establishment of Small Claims Court** which seeks to address disputes of up to Kshs. 1 million (\$10,000) within 60 days reducing the length and cost of addressing small commercial disputes mostly affecting SMEs.
- **Amendments to the Banking Act (2016)** to resolve the interest rates cap impasse.
- **County Own Source Revenue Enhancement Policy (2018) and County Government (Revenue Raising Regulation Process) Bill. To resolve the issue of multiplicity of fees and charges at County level where most SMEs operate.** KEPSA conducted five regional consultation forums in Kisumu, Mombasa, Nakuru, Nyeri, and Nairobi in August 2017 bringing together businesses from nearby counties (including SMEs) to identify the challenges they face doing business in their counties and provide input to the **draft County Own Source Revenue Enhancement Policy and County Government (Revenue Raising Regulation Process) Bill**. The consolidated input was submitted as for inclusion and the Policy was passed while the Bill is still pending and need to be fast-tracked, and the private sector input considered.
- **The Public Procurement and Asset Disposal Act (2015). Addressing delayed payments to suppliers:** This is one of the main issues facing SMEs and hindering growth. KEPSA has been engaging with the government on the issue of delayed payments at all levels of government. For example, KEPSA made significant contributions to the **Prompt Payment Bill, 2020** by actively participating in the drafting and advocacy process. KEPSA's involvement included engaging with lawmakers, advocating for the inclusion of provisions that protect SME interests, and offering practical

recommendations to enhance the bill's effectiveness. Through these efforts, KEPISA aimed to create a more favorable business environment by ensuring timely payments, which are essential for the sustainability and growth of SMEs.

- **Reduction of tax burden, simplification of tax payment processes, and fast-tracking VAT refunds:** These are areas that KEPISA has been engaging in to enhance business growth, simplify the process of paying taxes, especially for SMEs (which led to digitization through i-Tax) and improve compliance with tax payments.
- **To protect SMEs from unfair competition, KEPISA has engaged in the development of:**
 - **The Competition Act**, which sought to provide a level playing field for business and curb anti-competitive practices,
 - **Anti-Counterfeit Act**, which formed the ACA and outlawed production of counterfeits thus protecting businesses/industries from infringement of IPR and dumping of contrabands.
 - **Price Control (Essential Goods) Act**, which proposed that government observe market liberalization fundamentals in regard to price controls.
 - **Bribery Act 2016** (developed by the private sector) aimed at enhancing the war on corruption which has been ranked the number 1 impediment to ease of Doing Business in Kenya.
- **KEPISA has also participated in the formation of the special dispute-solving tribunal for SMEs in 2015** to deal with conflicts among SMEs arising from breaches of contracts, disputes over property, transactions, etc.
- **Mkenya Daima initiatives** towards improving governance and political stability which is crucial for business growth. These efforts have been in form of peace campaigns, promoting integrity, rule of law, etc. and have origins from private sector involvement in brokering peace during the 2007/2008 conflicts. These activities were carried on to the 2013 and 2017 elections period.
- **The First SME Policy Index** of Kenya: Through consultation with over 1,300 MSMEs, KEPISA has developed an SME Policy Index across eight policy dimensions focused on assessing how facilitative the policy and business regulatory frameworks at national and county levels are to SME growth. This is to guide KEPISA engagement with relevant authorities on the identified areas towards improved business environment. The first MSME policy index was conducted in 2018 in three counties (Nairobi, Kiambu and Machakos). The general finding was that Kenya's Policy environment is moderately facilitative to MSME growth with a score of 3.03 out of 5, where 5 is the best, 3 is neutral, and 1 is worst. Across the 8 policy dimensions covered, scores ranged from 2.50 to 3.38. KEPISA is currently **finalizing** the second edition of the SME Policy Review to continue this effort and the report will be out soon.

Our previous SME programs

Allow me to share some of our key achievements in our SME and Enterprise Development portfolio. As KEPISA, we have played a key role in organizing the sector and engaging different partners including the government to put in place support strategies for SMEs. We have always been proactive in nurturing and incubating SMEs knowing that they are vital to the economy, especially during the covid-19 period. Some of the initiatives we have fronted to support these young businesses to bud, thrive, and build back better from the ills of Covid 19 include:

- ⇒ **SME Accelerator program-** The SMEs Accelerator Program is an ongoing initiative by KEPSA with support from the Embassy of Ireland in Kenya, to support SMEs in increasing the value of their businesses quickly. It involves an intensive mentorship to bolster their current strategies and accelerate their growth and help them pivot or adjust their strategy due to new information about their target market. The project promotes SMEs to access suitable financial products by linking them with various financial instruments (companies or individuals that provide financial resources and expertise to young businesses). This market-driven program provides services, including mentoring and coaching to SMEs to accelerate their growth. It comprises a unique and highly flexible program combining business development processes designed to nurture the beneficiaries. The program target to reach at least 200 SMEs this year drawn from all over Kenya split into 4 Cohorts of 50 SMEs each as follows:
 - Cohort 1: Access to markets, themed, *Accessing markets for your business growth*;
 - Cohort 2: Technology-themed, *Accessing new business horizons through effective technology adoption*;
 - Cohort 3: Investor readiness, themed, *Is your business ripe for investors?*
 - Cohort 4: Business operations, themed, *Operations and compliance for business success*;
- ⇒ **E-Commerce Booster Program-** The Program had three components targeting namely; on-boarding SMEs onto existing digital platforms, overseas e-market platforms, and strengthening the digital marketing capabilities of the SMEs. As part of the program achievements, 2,605 SMEs were trained in 6 months on digital marketing and on-boarded onto various e-commerce platforms, and a web portal is now active (ebp.kepsa.or.ke) where businesses can register and learn how to go navigate the digital market space.
- ⇒ **Coaching to access finance-** 54 businesses were enrolled in the coaching lessons where they were taken through sessions on developing and preparation of a business plan, Financial Performance Summary, financial projections, and pitch deck. The SMEs were also linked to commercial and non-commercial investors whereby selected 13 businesses pitched to commercial (bank institutions) and non-commercial financiers. 9 out of 13 businesses underwent engagements with the investors and two of the beneficiaries successfully received over 5M funding for their businesses.
- ⇒ **KEPSA support programs for SME recovery,** resilience, and catalyzing growth during and post-COVID-19. In partnership with Mastercard Foundation, KEPSA implemented an emergency finance facility for SMEs of between \$1,000 (Kshs.100,000) and \$15,000 (Ksh.1.5 million) repayable within 6 months at zero interest. Other measures under the program included training and mentorship program to build capacity for SMEs to navigate the pandemic which saw over 10,000 SMEs reached. An SME portal was also developed to better target and support SMEs by providing the business development services opportunities. KEPSA is also in final stages to launch an SME Revolving Fund and Finance Gateway which will provide more funding opportunities.
- ⇒ **Supporting digital transition** – Our survey last year showed that over 1.2 million young Kenyans are accessed online jobs through the Ajira Digital Project which targets to equip the young people with skills to access digital and digitally-enabled jobs. The project looks at outsourcing of non-core business operations to the Youth which have seen over 80,000 and over 1,300 Young people linked to work

opportunities in the last two years under private sector engagement and public sector respectively.

- ⇒ **KYEP (Kenya Youth Empowerment Project)** (2011 – 2016, funded by World Bank). Through the project, KEPSA trained over 20 thousand youth on life skills, entrepreneurship and core business skills, then placed 13 thousand in internship with the private sector surpassing the targets showing casing the value of private sector in Public Private Partnership. The project engaged over 3,000 master craftsmen (SMEs) in Nairobi, Mombasa and Kisumu to train the apprentices and the project had a success rate of 80% in linking young people with employment opportunities.
- **Covid-19 Recovery & Resilience Program (CRRP)**. During Covid-19 we implemented the COVID-19 recovery and resilience program that sought to enhance access to zero-interest loans, including running training and mentorship sessions for SMEs where over 100 businesses were linked to funding and over 10,000 enterprises trained and mentored.

Current strategic focus areas in the SME Development

Over the years, we have consistently evaluated and refined our services to better meet the needs of Kenyan SMEs. Our goal has been to ensure that our programs and services effectively address the evolving challenges and requirements of SMEs. As part of this ongoing effort, we have decided to concentrate our efforts on five key pillars, as depicted in the accompanying diagram.

These pillars represent the core areas where we believe targeted support and strategic initiatives will have the greatest impact. By focusing on these areas, we aim to provide comprehensive and relevant solutions that enhance the growth and sustainability of SMEs.



a) Funding Linkages

- **Jiinue Growth Program (JGP)**. In 2023, KEPSA, Mastercard Foundation, and 6 other partners launched the **Jiinue Growth Program**, which seeks to address the funding gap for young women and young men-owned or led SMEs by pairing up financial support with well-tailored technical assistance, and a hands-on coordination strategy between various players in the eco-system. The program provides funding of between Kshs.5,000 to Kshs. 14 million repayable between 2 months and 24 months with one of the most competitive interest rates of 10% per annum. KEPSA has so far linked over 500 enterprises to this affordable funding opportunity. . .
- **MSME Financing Gateway**. MSME Financing Gateway: Today, we are proud to launch this significant milestone in our ongoing efforts to ensure SMEs have access to the financing they need. KEPSA has partnered with the International Trade Centre to support SMEs access funding through

the SME Gateway portal. The portal allows SMEs to access information on various form of financing available from financial services providers (both commercial and non-commercial) as well as receive business development services. So far, we have over 1000 enterprises, over 140 business development service providers, and over 90 financial institutions who have registered on the platform.

b) Market Linkages

As part of KEPSA's commitment to enhancing market access for Kenyan SMEs, KEPSA has been deeply involved in fostering regional trade and economic integration within the East African Community (EAC). The EAC market, comprising Kenya, Tanzania, Uganda, Rwanda, Burundi, and South Sudan, offers significant opportunities for SMEs to expand their operations and reach new customers.

Recognizing these opportunities and challenges, KEPSA is actively engaging with key stakeholders and initiatives to drive progress in the region. At this conference, we are thrilled to announce the launch of the KEPSA and DHL Kenya Express partnership, a five-year initiative designed to support export-ready SMEs in accessing global markets through the EU-EPA, AfCFTA, and AGOA agreements. The pilot phase of this initiative aims to provide training to 90 SMEs across three cohorts. To date, 170 entrepreneurs have enrolled to this program, including 46 young women and 30 young men, representing value chains such as fashion, handicrafts, branded agriproducts, and many more. This year we have linked over 130 enterprises with different market opportunities.

c) Capacity Building

To ensure KEPSA develops a viable pipeline for investor-ready businesses, we have launched a technical assistance (training, mentorship, coaching, benchmarking tours among others) initiative that focuses on enhancing the capabilities of SMEs. This initiative provides targeted support in areas such as business development, financial management, and operational efficiency. By equipping SMEs with these essential skills and resources, we aim to prepare you and others not in the room for sustainable growth. We have so far seen over 2500 SMEs gone through our various technical assistance programs. We intend to scale this number to over 50,000 in the next two years.

d) SME Innovation

In our commitment to promoting SME innovation, KEPSA is excited during this event to launch the Inaugural annual SME Innovation Excellence Awards. These awards are designed to recognize and celebrate SMEs that have introduced exceptional innovations in their products, services, or operational processes, resulting in improved efficiency and service delivery. This initiative is part of a larger framework aimed at driving innovation within a vibrant ecosystem, with the goal of enhancing Kenya's Global Innovation Index (GII) ranking. Additionally, it seeks to boost productivity, stimulate economic growth, and create new employment opportunities.

We have introduced three award categories, and we will be presenting the awards to the winners shortly during this conference.

- **Best Youth-Led Innovation Business**
- **Best Women-Led Innovation**
- **Best Overall Innovative Business**

Furthermore, we are thrilled to also launch the inaugural Annual SME Enablers Awards. These awards will honor the outstanding efforts and contributions of individuals and organizations that have played a significant role in supporting the growth and success of SMEs and we shall be awarding them shortly.

The award categories for this initiative are:

- **SME Enabler of the Year:** This category recognizes institutions that have demonstrated exceptional dedication and commitment to the overall development and success of SMEs across various sectors.
- **Inclusion and Diversity SME Enabler of the Year:** This award honors organizations that have shown remarkable dedication to advancing inclusivity, diversity, and equal opportunities for underrepresented groups, including enterprises led by young people, women, and individuals with disabilities (PWD).

e) **Thought Leadership**

Regarding thought leadership, I want to underscore that KEPSA recognizes the critical importance of continually engaging in discussions on SME development. This involves actively participating in shaping and influencing the discourse through various channels, including policy formulation, regulatory discussions, conferences, and research initiatives.

At KEPSA, we understand that effective thought leadership is key to driving meaningful progress in the SME sector. We are committed to contributing to and guiding conversations on policies and regulations that impact SMEs, sharing insights and findings from research, and facilitating conferences that bring together experts and stakeholders. By staying engaged in these areas, we aim to foster an environment where innovative ideas and best practices can thrive, ultimately supporting the growth and sustainability of SMEs.

CONCLUSION

- a. KEPSA has recently made a significant commitment to SMEs by changing its membership policy to be more inclusive. This strategic change is designed to accommodate SMEs and ensure they have access to the same resources, networks, and opportunities that larger businesses enjoy. I encourage Kenyan SMEs to seize this opportunity to join KEPSA and leverage the myriad benefits it offers.
- b. To join KEPSA Today.....

- **Visit Our Website:** For more information about membership and the benefits KEPSA offers, visit our website at KEPSA's Official Website.
 - **Interact with Us at Our Booth:** We have set up a booth today to provide you with detailed information and assist you with the membership registration process. Our team is ready to answer your questions and guide you on how to make the most of KEPSA's offerings.
- c. Together, we can drive economic development, create jobs, and ensure sustainable growth for the Kenyan economy. Don't miss out on this opportunity to empower your business and join the KEPSA community today
- d. **As I conclude**, I am thrilled to make a significant commitment to all stakeholders present here today. This inaugural conference marks the beginning of our annual SME conferences. We promise to ensure this platform becomes a consistent, valuable fixture in our calendar, fostering dialogue, collaboration, and progress across all sectors.
- e. In addition, I want to commit to instituting the SME annual Awards as a key feature of our annual conference. By hosting these awards annually, we aim to consistently recognize and celebrate the exceptional achievements and innovations within the SME sector. This ongoing recognition will not only honor the hard work and creativity of SMEs but also inspire continued excellence and growth throughout the industry.
- f. Our dedication to hosting these gatherings underscores our resolve to drive sustainable growth and innovation. We are committed to creating an environment where businesses can thrive and contribute meaningfully to Kenya's economic and social prosperity. Together, we will continue to elevate our initiatives, ensuring a ripple effect of positive change that benefits all.
- g. I therefore urge all stakeholders, including government officials, financial institutions, development partners, and SME owners, to actively participate in these discussions, collaborate on innovative solutions, and commit to actionable steps that will enhance the growth and impact of SMEs in Kenya.