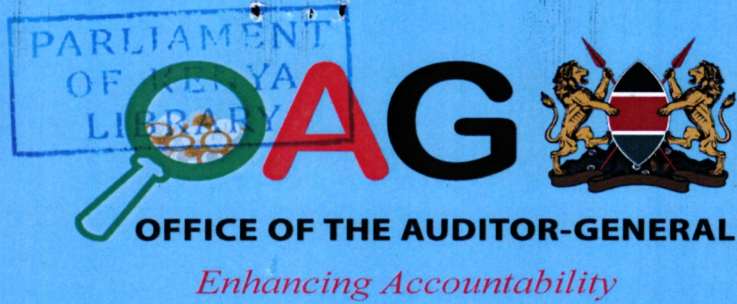


REPUBLIC OF KENYA



**REPORT**

THE NATIONAL ASSEMBLY PAPER 11/1/10	
DATE: 19 APR 2023	DAY: Wednesday
TABLED BY:	Hon. Owen Baya, Deputy leader of the Majority Party
CLERK-AT THE TABLE:	Mado

**OF**

**THE AUDITOR-GENERAL**

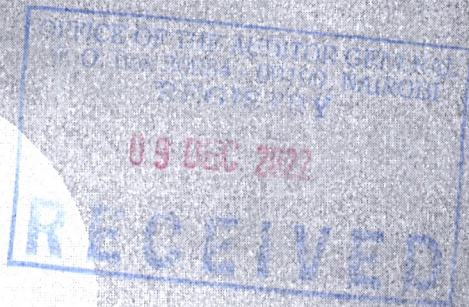
**ON**

**MICRO AND SMALL ENTERPRISES  
AUTHORITY**

**FOR THE YEAR ENDED  
30 JUNE, 2022**



**MICRO AND SMALL  
ENTERPRISES AUTHORITY**  
*Entrepreneurship Transforming Kenya*



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**MICRO AND SMALL ENTERPRISES AUTHORITY**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDING  
JUNE 30, 2022**

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Prepared in accordance with the Accrual Basis of Accounting Method  
under the International Public Sector Accounting Standards (IPSAS)



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## 1. KEY ENTITY INFORMATION AND MANAGEMENT

### (a) Background information

The Micro and Small Enterprises Authority (MSEA) is a State Corporation established under the Micro and Small Enterprise Act No. 55 of 2012. The Authority is established by law to support development and regulation of Micro and Small Enterprises. The Authority's mandate as indicated by the Micro and Small Enterprise Act No. 55 of 2012 is to Regulate, Promote and Develop the Micro and Small Enterprise Sector. The Authority focuses on the following sectors: Manufacturing, Agribusiness, Trade and Services. At Cabinet level, the Authority is represented by the Cabinet Secretary for Industrialization, Trade and Enterprise Development, who is responsible for the general policy and strategic direction of the Authority. In his inaugural speech, His Excellency the President established a Ministry of Cooperatives and SME Development mandated to ensure that every small business has secure property rights, access to finance and a supportive regulatory framework. The Authority is likely to be moved to this new ministry.



**TAGLINE, MISSION, VISION:**



**01** Entrepreneurship  
transforming Kenya

A vibrant coordinated micro  
and small enterprises driven  
economy

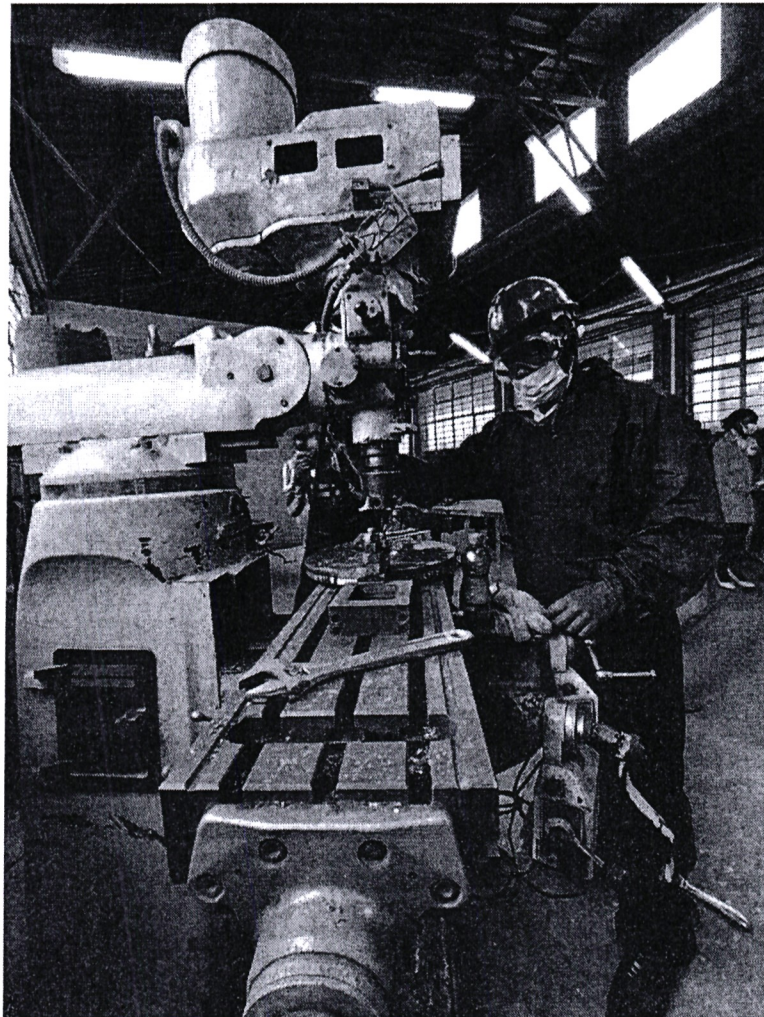
**02**



**03** To promote, develop and  
regulate globally competitive  
and sustainable micro and  
small enterprises

Collaboration Integrity  
Innovation Sustainability  
Equity

**04**



**Micro and Small Enterprises Authority  
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For the year ended June 30, 2022**

**CORE VALUES:**

The MSEA shall uphold the following core values:

- 1) Collaboration
- 2) Innovation:
- 3) Equity
- 4) Integrity
- 5) Sustainability



## CORE VALUES:

### 1) Collaboration:

Micro and Small Enterprises Authority is committed to Collaboration as it enables individuals to work together to achieve a defined and common business purpose.



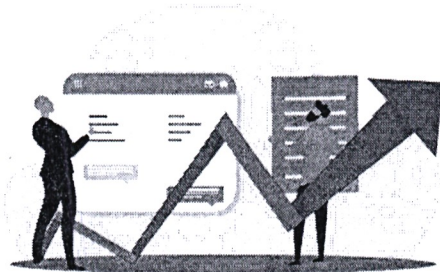
### 2) Innovation:

MSEA is committed to innovativeness, inventiveness, resourcefulness and visionary planning and service delivery.



### 3) Equity:

MSEA shall conduct its business and provide services under the state, quality and ideal of being just, impartial and fair.



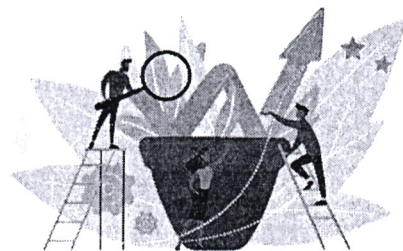
### 4) Integrity:

MSEA is committed to integrity as a foundation on which coworkers build relationships and trust, and it is one of the fundamental values.



### 5) Sustainability:

MSEA will persistently pursue Sustainability focusing on meeting the needs of the present without compromising the ability of future generations to meet their needs.





# OUR FOUR STRATEGIC PILLARS

## Strategic Pillars

### REGULATION

MSEA is focused on developing/ reviewing/ harmonizing laws, regulations, policies and strategies relevant to MSEs to ease coordination and intergranition of sector.



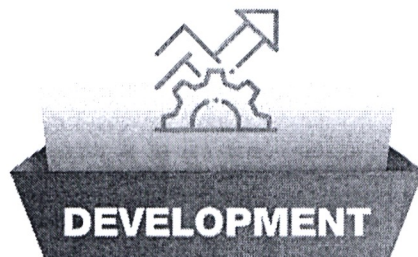
### PROMOTION

Under this pillar, MSEA will provide a conducive operating environment for MSEs and increase their market access.



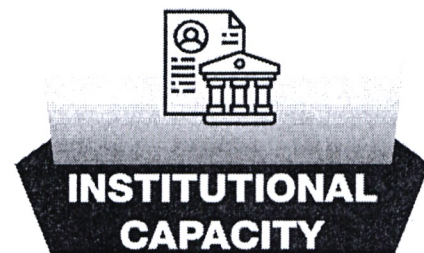
### DEVELOPMENT

MSEA will provide adequate common users facilities for MSEs, adequate funding and capacity building of MSEs

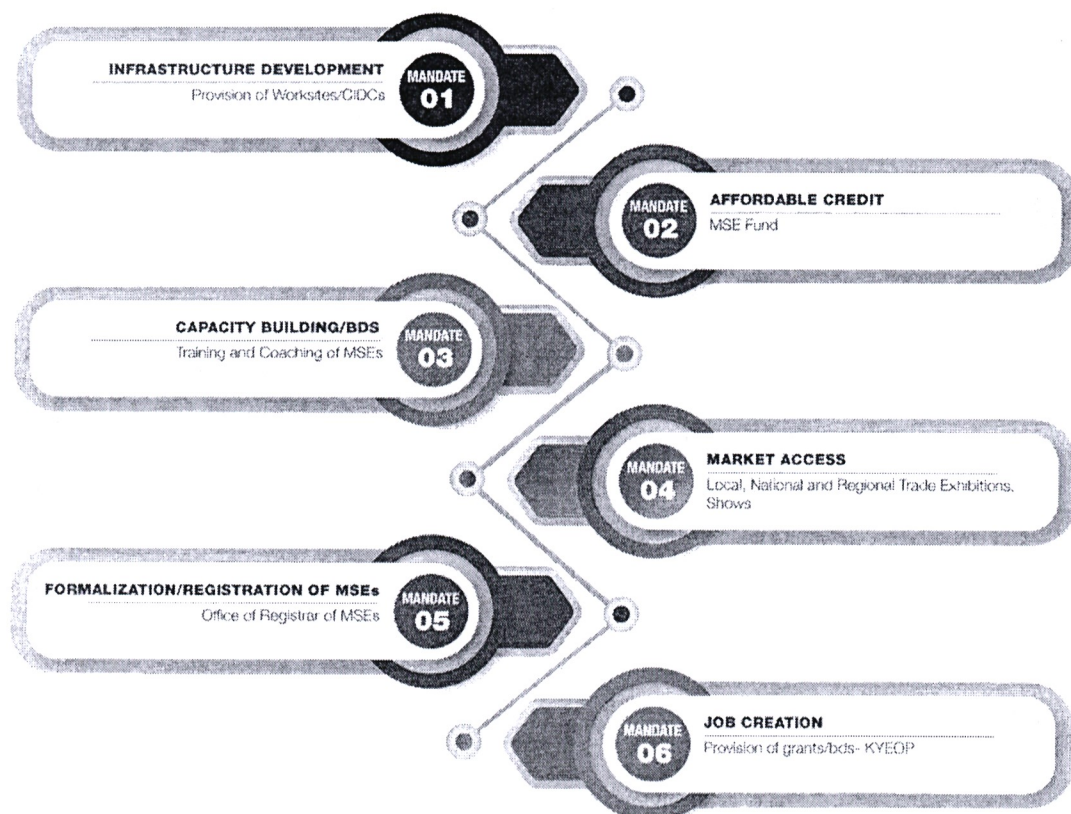


### INSTITUTIONAL CAPACITY

MSEA is focused on the corporate governance structure, human and financial resource requirements that will be necessary to actualize the Strategic plan.



## CORE MANDATE



### (b) Principal Activity and Functions of the Authority

The principal activity of the Authority is to facilitate the Promotion, Development and Regulation of Micro and Small Enterprises Sector with the following functions;

1. Formulate and review policies and programs for Micro and Small Enterprises.
2. Monitor and evaluate the implementation of existing policies and programmes related to, or affecting the micro and small enterprises and advise the Government on appropriate policies and course of action to be taken.
3. Coordinate, harmonize and facilitate the integration of various public and private sector activities, programmes and development plans relating to Micro and Small Enterprises.
4. Promote and facilitate research, product development and patenting in the Micro and Small Enterprises sector.

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5. Promote the mainstreaming of youth, gender and persons with disabilities in all micro and small enterprises activities and programs.
6. Mobilise resources for development of the micro and small enterprises sector.
7. Promote access to markets by micro and small enterprises.
8. Promote innovation and development of products by micro and small enterprises.
9. Formulate capacity building programmes for micro and small enterprises.
10. Facilitate technology development, acquisition and transfer by micro and small enterprises
11. Develop mechanism, tools and programs for collection of comprehensive data disaggregated by sex, region and age among others, in collaboration with key stakeholders, to enable proper planning for the micro and small enterprises sector.

**(c) Key Management**

The Authority's day-to-day management is under the following key organs:

- Board of Directors
- Director General / Chief Executive Officer
- Senior Management Team

**(d) Fiduciary Management**

The key management personnel who held office during the financial year ended 30<sup>th</sup> June 2022 and who had direct fiduciary responsibility were:

No.	Designation	Name
1	Chief Executive Officer	Henry Rithaa
2	Director, Corporate Services	Simon Nyamolo
3	Head of Finance	Festus Musyoki (Until 14th June 2022)
		Elsie Thambu (from 15th June 2022)
4	Director, Infrastructure Development, Technology and Innovation	Eng. Edward Karani
5	Ag. Director, Business Development, Marketing and Trade	Caroline Kioko
6	Director, Human Capital Development	Naomi Kariuki
7	Registrar of Micro and Small Enterprise	Catherine Mungania
8	Director, Strategy, Planning and MSE Coordination	Richard Ipero
9	Chief Legal Officer	Mary Chege
10	Head, Corporate Communication	Elizabeth Mulae

**(e) Fiduciary Oversight Arrangements**

The primary organ responsible for fiduciary oversight arrangements is the Board of Directors. Other Government bodies also provide oversight. The Board exercised this

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oversight through Board Committees. These were the Finance, Human Resource and Administration Committee, Strategy and Business Development Service Committee, Development and Infrastructure Committee, Audit and Risk Management Committee. The key function of the Board is to guide and control the performance and management of the affairs of the Authority.

**(f) Headquarters**

Micro and Small Enterprises Authority  
P.O. Box 48823 - 00100  
10th Floor, Utalii House  
Nairobi, Kenya

**(g) Contacts**

Office of the Chief Executive Officer  
Telephone: (254)020-3340006/0700-666000  
E-mail: info@msea.go.ke  
Website: www.msea.go.ke

**(h) Bankers**

Kenya Commercial Bank, Kipande House Branch | P.O Box 30012-00100, Nairobi  
Kenya Commercial Bank, Milimani Branch | P.O Box 69695-00400, Nairobi  
Kenya Commercial Bank, University Way Branch | P.O Box 7206-00300, Nairobi  
National Bank of Kenya, Harambee Avenue Branch | P.O Box 72866-00200, Nairobi

**(i) Independent Auditors**

Auditor General  
Kenya National Audit Office  
Anniversary Towers, University Way  
P.O. Box 30084  
GOP 00100  
Nairobi, Kenya

**(j) Principal Legal Adviser**

The Attorney General  
State Law Office  
Harambee Avenue  
P.O. Box 40112  
City Square 00200  
Nairobi, Kenya

**2. THE BOARD OF DIRECTORS**



**Mr. James Mureu**

**Chairperson of the Board (Joined Board on 6<sup>th</sup> October 2021)**

Born in 1960, Mr. James N. Mureu holds a B.Sc degree in Business Management from Hartford University, USA, Australia Melbourne campus. He is the Managing Director of Prolong Kenya Ltd, a firm involved in construction and farming, Chairman of Mastrade Holdings Ltd with interests in telecommunication and Afrinol Holdings Ltd involved in large-scale farming of Sorghum. He is the immediate past National Vice Chairman of the Kenya National Chamber of Commerce & Industry (KNCCI), and Chairman of the Economic Diplomacy committee of KNCCI. He is also the joint Chairman of the Kenya/India Joint Business Council as well as a member of both the Nigeria and South Africa Joint Business Councils. He has interests in telecommunications, real estate and farming.



**Mr. Henry M. Rithaa**

**Director General / Chief Executive Officer:**


Born in 1977, Mr. Rithaa holds an MBA (Strategic Management), Master of Arts in Regional Integration and Bachelor's degree in Finance. He is a Certified Risk Professional (GARP) and Certified in Regional Integration and Trade. He has worked in Banking, Micro Finance and Corporate Strategy for over 17 years both in private financial institutions and the Public Sector.

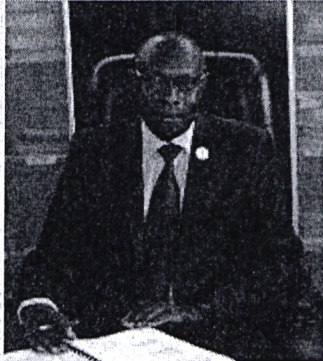
He is also trained in Advanced Leadership and Management Development Program from Kenya Institute of Management and has done Strategic Leadership Development Program from Kenya School of Government. He is a member of the Kenya Institute of Management (MKIM) and Secretary to the Board of Directors. Henry has served in various Directorship positions in both Private and Public institutions.



**Cabinet Secretary: Ministry of Industrialization, Trade and Enterprise Development:**

Hon. Betty C. Maina, EGH brings a wealth of experience and professional capability built over two decades of engagement with top-notch public and private sector organizations. She has more than 27 years' experience in organizational leadership and development, with an ability to prepare and implement strategic business plans and mobilize resources for implementation, traits that place her at a strategic position to effectively

<p><b>CS. Hon. Betty C. Maina, EGH, CBS</b></p>	<p>lead the coordination of Industrialization, Trade and Enterprise Development in Kenya.</p> <p>Hon. Maina has served as the Principal Secretary in the Ministry of Environment and Forestry, State Department for industrialization, and State Department of East African Affairs. She has also served as the Chief Executive of the Kenya Association of Manufacturers for 11 years (between June 2004–July 2015), where she not only oversaw the doubling of membership of the association but also established seven satellite offices to complement the services offered at the national office. She attained a Master of Science Degree in Development Administration and Planning from the University College of London in 1998, having studied Land Economics at the University of Nairobi where she attained her undergraduate degree in 1988.</p> <p>She has also undertaken short courses in several key areas, among them Budgeting and Financial Management (Harvard University), Developing Anti-Corruption Strategies (World Bank, Washington), Gender and Development Planning (University College of London), and the Role of Public Policy in Private Sector Development (Strathmore University College), to name just a few. Prior to joining the State Department, Ms. Maina was the Director of her consultancy firm: BECEM Solutions, and East Africa Regional Representative of Genetics: Analytics, an economic consulting group with offices in Nairobi, New Delhi, and Johannesburg.</p>
 <p><b>CS. Hon. Amb. Ukur Yatani, EGH</b></p>	<p><b>Cabinet Secretary: The National Treasury and Planning:</b></p> <p>Hon. Amb. Ukur Yatani has over 27-year experience in public administration, politics, diplomacy and governance in public sector since 1992. Before his appointment as Cabinet Secretary for the National Treasury &amp; Planning he served as the Cabinet Secretary for Labour and Social Protection since January 2018. Between the years 2006-2007 while Member of Parliament for North Horr Constituency, he also served as an Assistant minister for science and technology.</p> <p>At the height of his career (March 2013-August 2017), he served as a pioneer Governor of Marsabit County, the largest County in the Republic of Kenya. Between June 2009 and October 2012, he served as Kenya's Ambassador to Austria with Accreditation to Hungary and Slovakia and Permanent Representative to the United Nations in Vienna. He held senior leadership positions at various diplomatic and international agencies such as International Atomic Energy Agency (IAEA), United Nations Organization on Drugs and Crimes (UNODC), United Nations Industrial Development Organization (UNIDO), United Nations Convention Against Transnational Organized Crime (UNTOC), Convention on Crime Prevention and Criminal Justice (CCPJ), and African Group of Ambassadors among</p>

	<p>others. He has Master of Arts in Public Administration and Public Policy, University of York, United Kingdom, 2005; and Bachelor of Arts in Economics, Egerton University, Kenya, 1991.</p>
 <p><b>Amb. Johnson Weru</b></p>	<p><b>Principal Secretary: State Department for Trade and Enterprise Development</b></p> <p>Amb. Johnson Weru, is an alumni of Harvard University Kennedy School of Government, University of Nairobi and University of Leeds. He is a career diplomat and public servant with over twenty-seven years' experience working in Government and International Development Agencies in Africa and Europe.</p> <p>He is concurrently pursuing a doctorate in International Trade from Brussels University in Belgium. Prior to his appointment as Ambassador to the Kingdom of Belgium, the Grand Duchy of Luxembourg and Mission to the European Union Amb. Weru had a distinguished and long service at the Ministry of Foreign Affairs where he served as Director for Economic Affairs and External Trade. Amb. Weru has wide experience in international finance, international trade negotiations and public sector management and restructuring.</p> <p>He has previously held advisory positions with the World Bank and United Nations Development Programme. Amb. Weru has held several senior positions in the public service including serving as Joint/deputy Secretary for various public sector reform Task Forces among them Technical Committee on Governance Justice, Law and Order Sector Reforms, Legal Sector Reform Secretariat and Task force on Rationalization, Restructuring and Strengthening the Ministry of Foreign Affairs. He has also served as adjunct professor and Lecturer in Economics and Finance at Catholic University of East Africa and has served as alternate director to several State Boards including Kenya Vision 2030 Delivery Board, Brand Kenya Board and the National Council for Science and Technology. He joined MSEA Board on 4<sup>th</sup> June 2020 when the Authority was moved from State Department for Industrialization to State Department for Trade.</p>
	<p><b>Director:</b></p> <p>Mr. Ndung'u was born on 23rd September 1962. He is a visionary, delivery and execution leader with over 13 years' progressive responsibility heading teams, providing strategic solutions and large-scale projects with companies and organisations. He also has expertise in executive leadership, product management, contract negotiations, and business</p>



**Mr. Humphrey N. Ndung'u**

development. Successful experience building innovative digital businesses. His latest stint was at Mobile Decisioning Holdings Limited where he worked as Group Chief Financial Officer 2011 – 2012, Group Chief Operating Officer 2012 – 2013 and Group Director, Strategy 2013 – 2014.

He has also worked for Equity Investment Bank Limited, Renaissance Capital Kenya Limited, K-Rep Bank Limited, Consolidated Bank of Kenya Limited, Standard Chartered Bank PLC - South Africa, Standard Chartered Bank Kenya and Limited First American Bank of Kenya Limited. Mr. Ndung'u is an Independent Director of the Board of MSEA and Chairperson to Finance, Human Resource and Administration Committee of the Board.



**Mr. Anthony Kwache**

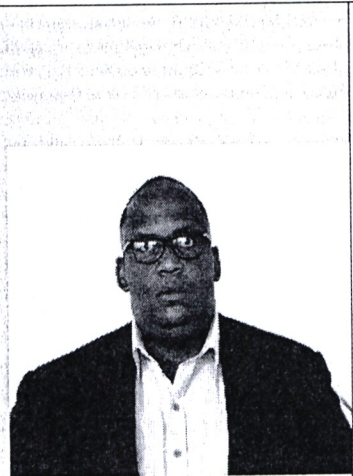
**Director:**

Mr Anthony Kwache was born on 12th December 1971. Mr Kwache joined the Micro and Small Enterprises sector in the year 1995 after a stint in formal employment as a newspaper vendor and selling merchandise in Nairobi and later moved to Kisumu the same year to continue along Oginga Odinga Street.

In the year 1999 he started supplementing his income by venturing into vegetables farming in his rural home. During this period he was elected to be the Chairperson of the traders, shoe shiners and the newspaper vendors in Kisumu to lead in advocating for their recognition and provision of a suitable environment for their businesses. He also joined hands with the Jua Kali Associations to champion for the enactment of laws and regulations that could enhance the governance and growth of the valuable sectors.

In the year 2005 when the Institute of Economic Affairs was conducting a research on the organizing and governance of the trade and service sectors, Mr. Kwache was part of the team and was first elected in 2008 as a co-opted member of the management board and national executive member. This gave birth to the Kenya National Association of Street Vendors and Traders (KENASVIT). He is the Chairperson of Kisumu Informal Traders and Economic Support which is affiliated to KENASVIT.

He has championed for provision of adequate worksites for the members of the Jua Kali and other sectors, the enactment of the MSE Act 2012 and has been leading KENASVIT in sensitizing the sector members on the Act and following up on its full implementation. He is also Chairman of Kisumu County MSE Association. Mr. Kwache is the Chairperson of Development and Infrastructure Committee of the Board of MSEA.

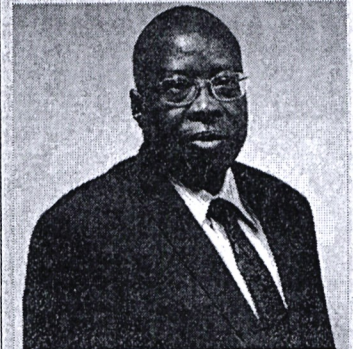


**Mr. Billy Baltazar**

**Director:**

Mr. Baltazar has had diverse experience in different fields including Health Policy, Health Financing and management of teams both in private and public sector. He holds a Bachelor of Commerce degree in Management from Catholic University of Eastern Africa and currently pursuing Master of Science in Human Resource Management from the University of Nairobi.

He also has a Diploma in Computer Programming and Human Resource Management. Mr. Baltazar has attended short courses in Leadership and Governance, Quality Management Systems, Statistical Methods among others. Currently he is working with NASCOP CDC under Ministry of Health. Previously he has worked with Kenya Medical Supplies Agency. He is the Chairperson of Audit and Risk Committee of MSEA Board.



**Mr. Isaac Mbingi Okello**

**Director:**

Born in 1964, Mr. Okello holds a Master of Commerce Degree (Business Management) with over 20 years' experience in Human Resource and Administration in both the public and private sector. He is an Advocate of the High Court of Kenya and holder of a Post Graduate Diploma in Law from the Kenya School of Law and a Bachelor of Laws Degree from the University of Nairobi.




He is currently the Administrative Secretary, Central Organization of Trade Unions, Kenya (COTU-K). He is also a member of the Kenya Institute of Management and the Law Society of Kenya.



**Eng. Charles Kalomba**


**Director:**

Eng. Kalomba was born on 18<sup>th</sup> August, 1962. He is a graduate of industrial instrumentations from Institute of Machine Tools Batala, India and also renewable energy scientist from the Mithradham Energy Institute in Cochin, Kerala Southern India. He has also a Higher National Diploma in Automotive from Kenya National Polytechnic. He is the founder Member and developer of the framework at National Industrial Training Authority. He is also the chief architect, lead Consultant and co-chair to the Vice Chancellor to the "JKUAT Mashinani" Initiative, public-private sector collaboration between the Jomo Kenyatta University of Agriculture and Technology and the indigenous local industry/JuaKali, whose specific objective is to build the capacity of the University's linkages with the

	<p>MSE/Jua Kalis. In 2017, he was appointed by the Board of National Industrial Training Authority (NITA) as the Chairman of the Commercial, Wholesale, Retail Trade and Allied Agencies (CWR), with a huge Component of Private Security modernizing and standardizing.</p>
 <p><b>Mr. Yuda Imunya</b></p>	<p><b>Director:</b></p> <p>Born in December 20<sup>th</sup> 1965. Mr. Imunya holds a Bachelor’s degree in Business Administration and Management from Kenya Methodist University. He has also trained on Leadership, Governance and Management at Kenya School of Government. Mr. Imunya also attended a short course in Governance and Management in Johannesburg, South Africa.</p> <p>He has a vast experience in business and management and currently is a Director at Ideal Security Services Limited. Prior to that, he was a Member of County Public Service Board at Meru County. He has previously worked with Kangeta Girls High School, Henneiman Educational Publishers before moving to East African Educational Publishers as Credit Controller in charge of East African Countries Branch Office.</p>
 <p><b>Ms. Caroline Karanja</b></p>	<p><b>Director:</b></p> <p>Ms. Karanja was born on 25th March 1974. She is a graduate of the United States International University Africa (USIU-A) with a major in International Business Administration - finance option. She has attended short courses in Leaders in Action, Basic Banking Operations, and Performance Management among others. Ms. Karanja has over 15 years of work experience both in the banking and microfinance sectors.</p> <p>Currently she is the Chief Executive Officer at Association of Micro-finance Institutions Kenya (AMFI-K). She has previously held senior positions at Commercial Bank of Africa, Nature Expeditions Africa Limited and Citibank N.A.</p>
 <p><b>Mr. Joseph Samal Lomwa</b></p>	<p><b>Director:</b></p> <p>Mr. Lomwa is a holder of Bachelor of Arts Degree in Development Studies from Kimmage Development Studies Centre-Dublin, Ireland and Diploma in Community Development from Premise Development Training Institute. He has also a Certificate in Social Development Work. Mr. Lomwa is an initiative driven leader and Public Servant with over 20 years serving the community both in the Non-Governmental Organisation and the Public</p>

	<p>sector. He has extensive project management, public administration, community empowerment, leadership among others having served as a Member of Parliament (MP) for Isiolo North Constituency between March 2013-2017.</p> <p>Prior to then, he worked as Executive Director (CEO) at PREMAP- a local CBO, based in Isiolo. Previously, he has in senior positions at Catholic Development Office and Modogashe Development Office. He left the Authority on 8<sup>th</sup> February 2022 upon resigning.</p>
 <p><b>Ms. Rose Mwongera</b></p>	<p><b>Alternate to Principal Secretary State Department for Youth Affairs:</b></p> <p>Ms. Mwongera sits in MSEA Board as alternate to Principal Secretary, State Department for Youth Affairs. She is a holder of Master of Arts in Project Planning and Management from the University of Nairobi and Bachelor of Education in Home Economics from Kenyatta University. Currently she is a PhD student studying Development Studies at the Jomo Kenyatta University of Agriculture and Technology. Ms. Mwongera has vast experience in public policy, strategy and research currently working as Deputy Director in charge of Youth Development at State Department for Youth Affairs.</p> <p>Prior to that, she worked as Assistant Director coordinating and advising on Youth Mainstreaming from 2013 to 2016 at the Ministry of Health. Previously, she worked as Chief Youth Officer, Principal Youth Officer and then Assistant Director at the Department of Youth Development from 2007 to 2016.</p>
 <p><b>Dr. Bruno Linyiru</b></p>	<p><b>Alternate to Principal Secretary State Department Trade:</b></p> <p>Born in October 1969, Dr. Bruno Linyiru holds a PhD in Entrepreneurship from JKUAT, MBA Finance and Bachelor of Commerce-Accounting from the University of Nairobi. He holds a Post Graduate Diploma from Maastricht Netherlands and is a member of ICPAK.</p> <p>Dr. Linyiru is the Secretary Trade State department for trade and enterprise development and has served as a board member in various State Corporations and Ministerial Committees. He is a visionary. In addition to the trade function, he is a Finance and enterprise practitioner with over 25 years of both strategic and</p>




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	operational level experience in both Central government and State Enterprises. He served in the Authority until 13 <sup>th</sup> June 2022.
 <p><b>Mr. Richard Gakunya</b></p>	<p><b>Alternate to Cabinet Secretary The National Treasury and Planning:</b></p> <p>Mr. Gakunya is a holder of Masters of Science in Economics and Statistics and Bachelor of Science in Economics and Statistics both from Odessa Institute of National Economy. He has attended short courses in Activity based costing, Fiscal risk reporting, Strategic Leadership Development Program, Public expenditure management and among others.</p> <p>He has extensive experience in budgeting, fiscal planning, public policy and public sector financial management currently working as Deputy Director of Budgets at National Treasury. Previously he has worked for over 20 years as Economist in the Public Service and Office of Controller and Auditor General as Auditor.</p>

Notes:

- ✓ Mr Charles Waithaka former board chairman term expired on 18<sup>th</sup> July 2021.
- ✓ Ms. Milka Muthui, was appointed Director on 13<sup>th</sup> June 2022 representing Principal Secretary State Department for Trade.
- ✓ Ms. Zohra Baraka served in the Board until 7<sup>th</sup> August 2021 when she passed on.

**3. MANAGEMENT TEAM**

 <p><b>Mr. Henry M. Rithaa</b></p>	<p><b>Director General / Chief Executive Officer</b></p> <p>Born in 1977, Mr. Rithaa holds an MBA (Strategic Management), Master of Arts in Regional Integration and Bachelor's degree in Finance. He is a Certified Risk Professional (GARP) and Certified in Regional Integration and Trade. He has worked in Banking, Micro Finance and Corporate Strategy for over 17 years both in private financial institutions and the Public Sector.</p> <p>He is also trained in Advanced Leadership and Management Development Program from Kenya Institute of Management and has done Strategic Leadership Development Program from Kenya School of Government. He is a member of the Kenya Institute of Management (MKIM) and Secretary to the Board of Directors. Henry has served in various Directorship positions in both Private and Public institutions.</p>
 <p><b>Mr. Simon Nyamolo</b></p>	<p><b>Director, Corporate Services</b></p> <p>Born in 1976, Mr. Nyamolo holds a Master's Degree in Strategic Management from Jomo Kenyatta University of Agriculture and Technology, Bachelor of Business Administration (Finance) from Maseno University and is currently pursuing a PhD in Business Administration (Strategic Management) from the Jomo Kenyatta University of Agriculture and Technology.</p> <p>He is a member of the Kenya Institute of Management, Institute of Human Resource Management of Kenya and Institute of Certified Public Secretaries of Kenya. Simon's experience in corporate administration and management spans seventeen years prior to joining the Authority. He previously held senior positions at JKUAT, Kenya Forest Service and Kenya Institute of Mass Communication.</p>
 <p><b>Ms. Caroline Kioko</b></p>	<p><b>Ag. Director, Business Development, Marketing and Trade</b></p> <p>Born in 1982, Ms. Caroline Kioko holds a Master's of Business Administration Degree in Entrepreneurship and Bachelor's degree in Environmental Studies and Community Development, both from Kenyatta University. She has attended several other courses including Senior Management Course from the Kenya School of Government, Project Planning and Implementation from ESAMI, Small Business Planning and Promotion from NIESBUD, among others. Her experience in Business</p>

	<p>Development Services in the MSE sector spans over 12 years, within the Kenyan context as well as the EAC region. She is also serving as the Project Coordinator of the Kenya Youth Employment and Opportunities Project (KYEOP) Component 2.</p>
 <p><b>Eng. Edward Karani</b></p>	<p><b>Director, Infrastructure Development, Technology and Innovation</b></p> <p>Born in 1989, Mr. Karani holds a Masters Degree in Project Management from Jomo Kenyatta University Of Agriculture and Technology. He is also a graduate of Bsc Electrical and Electronic Engineering and a Double degree in Bsc Telecommunication and Information Engineering from the same University. Edward has extensive experience in Project Management both in Private and Public sector. He is a member of Institute of Engineers Kenya and Engineers Board of Kenya in addition he has undergone training on Young leaders SME Development and Promotion.</p>
 <p><b>Ms. Naomi Kariuki</b></p>	<p><b>Director, Human Capital Development</b></p> <p>Born in 1978, Ms. Kariuki holds a Master of Science in Human Resource Management from Jomo Kenyatta University of Agriculture and Technology and a Bachelor's degree in Business Administration and Management. She is a Certified Human Resource Professional (CHRP) and a full member of the Institute of Human Resource Management. She has attended other courses in Senior Management from Kenya School of Government, Credit Management, Risk Management and Public Relations among others. Currently pursuing MA in Diplomacy and International Relations. Her corporate experience spans over 15 years working in various institutions including the Council of Legal Education/Kenya School of Law, Export Promotion Council prior to joining the Authority.</p>
 <p><b>Ms. Catherine Mungania</b></p>	<p><b>Registrar of Micro and Small Enterprise</b></p> <p>Born in 1981, Ms. Mungania is an Advocate of the High Court of Kenya with a distinguished law career and vast experience in legal matters spanning over 14 years. She holds a Bachelor of Laws (LL.B.) Degree from Moi University, a Postgraduate Diploma in Law from Kenya School of Law, a Master of Laws (LL.M.) Degree in Public Finance from the University of Nairobi and a Diploma in Human Resource from Kenya Institute of Management.</p> <p>She brings a wealth of experience having worked as an Ag. Corporation Secretary at the Engineers Board of Kenya, A Senior Resident Magistrate at Kericho Law Courts, a Senior Manager at Nyayo Tea Zones Development Corporation, Manager at JKUAT as well as a practicing advocate in various law firms in Kenya.</p>

 <p><b>Mr. Richard Omelu</b></p>	<p><b>Director, Strategy, Planning and MSE Coordination</b></p> <p>Born in 1982, Mr Omelu holds a Master of Business Administration Degree in Strategic Management from Moi University and Bachelor of Commerce Degree in Finance from the University of Nairobi. He is a Risk Certified Professional examined by the Global Association of Risk Professionals (GARP-UK) and a member of the Kenya Institute of Management (MKIM).</p> <p>Richard has attended various Senior Management courses locally and internationally on Corporate Governance for Directors, Performance Management, Corporate Planning, Credit Management, Fund Raising, Enterprise Risk Management, Pricing Risk Management, Project Management, Value Chains Analysis among others. His corporate experience spans over 14 years working in various institutions including the Commodities Fund, Coffee Development Fund, Agricultural Finance Corporation (AFC), Equity Bank Limited prior to joining the Authority.</p>
 <p><b>Ms. Mary Chege</b></p>	<p><b>Chief Legal Officer</b></p> <p>Born in 1979, Ms. Mary Chege holds Bachelor of Laws (2nd class upper) Degree from the University of Nairobi, Certified Public Accountant, Certified Public Secretary, Certification in Training of Trainers for Financial Inclusion and Negotiation of Financial Instruments by UNITAR/AGFUND. She is currently writing project papers in pursuit of Masters of Laws and Master of Business Administration studies at the University of Nairobi.</p> <p>She is a certified Governance Auditor, Member of the Law Society of Kenya, Institute of Certified Secretaries of Kenya and Chartered Institute of Arbitrators. She has over fifteen years of legal practice working in senior management positions in the banking, capital markets, IT, conveyance and micro finance sectors. She is passionate about financial inclusion.</p>

 <p><b>Mr. Festus Musyoki</b></p>	<p><b>Head, Finance and Accounts (until 14<sup>th</sup> June 2022)</b></p> <p>Born in 1984, Mr. Musyoki holds a Master of Business Administration (Finance) and Bachelor of Commerce (Finance) both from the University of Nairobi. He is a Certified Public Accountant of Kenya, Certified Investments and Financial Analyst and a Member of the Institute of Certified Public Accountants of Kenya. Festus has attended short courses in Senior Management, Financial Planning and Modelling, Corporate Governance, Project Management and Legal Audits among others. His experience in accounting and finance spans over thirteen years working in various institutions including National Environment Management Authority, Nursing Council of Kenya and British High Commission.</p>
 <p><b>Ms. Elsie Thambu</b></p>	<p><b>Ag. Head, Finance and Accounts (from 15<sup>th</sup> June 2022)</b></p> <p>Born in 1987, Ms. Elsie Thambu holds a Master of Business Administration (Finance) from United States International University-Africa (USIU) and Bachelor of Business Management (Finance &amp; Banking) from Moi University. She is currently pursuing Advanced Diploma in Tax Administration from Kenya School of Revenue Administration (KESRA). She is a Certified Public Accountant of Kenya and a Member of the Institute of Certified Public Accountants of Kenya. Her experience in accounting and finance spans over ten years working in various institutions both in private and public sectors including Health, Real Estate &amp; Microfinance prior to joining the Authority on 5<sup>th</sup> December 2019.</p>
 <p><b>Ms. Elizabeth Mulae</b></p>	<p><b>Head, Corporate Communication</b></p> <p>Born in 1982, MPRS Elizabeth Mulae is a Communication &amp; Public Relations Professional with over 15 years 360 % experience in the communication field. Her experience has holistically exposed her to Journalism, Reporting, Sales, Marketing and Advertising, Publications management, Public relations and development communication in general.</p> <p>She is currently a full member of Public Relations Society of Kenya where she serves in the Editorial Panel of Experts; also a member of the Partnership &amp; Resource Mobilization committee and the Association of Media women in Kenya where she serves in the publicity committee. She has previously worked in the mainstream media, several publications production companies, The Land management, Surveying and Property sector and The Kenya Export Promotion and Branding Agency. Ms. Mulae Holds a Masters in Development Communication, Bachelor of Arts in Communication &amp; Public Relations and Diplomas in Marketing &amp; Advertising.</p>

#### 4. CHAIRMAN'S STATEMENT

As the Authority celebrates its 10 year's anniversary since its establishment, we note the remarkable milestones and achievements by the sector amidst various challenges experienced. The most profound changes have been witnessed through the various key projects, programmes, activities and strategic initiatives aligned to the Micro Small Enterprise (MSEs) Act, National Priorities, the Big 4 Agenda and vision 2030.

MSEA plays a pivotal role in supporting MSEs, particularly in the manufacturing trade, services and agribusiness sector, through facilitating MSEs to access markets, both locally, regionally and internationally, among other interventions include provision of decent worksites for MSEs, market access, access to credit, formalization through registration, capacity building trainings in areas like Lathe machine operation and digital skills amongst others. The Authority also carried out a research survey on Impact of covid-19 on youth and women entrepreneurs which shade more light on challenges experienced by the MSEs when conducting business.

Through various Government Interventions, the Authority has supported the MSEs to boost local manufacturing through provision of capacity building equipment and machines to entrepreneurs stationed at various MSEA worksites that are aimed to enhance local production, expand regional market trade and take advantage of global market niches. The market opportunities created by the Authority during the EAC MSMEs Trade fair held in Mwanza, Tanzania in December 2021 highlighted the level of creativity, quality and standards of all the products exhibited during this regional event, this indeed shows that our initiatives have greatly impacted the MSEs.

Additionally, the Government enacted the National Micro and Small Enterprises (MSEs) Policy, 2021 on **"Promoting Micro and Small Enterprises (MSEs) for Wealth and Employment Creation"**. The implementation of this policy will not only ensure sustainable regional value chain integration but also reduce industrial and trade risks arising out of external shocks. The policy identifies key policy interventions such as creating awareness on locally manufactured products in the Constituency Industrial Development Centers (CIDCs) and promotion of market access through national and regional exhibitions among others; these interventions are being implemented by the Authority where consumers are encouraged to buy locally produced products and services.

Our MSEs have had their share of challenges. These range from capacity constraints, underdeveloped skills, security, gender inequity, market access, financial inadequacies as well as rolling back of measures put in place to cushion the economy from the effects of the Covid 19 pandemic, which continue to hinder MSEs competitiveness and productivity. Others include environmental concerns, unstable political systems, technological setbacks and fluctuating economic situation.

MSEA's vision and mission is geared towards serving all our stakeholders. The Board has played a critical and strategic role in providing guidance and direction for the Authority. The efforts have yielded in creating a good work ethic among staff, resulting to commitment and dedication towards the successful implementation of these projects and programmes.

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The Authority is working together with various partners to support the needs identified in the MSEs Sector. Key partners include World Bank who have been supporting the implementation of Kenya Youth Employment and Opportunities Project (KYEOP) through grant disbursed to the youth under the targeted 17 counties. Other Partnerships include the UNDESA who have been instrumental in the development of strategic plan (2020-2024) project, Research survey on Impact of covid-19 on youth and women entrepreneurs and implementation of an MSME project that will be implemented for two (2) years from 2022 to 2024.

Other collaborative partnerships include the UNDP who have supported a project referred to as future ni digital project which involves capacity building MSMEs on digital literacy and acquisition of the MSE registration system, customer relations management system and provision of infrastructure to support MSE formalization.

We have also received support from International Labour Organization (ILO) on the development of an online business development portal to support three counties (Busia, Kilifi and Kitui). Stanbic Foundation have been instrumental in enhancing the MSEs Digital competency through provision of computers which have been instrumental in training MSEs under the **Future ni digital** project.

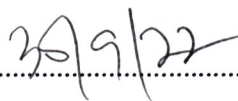
We are thankful and excited about these initiatives just as we are proud of the many accomplishments outlined in this year's report and those that we expect in the near future. The small and big milestones achieved have been made possible by our various stakeholders who have supported our efforts to deliver the transformational results witnessed in the MSE sector.

The Authority will continue to strive towards achievement of its mandate of promoting, regulating and developing Micro and Small Enterprises to move to the next level in the business chain as we nurture and support more upcoming enterprises. As we celebrate the progress and milestones achieved, we focus with a lot of zeal on the opportunities awaiting this ever evolving and dynamic MSEs sector.

We thank you most sincerely for your support and commitment.



**Mr. James Mureu**  
**Chairman of the Board**



**Date**  
**Nairobi**

## 5. REPORT OF THE CHIEF EXECUTIVE OFFICER

In the last two years, COVID-19 upended almost every aspect of our lives, radically changing the very nature of how we live, work, and play. These experiences have revolutionized our moment in history. And as we look ahead, we can see glimmers of how humanity is finding ways to not only recover but transform. All these will require a sustained effort and implementation by actors, including the public and private sectors, youth, learning institutions, media and development partners working in partnership, which can promote scaling-up innovations, deepen our learning, and share our growing knowledge, especially in digital technologies as tools for continuing economic activities during the crisis.

### Operational review highlights:

#### 1. Financial Performance

During the financial year ending 30<sup>th</sup> June 2022, the Authority reported a surplus of Kshs 299.9million compared to surplus of Kshs 255.5 million in the previous financial year. Total revenue received amounted to Kshs 2.303 billion (Kshs 1.26 billion – 2020/21) against total expenditure of Kshs 2.003 billion (Kshs 1.007 billion – 2020/21). The value of the total asset increased from Kshs 1.816 billion to Kshs 2.230 billion attributable to capital acquisition and development funding during the period.

#### 2. MSE Infrastructure Development:

The Authority committed to construct and refurbish twenty (20) Constituency Industrial Development Centers (CIDCs) as well as operationalizing other twenty (20) CIDCs within the financial year following an initial allocation of Kshs 199.5 million for the Development vote. The Authority received a further supplementary budget of Kshs 65 million in the period which was used to operationalize 38 CIDCS. As at the end of reporting period, the Authority has initiated several activities which are ongoing towards realization of operationalizing the targeted CIDCs. The activities are; distribution, installation and training on usage of various machines; procurement of contractors for CIDCs identified for completion; and land documentation and verification in collaboration with National Land Commission.

#### Cold storage facilities

Micro and Small Enterprises Authority received Kshs. 300 million under a Presidential Directive for the construction of three cold storage facilities in Nyandarua, Meru and Kisii Counties in the FY 2019/2020. 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. These facilities are projected to serve over 5,000 farmers in Kisii, Meru and Nyandarua regions that are among the largest producers of potatoes and bananas in Kenya

### **Refurbishment of the Kariobangi Centre of Excellence**

The Authority has refurbished and upgraded the Kariobangi centre into a centre of excellence and incubation facility as a flagship project under the Kenya Vision 2030. The centre is a one-stop shop facilitating access to decent work and technology transfer by providing common user facilities to MSEs, and capacity building through upskilling and reskilling. Besides, the centre houses a biashara centre offering assorted business services such as Kenya Revenue Authority (KRA), Kenya Bureau of Standards (KBS), Business Development Services (BDS) among other services.

### **Kenya Youth Employment Opportunities Project (KYEOP)**

The Kenya Youth Employment and Opportunities Programme began in December 2016 and was scheduled to end in December 2021. However, the project was extended for a period of one year up to August 2023. To date, a total of 68,760 youths have received start-up business grants amounting to Kes 2,104,560,000. 5,264 youth have received Business Development Training through either Classroom Training, Coaching or both. An additional 64,482 youth has received BDS training digitally, that is, through SMS. By the end of the project, MSEA will have disbursed approximately Kes 3.2 billion to 78,000 youth. The MbeleNaBiz award ceremony took place on 24th February 2021 and 750 youths were issued grants worth Kshs 1,360,000,000.

### **MSE Registration**

The Authority has operationalized the Office of the Registrar which is established under Section 4 of the Act. The main mandate of the office of the Registrar is to Register MSEs, MSE Associations and MSE Sub-Umbrella and Umbrella Organizations. Since its operationalization, the Authority has been able to develop an online registration system in partnership with UNDP and has registered 618 MSE associations and created a database of 75,480 MSEs.

### **Markets Access**

The Authority provides opportunities to MSEs to increase their customer base by facilitating MSEs to access local, regional and international markets through participation in trade fairs and exhibitions. The period under review the Authority facilitated 1,476 MSEs to attend both local and regional trade fairs where they showcased their products and services.

### **Strategic Partnerships**

The Authority has entered into partnerships with various development partners such as Family Bank, Gulf Bank and Equity Bank. The partnerships with Family Bank, and Equity Bank is to provide capacity building and access to affordable and accessible finance by the micro and small enterprises across the country.

The Authority has entered into strategic alliances with the following development partners;

- a) **United Nations Department of Social and Economic Affairs (UNDESA)** supporting the development of MSEA Strategic Plan 2020-2024; and assessment of the Impact of Covid-19 on Women-Owned / and led MSEs in Kenya.

- b) **United Nations Development Programme (UNDP)** is funding the systems for operationalization of the Office of Registrar of MSEs through the establishment of infrastructure and hardware necessary to facilitate the registration and dissemination of information to MSEs. UNDP in conjunction with MSEA conducted a survey to assess the impact of COVID-19 on MSMEs.
- c) **International Labor Organization (ILO)** is funding the implementation of BUSY (Better Utilization of Skills for Youth) through Quality Apprenticeship. The project seeks to develop an online Business Development Training portal that will be used to upskill MSEs. This will impact on increased decent job opportunities and employability of young people thereby addressing the unemployment and poverty in rural and urban setting.
- d) **Stanbic Foundation and Stanbic Bank Kenya** support the Micro, Small and Medium Enterprise (MSME) sector in Kenya in the COVID-19 environment through the FutureNiDigital program.

#### **MSEA Strategic Plan 2020-2024**

The Plan was created through a consultative process with stakeholders and with support from the United Nations Department of Social and Economic Affairs (UNDESA). The Authority's shared vision, mission, core values, key result areas, strategic objectives, and policy priorities are all captured in the Plan. The strategic plan will concentrate on four key outcome areas: promotion, development, regulation, and institutional capacity.

#### **Covid-19 response**

To support the recovery of the sector from the devastating effects of the pandemic, the Authority through the Government has been working round to guarantee business continuity of the Micro and Small Enterprises through targeted initiatives such as the enacted product substitution which was demonstrated through the commitment to locally source for essential items to be used in the fight against Covid-19.

#### **Looking ahead; MSEA's strategic direction**

The Micro and Small Enterprises Authority is committed to continuing this path to tap into the opportunities of empowering MSEs both within Kenya and internationally. We are operationalizing the following projects; Operationalization of cold storage facilities, modernizing Constituency Industrial Development Centres, actualizing the MSE Fund, construction and Operationalization of Centres of Excellence and formalization of the MSE sector.

The Government development agenda is anchored in the key pillars of the Kenya Kwanza Plan "*The Bottom up Economic Transformation agenda 2022-2027*" of realizing constitutional democracy, institutionalized politics and economic empowerment through creation of jobs

We shall strive to position MSEA as the anchor Agency in execution of the MSMEs agenda /pillar through fast tracking advocacy for relevant laws, and regulations by actively engaging other MSE sector engaging such as KRA, National Treasury, county governments to end criminalization of work, review MSE taxes, organize and facilitate annual trade fairs and exhibition at County

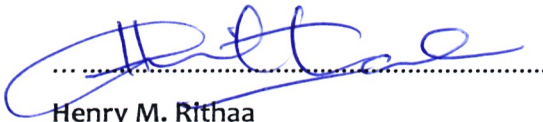
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and National level and collaborate with counties to link CIDCs and the proposed ward business development centers and TVETs industrial parks Map out local material/products for development through value addition.

The Authority will introduce the One Constituency One Product (OCOP) Model at Constituencies level through sensitization /training MSEs in each county on local materials and value addition through programmes for Linking MSE products to relevant certification/ standardization agencies

The Authority will Lobby government to ensure MSEs development fund is operationalized and we will also Establish Collaborations with financial institutions such as those identified to disburse the Kshs. 50 billion annual MSMEs funds Sensitize MSEs on available financial products

In closing, I would like to express the management's sincere gratitude to the Board of Directors for providing the Authority with guidance and leadership, as well as to Cabinet Secretary Betty Maina and Principal Secretary Amb. John Weru for continuing the Board's efforts to live up to public expectations. I also appreciate my colleagues' commitment and dedication to improving the Authority's operations. Further to that, I'd like to thank our MSEs and all other stakeholders for their ongoing patronage and support of our programs and activities



Henry M. Rithaa

Director General / CEO

30.09.2022

Date

Nairobi

## 6. Statement of Compliance

The Board of Directors confirms that Micro and Small Enterprises Authority has throughout the 2021/2022 financial year complied with the entire Statutory and Regulatory requirement and that the Authority has been managed in accordance with the principles of Corporate Governance.

### 1. Internal control and risk management:

#### i. Internal Control

The Directors are responsible for reviewing the effectiveness of the Authority's system of internal control which is designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against unauthorized use or disposition and the maintenance of proper accounting records and the reliability of financial information used within the business or for publication. These controls are designed to manage rather than eliminate the risk of failure to achieve business objectives due to circumstances which may reasonably be unforeseen and can only provide reasonable and not absolute assurance against material misstatement or loss. The board has put in place an Audit and Risk Committee (ARC) responsible for monitoring and providing effective supervision of the management's financial reporting processes, risk management, compliance and receiving internal and external audit reports on behalf of the board. The board has overall responsibility for the establishment and oversight of the Authority's risk management. The Board has also set up an Internal Audit Department which reports functionally, to the Audit and Risk Committee and administratively to the CEO. The Audit Department is responsible for monitoring the Authority's day to day risk management and it carries out an ongoing process of identifying, evaluating and managing significant risks inherent in the Authority. The Board through the Audit Committee receives quarterly reports of the effectiveness of the system of risk management. The Board has also set out its responsibility for internal control in the Board Charter. There is clear separation of roles and there is an efficient system of internal control.

#### ii. Organization Structure

A clear organizational structure exists, detailing lines of authority and control responsibilities. The professionalism and competence of staff is maintained both through rigorous recruitment policies and a performance appraisal system which establishes targets, reinforces accountability and awareness of controls, and identifies appropriate training requirements. Training plans are

prepared and implemented to ensure that staff develop and maintain the required skills to fulfil their responsibilities, and that the Authority can meet its future management requirements.

### **iii. Strategic Plan**

The business of the Authority is determined by the Strategic Plan. The Strategic Plan sets out the objectives of the Authority, and the annual targets to be met to attain those objectives. The Strategic Plan is evaluated annually to assess the achievement of those objectives. The Board on an annual basis approves the work plan supported by the financial plan for the year. Progress against the plan is monitored on a quarterly basis. During the period under review, the Authority's corporate plans were guided by Business Plan in absence of strategic plan which was undergoing development by close of reporting period.

### **iv. Internal Control Framework**

The Authority continues to review its internal control framework to ensure it maintains a strong and effective internal control environment. Business processes and controls are reviewed on an on-going basis. A risk-based audit plan, which provides assurance over key business processes and operational and financial risks facing the Authority, is approved by the Audit Committee.

The Audit Committee considers significant control matters raised by management and both the internal and external auditors and reports its findings to the Board. Where weaknesses are identified, the Audit Committee ensures that management takes appropriate action.

### **v. Risk Management**

The Authority has a structure and process to help identify, assess and manage risks. The process was in place for the period up to the time this report was approved. Management reviews all the risks in the Authority and updates the risk register and ensures that all new and emerging risks are appropriately evaluated and any further actions identified. The identified risks are reported to the Audit Committee to assist the Board in the management of risk.

### **1. Ethics and Code of Conduct**

The Authority continues to promote an ethical culture among staff and key stakeholders to inculcate a value-based approach in corporate operations and decision making. In accordance

with the Leadership and Integrity Act, 2012, the Authority has put in place policies, programmes, systems and structures that enhance high standards of ethical behaviour across the Authority. The Code of Conduct and Ethics enables us to consolidate and strengthen a culture of integrity and openness.

## **2. Management Team**

The management team headed by the Chief Executive Officer implements the Board decisions and policies through action plans. The team meets regularly to review these action plans to ensure that the Board's objectives are achieved effectively and efficiently. The management committee considers policies and strategic measures for optimal business performance, monitors performance and makes recommendations to the Board. The CEO acts as the link between the Management and the Board of Directors.

Procurement department at Micro and Small Enterprises Authority

**6. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2021/2022**

Section 81 Subsection 2 (f) of the Public Finance Management Act, 2012 requires the accounting officer to include in the financial statement, a statement of the national government entity's performance against predetermined objectives.

The Micro and Small Enterprises Authority has four (4) strategic pillars and objectives within the current Strategic Plan for the financial year 2021-2022. These strategic pillars are as follows:

- Pillar 1: Development of Micro and Small Enterprises
- Pillar 2: Promotion of Micro and Small Enterprises
- Pillar 3: Regulation of Micro and Small Enterprises
- Pillar 4: Building Institutional Capacity

The Authority develops its annual work plans based on the above four pillars. Assessment of the Authority's performance against its annual work plan is done on a quarterly basis. The Authority achieved its performance targets set for the FY 2021/2022 period for its four strategic pillars, as indicated in the diagram below:

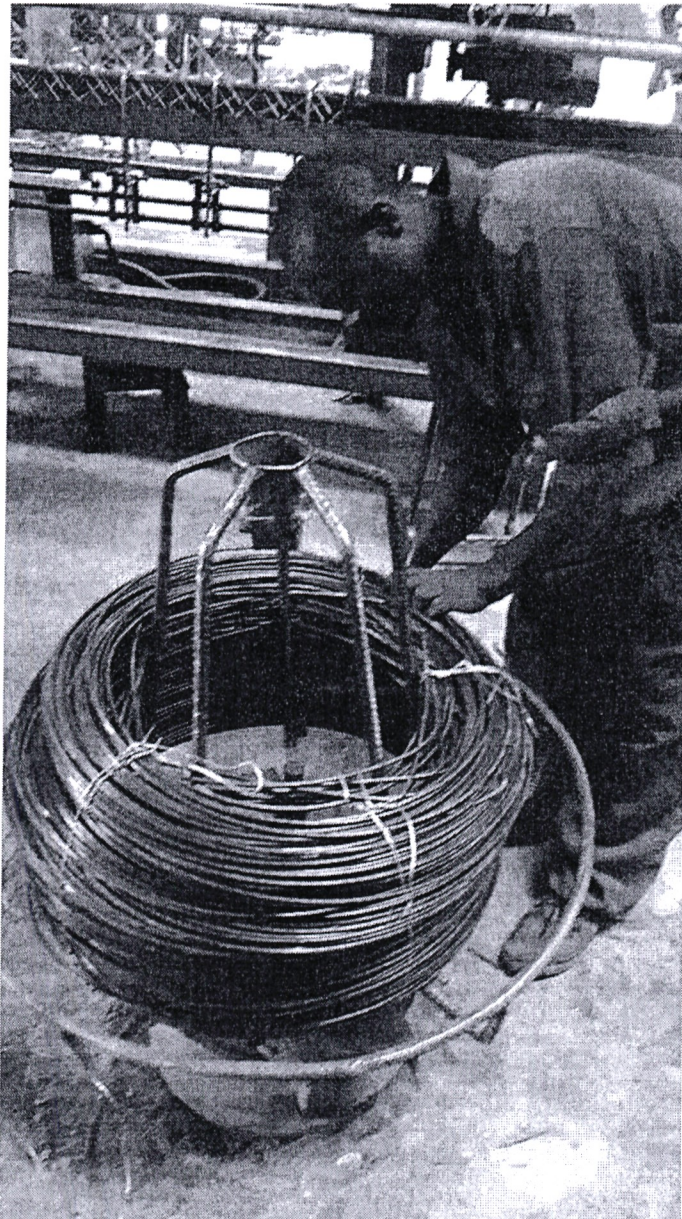
Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievements
Development of Micro and Small Enterprises	To create conducive working environment for MSEs	No of CIDCs refurbished	Construction and refurbishment of CIDCs	The Authority refurbished 20 constituency Industrial Development Centres.
		No. of equipment installed in Kariobangi Center of excellence and CIDCs	Equipping and installing of equipment's at Kariobangi Center of Excellence and CIDCs.	During the year the Authority equipped and installed 15 common user machines
		No. of Cold storage facilities constructed	Construction and equipment of cold storages.	The Authority continued with construction of three cold storage facilities started in FY2019/20 The main works for the three facilities have been completed and the sub-contractor for equipping the facility with refrigeration equipment was procured and

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				shipping of the equipment is on-going
Promotion of Micro and Small Enterprises	To promote growth from Micro to Small, Small to Medium, and Medium to Large enterprises	No. of MSEs facilitated to Markets	Facilitation of MSEs to markets through local, regional and international shows and exhibitions	The Authority facilitated 1476 MSEs access market through locals shows and exhibitions
		No. of youth accessing grants	Provision of grants to youths for job creation	A total of 68,760 youth received grants while 5,264 youth received Business development services. A total of 741 awardees received grants amounting to KShs. 1,332,800,000 under the Mbele na Biz Business Plan Competition
		No. of employment created in MSE sector.		During the financial year, 70,368 jobs were created as a result of success of various project initiatives
Regulation of Micro and Small Enterprises	To initiate and implement formalization of the MSE sector	No. of MSEs, associations and umbrella bodies registered	Registration of MSEs, Associations Umbrella bodies and	The office of registrar was operationalized in the third quarter and registration rolled out in the fourth Quarter where the Authority registered 618 MSE associations and created a database of 75,480 MSEs..
Building Institutional Capacity	To build a strong Institution capable of supporting the growth of MSE sector.	No. of systems Developed	Acquisition and development of systems	The Authority acquired three (3) systems including Registrars systems that is primarily used in registration of MSEs, Customer Relationship Management system and Enterprise Resource Planning system.
		No. of vehicles acquired	Acquisitions of motor vehicles	The Authority acquired two (2) vehicles during the period under review through the Kenya Youth Employment and Opportunities Project.

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These achievements were in line with the performance contract signed between the Board and the Ministry of Industrialization in the financial year 2021/22. The programmes under review included incubation and provision of decent workspaces for MSEs, Enhancement of MSE contribution to employment, facilitation of market access and implementation of Kenya youth employment and opportunities project. Other Included implementations of presidential directives which was to construct cold storage facilities in Kisii, Meru and Nyandarua counties.



KYEOP beneficiary at a work site

## PERFORMANCE REVIEW FOR THE FINANCIAL YEAR 2021-2022

### Constituency Industrial Development Centers (CIDs)

The Construction of Constituency Industrial Development Centers (CIDs) was an Economic Stimulus project which was initiated in 2009/2010FY. This project aimed at expanding economic opportunities in rural areas for employment creation and regional development. The project targeted to facilitate youth participation as artisans and entrepreneurs in value added activities. It targeted construction and equipping of one CID in each Constituency. The then Ministry in charge of Industrialization handed over 158 CIDs to MSEA on as is basis.

The Authority was allocated Kshs 630 million in the FY 2019/2020 towards the refurbishment of one hundred and seventeen (117) Constituency Industrial Development Centers (CIDs). The Authority refurbished and equipped 117 CIDs. The Authority committed to operationalize 35 Constituency Industrial Development Centres within the FY 2020/2021 following an allocation of Kshs 225.3 million for the Development vote. In the FY 2021/2022 the Authority was allocated Ksh 199.5 million to construct and refurbish twenty (20) CIDs as well as operationalizing other twenty (20) CIDs. The Authority received a further supplementary budget of Kshs 65 Million in the period which was used to operationalize 38 CIDs. As at the end of reporting period, the Authority has initiated several activities which are ongoing towards realization of operationalizing the targeted CIDs. The activities are; distribution, installation and training on usage of various machines; procurement of contractors for CIDs identified for completion; and land documentation and verification in collaboration with National Land Commission. It's worth noting that the Authority did not receive development grant amounting to Kshs 65 million out of the approved budget of Kshs 264.5 million revised printed estimates. This has been received in the FY 2022/ 2023.

### **Cold Storage Facilities**

Micro and Small Enterprises Authority received Kshs. 300 Million in the FY2019/2020 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 have been completed and the sub-contractor for equipping the facility with refrigeration equipment was procured and shipping of the equipment is on-going. However, there is need for additional funding for operationalization.

### **MSE Registration**

The Micro and Small Enterprises Authority operationalized the Office of the Registrar which is established under Section 4 of the Act. The main mandate of the office of the Registrar is to Register MSEs, MSE Associations and MSE Sub-Umbrella and Umbrella Organizations. Since its operationalization, the Authority has carried out the following activities to ensure that the office is operational.

- Recruitment of the Registrar and staff to work in the Office of the Registrar.
- Approving and adopting a Registration Manual
- Reviewed the regulations to the Act and forwarding to the Attorney General for publication
- Development of Registration Management System and training staff.
- Setting up the call centre system to facilitate registration of MSEs.

The Authority, in partnership with UNDP, developed an online registration system that deems to formalize and organize the MSE sector in Kenya. The system was designed in line with MSE policies and nation strategic documents that advocate for the recognition and development of Individual MSEs, MSE associations and Umbrella Organizations.

The MSEs are meant to undertake two processes in order to complete the Registration i.e Name Search Application and Registration Application. The registration system also provides for the modules covering;

- Elections
- Registration Notice
- Change of Particulars
- Annual Returns.

In the FY 2021/2022 the Authority registered the Authority has been able to register 618 MSE associations and created a database of 75,480 MSEs.

### Kenya Youth Employment Opportunities Programme

The Kenya Youth Employment and Opportunities programme was started in December 2016 and planned to end in December 2021. However, the project has been extended for another year and is expected to end in August 31<sup>st</sup> 2023. The project has been supporting youth in developing their skills and giving them grants to start the businesses. This project has impacted lives of most youth across the counties it's implemented. The table below shows its performance since its inception to 30.06.2022;

**Table 2: Sub-Component 2.1 Implementation Summary**

<b>Sub-component 2.1 Implementation Summary</b>				
<b>Start-up grants beneficiaries</b>				<b>Business Development Services (BDS) beneficiaries</b>
<b>Cycle</b>	<b>Orientation 1</b>	<b>Orientation 2</b>	<b>Amount disbursed</b>	
<b>Pilot</b>	29	24	1,060,000	64
<b>1</b>	1,040	752	35,840,000	0
<b>2</b>	2,485	2,272	95,140,000	504
<b>3</b>	4,029	3,518	150,940,000	1,164
<b>4</b>	6,413	6,413	256,520,000	3,532
<b>5</b>	12,035	11,999	480,680,000	-
<b>6</b>	11,575	11,568	462,860,000	-
<b>7a</b>	15,361	0	307,220,000	
<b>7b</b>	16,102	0	322,040,000	
<b>Total</b>	69,069	36,468	2,112,300,000	5,264

**Cumulative Achievements;**

- i. The project has benefited **69,069 youth** through issuance of grants and **5,264** youth through business development services.
- ii. A total of **Kshs 2,112,300,000** grants has been disbursed to the youth. The Authority is targeting to reach **78,000 youths** by issuing grants amounting to Kshs. **3,200,000,000** by the end of the project.
- iii. The MbeleNaBiz award ceremony took place on 24<sup>th</sup> February 2021 and 741 youths were issued with grants worth **Kshs 1,360,000,000**.

**MSEs Training**

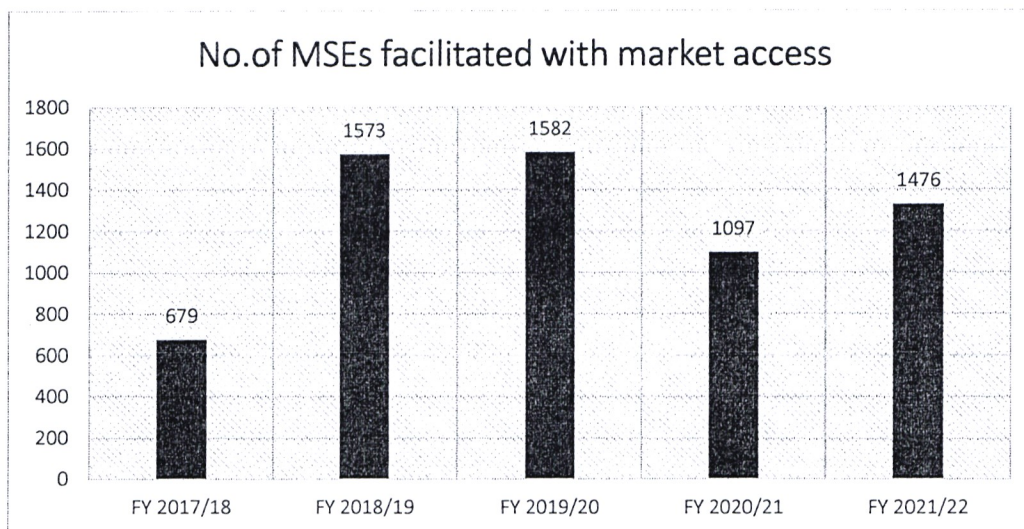
Capacity building and training offers MSEs opportunities to enhance their skills through upgrading and reskilling. The Authority trains MSEs on various aspects including use various machines equipped in the CIDCs, entrepreneurship, business development among others.

In the period under review the Authority partnered with various organization to undertake various training as highlighted below;

1. A total of 203 MSEs have been trained on the use of lathe machines installed at various constituency industrial development centres (CIDCs).
2. The Authority in collaboration with Stanbic bank and foundation are implementing the FutureNiDigital program. The programme offers capacity building to MSMEs through enhancement of digital skills literacy to promote youth employability and economic empowerment. A total of 368 MSEs have been trained and equipped with the digital literacy skills at the Kariobangi Centre of Excellence in Nairobi and Mitunguu CIDC in Meru with the majority being the youth.
3. ILO, under the Better Utilization of Skills for Youth (BUSY) project supported the Authority to develop an online Business Development Services Portal that will be used to train Master Craft Persons (MCPs) on various modules related to business developed. A total of 150 MCPs were trained on the portal including registering them on the portal and assisting them navigate through the modules in the portal.

### Market Access

The Authority has been facilitating MSEs to access local, regional and international markets in an effort to expose their products to market. The chart below shows the distribution of MSEs facilitation to market access for the period 2017/18 to 2021/2022.



**Figure 1: Facilitation to market access performance**

In the Financial Year 2021/2022, the Authority facilitated 1476 MSEs to access markets against a target of 1330.

### Access to Finance

The MSE Act of 2012 established a fund known as Micro and Small Enterprise Fund whose purpose is to finance the promotion and development of micro and small enterprises, provide affordable and accessible credit to micro and small enterprises and finance research, development, innovation and transfer of technology.

The Ministry of Industrialization in consultation with the Authority developed Regulations to actualize the Fund. As at the end of reporting period, The National Treasury and Planning had duly reviewed the MSE Fund Regulations and reverted to the Ministry with a few proposed changes that are necessary in order effect the MSE Fund Regulations. The Authority incorporated the proposed changes and forwarded to the Principal Secretary, State Department for Trade for re-submission to the National Treasury for approval. Upon approval, the MSE Fund Regulations will be submitted to Attorney General for drafting.

### **Strategic Partnerships and Collaborations**

The Authority has entered into partnerships with various development partners such as Family Bank, Gulf Bank and Equity Bank. The partnerships with Family Bank, Equity Bank is to provide capacity building and access to affordable and accessible finance by the micro and small enterprises across the country. The Authority has entered into strategic alliances with the following development partners;

**i. Stanbic Foundation and Stanbic Bank Kenya**

Stanbic Kenya Foundation in partnership with United Nations Development program (UNDP) are support the Micro, Small and Medium Enterprise (MSME) sector in Kenya in the COVID-19 environment through the FutureNiDigital program. The Authority trained instructors who then engaged with the various MSEs who have been impacted by Covid-19 and up-skill them on how to leverage on online and digital platforms to grow their businesses and make them employment ready.

**ii. ILO – BUSY Project**

The Better Utilization of Skills for Youth through Quality Apprenticeship (BUSY Project) is a four-year initiative financed by the U.S. department of Labor and Implemented by International Labor Organization (ILO). The Busy project goal is to increase decent job opportunities and employability to young people, thereby address unemployment, vulnerability and poverty in urban and rural setting. The projects objective is to improve capacity of Kenyan government employers and workers and civil society organizations to establish and expand workplace based programs with a focus on vulnerable and marginalized youth. MSEA in collaboration with ILO is implementing this project in Kilifi, Kitui and Busia.

**iii. United Nations Development Programme (UNDP)**

UNDP is also supporting operationalization of the Office of Registrar of MSEs through establishing infrastructure and hardware necessary to facilitate registration and dissemination of information to MSEs. The MSE Registration Portal developed with support by UNDP has been deployed and is now live and the registration process begun. The deployment and operationalization of the call Centre as well as the Customer Relationship Management (CRM) system was completed as at the end of reporting period. UNDP is also supporting Lake regional economic block in MSE capacity building and sensitization on MSE registration.

**iv. United Nation Department of Economic and Social Affairs (UNDESA)**

The Authority partnered with United Nations Department of Economic and Social Affairs in the financial year 2020/21 in support of development of second-generation strategic plan 2020/2024. The partner engaged a consultant who supported in developing the strategic plan and its implementation framework. The strategic plan is a roadmap to promote, develop and regulate the MSE Sector. UNDESA further supported the Authority in carrying out research on the impact of Covid 19 on women and youth owned micro and small enterprises in Kenya.

**The Office of the Registrar of MSMES**

The Office of the Registrar has been conducting online registration for Individual businesses, Umbrella organizations and Association from January 2021 in all the counties. So far 618 MSE associations have been registered and created a database of 75,480 MSEs with more expected to register in the FY 2022/23. The Office has been sensitizing MSEs on the importance of registration and encouraging them to participate in the process.

The objective of this program is to have an updated, comprehensive and dependable database on MSEs in Kenya. This database will aid in designing programmes to ensure adequate coverage, informed interventions, formalization and upgrading of MSEs in Kenya.

**Pre-branding Survey**

The Authority continues to grow its visibility and awareness of the activities and programs that it is running. With this in mind, it was important to make sure that the corporate brand is similar all round, from the head office to the regional offices and infrastructure managed by the Authority.

To streamline the branding of the Centres and regional offices, MSEA partnered with the Kenya Export Promotion and Branding Agency to conduct a pre-branding survey that will inform the development of the artwork, signages and signposts. The branding works will be developed as per the Public Service Guidelines to enhance the Ministry of Trade, Industrialization, Trade and Enterprise Development and MSEA'S visibility. The Authority carried out a pre-branding survey in all the regions. CIDCS were selected randomly among the identified regions based on accessibility and location.

### **Automation**

Registrar's System for registration of MSEs and Customer Relationship Management System (CRM) were developed during the year for managing MSEs through UNDP project. Also, 3cx Call Center was setup by the project for ease of communication.

The ERP system acquisition process was done during the previous financial year and developed by the consultant in collaboration with ICT and Users to ensure all requirements are incorporated. The system will assist in managing three key support departments in the Authority namely; Finance, Human Resource and Supply Chain Management in their day today operation. The system was still under the developer for maintenance as at the end of reporting period. The system is funded by World Bank through KYEOP.

The Authority's Headquarter has all ICT equipment connected to Local Area Network (LAN) and Wi-Fi for internet connections. Security software were acquired during the Financial including Firewall and Antivirus.

### **Internal audit controls**

The Authority has an internal audit department that abides by the International Internal Audit (IIA) Standards and Codes of ethics incorporated in the International Professional Practice Framework (IPPF) of internal audit. The function has dual reporting, functionally to the audit committee of the board and administratively to the CEO to ensure independence and objectivity. The activities of the department are guided by the approved internal audit charter, policies and procedures and the annual audit plan. Risk based audit are conducted regularly to offer value addition, insight, advise and reasonable assurance to governance, risk management and internal controls in the operations of the Authority. Co-ordination and concise communication is done with various departments within to ensure optimum coverage, assurance mapping and the stakeholder's management.

## Recruitment

In the financial year 2021/2022, the Authority recruited four interns under the KYEOP project and one Intern under MSEA. The Authority had contracted to recruit ten (10) interns in the performance year. Based on that, an advert was placed for recruitment of more interns and the recruitment process is yet to be finalised.

## Staff Training

During the financial year ending 30<sup>th</sup> June 2022, the following training programs were undertaken with corresponding number of staff trained. Despite the Authority having challenges on Training and Development Budget, the training programs as highlighted were achieved through partnerships, self-study and KYEOP Project funding. From a staff in-post of 203, thirty-two staff were trained in the financial year.

No.	Training Programme	No. of Staff Trained
1	Diplomatic Protocol etiquette	12
2	Public Service Internship mentors programme	2
3	Design and Implementation of Service Delivery Surveys	1
4	Advanced Excel Business Modelling	2
5	Management of Social & Environmental Safeguards in Donor funded projects	1
6	Procurement Frameworks for Project staff	1
7	Database Administration using SQL Service	1
8	Activity Based Budgeting in the Public sector	1
9	Technology Transfer and Commercialization	1
10	Marketing Management	2
11	Introduction to Digital Journalism	1
12	Google Suite for Project Communication	1
13	Access to Finance for Business	1
14	Business Management	3
15	Human Resource Management	1
16	Women & Procurement	1
<b>Total</b>		<b>32</b>

### Student Attachment and Internships

The Authority engaged in the financial year a total number of nine (9) interns and thirty-two (32) attaches.

### Staffing Levels

MSEA operated with deployed staff from the year 2013 and a recruitment process was initiated from April 2019. Resulting from the recruitment since 2019, the Authority currently has a total workforce of one hundred and ninety-eight (198) employees. This includes thirty-two (32) deployed staff who have since been absorbed in to the Authority after they were interviewed to determine their suitability to remain with the Authority as per the delinking report provisions.

The variance as per the establishment is four hundred and fifty-eight (458) as at 30<sup>th</sup> June 2022. During the financial year 2021/2022, the Authority did not recruit new staff.

In the reporting as at 30<sup>th</sup> June 2022, the Authority has a staff capacity of two hundred and three (203) against an authorized establishment of six hundred and fifty-eight (658). The in post comprises of the Chief Executive Officer, six (6) senior managers, twenty-nine (29) middle level Management, one hundred and sixteen (116) technical staff and forty-six (46) support services staff as analysed below;

### Staff Establishment

S/No.	Category	Establishment	In Post	Variance
1.	Policy Level	1	1	0
2.	Senior Management	25	6	19
3.	Middle level Management	56	29	27
4.	Technical Officers	379	116	263
5.	Support Services	197	46	151

### **Staff Exits**

In the financial year, eight (8) staff exited due to various reasons ranging from contract expiry, resignations and demise. Analysed from the financial year 2019/2020 to the current year of reporting 2021/2022, seventeen (17) staff have since exited service.

### **Policy Environment**

Micro and Small Enterprises Authority is guided by among other policy instruments; MSEA Human Capital and Administration Manual, Delinking Report 2016, MSEA Organizational Structure 2019, MSEA Career Guidelines 2019. There have however been organizational changes which necessitated the review of those Instruments.

During the financial year, the following policy documents were reviewed and are ready for implementation.

- a) Human Resource Policy Manual
- b) Organization structure and staff Establishment
- c) Career Guidelines

### **Mainstreaming of Cross Cutting Issues:**

#### **Asset Management**

The Authority maintains a record of all assets within the Authority's Headquarter offices and in the regions. Repairs and maintenance on the same is done continuously to meet the staffing needs. However, the Authority still faces challenges in allocation of assets to all staff to enable their productivity, reason being that the Assets are fewer than the staff capacity demands.

#### **Youth Internships/Industrial Attachments/Apprenticeships**

The Authority in the financial year 2021/2022 engaged 28 students on attachment and 13 youths on Internship program. This is in a bid to enable employability for the youth by providing work experience exposure and facilitating students to graduate in their respective programs. The Authority through the Centre of excellence in Kariobangi facilitated 90 individuals on apprenticeships.

### **Disability Mainstreaming**

The Authority is committed to mainstreaming Disability. In the Financial year 2021/2022, the Authority enrolled in the NCPWD career portal to enhance its visibility to Persons with Disabilities during job advertisements. Adverts are also tailored to reflect an encouragement for PWD to apply for vacant positions. The also Authority conducted business start-up training and issued grants to 1100 youths who are PWDs through KYEOP. The Authority also set aside in its budget 2% of its total budget provision amounting to Kshs. 1,728,240 for persons with disabilities.

During the FY, 230 MSEs were sensitized on AGPO. The Authority awarded tenders amounting to 1,008,000 KSHs to two businesses owned by PWDs. Additionally, the refurbished CIDCs have been fitted with ramps to enhance accessibility and usability by PWDs.

### **Gender Mainstreaming**

MSEA is keen in ensuring that the one third gender rule as per the constitution is promoted. To that effect, it is noted that in the staff establishment the gender representation in the entire establishment is at a ratio of 52% for female employees and 48% male employees. Also, the representation of female to male is 47% for female and 53% for male in the minority group within the staff establishment in post.

Staff represented from MSEA Grade 6 (JG P) in public service are at 38% female and 62% male. Through the KYEOP program, 1600 women received grants to start or expand their businesses 990 women were facilitated to access both local and regional financial markets. The Authority partnered with UNDESA to carry out a survey on the impact of covid- 19 on women owned enterprises. Through a partnership with Equity bank, at least 130 women have been trained on business development and facilitated to access financial assistance from the bank.

### **Prevention of Alcohol and Drug Abuse**

The Authority having contracted performance indicators on prevention of Alcohol and Drug abuse implemented some initiatives. Some initiatives undertaken by the Authority are on sensitization and awareness by use of posters and webinars to reach out to staff, their family members and MSEs.

The authority undertook a baseline survey to establish the prevalence of ADA among its employees and to establish the mitigation measures to incorporate. The Authority also established a unit to handle and support employees with substance use disorders.

### **Prevention of HIV Infections**

The Authority is committed to ensuring that necessary information and mitigation measures are enhanced in prevention of HIV and Aids. In this respect, the Authority facilitated the employees with a Health cover which enables staff to access medical health services as well as counselling.

The Authority sensitized its staff members on HIV prevention and management and Communicable and non-communicable diseases through a Universal Health Coverage programme that incorporated screening and testing for these diseases.

### **Safety and Security Measures**

Safety and security are key for employees and the assets for the Authority. In the financial year, the Authority enhanced security measures in the Authority by engaging a security firm to provide for security in the Headquarters and Kariobangi Centre of Excellence.

### **National Cohesion and Values**

The Authority implemented various programs in promotion of National Values and Principles of Public Service and this includes five commitments on the Annual Presidential report. Key to note are prioritization and alignment of projects and activities in realization of the Big Four Agenda. The Authority implemented the Kenya Youth Opportunities Project (KYEOP) and to date a total of 69,069 youth have received start-up business grants amounting to Kshs. 2,112,300,000.

The Authority has as well promoted access to markets for MSEs through operationalization of the registrar's Office and providing a platform for MSEs to market their products using the trade fairs. MSEA commenced construction of cold storages in Nyandarua, Kisii and Meru to support value addition which then will result to enhanced food Security and Nutrition. The Authority completed construction of CIDCs and refurbished existing ones to enable MSEs utilize space for manufacturing and value addition of products.

### **Road Safety Mainstreaming**

The Authority is committed to promotion of Road Safety mainstreaming and implemented activities yielding to that. Activities undertaken are; six (6) Drivers trained on Defensive driving, disseminating Information, and Sensitization done to staff on Road safety using fliers via social media.

### **Corruption Prevention**

The Authority endeavours to promote values supportive to the eradication of corruption. In the financial year of reporting MSEA maintained a gift register, undertook a Corruption Risk Assessment and developed a corruption Risk Mitigation plan. It also implemented the measures emanating from Corruption Risk Mitigation Plan and submitted to EACC the quarter reports on measures taken. During the planning period EACC staff held a meeting with the management to review the implementation of the corruption Risk Mitigation strategies.

### Health and Safety

The World Health Organization (WHO) declared on 11<sup>th</sup> March 2020 Covid-19 as a pandemic after the Corona Virus outbreak in December 2019. The first case in Kenya was confirmed on 15<sup>th</sup> March 2020. Subsequent to that the President of the Republic of Kenya declared Covid-19 a public health concern and a pandemic.

The Government has since provided for guidelines from time to time and the Authority has complied with the guidelines. Further the authority embarked on a survey to determine the effects the pandemic has had on the staff fraternity as well as their dependents. This was aimed at assisting the department to be better informed while handling the pandemic internally.

With the new norm, the Authority embraced technology in administration of its functions. In respect to that, the Authority adopted the use of online platforms when having meetings, sensitizations and training.



KYEOP beneficiary at site of vehicle modification business

## **7. CORPORATE GOVERNANCE STATEMENT**

The Board of Management of Micro and Small Enterprises Authority is responsible for the governance role of the Authority. Both the Board and senior management of the Authority are committed to the highest levels of corporate governance, which it considers critical in achieving the Authority's mandate. Accordingly, the Authority therefore fosters a culture that values and rewards the highest ethical standards, personal and corporate integrity.

### **3. The Board**

#### **A. Board Composition**

The Board of Directors oversee the Authority's Corporate Governance framework by ensuring that the best practices in corporate governance are adhered to.

An effective board must comprise of highly qualified and competent directors capable of exercising objective, independent judgment to guide strategy development and monitor management. The board must have a proper understanding of the role and responsibilities of the board to ensure that the board has appropriate autonomy, authority and accountability in exercising its functions. More over an effective board follows operating practices such as creating board committees and providing specialized training and evaluation for directors that improve board's functioning and decision making.

The Authority's board is headed by a non-executive chairman appointed by the President, the remaining fourteen (14) directors in the board are appointed by the Cabinet Secretary responsible for Industrialization, Trade and Enterprise Development as per the Micro and Small Enterprises Act No. 55 of 2012, four (4) are alternate directors to Principal Secretaries for Industrialization, Trade, Youth and National Treasury respectively, one (1) director who is the Chief Executive Officer sits in the board as the Secretary, while four (4) members sit in the board as independent directors. The rest represent the subsectors of trade, services, and manufacturing.

The Board is composed of directors with a diverse mix of experience in various industries and competencies in various fields such as Insurance, Banking, Law, Accounting and Human resources. The unique experiences provide the Board with a mix of skills in discharging its

responsibilities and providing a strategic vision and direction for the Authority by bringing in the element of independent judgment and risk assessment in the decision-making process.

All directors have a tenure of three years with a provision for re-appointment once subject to a favourable performance evaluation by the appointing authorities.

**B. Roles and responsibilities of the Board.**

The roles of the board is to provide overall strategic direction of the Authority, monitor the Authority's performance, set policy guidelines for management and ensure that the business of the Authority is conducted in compliance with relevant laws and regulations. To achieve continued prosperity for the Authority, the Board exercises leadership, enterprise, integrity and good judgement and shall always act in the best interest of the Authority.

The roles and responsibilities of the Board broadly include the following;

- i. Establishing the Authority's strategic direction and priorities and adopting business Plans proposed by management for the achievement of strategic objectives
- ii. Monitoring and evaluating the implementation of strategies, policies, management Performance criteria and business plans
- iii. Providing oversight in financial reporting to government agencies and key stakeholders
- iv. Ensuring availability of adequate resources for the achievement of the Authority's Objectives.
- v. Safeguarding the Authority's assets by instituting appropriate internal control systems.
- vi. Reviewing succession planning for management and making senior management Appointments, organizational changes and remuneration issues.
- vii. Overseeing business affairs of the Authority considering emerging risks and Opportunities.
- viii. Ensuring the Authority complies with all relevant laws, regulations and codes of best Business practices.

### C. Committees of the Board

The Board has the authority to establish committees and to delegate powers to such committees. The purpose of the committees is to assist the Board in advancing its functions efficiently. The Board, while recognizing that certain powers can be delegated to the committees, reaffirms that the ultimate accountability for such matters remains with the Board.

Each committee meet at least four times in a year to prepare for Board meetings and file appropriate reports to be considered by the Board. Necessity for additional meetings is considered and if appropriate, approved by the Board with due regard to the mutual responsibility and accountability of the Board.

The Committee elect the Chair from among the Committee member on their first meeting. It is expected that each Board member will serve on at least two Board Committees.

Ad hoc committees of the Board may be appointed from time to time to address particular issues. The Terms of Reference of such a committee shall be determined by the Board.

In furtherance of its mandate, a Committee may propose to the Board for approval the use of external expertise whose work will be directed by the Committee but ultimately submitted to the Board for approval.

The Board may, by resolution either generally or in any particular case, delegate to any Committee of the Board, or to any member thereof, or to any officer, employee or agent of the Authority the exercise of any of the powers or the performance of any of the functions or duties of the Board to the extent permitted by the MSE Act or any other written law.

Currently, there are four (4) committees constituted by the Board: Audit and Risk Management Committee, Finance, Human Resources and Administration Committee, Strategy and Business Development Services Committee and Development and Infrastructure Committee.

Membership to these committees is based on relevant skills, expertise and experience required to handle respective functions. The Committee execute their functions in accordance with terms of reference which defines its mandate, roles and responsibilities.

**The roles of the various Board Committees are as below:**

**I. Audit and Risk management Committee**

The committee comprises of five Board members with Head of Internal Audit providing secretarial services as required by the Public Finance Management Act Regulations. The committee assists the Board in fulfilling its corporate governance responsibilities and in particular to strengthen the effectiveness of the internal audit function; maintaining oversight on internal control systems; provision of general oversight in risk and compliance matters; and ensuring implementation of audit reports and recommendations.

The terms of reference for the Committee are highlighted below;

- ✓ Formulating Internal control systems
- ✓ Reviewing the internal control policies and procedures
- ✓ Analysing internal and external Audit reports
- ✓ Ensuring implementation of recommendation of Audit reports
- ✓ Developing/implementation Risk Management policy

The committee held four (4) meetings during the year.

**II. Finance, Human Resources and Administration Committee**

The committee comprises of seven Board members and it's responsible for providing advice to the Board on MSEA's financial and human resource management, performance and their financial implications.

The terms of reference for the Committee are highlighted below;

- ✓ Resource mobilization
- ✓ Work planning and Budgeting
- ✓ Reviewing the Authority's ICT policies and systems
- ✓ Overseeing procurement processes and procurement plan
- ✓ Reviewing human resources policies and procedures
- ✓ Performance contracting
- ✓ Performance Appraisal
- ✓ Reviewing financial policy and procedures
- ✓ Ensuring compliance with legal and statutory requirements

The committee held four (4) meetings during the year.

**III. Development and Infrastructure Board Committee**

The committee comprises of six board members and it's responsible for the Acquisition and documentation of land for MSE use, Infrastructure Development, MSE Centres of Excellence development and equipping, facilitating access to Markets and Exhibition centres for MSEs and Jua Kali sheds and work sites acquisition and development.

The terms of reference for the Committee are highlighted below;

- ✓ Acquisition and documentation of land for MSE use
- ✓ Infrastructure Development
- ✓ Developing and equipping of MSE Centres of Excellence and CIDCs
- ✓ Markets and Exhibition centres
- ✓ Developing Jua Kali sheds and work sites

The committee held four (4) meetings during the year.

**i. Strategy and Business Development Services Board Committee**

The committee comprises of eight board members and deals with Policy formulation and review, Strategy Planning, Research and Product Development, Protection of Intellectual property, Marketing and Access to markets, Technology development, acquisition and transfer, Training and capacity building for MSEs and Monitoring and Evaluation systems.

The terms of reference for the Committee are highlighted below;

- ✓ Policy formulation and review
- ✓ Strategy Planning
- ✓ Research and Product Development
- ✓ Protection of Intellectual property
- ✓ Marketing and Access to markets
- ✓ Technology development, acquisition and transfer
- ✓ Training and capacity building for MSEs
- ✓ Monitoring and Evaluation systems

The committee held four (4) meetings during the year.

**D. Board Almanac and Meetings**

The Board almanac contains a schedule of meetings of the Board and its committees for the year. The agenda for each Board meeting is prepared and circulated to members in advance. The Board holds its regular meetings at least once every three (3) months and special meetings may be called when necessary. During the year under review, the Board held six (6) meetings.

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i. Board and committee membership

Analysed below is the Board and Committee membership during the reporting period.

Name of the Director	Board Position	Board Committees			
		Finance, HR & Admin	Development & Infrastructure	Strategy & BDS	Audit & Risk
Mr. James Mureu	Chairman	-	-	-	-
Mr. Henry Rithaa	Director General/ Chief Executive Officer	√	√	√	-
CS Hon. Betty C. Maina	Cabinet Secretary, Industrialization, Trade and Enterprise Development	-	-	-	-
CS Hon. Amb. Ukur Yatani	Cabinet Secretary, The National Treasury	-	-	-	-
Amb. Johnson Weru	Principal Secretary, State Department for Trade	-	-	-	-
Mr. Humphrey Njoroge	Member	Chair	-	√	-
Mr. Anthony Kwache	Member	-	Chair	√	-
Ms. Zohra Baraka	Member	-	-	Chair	√
Mr. Billy Baltazar	Member	-	√	-	Chair
Ms. Caroline Karanja	Member	√	-	√	-
Mr. Isaac Mbingi	Member	√	-	√	-
Mr. Joseph Samal	Member	√	√	-	-
Mr. Charles Kalomba	Member	-	√	√	-
Mr. Yuda Imunya	Member	-	√	-	√
Ms. Rose Mwongera	Alternate to Principal Secretary, State Department for Youth	√	-	√	-
Dr. Bruno Linyiru	Alternate to Principal Secretary, State Department for Trade	√	√	-	-
Mr. Richard Gakunya	Alternate to Cabinet Secretary, The National Treasury and Planning	√	-	-	√

**Notes**

√ Board Committee membership during the period.

### Board and committee meeting attendance

Analysed below is the Board and Committee meeting attendance during the reporting period.

S/No	Name	BoD evaln FY 2020/21 30.8.21	34 <sup>th</sup> BoD 17.9.21	BoD Retreat Review BoD Evaln 22.10.21	BoD Retreat 16-18. 11.21	35 <sup>th</sup> BoD 29.11.21	36 <sup>th</sup> BoD 5.4.22	BoD retreat 23- 24.5.22	37 <sup>th</sup> BoD 22.6.22
1.	James Mureu			√	√	√	√	√	√
2.	Isaac Mbingi Okello	√	√	√	√	√	√	√	√
3.	Antony Kwache	√	√	√	√	√	√	√	√
4.	Charles Kalomba	√	√	√	√	√	√	√	√
5.	Billy Baltazar	√	√	√	√	√	√	√	√
6.	Yuda Imunya	√	√	√	√	√	√	√	√
7.	Joseph Samal Lomwa	√	√	√	√	√			
8.	Rose Mwongera	√	√	√	√	√	√	√	√
9.	Humphrey Njoroge	√	√	√	√	√	√	√	√
10.	Caroline Karanja	√	√	√	√	√	√	√	√
11.	Dr. Bruno Linyiru	√	√	√	√	√	√	√	
12.	Richard Gakunya	√		√	√	√	√	√	√
13.	Nicholas Gakiha				√	√	√	√	√
14.	Milka Muthui								√
15.	Henry M. Rithaa	√	√	√	√	√	√	√	√
16.	Nancy Muya	√	√						
17.	Zohra Baraka								
18.	Charles Waitthaka								

### Strategy, Business Development Services Committee Meetings

	SBDS Committee meetings	31 <sup>st</sup> SBDS 7.9.21	32 <sup>nd</sup> SBDS 22.11.21	33 <sup>rd</sup> SBDS 22.3.22	34 <sup>th</sup> SBDS 14.6.22
1.	Ms. Caroline Karanja	√	√	√	√
2.	Mr. Isaac Mbingi Okello	√	√	√	√
3.	Eng. Charles Kalomba	√	√	√	√
4.	Mr. Anthony Kwache	√	√	√	√
5.	Mr. Humphrey Njoroge	√	√	√	√
6.	Ms. Rose Mwongera	√	√	√	√
7.	Dr. Bruno Linyiru	√	√	√	√
8.	Mr. Henry M. Rithaa	√	√	√	√

**Finance, Human Resource and Development Committee Meetings**

	FHRA Committee meetings	35 <sup>th</sup> FHRA 8-9.9.21	36 <sup>th</sup> FHRA 25.11.21	37 <sup>th</sup> FHRA 23.3.22	38 <sup>th</sup> FHRA 14.6.22
1.	Mr. Humphrey Njoroge	√	√	√	√
2.	Hon. Joseph Samal Lomwa	√	√		
3.	Ms. Caroline Karanja	√	√	√	√
4.	Ms. Rose Mwongera	√	√	√	√
5.	Ms. Nancy Muya	√			
6.	Mr. Nicholas Gakiha		√	√	√
7.	Mr. Isaac Mbingi Okello	√	√	√	√
8.	Mr. Richard Gakunya	√	√	√	√
9.	Mr. Henry M. Rithaa	√	√	√	√

**Infrastructure and Development Board Committee Meetings**

	IDC Committee meetings	27 <sup>th</sup> IDC 7.9.21	28 <sup>th</sup> IDC 22.11.21	29 <sup>th</sup> IDC 2.3.22	30 <sup>th</sup> IDC 7.6.22
1.	Anthony Kwache	√	√	√	√
2.	Yuda Imunya	√	√	√	√
3.	Nancy Muya	√	√	√	√
4.	Billy Baltazar	√	√	√	√
5.	Charles Kalomba	√	√	√	√
6.	Joseph Samal	√	√		
7.	Henry M. Rithaa	√	√	√	√

**Audit & Risk Management Board Committee Meetings**

	ARM Committee meetings	28 <sup>th</sup> ARM 10.9.21	29 <sup>th</sup> ARM 23.11.21	30 <sup>th</sup> ARM 23.3.22	31 <sup>st</sup> ARM 7.6.22
1.	Billy Baltazar - Chairman	√	√	√	√
2.	Yuda Imunya	√	√	√	√
3.	Richard Gakunya	√	√	√	√
4.	Dr. Bruno Linyiru	√	√	√	√

## II.) Board Evaluation

The Board undertakes an annual evaluation of its performance facilitated by an independent governance specialist from the State Corporation Advisory Committee (SCAC) which results to a report with recommendations on areas that require improvement. The annual self-assessment is aimed at improving members' individual and collective performance for continuous growth and sustainability of the Authority.

## III.) Board Charter

The Board has in place a charter which outlines powers and responsibilities of the Board and its members, appointment, remuneration, term of the Board members, conduct of meetings, committee terms of reference, conflict of interest among others. The charter is premised on the Mwongozo Code and best Corporate Governance Practices.

## IV.) Board Capacity Development

The Authority has put in place a formal induction programme for new Board members and continuous training for the directors to acquaint them with their responsibilities as well as keep them abreast of the Authority's strategy and operations.

## V.) Policies

The Authority has in place the following policies for effective management of the organisation:

- Corporate Governance Policy
- Board Charter
- Declaration of Interest Policy
- Risk Management Policy
- Information Communication Technology Policy
- Procurement Manual and Procedures
- Human Resource Policy
- IT Policy
- Financial Policy and Manual
- Communication policy

#### VI.) Accountability and Audit

Each financial year, Directors are required to prepare annual financial statements which reflect a true and fair view of the financial position of the Company as per the regulations of Public Finance Management Act 2012. The Board ensure that suitable accounting policies are consistently applied, supported by reasonable and prudent judgments, and estimates. The Board also ensure financial statements are audited each financial year. The Office of the Auditor General is the external auditor of MSEA.

#### VII.) Board Effectiveness

The independence of the Board from the MSEA's corporate management is ensured by the separation of the functions of the Chairperson and Director General and a clear definition of their responsibilities.

The Chairperson is a non-executive Director and is primarily responsible for providing leadership to the Board while the Director General is responsible for the day-to-day management of the Authority. This achieves an appropriate balance of power, increased accountability and improved capacity for decision making.

#### VIII.) Board Appointment and Removal

The Board is headed by the Chairman who is appointed by the President through a gazette notice on a 3 years renewable terms. The rest of the members are appointed by Cabinet Secretary in charge of Industrialization, Trade and Enterprise Development through a gazette notice for a period of 3 years term renewable once. The Board appointment is governed by MSE Act no.55 of 2012.

Analysed below is MSEA Board of Directors tenure of service

S/No.	Name	Gender	Title	Sector represented	Date of Appointment	Expiry of term
1.	Mr. James Mureu	Male	Chairman	S. 30(1)(a)	6 <sup>th</sup> October 2021	5 <sup>th</sup> October 2024
2.	Mr. Charles Waithaka	Male	Former Board Chair	S. 30(1)(a)	19 <sup>th</sup> July 2018	18 <sup>th</sup> July 2021

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3.	Mr. Charles Kalomba	Male	Independent Director	S. 30(1)(g)(i)(aa) manufacturing	14 <sup>th</sup> November 2019	13 <sup>th</sup> November 2022
4.	Mr. Anthony Kwache	Male	Independent Director	S. 30(1)(g)(i)(cc) services	14 <sup>th</sup> November 2019	13 <sup>th</sup> November 2022
5.	Ms. Caroline Kabui Karanja	Female	Independent Director	S. 30(1)(g)(i)(dd) agri-business	14 <sup>th</sup> November 2019	13 <sup>th</sup> November 2022
6.	Mr. Yuda Imunya	Male	Independent Director	S. 30(1)(i) micro finance institutions	14 <sup>th</sup> November 2019	13 <sup>th</sup> November 2022
7.	Mr. Humphrey Njoroge	Male	Independent Director	S. 30(1)(j) independent	14 <sup>th</sup> November 2019	13 <sup>th</sup> November 2022
8.	Mr. Isaac Mbingi Okello	Male	Independent Director	S. 30(1)(k) workers	14 <sup>th</sup> November 2019	13 <sup>th</sup> November 2022
9.	Mr. Billy Baltazar	Male	Independent Director	S. 30(1)(g)(iii) youth in micro and small enterprises	11 <sup>th</sup> July 2019	10 <sup>th</sup> July 2022
10.	Mr. Nicholas Gakiha	Male	Alternate Director, PS, State Department for Industrialization	S. 30(1)(d)	15 <sup>th</sup> October 2021	14 <sup>th</sup> October 2024
11.	Dr. Bruno Linyiru	Male	Former Alternate Director, PS State Department for Trade	S. 30(1)(e)	3 <sup>rd</sup> May 2021	13 <sup>th</sup> June 2022
12.	Ms. Milka Muthui	Female	Alternate Director, PS State Department for Trade	S. 30(1)(e)	13 <sup>th</sup> June 2022	12 <sup>th</sup> June 2025
13.	Ms. Zohra Baraka	Female	Former Independent Director	S.30(1)(g)(ii)women in micro and small enterprises	14 <sup>th</sup> November 2019	Passed on 7 <sup>th</sup> August 2021
14.	Mr. Joseph Samal Lomwa	Male	Former Independent Director	S. 30(1)(g)(iv)PWDs	11 <sup>th</sup> July 2019	Resigned on 8 <sup>th</sup> February 2022,
15.	Mr. Richard Gakunya	Male	Alternate Director, PS	S. 30(1)(c)	14 <sup>th</sup> October 2015	

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			National Treasury			
16.	Ms. Rose Mwongera	Female	Alternate Director, PS Public Service & Youth	S. 30(1)(f)	24 <sup>th</sup> July 2019	
17.	Mr. Henry Mwenda Rithaa	Male	Chief Executive Officer / Board Secretary	S. 30(1)(l) Chief Executive Director	20 <sup>th</sup> March 2019	19 <sup>th</sup> March 2024

**IX.) Performance Contract**

The Board annually signs a performance contract with the Government as well as setting Corporate Performance Strategies with Management and continues to perform an annual self-evaluation exercise to review and audit its role and success or otherwise to meet the challenges envisaged at the beginning of each year.

**X.) Training and Development**

The Authority recognizes the importance of having a well informed and fully empowered Board and Management. In this regard, relevant training and capacity development opportunities are organized to equip Directors and staff with skills and knowledge necessary to effectively perform their responsibilities.

**XI.) Conflict of Interest**

The Directors are required to make written disclosures of any transaction in which they have interest and which would constitute a conflict of interest and abstain from voting when such matters are being considered. The board maintains a conflict-of-interest register, where any member with an interest in any matter for discussion during board meetings registers it.

**XII.) Directors Emoluments**

The Board of Directors are entitled to a sitting and other allowances (where applicable) for every meeting attended, within the set Government guidelines. The Chairman is also paid a monthly honorarium. The aggregate amount of emoluments paid to the Directors during the financial year for services rendered are disclosed in the financial statements under Board Expenses.

## THE MICRO AND SMALL ENTERPRISES (MSE) SECTOR

### The Bottom up Economic Transformation agenda 2022-2027

The Government's development agenda is anchored on the key pillars of the Kenya kwanza plan "The Bottom up Economic Transformation agenda 2022-2027" of realizing constitutional democracy, institutionalized politics and economic empowerment through creation of jobs. It focuses on five key sectors as its core pillars. These are:

1. Agriculture
2. Micro, Small and Medium Enterprise (MSME) economy
3. Housing and Settlement
4. Healthcare
5. Digital Superhighway and Creative Economy

One of the key pillars in the government's development agenda is the Micro, Small and Medium Enterprise (MSME) economy, whereby MSEA plays a key role in the implementation of key programmes and projects.

MSMEs are the backbone of the Kenyan economy contributing to 85% of non-farm jobs. The MSME sector cuts across all sectors of the economy and contribute approximately 33% of Kenya's GDP and represent 90% of private sector enterprises. The government aims to realize the full potential of this sector by addressing the underpinning challenges that have been inhibiting their growth and sustainability. This will be done through:

- i. **End criminalization of work:** The government will enact a right to work law, making trading licenses and provision of a trading location an entitlement to every citizen who applies. Collaboration between both national and county governments to provide one-street trading premises for every 50 urban residents, with a view to increasing average daily income of informal traders by Sh200;
- ii. **Regressive taxation.** Bureaucracy and regulatory compliance costs. Review and rationalize all business licenses, cap total licenses at 1.5 per cent 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;
- iii. **Access to finance.** Commit Sh50 billion a year to provide MSMEs with 100 per cent access to affordable finance through SACCOs, venture capital, equity funds and long-term debt for start-ups and growth-oriented SMEs;
- iv. **Infrastructure & Capacity Building.** Establish MSME Business Development Centre in every ward, and an industrial park and business incubation centre in every TVET institution.

### Overview of the National and International Scene

MSMEs account for 90% of global businesses, 60 to 70% of employment and 50% of GDP worldwide. Formal MSMEs contribute to 40% of GDP in emerging economies, and the number is considerably higher when informal ones are included. As the backbone of societies everywhere they contribute to local and national economies and to sustaining livelihoods, in particular among the working poor, women, youth, and groups in vulnerable situations.

In Africa, MSMEs are the predominant form of enterprise, accounting for approximately 99% of all firms. They provide the main source of employment, accounting for about 70% of jobs on average. Despite being the backbone of Africa's economies MSMEs are faced with multiple challenges including low private capital and equity availability, limited small-scale financial products, market access and technical capacity. Africa MSEs need to be supported to unlock their potential.

Micro and Small enterprises account for 33% of Kenya's GDP, employ over 30% of the working population and constitute 98% of all businesses in Kenya (KNBS 2016 SME report). However, despite their prolific contribution to Kenya's socio-economic development; they continue to perform below capacity riddled with high mortality rate of 75% within 3 years of inception underpinned by challenges such as access to finance, access to markets, access to information, lack of management skills, access to technology and unsupportive policies among others (KNBS 2016 SME report).

MSEs play a critical role in building back stronger and therefore, need support to navigate external shocks that have disrupted their operations to become more resilient. Government must shift its focus from beyond recovery and formulate initiatives that reduce or eliminate barriers faced by MSEs and improve the business environment, access to finance, markets and technology. It is essential as a country that we work with all stakeholders including development partners to support and empower MSEs and unlock their full potential through inspiring innovation, creativity and decent work for all.

### **Performance by the Key Sectors of the Economy**

According to the Economic Survey 2022 the economy recovered from the crippling effects of the COVID-19 pandemic after lifting of the containment measures instituted in 2020. The economy expanded by 7.5% in 2021 due to positive growth from most economic activities. Sectors that were greatly affected by the pandemic grew significantly faster than those that were less affected in 2020. Economic growth in 2021 was supported by improved performances in key sectors of the economy including; Manufacturing (6.9%), Wholesale and Retail Trade (7.9%), Real Estate (6.7%), Transportation and Storage (7.2%), and Financial and insurance activities (12.5%). In contrast, dry weather conditions that characterized the better part of 2021 adversely affected agricultural production leading to a contraction of the agriculture sector by 0.2%.

However, Agriculture remained the dominant sector, accounting for about 22.4 per cent of the overall GDP in 2021. Industry related activities and service activities accounted for about 17.0 per cent and 60.6 per cent, respectively in 2021.

### **MSE Sector Performance**

The Micro and Small Enterprises (MSEs) are defined as enterprises employing less than 50 persons and account for over 90% of private sector entities in Kenya. The MSE sector play a vital role in the economic development of Kenya since they contribute approximately 30% of the country's GDP and provide opportunities such as income generation, employment creation and sustainable livelihoods for the economically marginalized in the society such as youth, women and persons with disabilities.

The sector continued to be resilient to the COVID-19 pandemic and restrictions initiated in the year 2020. The relaxation of various containment measures, such as the night curfew, lockdowns and travel restrictions coupled with the rollout of COVID-19 vaccination had a positive impact on the MSE sector. This provided an environment that spurred business recovery and growth in the year under review. The informal sector in which majority of MSEs belong accounted for 81.4% of the total jobs created in the economy in the year 2021 (Economic Survey 2022).

Development of MSEs is guided by the Sessional Paper No. 2 of 2005 on Development of Micro and Small Enterprises for Wealth and Employment Creation for Poverty Reduction. This policy

identified various challenges such as access to finance, markets and weak linkages of MSEs to medium and large enterprises. Further, a 2019 KIPPRA study on “County Business Environment for Micro and Small Enterprises in Kenya’ identified five critical areas to unlock the potential of MSEs. The five areas include access to affordable finance; innovation, technology and capacity; worksites and infrastructure; markets; and governance and regulatory framework.

### **MSE Formalization**

Formalization, involving the process of obtaining licenses, registering with registrar of MSE and compliance with statutory requirements such as taxation, social security and labour laws, serves as an important avenue for MSEs to access markets and services. About 21% of MSEs operate with licenses from county governments, out of which only 27% are registered with the registrar of companies. Micro enterprises registered with registrar of companies are only 4% compared to 67% of small enterprises.

The MSE sector is highly informal with majority of micro and small enterprises being part of a huge informal economy which may seem to offer relief for their short-term challenges but in the long run, minimizes their potential for growth, access to wider resources and markets and ultimately limits their socio-economic impact.

The establishment and operationalization of the office of the registrar of MSEs has been instrumental in formalizing the MSE sector through registering MSE association and umbrella organizations.

### **Financial Access**

One of the main constraints to MSEs growth and creation of employment opportunities is inadequate access to finance. The International Finance Corporation (IFC) estimates that 65 million firms, or 40% of formal micro, small and medium enterprises (MSMEs) in developing countries, have an unmet financing need of \$5.2 trillion every year, which is equivalent to 1.4 times the current level of the global MSME lending. According to the World Bank, the MSME financing gap in Sub-Saharan Africa sits at \$331 million. Blockages to finance for MSMEs exist on both the supply and demand side of the MSME financing ecosystem. In Kenya, IFC estimates the finance gap to MSMEs to be approximately 30% of GDP implying a large proportion of MSEs are constrained in accessing finances.

MSEs are likely to face more credit constraints than larger firms. MSEs are particularly considered high risk borrowers due to information asymmetry, performance volatility and insufficient collateral, they face disproportionately high constraints in access to affordable and adequate finance. In addition, deficits in corporate governance and technical skills make access to credit or equity challenging. Compared to large enterprises, a higher proportion of MSEs access credit from microfinance institutions, SACCOs and informal sources such as chamas. Bridging the finance gap for MSMEs is critical to the Country's recovery and can offer investors an opportunity to tap into growth of the MSE sector.

The government instituted various measures to address the MSEs financing challenge including affirmative funds such as the Youth Enterprise Development Fund, Women Enterprise Fund and Uwezo Fund. Other measures include licensing of credit reference bureaus to facilitate credit information sharing and enactment of the Movable Property Securities Act, 2017 to facilitate the use of movable property as collateral for credit facilities. The government is committed to establish a National credit guarantee scheme to serve as a de-risking instrument for lending to MSEs. This included setting aside a Kshs 3 billion seed capital to operationalize the scheme and help in accessing affordable finance, particularly now that MSMEs are seeking finance to realize the recovery trajectory.

### **Adoption of Modern Technology**

MSEs are slow to adopt modern technology. The persistent reliance on old technology means MSEs are unable to reduce production and transaction costs offered by modern technologies. Low adoption of technology is partly explained by limited capacity of MSEs, both awareness and finance, to invest in innovation activities and intellectual property rights.

The MSEs have moderate uptake of financial innovations such as M-pesa and M-shwari which offer alternative sources of financing to the traditional banking sector. Innovation is also low among the MSEs due to high costs of innovation, coupled with lack of incentives to innovate and limited finance to fund innovative ideas, and cumbersome patenting processes. MSEs need to be sensitized on financial innovations that can be used as avenues for accessing external financing to cover both working capital and long-term investment. The use of services such as Credit Reference Bureau are avenues for promoting self-awareness in matters of financial integrity and

credibility that MSEs need to embrace. This will support them in accessing credit from the traditional banking sector. On innovation and patenting, MSEs should be encouraged to come out of their comfort zones through exposures such as exhibitions. The national government should subsidize cost of innovation through KIRDI and promote the need to acquire intellectual property rights through patenting with support of KIPI. Further, there is need to initiate a national technical training, apprenticeship and certification programme to ensure standardization of skills development and of products.

#### Market Access and Linkages

The market access is an intertwined problem of information asymmetry, poor infrastructure and weak value chain linkages in accessing raw materials and stock and reaching the customers. MSEs source raw materials and other inputs largely from each other and the supply-chain concentration magnifies impacts of shocks. Their customer base is largely localized individual consumers which minimizes market flexibility. Moreover, only a few products generated by MSEs undergo standardization and certification. This limits access to national, regional and other international markets.

MSEs are often unable to take advantage of market opportunities that require large volumes of production, broad product range and regular supply. They lack information and marketing skills and have little access to expertise and finance. As a result, they are often unable to enter the global circuits of production and sale. Furthermore, the uptake of AGPO in prequalification is low amongst MSEs due to information asymmetry. There is a huge disparity in distribution of road infrastructure across counties, which is important for MSEs access to inputs and markets. Further, there are challenges on MSEs acquiring certification that allows their access to local, national and international markets, and unhealthy competition and unfair trade practices which impact on ability of MSEs to grow their trade.

These obstacles to growth can be overcome when MSEs join forces in collective endeavors. By combining knowledge, skills and resources, MSEs can improve their export potential and reduce the costs and risks involved in penetrating new markets (UNIDO, 2003). To improve on market environment for MSEs, the national government through the AGPO Secretariat need to promote and enhance sensitization of MSEs on the affirmative platform. Further, enhancing road infrastructure to facilitate trade, and sensitizing MSEs on how to produce goods of quality and acceptable standards will go a long way in facilitating their competitiveness to both domestic and international markets.

### **Safe and Affordable Work space**

MSEs workplace is a key challenge with limited worksites, appropriate infrastructure and security. Within the worksites, MSEs require adequate and affordable modern common user facilities. A significant proportion of MSEs operate in illegal sites, heightening their vulnerability to demolition by the national and county governments. There is also limited land to construct worksites, in some cases inappropriate locality for the worksites and inability of the existing worksites to meet growing demands. Further, MSEs' workshops are inadequate and lack safety gears, limiting the use of common manufacturing facilities. Further, provision of adequate and affordable utilities such as water, electricity and sanitation services are essential. Over 60% of MSEs operate from rental facilities compared to about 70% large enterprises operating from own premises. To create an enabling environment for MSEs to operate, the national government through institutions such as Micro and Small Enterprises Authority (MSEA) and Kenya Industrial Estates (KIE), and the county governments need to work closely to facilitate development of adequately equipped worksites designated for MSEs to save them from sporadic disruptions caused by demolitions and save on cost of production. Infrastructure such as centres of excellence like the Kariobangi MSE Centre of Excellence, and Constituency Industrial Development Centres (CIDCs) developed by MSEA for instance provide additional opportunities for incubation, knowledge and skill transfer and exchange, as well as enhancing survival rate.

### **Governance and regulatory framework**

The Kenya Micro and Small Enterprise Policy, 2020 on "Promoting Micro and Small Enterprises (MSEs) for Wealth and Employment Creation" outlines the direction that the Ministry of Industrialization, Trade and Enterprise Development is taking to make the MSE sector competitive and productive in realizing the Country's vision 2030 and the Big Four Agenda.

The Policy goal is to provide an integrated enabling business environment for the growth and development of productive MSEs in Kenya that make significant socio-economic contributions to the economy through provision of decent jobs and source of quality products. The objectives of the Policy are anchored on ten (10) challenges that emerged from critical review of literature and past policies, as well as extensive stakeholder consultations across the country targeting MSEs, policy implementing institutions, development partners and private sector representatives. The ten (10) objectives include: - (i) Entrenchment of entrepreneurial culture;

(ii) Skills and capacity development; (iii) Access to domestic and export markets; (iv) Access to a diversified and affordable range of financial products and services; (v) Access to decent and affordable infrastructure; (vi) Facilitation of start-ups; (vii) Promotion of formalization; (viii) Enhanced coordination and implementation of support programmes targeting development of the Sector; (ix) Conducive regulatory environment at the national and county levels; and (x) Mitigation of business external risks including those that are emerging and cross-cutting in nature.

At the regional level, the East African Community (EAC) Vision 2050 recognizes role of MSEs in regional industrial development agenda, underscoring the need for enhanced competitiveness through innovation and value addition to tap into intra and inter-regional trade opportunities. The AU Agenda 2063 aims to transform and grow the industrial base of the African Continent through value addition of natural resources and sectoral productivity growth, focusing on MSEs and agri-business. At the global level, the SDGs recognize broader socio-economic significance of MSEs and prioritizes development of the Sector through enhanced innovation and competitiveness.

Corruption, governance and security issues tend to increase cost of doing business for MSEs. These and other factors also contribute to a good number of MSEs closing shop before their third anniversary in business. However, service provision initiatives particularly licensing and issuance of permits by the national government through Huduma centres are bearing fruit. The government including county governments should root out corruption traits in revenue collection by adopting digitization on all platforms of revenue collection. Further, there is need for counties to legislate and harmonize the number of licenses or permits obtained by MSEs with an intent of reducing the bureaucracies involved.

#### **Key Recommendations:**

##### **Strengthen Partnerships and Co-ordination in the Sector**

A large number of public and private stakeholders are involved in the MSE sector, but there is limited coordination between them. There is an urgent need to create an MSE working group to enhance communication and coordination between entities, improve data sharing, and encourage collaboration on key issues facing the sector.

### **Accelerate Formalization Efforts**

Majority of MSEs operate informally, constraining access to finance and markets among other opportunities. Policy measures towards accelerating formalization include creation of awareness on registration procedures and benefits of registration; harmonization and streamlining of licensing and registration procedures; promotion of creative approaches for licensing and registration; and promotion of incentives towards formalization.

### **Leverage Business Associations to Engage with MSEs**

Business associations interact with a large number of MSEs and so provide a useful channel through which to communicate information on government tenders, financing opportunities, market development plans, and other opportunities. Monitor associations closely to ensure good governance and provide MSEs with safe mechanisms to lodge complaints and grievances against associations without fear of repercussion.

### **Provide support to MSEs to enhance Full Recovery from the knock-on effects of COVID-19**

COVID-19 has had, and continues to have, a significant negative impact on MSEs. To ameliorate these effects, ensure all market areas and worksites are COVID-19 compliant, undertake review of penalties for non-compliance with permits and missed payments for the statutory bodies such as NHIF and provide funding through the proposed MSE fund and other funding sources to affected MSEs.

### **Better Data and Data Sharing Practices**

Data on the sector is fragmented, infrequently updated, often in-accessible and data quality is variable. There is an urgent need to review available data and data collection practices to identify data gaps, develop a data plan to fill gaps and improve data collection, as well as data sharing practices.

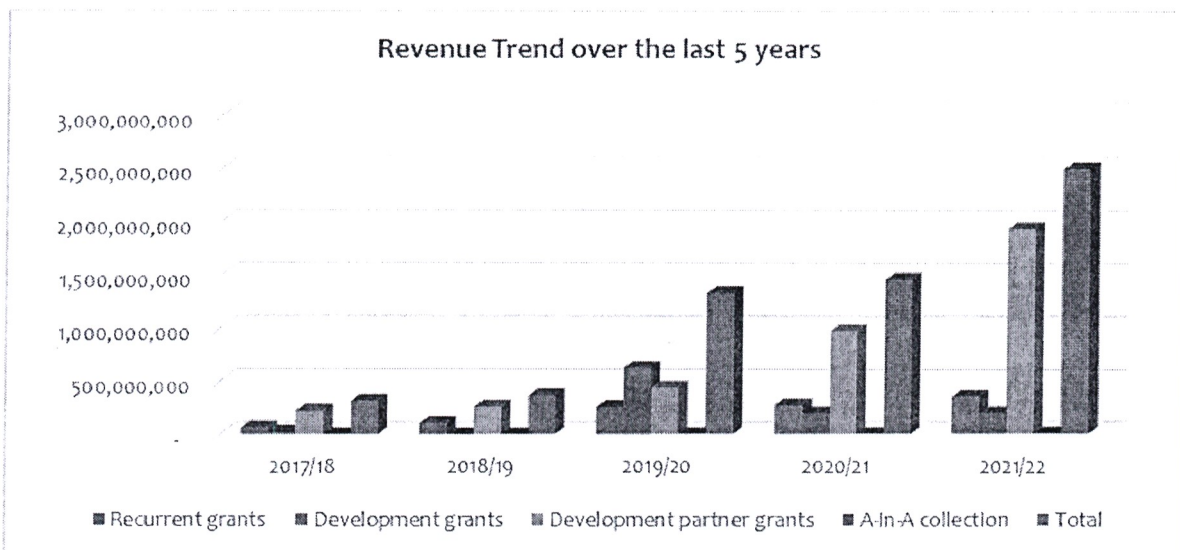
**8. MANAGEMENT DISCUSSION AND ANALYSIS**

**The Authority’s operational and financial performance**

*Revenue trend over the last five years*

Revenue has increased substantially over the last five years from low of Kshs 316.8 million in 2017/18 to high of Kshs 2.6 billion in the current year under review. This is attributable to grant from Kenya Youth Employment and Opportunities Project which has registered notable increment from one period to another due to improved project absorption rates. Development grant has remained moderately low with 2019/2020 financial year registering the highest funding over the five years period. Recurrent grant has also recorded increment over the last two years following a successful delinking exercise though insufficient to meet the growth in recurrent needs of the Authority.

The figure below shows revenue trend by stream over the last five years;



**Figure 2: Five-year revenue trend**

*Expenditure trend over the last five years*

Over the last five years, the expenditure for the period grew exponentially to the same rate as revenue as the Authority continued to implement the approved Annual Work Plans, Budget and Procurement Plans both for the Government Grants and Kenya Youth Employment and Opportunities Project. The financial year 2017/18 recorded the lowest expenditure over the last five years with 2021/22 registering the highest.

The figure below shows expenditure trend over the last five years;

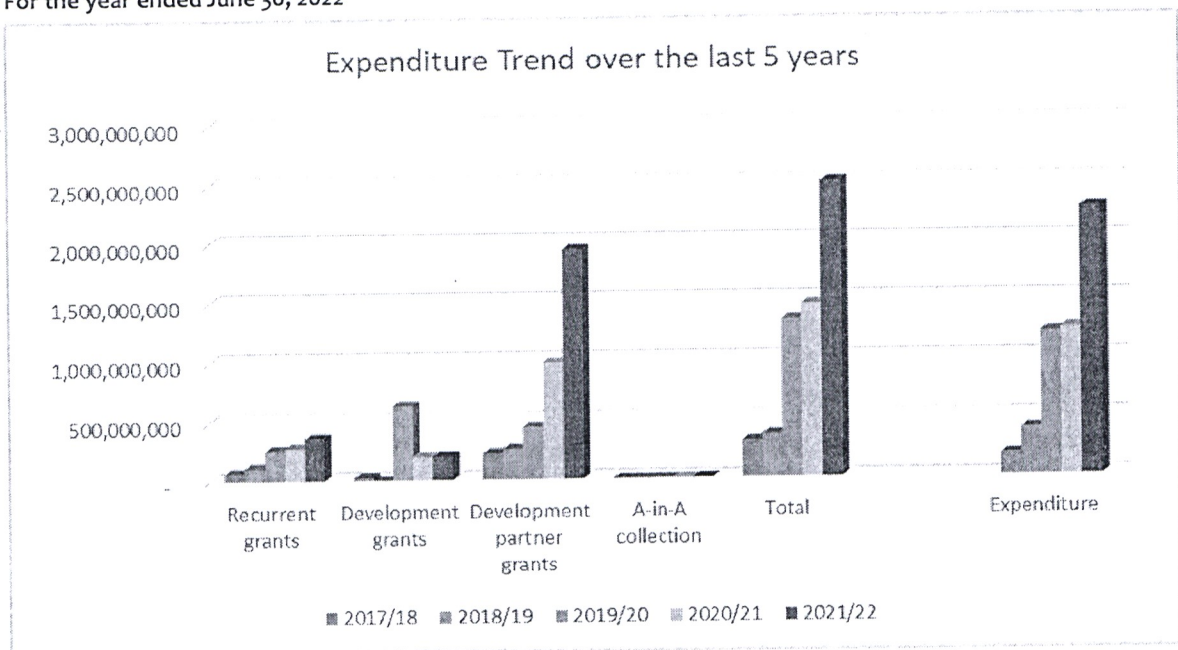


Figure 3: Five-year expenditure trend

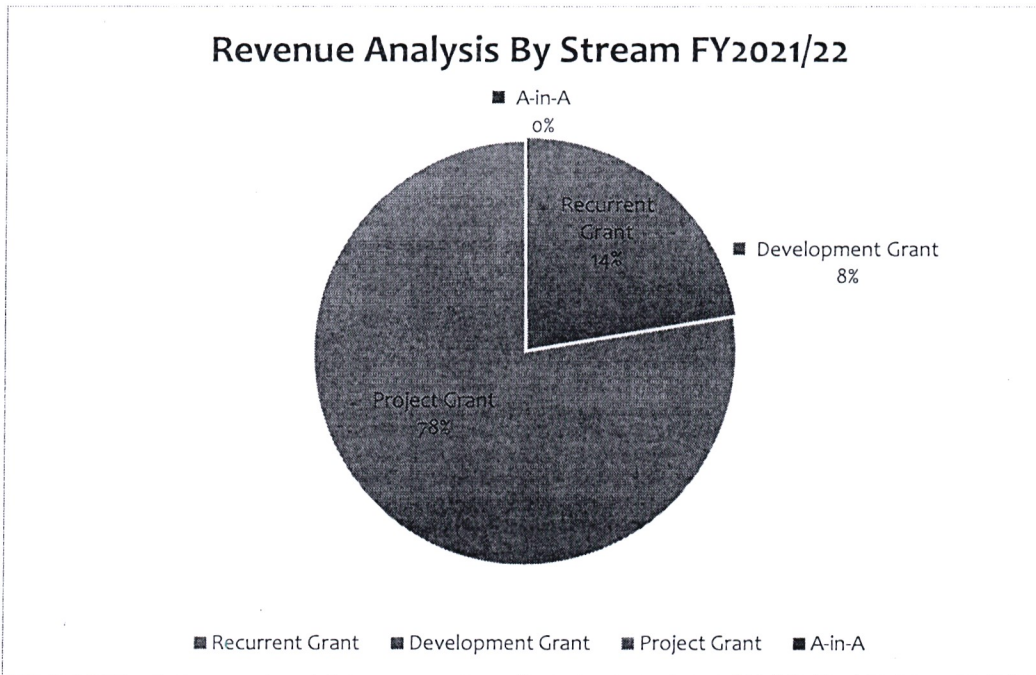
**Current period financial performance review**

During the period under review, the Authority received a recurrent grant of Kshs 360.4 million compared to Kshs 278.7 million received in the previous period marking a 29% increment.

The Authority also received development grant amounting to Kshs 199.5 million compared to Kshs 200.5 million received in the last financial year for refurbishment and operationalization of Constituency Industrial Development Centres. It's worth noting that the Authority **did not receive development grant amounting to Kshs 65 million** at the end of the financial year out of the approved budget of Kshs 264.5 million revised printed estimates. This has however been received in the financial year 2022/2023.

Development partners disbursed Kshs. 1.9 billion which was a 97.6% increment from previous period (Kshs 981.2 million in 2020/21) through Kenya Youth Employment and Opportunities Project (KYEOP). Internally generated revenue amounted to Kshs 4.2 million compared to Kshs 2.8 million in the previous year. The Authority was able to carry out its mandate and achieved activities as planned for.

The pie chart below shows revenue received by stream;

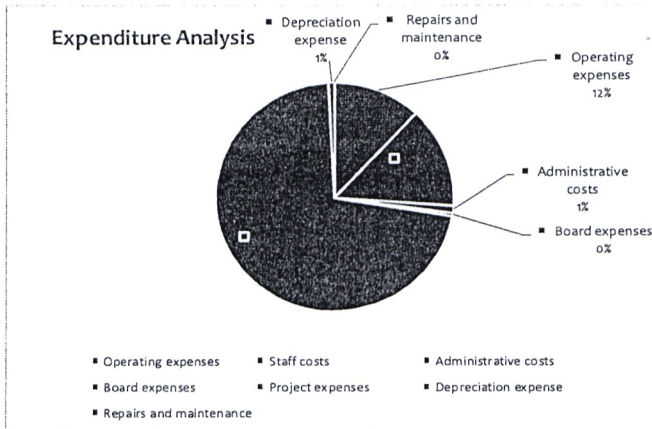


**Figure 4: Revenue Analysis by stream FY2021/2022**

Operating expenditure accounted for 12% of the total expenditure relating to refurbishment and operationalization of CIDCs and worksites while Project expenses accounted for 72% being the highest spending category during the period relating to grant disbursement to beneficiaries under KYEOP Project. Staff costs accounted for 14%, while administrative cost and depreciation expense accounted for 1% each of the total expenditure.

The pie chart below shows expenditure incurred during the period by categorisation;

Figure 4: Expenditure Analysis by category FY2021/2022



During the period, the Authority remained financially constraint in its recurrent budget funding with a total of Kshs 57.8 million pending settlement as at the end of reporting period. This relates to staff pension and gratuity amounting to Kshs 16.4 million, medical cover and contractual obligation on contracted services in relation to rent.

#### Authority's compliance with statutory requirements

The Authority has complied with its establishing Act, that is, MSE Act no. 55 of 2012. It has also complied with other legal requirements such as submission of statutory deductions to Kenya Revenue Authority among others and its internal policies and procedures. There are no instances of non-compliance that would lead to financial loss.

#### Key projects and investment decisions the entity is implementing

The Authority is implementing component II of the KYEOP, a World Bank funded project. The Project is for initial duration of five years from 2016 to 2023 with an approved budget of US\$ 25.2 M for component two (2) equivalent to Kshs 3.0 billion. The project ending timeline was revised to December 2022 through project restructuring dated August 9, 2021 with additional reallocation of financing proceeds amounting to \$ 15.9 (equivalent Kshs 1.5 billion). Expected completion date has been revised to August 31<sup>st</sup>, 2023. Kshs 3.7 billion already spent and committed towards the project as at the end of reporting period (90.2% absorption rate). During the period, the Authority refurbished 20 CIDCs and worksites across the Country at a total budget of Kshs 264.5 million, most of the works were still on going as at the end of reporting period.

The Authority is also implementing a project on construction of cold storage facilities in Kisii, Nyandarua and Meru through a presidential directive issued on January 2020 at a cost of Kshs 300 million. The project was ongoing at end of reporting period.

**Major risks facing the Authority**

The Authority has a structure and process to help identify, assess and manage risks. All risks facing the Authority are reviewed, assessed and evaluated for an appropriate action. Some of the major risk facing the Authority as at the end of reporting period include financial risk as the Authority had a pending bill of Ksh 48 million due to budgetary constraints.

**Material arrears in statutory / financial obligations**

During the period, there were no material arrears in relation to statutory commitments. During the same period, staff pension/gratuity amounting to Kshs 16.4 million awaiting transfer to fund manager.

**The Authority's financial probity and serious governance issues**

The Authority has not experienced any major financial improbity or any serious governance issues during the period under review.



Basket weaving product photos from a KYEOP beneficiary

### MSEA VISIBILITY INITIATIVES

The Authority has been actively implementing activities and initiatives to enhance its visibility through a variety of activities. Listed are some of the activities conducted:

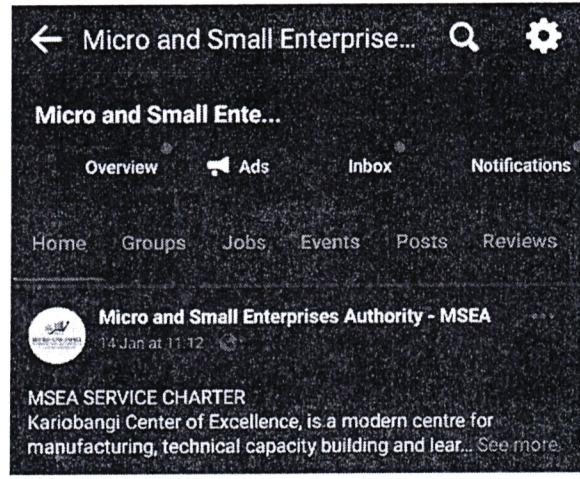
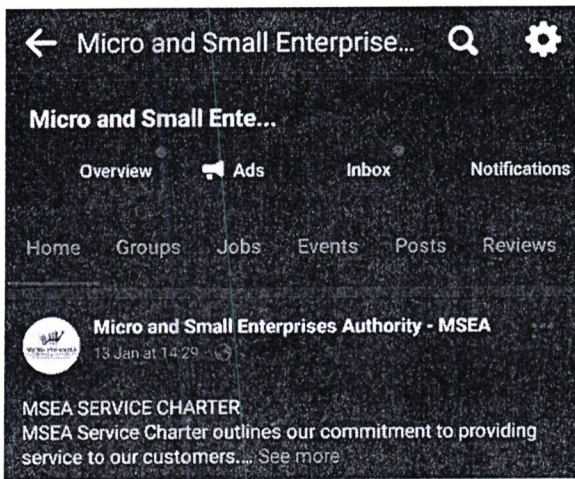
1. Digital Campaigns
  - a) MSEA Service delivery Charter
  - b) Benefits of Registration
  - c) Kariobangi Centre of Excellence
  
2. Profiling of MSEs at;
  - a) EAC Trade Fair in Mwanza Tanzania
  - b) Kamukunji Juakali Worksite
  - c) Thika Welfare Juakali Association Juakali Worksite
  - d) Thika Trade Fair



1. DIGITAL CAMPAIGNS

a) MSEA Service Delivery Charter

Improving the quality of public services has become a major theme on the public sector reform agenda over the last decade. One of the tools to ensure quality assurance has been the use of service charters which are service public documents that set out basic information on the services provided, the standards of service that customers can expect from an organization and how to make complaints or suggestions for improvement. The Authority therefore, ran an internal and external sensitization digital campaign to publicise the services offered by the authority as part of its customer service improvement initiatives as shown in the images below.

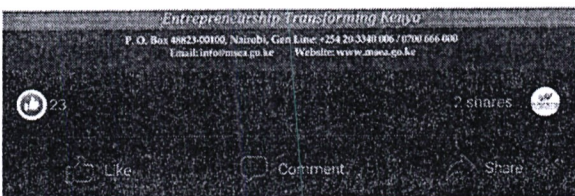


**MSEA SERVICE CHARTER**  
SERVICES OFFERED BY THE OFFICE OF THE REGISTRAR

Type Of Service Provided	Requirements	Charges (If ANY)	Duration
1. Register Shareholders in associations	• Declaration of 3 Associates • Validated (Chairman, Secretary and Treasurer) • Signed Shareholders Organization constitution • Form 1 • Minimum of 35 members	Ksh. 2100	Later
2. Register Associations	• 3-5 Members (Chairman, Secretary and Treasurer) • Signed Association Constitution	Ksh. 7100	1 day
3. Register MSE	• Active trade • Completed Form 1 (if parties are more than one) • Validated Books of Accounts • List of members • List of office bearers	Ksh. 1,100	1 day
4. Filing annual returns from Shareholders Organizations	• Return of the office • Validated Books of Accounts • List of members • List of office bearers	Ksh. 2500 for Shareholders Organizations	1 day
5. Filing annual returns from MSOs and Association organizations	• Return of the office • Change of address/Notification of the office • The postal address • Declaration of office • Change of reg. number • Declaration of office bearers	Ksh. 1000 for MSOs max. Ksh. 2000 for above 100 members MSE 3000	2 days
6. Filing of change of particulars Organizations	• Return of the office • Change of address/Notification of the office • The postal address • Declaration of office • Change of reg. number • Declaration of office bearers	Ksh. 500 for Associations Ksh. 1000 for Shareholders Organizations MSE 250	1 day
7. Certificate of documents	• Copy of certificate • Constitution of an Association • Constitution of an Shareholders Organization • Extract of articles of Association • Extract of articles of Shareholders Organization	Ksh. 500 per certificate Ksh. 100 for constitution of an association or Shareholders Organization per page Ksh. 100 for extract of articles of Association Ksh. 100 for extract of articles of Shareholders Organization	within 1 day
8. Replacement of Certificate	• Association • Shareholders Organization • MSE	Ksh. 500 for Association Ksh. 1000 for Shareholders Organization Ksh. 500 for MSE	1 day
9. Mutual Search	• Shareholders Organization • MSE	Ksh. 500	1 day
10. Processing new invitation	• Form • Form 1 • Form 1	Ksh. 500 per invitation for a 3 day 1500000	1 day
11. Provide Encumbrance certificate for MSE Associations	• Form 1 • Form 1 • Form 1	Ksh. 500 per invitation for a 3 day 1500000	1 day

Type Of Service Provided	Requirements	Charges (If ANY)	Duration
1. Provision of technical skills upgrading through Kariobangi MSE Centre	• Identification of the technical skills gap by MSEs or technical staff • Identification and linking the MSEs to relevant and services providers through applications by MSEs	KShs 500 application fee payable to the service provider KShs 1000 per month for a 3-month program or as per the service provider's requirement	Immediately after at least 10 participants confirm and make payments
2. Provision of technology transfer through Kariobangi MSE Centre, regional CNCs and women Trade Exhibitions	• Forward reference order from a primary stakeholder, industrializing institution or a existing enterprise/department/office • Attachment of Approvals by MSEs	KShs 50 per hour for a maximum 20 hrs in a week	Immediately at least 5 participants confirm and make payments
3. Provision of technology transfer through Kariobangi MSE Centre, regional CNCs and women Trade Exhibitions	• Daily filled job registration cards	Machining Milling max KShs 400 Lathe max KShs 200 per hour Turnover smaller max KShs 150 per hour	Continuously
		Sheet Metal max per set 1-2 mm Ksh 20 4-5 mm Ksh 30 5-6 mm Ksh 40 KShs 100 10 mm Ksh 120	
		Are welding	

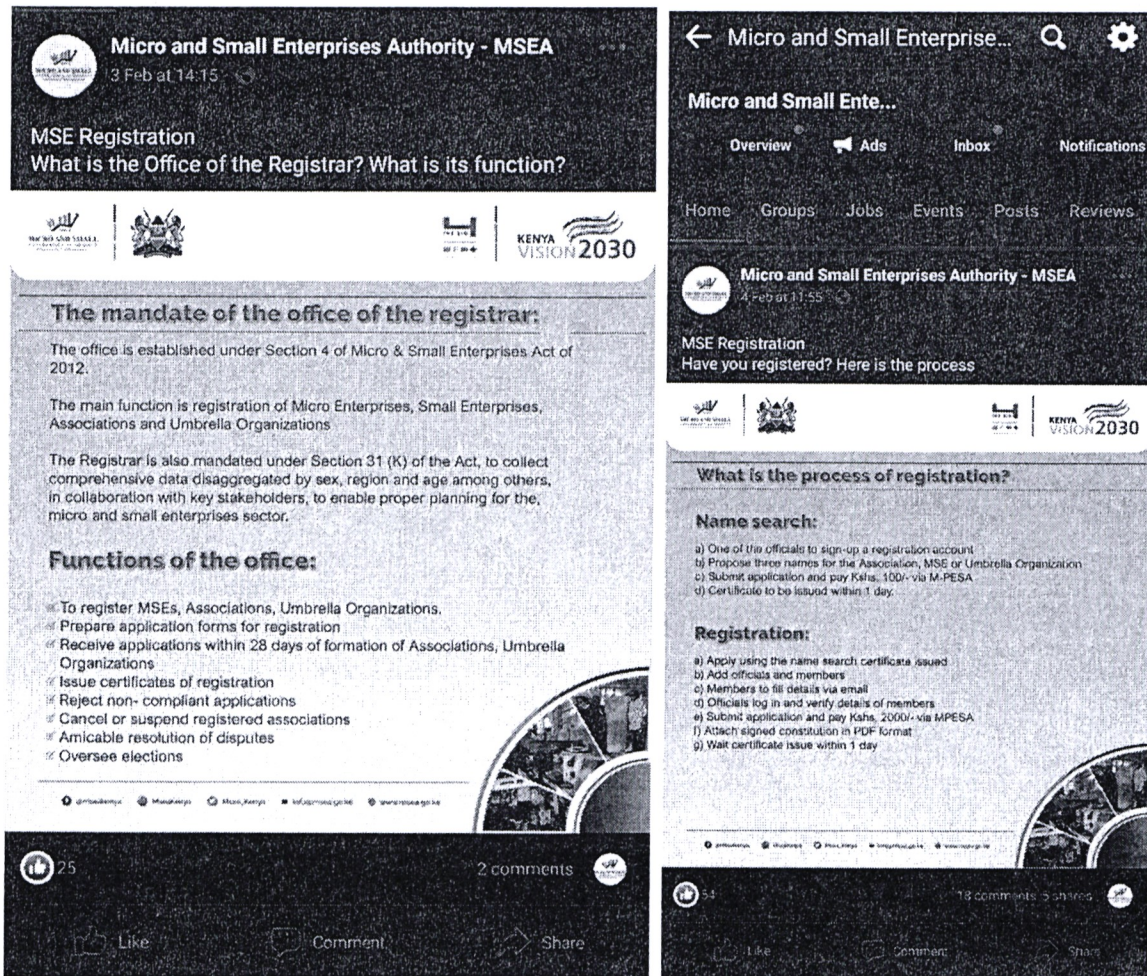
Type Of Service Provided	Requirements	Charges (If ANY)	Duration
4. Provision of various Motor vehicle works at Kariobangi MSE Centre	• Daily filled job registration cards	Motor Vehicle Body Building Works Bodywork: 20 cent @ Ksh 25000 Machines: 40 cent @ Ksh 25000 Lany: 10 cent @ Ksh 12,000 Lany 2: 10 cent @ Ksh 12,000	Continuously
		Spay painting Small vehicle @ 200 per day Medium vehicle @ 250 per day Large vehicle @ 300 per day	
		Welding New vehicle @ 200 Motor @ 250	
		Grinding New vehicle @ 200 Motor @ 250	
		Hydraulic New vehicle @ 200 Motor @ 250	



Service delivery charter digital campaign on the Authority's social media platforms.

b) Benefits of Registration

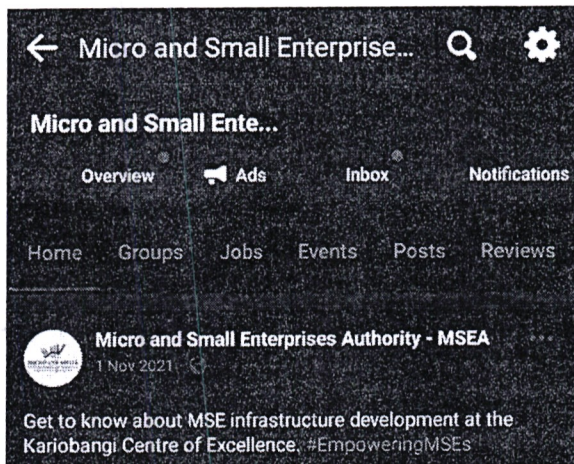
The Authority operationalized the office of the Registrar which was established under section 4 of Micro and Small Enterprises Act of 2012 with the aim of registering Micro Enterprises, Small Enterprises Associations and Umbrella Organizations. To inform the public and MSEs about the existence of the office, the Authority run a digital campaign internally and externally for awareness creation and sensitization of the registration process.



Benefits of registration digital campaign on the Authority 's social media platforms

c) Popularization of the Kariobangi Centre of Excellence

The Authority has a modern centre for manufacturing, technical capacity building and learning, that also hosts the Nairobi Bashara Centre. To create awareness, the Authority ran a digital campaign to inform and welcome the public and MSEs to visit the Centre and access the various services offered.



**Kariobangi Center of Excellence:-**

MSEA has a modern centre for manufacturing, technical capacity building and learning, that also hosts the Nairobi Biashara centre.

The *Centre of Excellence* projects a model manufacturing centre riding on a common user production concept.

Did you know that *Kariobangi COE* is the only one of it's kind in Kenya?



**KARIOBANGI CENTRE OF EXCELLENCE**

**Fabrication of motor vehicle bodies and graffiti work:**

Mr. Irungu an MSE at the Kariobangi CoE deals in various motor vehicle works which include; Motor vehicle bodybuilding works Spray painting, wiring, Graffiti, upholstery, and windscreen replacement.

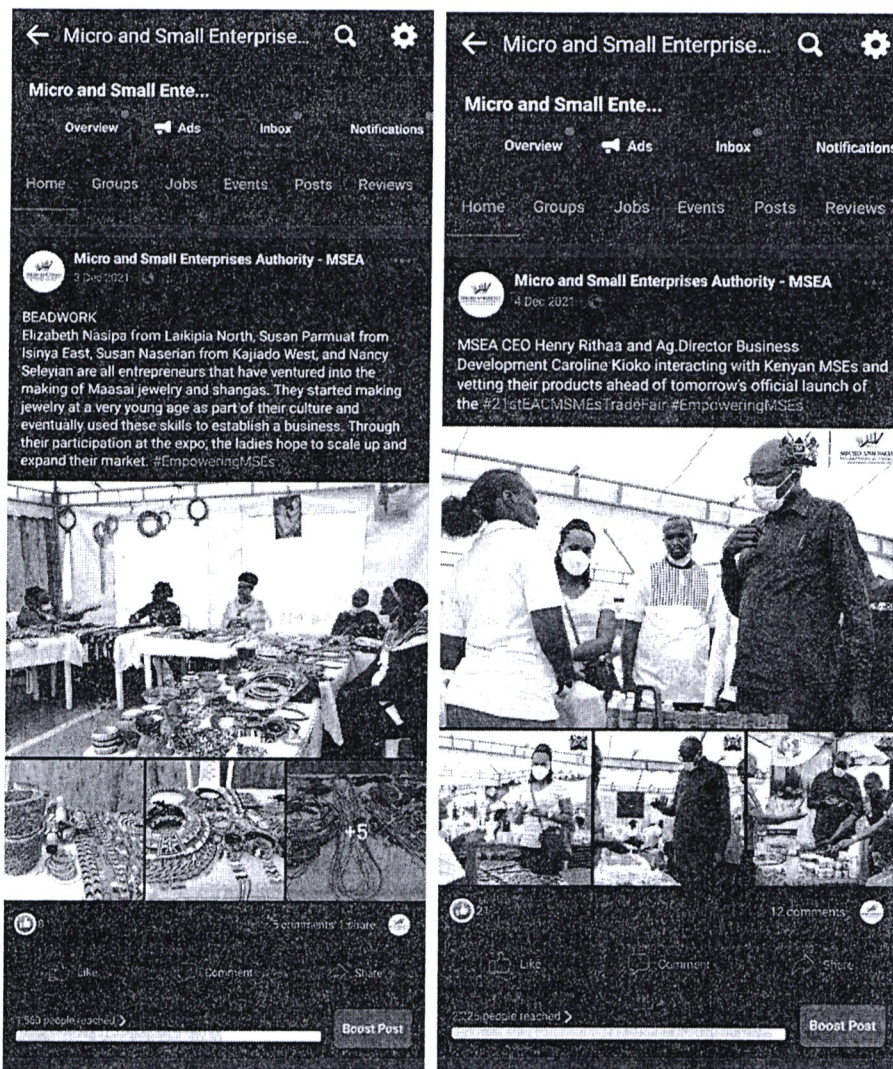


Kariobangi Center of Excellence digital campaign on the Authority 's social media platforms

## 2. PROFILING OF MICRO AND SMALL ENTERPRISES (MSES) PRODUCTS AND SERVICES

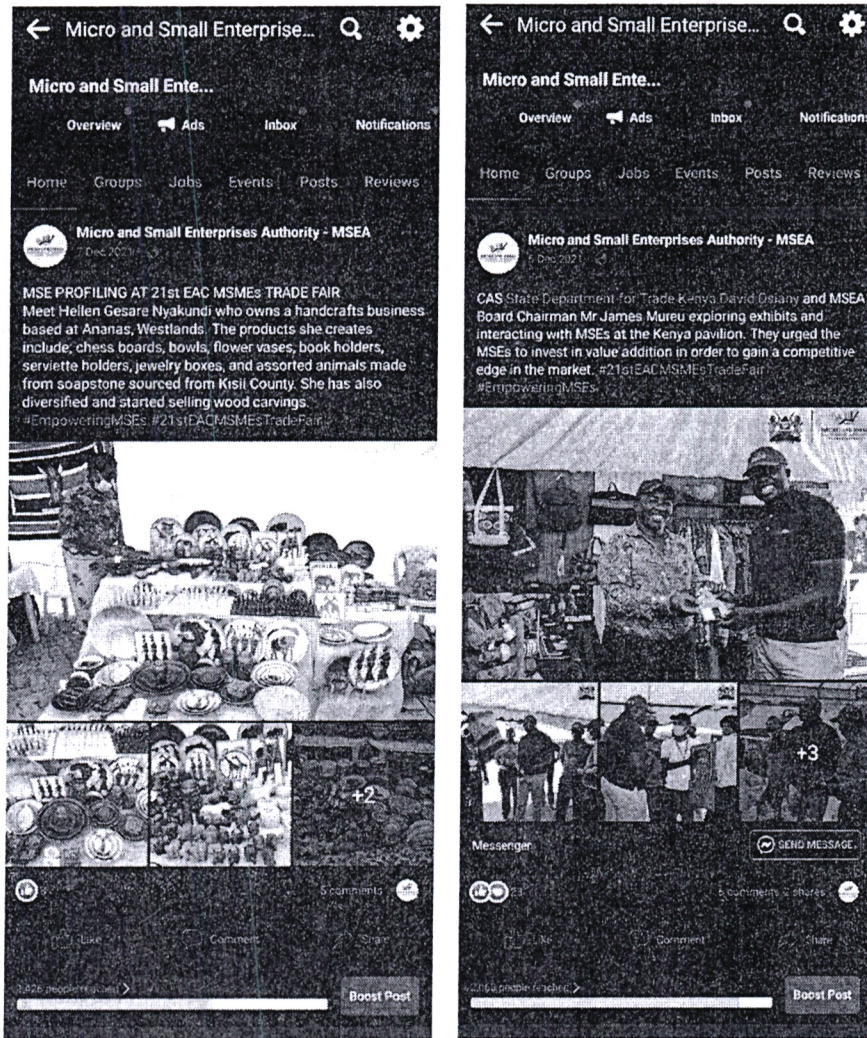
### a) EAC Trade Fair Mwanza Tanzania

The 21st edition of the annual EAC Jua Kali/Nguvu Kazi Exhibition, running under the theme “Promoting Quality and Innovation to enhance EAC MSMEs Competitiveness and post COVID -19 Recovery”, was held in Tanzania Mwanza from 2nd – 12th December 2021. MSEA field officers, MSE umbrella organizations and County Governments were involved in recruiting the MSEs to exhibit Kenyan products in the trade fair. A total of 320 MSEs exhibited representing the following sectors; food and beverage, textile and apparel, machinery, handcraft, furniture and wood decorations and electrical and electronics sectors. The Authority profiled all the MSEs present during this event in a bid to market their products and services and popularise the Kenyan MSEs products locally and regionally.



MSEA CEO interacting with MSEs at the EAC Trade Fair Mwanza Tanzania

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*An MSE showcasing soapstones, CAS David Osiany and MSEA Chairman James Mureu interacts with MSEs during the EAC Trade Fair Mwanza Tanzania*

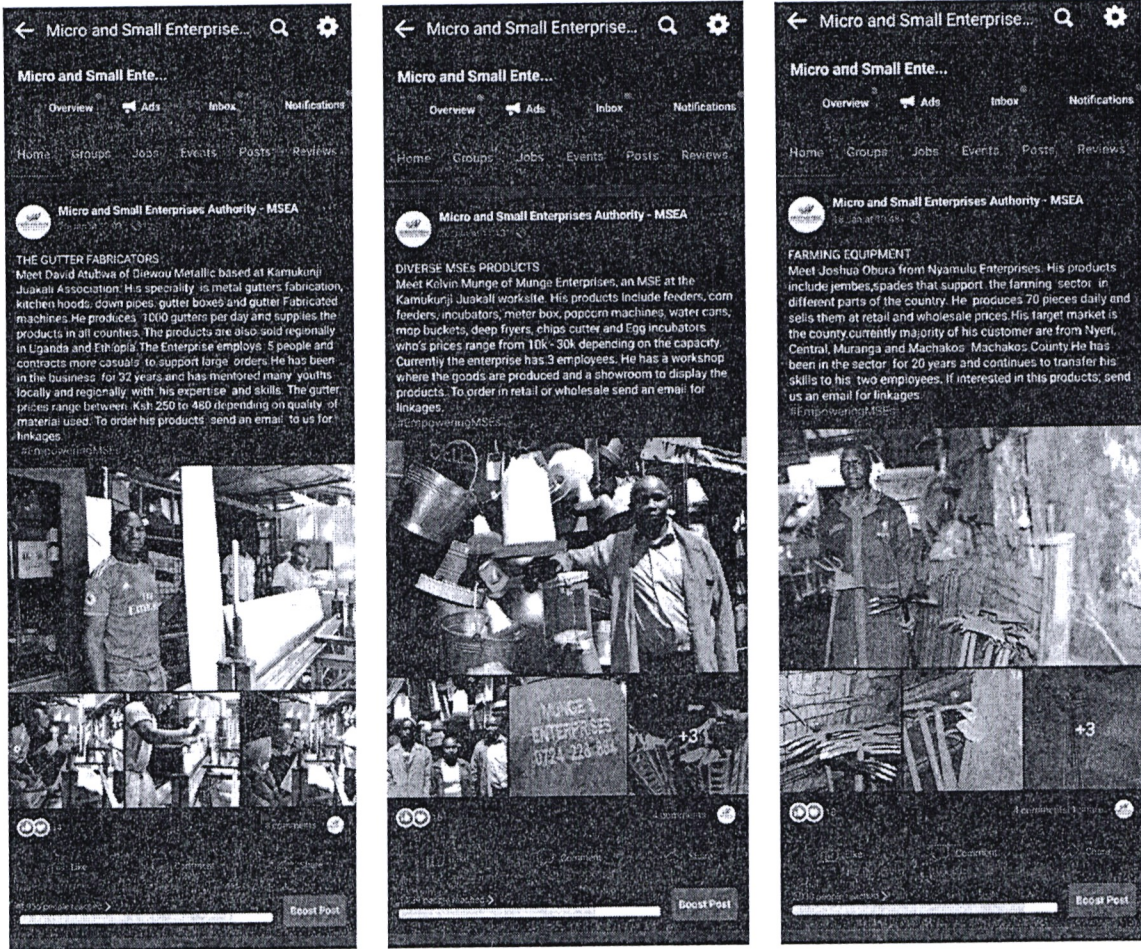
**b) Profiling MSEs at Kamukunji Juakali Worksite**

To show case the different micro small enterprises worksites in the country, The authority kick started an initiative to visit all the worksites to profile the entrepreneurs and their products. The pilot project began with Kamukunji Juakali worksite based in Nairobi County. Kamukunji JuaKali Association is, an MSE association with over 7000 members engaged in various metal work sub-sectors.

The first sub-sector consists of business support services, which include scrap metal dealers, metal cutters and folders, gas and electrical welders, welding rod suppliers, polish and paint traders. The second sub-sector constitutes the metal engineering producers who make folding and pressing machines and other metal handling accessories. Metal products manufacturers are also represented and they make diverse products such as wheelbarrows, sewing machine stands, chaff cutters, boxes and aluminium cooking pans are some of the most produced items. Other products include energy saving stoves, chips cutters and warmers as well as agricultural, transport and construction equipment.

Micro and Small Enterprises Authority  
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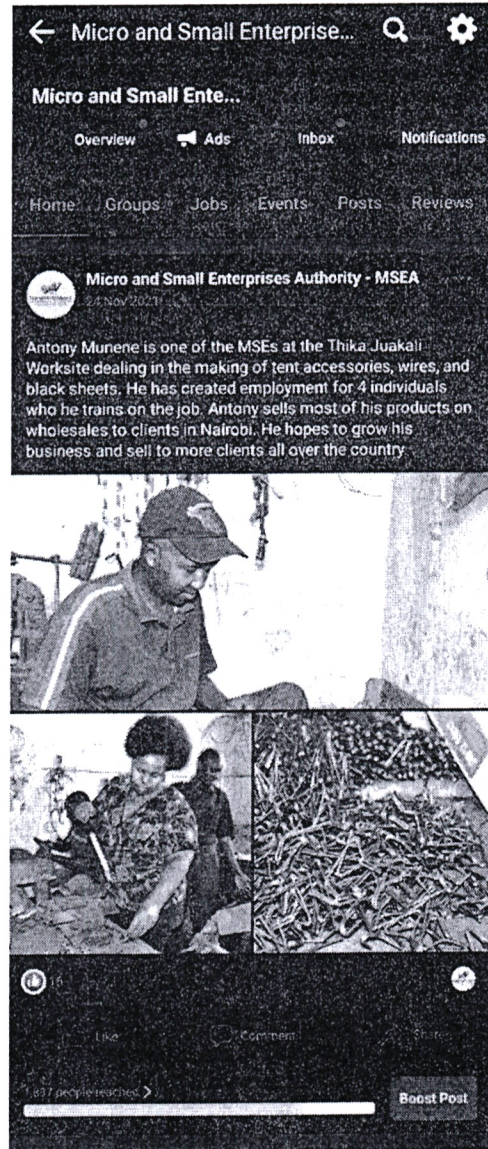
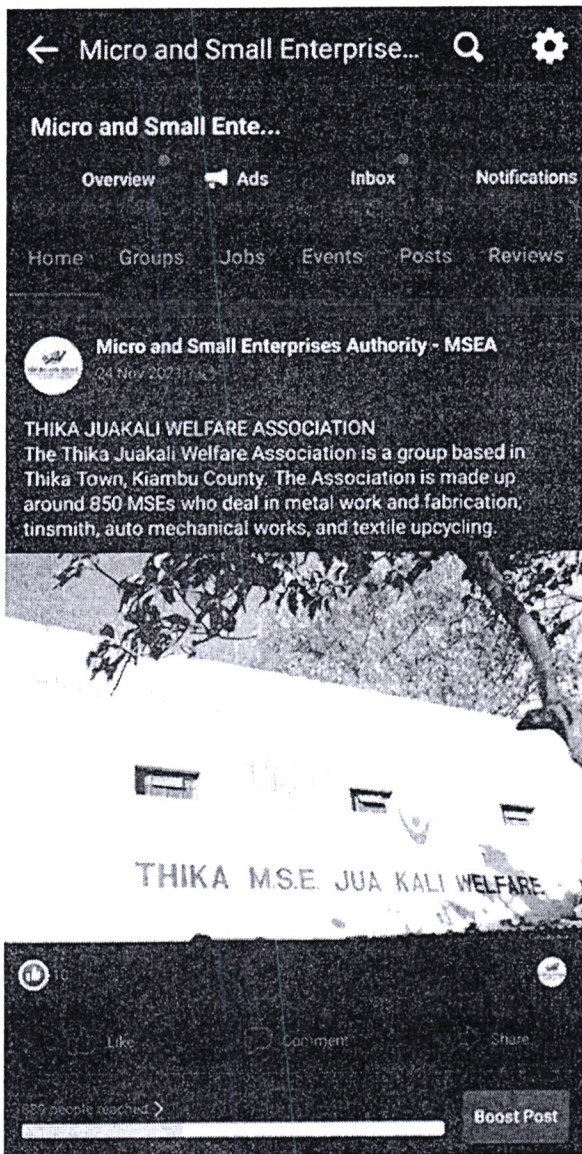
Below samples of the digital posters shared on the MSEA platforms.



MSEs with products from the manufacturing sector at Kamukunji Juakali Worksite

c) Profiling of MSEs at Thika Welfare Juakali Association Juakali Worksite

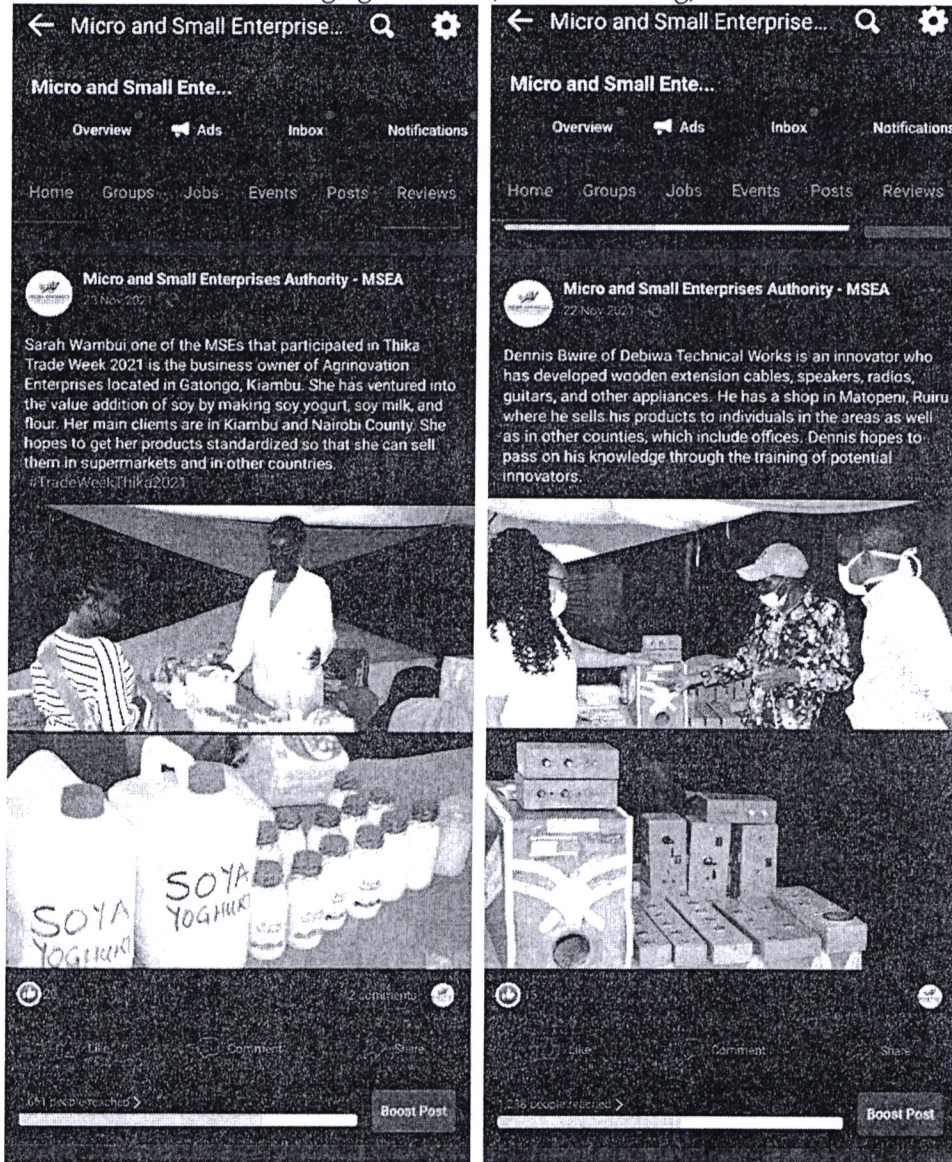
The Authority also profiled MSEs based at Thika Juakali Welfare Association, which is a group based in Thika Town, Kiambu County. The Association is made up around 850 MSEs. The worksite supports diverse MSEs dealing with metal work and fabrication, tinsmith, auto mechanical works, tent accessories, production of wires and black sheets and up cycling of textile waste from the Thika mills factory.



Profiling of MSEs at Thika Juakali Worksite

d) Profiling of MSEs at Thika Trade fair

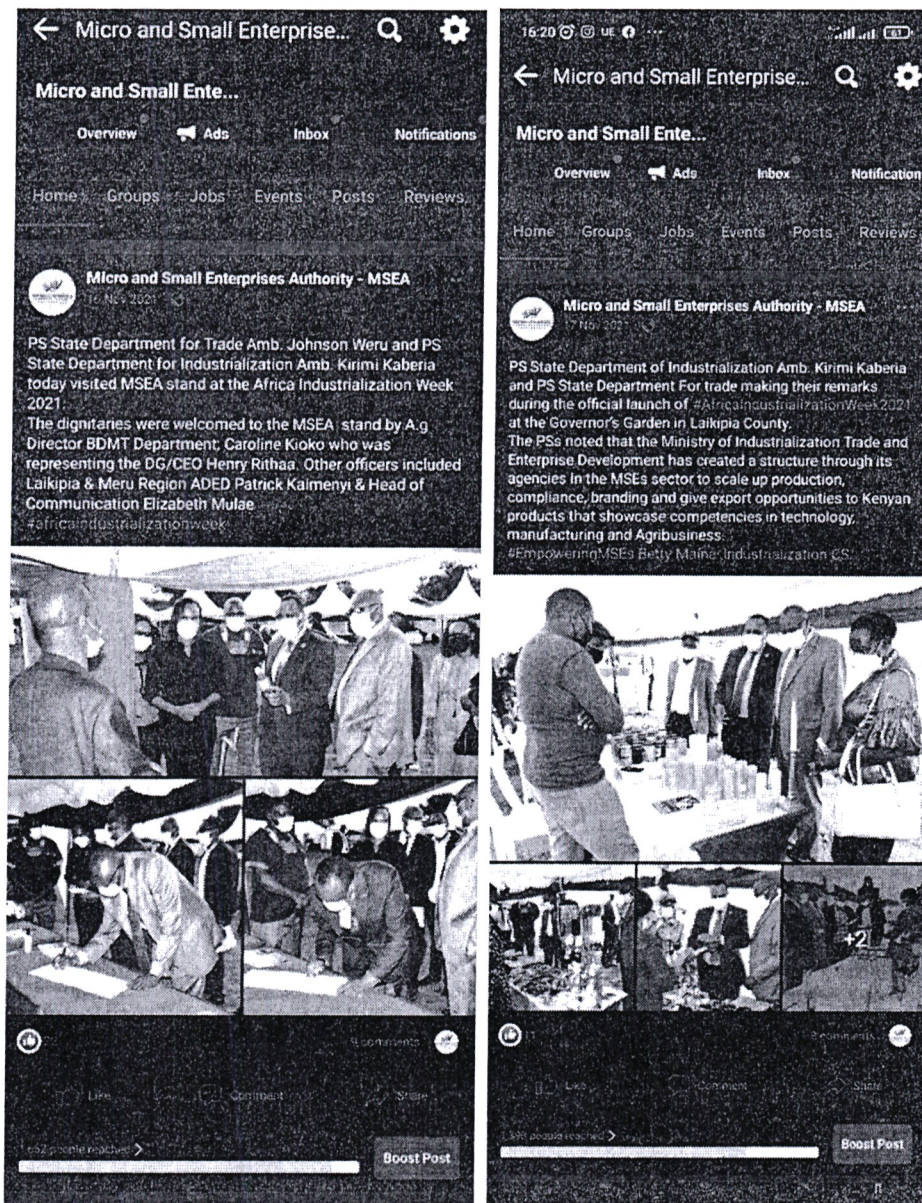
Authority participated in Thika Trade Week that was held at Mama Ngina Park, Thika Town. The trade week was attended by various government agencies and Micro and small enterprises from different sectors including agribusiness, manufacturing, service and others.



Profiling of MSEs at Thika Trade Fair

e) AFRICA INDUSTRIALIZATION WEEK NANYUKI 2021

The Africa Industrialization Week 2021 was held at the Governor's Garden Laikipia from 15<sup>th</sup> to 18<sup>th</sup> November 2021. In attendance was the Principal Secretary State Department of Industrialization Amb. Kirimi Kaberia, Principal Secretary State Department of Trade Amb. Johnson Weru and Governor Laikipia County Ndiritu Muriithi. Various Government institutions under the Ministry of Industrialization, Trade and Enterprise Development participated in the event. The event was attended by more than 100 MSEs representing the manufacturing, agribusiness, trade in services who showcased their products and services at the exhibition stands.



Profiling of MSEs in Nanyuki during the Africa Industrialization week

## MSEA DIGITAL CAMPAIGNS ON MSE INFRASTRUCTURE DEVELOPMENT

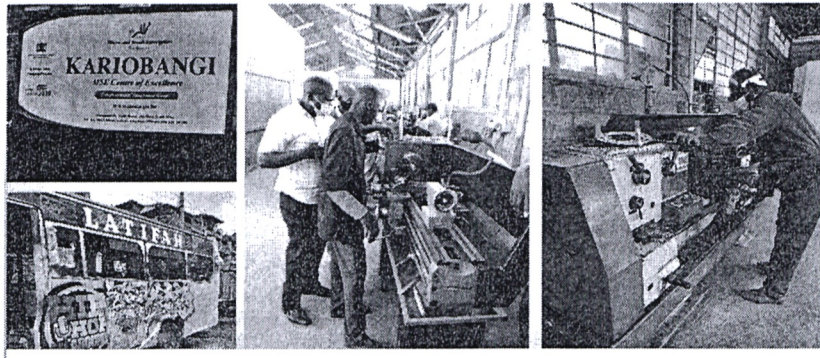
MSEA carried out an informative and awareness campaign on Kariobangi Centre of Excellence. The campaign covered, what the Centre is about, the activities and sectors represented at the Centre. The objective of the campaign was to publicise the centre and its services towards supporting the MSEs sector. Below are some of the sample posters;

### Kariobangi Center of Excellence:-

**MSEA** has a modern centre for manufacturing, technical capacity building and learning, that also hosts the Nairobi Biashara centre.

The **Centre of Excellence** projects a model manufacturing centre riding on a common user production concept.

Did you know that **Kariobangi COE** is the only one of it's kind in Kenya?

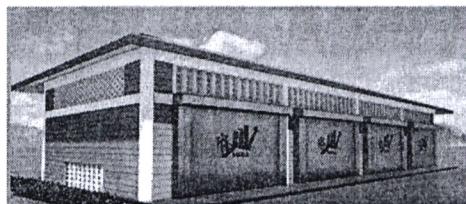


### CIDCs (CONSTITUENCY INDUSTRIAL DEVELOPMENT CENTRES)

They provide MSE incubation facilities in constituencies countrywide.

#### PURPOSE OF THE CIDCs

- Promote access to appropriate technology for Micro and Small Entrepreneurs (MSEs)
- Enhance MSE adaptation and absorption of modern technology
- Enhance access to common user machines and equipment
- Enhance innovation of MSEs
- Lower production costs
- Create revenue streams for both the Government and Associations through charging user fees



### SAMPLE OF MEDIA COVERAGE DURING MSEA EVENTS

The Authority constantly engages media to publicise its various events. This is aimed at creating publicity and awareness. An example is the event featured below where MSEA partnered with United Nations Development Programme (UNDP) to develop a comprehensive database for MSEs and a central reference point for information dissemination to their clusters. UNDP also donated ICT equipment and a vehicle to facilitate the MSE registration.

The event was held at MSEA Headquarters, Utalii House on Monday 15<sup>th</sup> November 2021. The event was officiated by MSEA CEO, Mr. Henry Rithaa. In attendance was UNDP team led by UNDP Kenya Resident Representative Mr. Walid Badawi.

Here is the media coverage of the event;

#### KBC



<https://youtu.be/Va8ZJBzLW-o>

KBC Digital

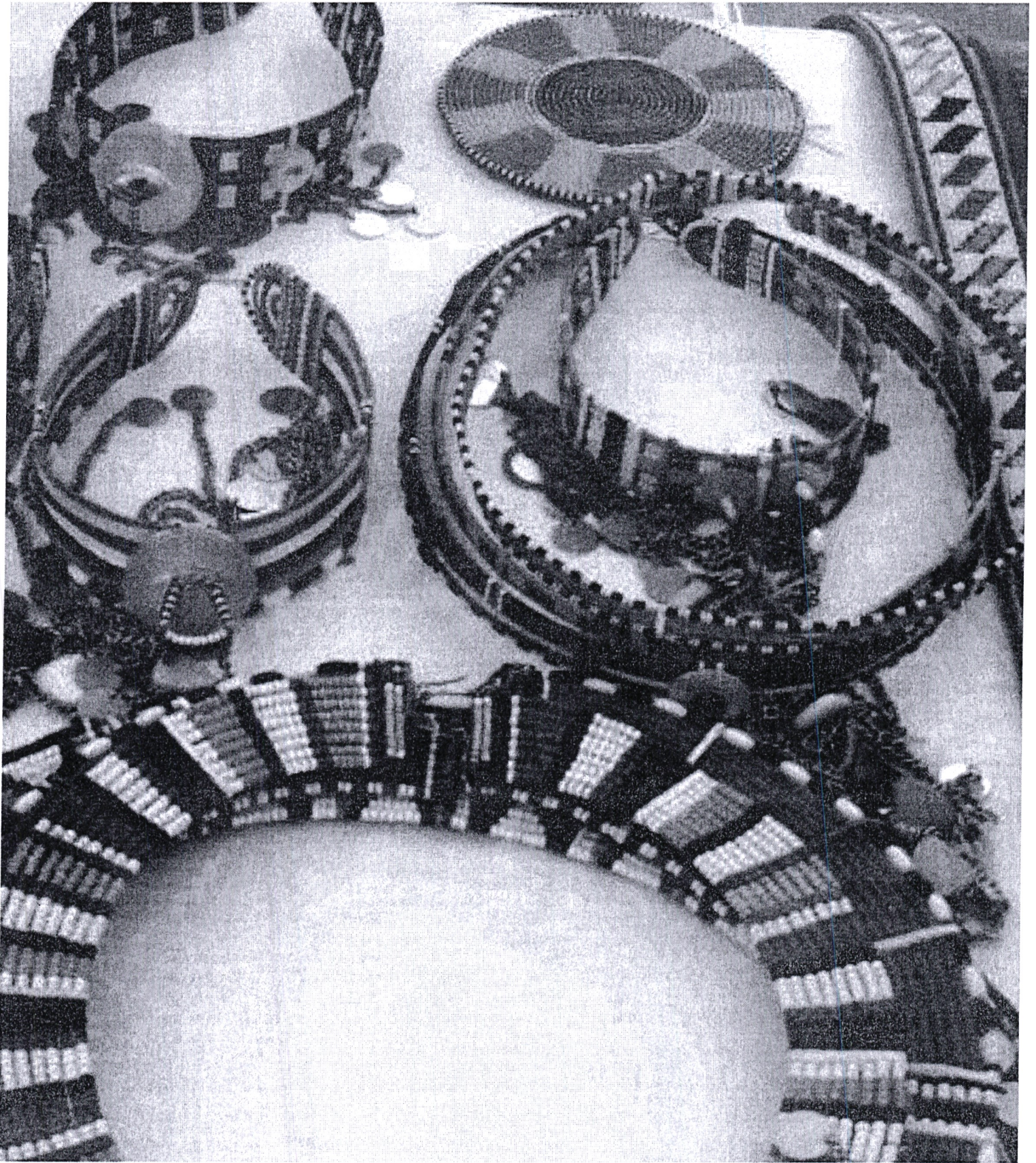
<https://www.kbc.co.ke/state-seeks-registration-of-five-million-small-businesses/>

#### NTV



<https://youtu.be/amVkm3KCovY>





## 9. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

The Authority recognizes the importance of integrating our corporate values and services to improve the Authority's image and meet the expectations of stakeholders. We are also cognizant of our social, economic and environmental responsibilities to the stakeholders who are integral to our sector.

### Environmental Conservation

The world has pushed its natural resources to the point of crisis, resulting in the degradation and loss of critical landscapes, the eradication of many species of plants and animals, and the acceleration of climate change. This growing crisis is impacting life generally, including in the communities where we operate and, in the places, where MSE products originate.

Without action, this degradation of resources could make certain products too expensive to produce or make them altogether unavailable. Natural services we all rely on like water and air purification; crop pollination and disease control could also be at risk.

His Excellency President Uhuru Kenyatta said his Administration has identified forestry as a key sector of investment in the realization of the country's development agenda and is implementing the national green growth strategy that has set clear restoration targets aimed at achieving the global Sustainable Development Goals (SDGs). In realisation of this agenda, he gave a directive to all government agencies and institutions to join him in achieving this goal by planting trees. All Government Ministries, Departments and Agencies (MDAs) were directed to commit 10% of their Corporate Social Responsibility (CSR) budget to tree growing activities.

In fulfilment of this directive, the Authority is working toward a regenerative approach — one that restores, renews and replenishes the national tree cover — to help reverse negative trends, sustain critical resources for the future and provide around a third of the solution to climate change.

We need to be part of the solution to maintain our social license to operate, support MSEs and continue to access the natural capital we all need to thrive.

**Corporate Social Responsibility Activities:**

On 27<sup>th</sup> May 2022, President Uhuru Kenyatta launched an accelerated national tree growing campaign to increase Kenya's forest cover to at least 30 percent by 2050. This was an assurance of Kenya's commitment to combating the challenges arising from climate change. Currently the country's forest cover is 8.83 percent while the tree cover stands at 12.13 percent.

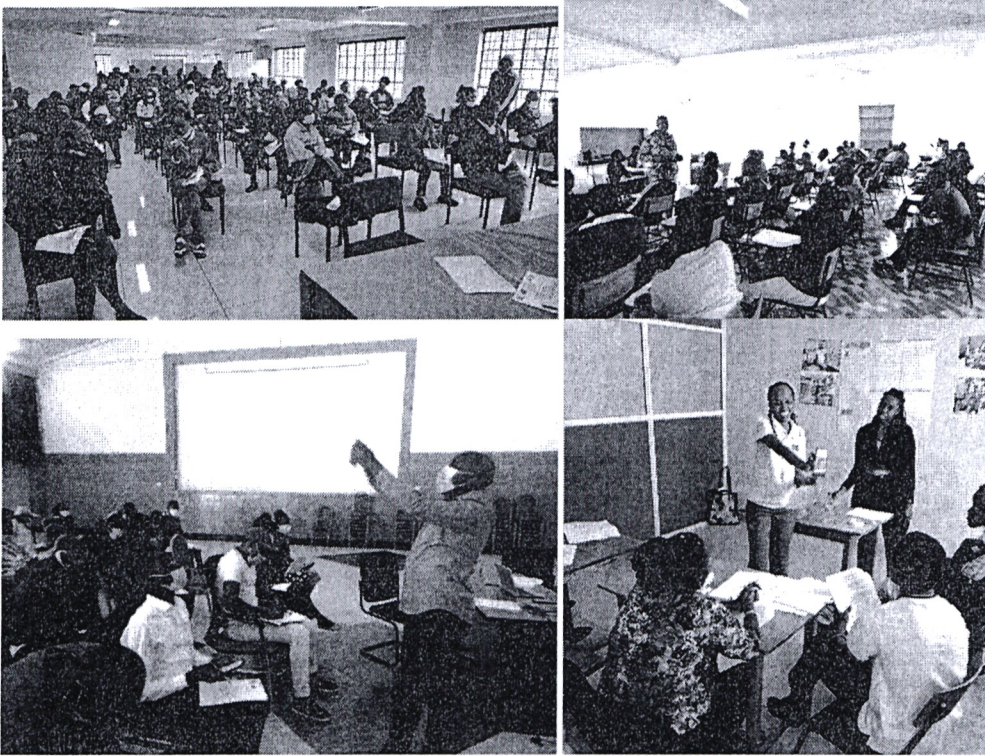
**Tree Planting at Kiunyu CIDC, Murang'a County (7<sup>th</sup> February 2022)**

As a brand that champions sustainability, MSEA is committed to supporting the National agenda of promoting restoration and preservation of the natural environment. The Authority led by the Principal Secretary State Department for Trade and Enterprise Development Amb. Johnson Weru , Member of Parliament for Gatanga Hon. Joseph Nduati Ngugi, MSEA Board Chairman James Mureu and MSEA CEO/DG Henry Rithaa conducted a tree planting activity at the Kiunyu Industrial Development Center ( CIDC) located in Muranga County during the handover ceremony for machines at the site. The tree planting initiative kicked off the Authority's environmental initiative for the year aimed at promoting a greener and more sustainable environment and mitigating the risks of climate change.



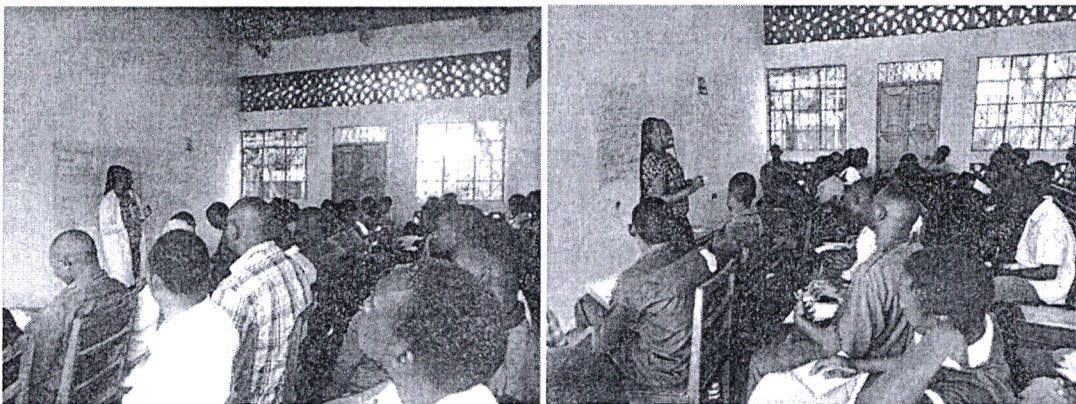
*State Department for Trade and Enterprise Development PS. Amb. Johnson Weru during the Tree planting activity at Kiunyu CIDC*

The Authority also conducted corporate social responsibility activities aligned to education and training during the Kenya Youth Employment Opportunities Project (KYEOP) Training held between March – June 2022). The Authority implements component two of the KYEOP project which is support for job creation and aims at assisting youth in Kenya to acquire the skills and capital required to help them in generating an income as an entrepreneur. During these trainings, youth are also sensitized on the Sustainable Development Goal of Good Health where they are educated and trained on HIV/AIDS.



*Moments captured during KYEOP Orientation training*

The Authority has a mandate to promote, develop and regulate globally competitive and sustainable micro and small enterprises, therefore it has been conducting capacity building programmes to MSEs which include training and equipping them with common user machines. During these trainings, the Authority educates the MSEs on Drug abuse and HIV/AIDS.



*Lathe machine and HIV/AIDS training in Kilifi County*

## 10. REPORT OF THE DIRECTORS

The Directors submit their annual report together with the financial statements for the year ended June 30, 2022 which show the state of the *Authority's* affairs.

### Principal activities

The principal activities of the Authority are to Promote, Develop and Regulate Micro and Small Enterprises Sector.

### Results

The results of the Authority for the year ended June 30, 2022 are set out on page 1 to page 5.

### Directors

The directors who held office during the year and to the date of this report are set out on in earlier sections of the report.

### Surplus remission

In accordance with Section 219 (2) of the Public Financial Management Act regulations, regulatory entities shall remit into Consolidated Fund, ninety per centum of its surplus funds reported in the audited financial statements after the end of each financial year. However, the entity did not make any surplus during the financial year (the reported surplus relates to unspent donor funds on KYEOP Project) and hence no remittance to the Consolidated Fund.

### Auditors

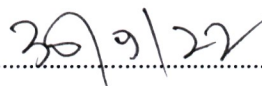
The Auditor General is responsible for the statutory audit of the *Authority* in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015. The Auditor General continues in office in accordance with the constitution of Kenya.

By Order of the Board



Mr. James Mureu

Chairman of the Board



Date

Nairobi

## 11. STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and the Micro and Small Enterprises Act, 2012 section 44(1) require the Directors to prepare financial statements in respect of the Authority, which give a true and fair view of the state of affairs of the Authority at the end of the financial period and the operating results of the Authority for that period. The Directors are also required to ensure that the Authority keeps proper accounting records which disclose with reasonable accuracy the financial position of the Authority. The Directors are also responsible for safeguarding the assets of the Authority.

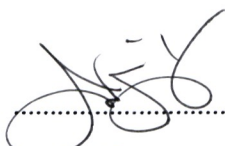
The Directors are responsible for the preparation and presentation of the *Authority's* financial statements, which give a true and fair view of the state of affairs of the Authority for and as at the end of the financial year ended on June 30, 2022. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Authority; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the *Authority's* financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and the State Corporations Act. The Directors are of the opinion that the *Authority's* financial statements give a true and fair view of the state of *Authority's* transactions during the financial year ended June 30, 2022, and of the *Authority's* financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the *Authority*, which have been relied upon in the preparation of the *Authority's* financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Directors to indicate that the *Authority* will not remain a going concern for at least the next twelve months from the date of this statement.

### Approval of the financial statements

The *Authority's* financial statements were approved by the Board on 30<sup>th</sup> September 2022 and signed on its behalf by:



James Mureu

Chairman of the Board

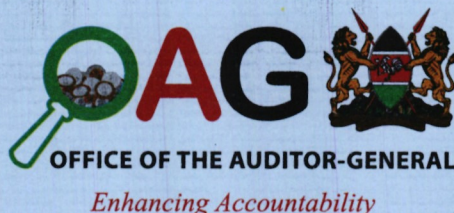


Henry M. Rithaa

Director General / CEO

# REPUBLIC OF KENYA

Telephone: +254-(20) 3214000  
E-mail: info@oagkenya.go.ke  
Website: www.oagkenya.go.ke



**HEADQUARTERS**  
Anniversary Towers  
Monrovia Street  
P.O. Box 30084-00100  
NAIROBI

## **REPORT OF THE AUDITOR-GENERAL ON MICRO AND SMALL ENTERPRISES AUTHORITY FOR THE YEAR ENDED 30 JUNE, 2022**

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### **PREAMBLE**

I draw your attention to the contents of my report which is in three parts:

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment and the internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An unmodified opinion does not necessarily mean that the entity has complied with all relevant laws and regulations, and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012 and the Public Audit Act, 2015. The three parts of the report, when read together constitute the report of the Auditor-General.

### **REPORT ON THE FINANCIAL STATEMENTS**

#### **Qualified Opinion**

I have audited the accompanying financial statements of Micro and Small Enterprises Authority set out on pages 1 to 27, which comprise of the statement of financial position

as at 30 June, 2022, and statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Micro and Small Enterprises Authority as at 30 June, 2022 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Micro and Small Enterprises Act, 2012 and the Public Finance Management Act, 2012.

### **Basis for Qualified Opinion**

#### **1. Property, Plant and Equipment**

The statement of financial position and as disclosed in Note 18 to the financial statements reflects property, plant and equipment balance of Kshs.1,282,875,619. This balance excludes undetermined value of land in one hundred and fifty-eight (158) Constituency Industrial Development Centers (CIDCs) the Authority owns across the Country.

In the circumstances, the accuracy and completeness of the property, plant and equipment balance of Kshs.1,282,875,619 could not be confirmed.

#### **2. Payables from Exchange Transactions**

The statement of financial position and as disclosed in Note 20 to the financial statements reflects payables from exchange transactions of Kshs.90,914,272 which includes payables and accruals amounting to Kshs.39,204,581 which have been outstanding for more than one (1) year. Management has not explained why the bills were not settled during the year they occurred. Further, failure to settle bills in the year for which they relate, adversely affects the implementation of subsequent year programmes.

In the circumstances, the Authority is at risk of incurring significant interest costs and penalties with the continued delay in payment.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Micro and Small Enterprises Authority Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

## **Key Audit Matters**

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

## **Other Matter**

### **1. Budgetary Control and Performance**

The statement of comparison of budget and actual amounts reflects budgeted payments of Kshs.2,365,682,353 against actual payments of Kshs.2,007,262,856 resulting to an under expenditure of Kshs.358,419,497 or 15% of total budget. The under expenditure affected the planned activities of the Authority and may have impacted negatively on service delivery to the public.

### **2. Unresolved Prior Year Matters**

In the audit report of previous year, a paragraph was raised under the Report on Financial Statements. However, Management has not resolved the issue or provided satisfactory explanation for the delay in solving the issue as provided by the Public Sector Accounting Standards Board reporting template and the National Treasury Circular Ref.AG.3/88/Vol.III (12) of 11 May,2022.

In the circumstances, Management was in breach of the National Treasury guidelines.

## **REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES**

### **Conclusion**

As required by Article 229(6) of the Constitution, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

### **Basis for Conclusion**

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

## **REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE**

### **Conclusion**

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

## **Basis for Conclusion**

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal controls, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

## **Responsibilities of Management and the Board of Directors**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal controls as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and governance.

In preparing the financial statements, Management is responsible for assessing the Authority's ability to continue to sustain its services, disclosing, as applicable, matters related to sustainability of its services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Authority or to cease operations.

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

The Board of Directors is responsible for overseeing the Authority's financial reporting process, reviewing the effectiveness of how the Authority monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

## **Auditor-General's Responsibilities for the Audit**

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always

detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal controls in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal controls would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal controls components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal controls may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue to sustain its services. If I conclude that a material uncertainty

exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Authority to cease to sustain its services.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Authority to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that are identified during the audit.

I also provide Management with a statement that I have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and where applicable, related safeguards.

  
CPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

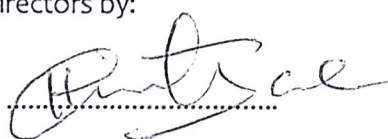
Nairobi

06 February, 2023

13. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2022

	Notes	2021/2022 Kshs	2020/2021 Kshs
<b>Revenue from non-exchange transactions</b>			
Government grants	6	360,400,000	278,723,320
Development partners	7	<u>1,938,754,177</u>	<u>981,279,333</u>
		<u>2,299,154,177</u>	<u>1,260,002,653</u>
<b>Revenue from exchange transactions</b>			
Internally generated revenue	8	<u>4,165,775</u>	<u>2,987,121</u>
<b>Total revenue</b>		<u><u>2,303,319,952</u></u>	<u><u>1,262,989,774</u></u>
<b>Expenditure</b>			
Operating expenses	9	29,445,418	44,318,865
Staff costs	10	325,813,285	285,115,831
Board expenses	11	10,356,252	13,792,011
Project expenses	12	1,622,684,970	642,268,720
Depreciation expense	13	18,896,166	20,011,999
Repairs and Maintenance	14	<u>66,765</u>	<u>1,944,557</u>
<b>Total Expenditure</b>		<u><u>2,007,262,856</u></u>	<u><u>1,007,451,982</u></u>
<b>Surplus / (deficit) for the period</b>		<u><u>296,057,096</u></u>	<u><u>255,537,792</u></u>

The notes set out on pages 6 to 24 form an integral part of these Financial Statements. The Financial Statements set out on pages 1 to 5 were signed on behalf of the Board of Directors by:



Director General / CEO

Name: Henry M. Rithaa

Date: 30.09.2022



Ag. Head of Finance

Name: Elsie Thambu  
ICPAK No.16628

Date: 30.09.2022



Chairman of the Board

Name: James Mureu

Date: 30.09.2022

Micro and Small Enterprises Authority  
Annual Reports and Financial Statements  
For the year ended June 30, 2022

14. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2022

	Notes	2021/2022 Kshs	2020/2021 Kshs
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	15	936,381,645	857,046,984
Receivable from exchange transactions	16	435,640	1,556,306
Prepayments	16	-	-
Grants receivable	16	-	23,001,760
Consumable stocks	17	1,740,989	1,943,015
		<u>938,558,274</u>	<u>883,548,065</u>
<b>Non-current assets</b>			
Property, plant and equipment	18	1,282,875,619	923,826,055
Intangible Assets	19	8,217,381	8,931,935
		<u>1,291,093,000</u>	<u>932,757,990</u>
<b>Total assets</b>		<u>2,229,651,274</u>	<u>1,816,306,056</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables from exchange transactions	20	90,914,272	87,652,949
Provisions	21	112,776,884	200,050,085
<b>Total liabilities</b>		<u>203,691,155</u>	<u>287,703,034</u>
<b>Net assets</b>		<u>2,025,960,118</u>	<u>1,528,603,022</u>
<b>Equity</b>			
Capital fund		1,528,005,724	1,326,705,724
Accumulated surplus		497,954,394	201,897,298
<b>Total net asset and liabilities</b>		<u>2,025,960,118</u>	<u>1,528,603,022</u>

The Financial Statements set out on pages 1 to 5 were signed on behalf of the Board of Directors by:



Director General / CEO

Name: Henry M. Rithaa

Date: 30.09.2022



Ag. Head of Finance

Name: Elsie Thambu  
ICPAK No.16628

Date: 30.09.2022



Chairman of the  
Board

Name: James Mureu

Date: 30.09.2022

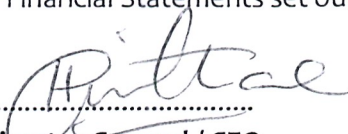
15. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2022

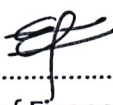
	Surplus Reserve	Capital Grants / Reserves	Total
	Kshs	Kshs	Kshs
<b>At 1st July 2020</b>	(53,640,494)	562,801,770	509,161,276
Surplus/(Deficit) for the period	255,537,792	-	255,537,792
Prior year adjustment (Revenue)	(520,500,734)	520,500,734	-
Prior year adjustment (Expense)	520,500,734		520,500,734
Development grant (CIDC)		200,546,698	200,546,698
Capital acquisition (KYEOP Project)		26,419,388	26,419,388
Capital acquisition(UNDP Donation)		16,437,135	16,437,135
<b>At 30th June 2021</b>	<b><u>201,897,298</u></b>	<b><u>1,326,705,724</u></b>	<b><u>1,528,603,022</u></b>
<b>At 1st July 2021</b>	201,897,298	1,326,705,724	1,528,603,022
Surplus/(Deficit) for the period	296,057,096	-	296,057,096
Development grant (CIDC)		199,500,000	199,500,000
Capital acquisition (KYEOP Project)		1,800,000	1,800,000
<b>At 30th June 2022</b>	<b><u>497,954,394</u></b>	<b><u>1,528,005,724</u></b>	<b><u>2,025,960,118</u></b>

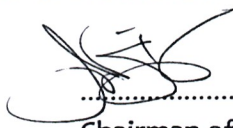
16. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2022

	Notes	2021/2022 Kshs	2020/2021 Kshs(Restated)
<b>Cash flows from operating activities:</b>			
<b>Receipts</b>			
Transfers from GOK-Recurrent Grant	6	360,400,000	278,723,320
Transfers from Development Partners	7	1,938,754,177	981,279,333
Internally generated revenue	8	4,165,775	2,987,121
<b>Total receipts</b>		<b>2,303,319,952</b>	<b>1,262,989,774</b>
<b>Payments</b>			
Use of goods and services	9	29,445,418	44,318,864
Employee costs	10	325,813,285	285,115,831
Board Expenses	11	10,356,252	13,792,011
Project Expenses	12	1,622,684,970	642,268,720
Repairs and maintenance	14	66,765	1,944,557
<b>Total payments</b>		<b>1,988,366,690</b>	<b>987,439,983</b>
<b>Net cash from operating activities</b>		<b>314,953,262</b>	<b>275,549,791</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	18	(377,231,175)	(339,946,572)
Purchase of intangible assets	19	-	(9,246,702)
(Increase) / decrease in receivable		1,120,666	20,608,678
(Increase) / decrease in prepayments		-	16,700,772
Increase / (decrease) in payables		3,261,323	52,071,201
Increase / (decrease) in provisions		(87,273,202)	(208,821,451)
(Increase) / decrease in consumables		202,027	632,256
(Increase)/decrease in Grants Receivable		23,001,760	(23,001,760)
<b>Net cash used in investing activities</b>		<b>(436,918,601)</b>	<b>(491,003,581)</b>
<b>Cash flows from financing activities</b>			
Capital fund- Development Grant		201,300,000	243,403,221
<b>Net cash used in financing activities</b>		<b>201,300,000</b>	<b>243,403,221</b>
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>79,334,661</b>	<b>27,949,431</b>
<b>Cash and cash equivalents at start of year</b>		<b>857,046,984</b>	<b>829,097,553</b>
<b>Cash and cash equivalents at end of year</b>		<b>936,381,645</b>	<b>857,046,984</b>

The Financial Statements set out on pages 1 to 5 were signed on behalf of the Board of Directors by:

  
.....  
Director General / CEO  
Name: Henry M. Rithaa

  
.....  
Ag. Head of Finance  
Name: Elsie Thambu  
ICPAK No.16628

  
.....  
Chairman of the Board  
Name: James Mureu

Date: 30.09.2022

Date: 30.09.2022

Date: 30.09.2022

17. STATEMENT OF COMPARISON OF BUDGET & ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2022

Category	Original Budget Kshs a	Adjustments Kshs b	Final Budget Kshs c=(a+b)	Actual on comparable basis Kshs d	Performance difference Kshs e=(c-d)	% of utilization
<b>Revenue</b>						
Recurrent grant	328,900,000	31,500,000	360,400,000	360,400,000	-	100%
Development partner	804,882,353	1,197,900,000	2,002,782,353	1,938,754,177	64,028,176	97%
Fees and charges	2,500,000		2,500,000	4,165,775	(1,665,775)	167%
<b>Total revenue</b>	<b>1,136,282,353</b>	<b>1,229,400,000</b>	<b>2,365,682,353</b>	<b>2,303,319,952</b>	<b>62,362,401</b>	<b>97%</b>
<b>Expenditure</b>						
Operating expenses	10,229,098	19,216,953	29,446,051	29,445,418	633	100%
Staff costs	319,153,255	6,660,030	325,813,285	325,813,285	-	100%
Board expenses	4,800,000	5,556,252	10,356,252	10,356,252	-	100%
Project expenses	802,100,000	1,197,900,000	2,000,000,000	1,622,684,970	377,315,030	81%
Depreciation expense	-	-	-	18,896,166	(18,896,166)	#DIV/0!
Repairs & Maintenance	-	66,765	66,765	66,765	-	100%
<b>Total expenditure</b>	<b>1,136,282,353</b>	<b>1,229,400,000</b>	<b>2,365,682,353</b>	<b>2,007,262,856</b>	<b>358,419,497</b>	<b>85%</b>
<b>Surplus for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>296,057,096</b>	<b>(296,057,096)</b>	

Budget Notes

1. Development Partner-the variance relates to World Bank grants not received as expected in during the period under review. The amount was received in the FY 2022/2023.
2. Revenue collection (A-I-A) was surpassed by 67% attributable to the ongoing registration of MSEs across the country. The target has since been revised to 3.5 million.
3. The variance of 19% of project expenses was due to delay in release of KYEOP Grants which were received in the last month of the financial year. Most of the grant relates to disbursement to beneficiaries which was done in the first quarter of financial year 2022/2023.
4. Budget Adjustments- During the period under review, the Authority received supplementary budget of Ksh 31.5 million recurrent grant which necessitated the Authority to reorganize its budget across the votes so as to achieve optimal resource utilisation. However, operations and management vote remain strained due to low funding and as a result the Authority closed the financial year with pending bills relating to rent, cleaning and other contracted services.

## 18. NOTES TO THE FINANCIAL STATEMENTS

### 1. GENERAL INFORMATION

Micro and Small Enterprises Authority is established by and derives its authority and accountability from Micro and Small Enterprise Act No. 55 of 2012. The Authority is wholly owned by the Government of Kenya and is domiciled in Kenya. The Authority's principal activity is to Regulate, Promote and Develop the Micro and Small Enterprise Sector in Kenya.

### 2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION - IPSAS 1

The financial statements have been prepared on a historical cost basis except where stated otherwise. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the entity's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Notes.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Authority.

The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act, and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

### 3. ADOPTION OF NEW AND REVISED STANDARDS

#### i. New and amended standards and interpretation in issue effective in the year ended 30 June 2022.

There were no applicable standards in the year ended 30<sup>th</sup> June 2022

#### ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2022.

IPSAS 41:	Applicable: 1 <sup>st</sup> January 2023:
Financial Instruments	The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows.

	<p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> <li>• Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held;</li> <li>• Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and</li> <li>• Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.</li> </ul> <p>The standard has no Impact to the Authority.</p>
<p><b>IPSAS 42:</b> Social Benefits</p>	<p><b>Applicable: 1<sup>st</sup> January 2023</b></p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:</p> <p>(a) The nature of such social benefits provided by the entity;</p> <p>(b) The key features of the operation of those social benefit schemes; and</p> <p>(c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows.</p> <p>The Standard has no Impact to the Authority.</p>
<p>Amendments to Other IPSAS resulting from IPSAS 41,</p>	<p><b>Applicable: 1st January 2023:</b></p> <p>a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.</p>

Financial Instruments	<p>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p> <p>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p> <p>The Standard has no Impact to the Authority.</p>
Other Improvements to IPSAS	<p><b>Applicable 1<sup>st</sup> January 2023</b></p> <ul style="list-style-type: none"> <li>• <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i></li> <li>• <i>IPSAS 39: Employee Benefits</i></li> <li>• <b>IPSAS 29: Financial Instruments: Recognition and Measurement</b></li> </ul> <p>The standard has no Impact to the Authority.</p>
IPSAS 43	<p><b>Applicable 1<sup>st</sup> January 2025</b></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and of disclosure leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p> <p>The standard has no Impact on the Authority.</p>
IPSAS 44:	<p><b>Applicable 1<sup>st</sup> January 2025</b></p>

Non- Current Assets Held for Sale and Discontinued Operations	<p>The standard requires,          Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:          Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p> <p>The standard has no Impact since the Authority has no Assets held for sale.</p>
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**iii. Early adoption of standards**

The Authority did not early – adopt any new or amended standards in the year 2021/22.

4. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

a) **Revenue recognition**

i) **Revenue from non-exchange transactions – IPSAS 23**

**Fees, taxes and fines**

The authority recognizes revenues from fees, taxes and fines when the event occurs and the asset recognition criteria are met. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, deferred income is recognized instead of revenue. Other non-exchange revenues are recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the authority and the fair value of the asset can be measured reliably.

The Authority currently collects revenue from services it renders to MSEs at its Kariobangi Centre of Excellence and Registrar of MSEs. This includes service fee on use of common user machine facility, incubation services, and registration fees among others.

**Transfers from other government entities**

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the authority and can be measured reliably. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.

**Development partner funds**

The donor development funds are recognised by the Authority when received.

ii) **Revenue from exchange transactions – IPSAS 9**

**Rendering of services**

The entity recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours. Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

**b) Budget information – IPSAS 24**

The annual budget is prepared on the accrual basis, that is, all planned costs and income are presented in a single statement to determine the needs of the entity. As a result of the adoption of the accrual basis for budgeting purposes, there are no basis, timing or entity differences that would require reconciliation between the actual comparable amounts and the amounts presented as a separate additional financial statement in the statement of comparison of budget and actual amounts.

**c) Taxes – IAS 12**

**Withholding Tax**

Withholding Tax relates to Value Added Tax (VAT) held by the Authority at 2% from the suppliers, and later submitted to Kenya Revenue Authority (KRA) by 20<sup>th</sup> of every month. The tax is recognized as a liability, and offset in books of accounts when remitted to KRA.

**d) Property, plant and equipment – IPSAS 17**

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

**Depreciation**

Depreciation is calculated on a reducing balance method to write off property, plant and equipment over their estimated useful lives. The annual rates used are as here below;

<b>Category</b>	<b>Percentage</b>
Land	nil
Building	10
Furniture and fittings	12.5
Computer	33.3
Software	8
Motor vehicle	25
Office equipment	12.5

Apportioned depreciation will apply to assets bought/acquired during the year of acquisition.

Full depreciation will be applied to assets disposed in the year of disposal.

e) Intangible assets - IPSAS 31

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred.

The useful life of the intangible assets is assessed as either finite or indefinite.

f) Research and development costs

The Authority expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when the Authority can demonstrate:

- i) The technical feasibility of completing the asset so that the asset will be available for use or sale
- ii) Its intention to complete and its ability to use or sell the asset
- iii) How the asset will generate future economic benefits or service potential
- iv) The availability of resources to complete the asset
- v) The ability to measure reliably the expenditure during development.

g) Financial instruments

*Financial assets*

*Initial recognition and measurement*

Financial assets within the scope of IPSAS 29 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. The Authority determines the classification of its financial assets at initial recognition.

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the surplus or deficit.

### ***Impairment of financial assets***

The Authority assesses at each reporting date whether there is objective evidence that a financial asset or an entity of financial assets is impaired. A financial asset or an entity of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the entity of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

- i) The debtors or a Authority of debtors are experiencing significant financial difficulty
- ii) Default or delinquency in interest or principal payments
- iii) The probability that debtors will enter bankruptcy or other financial reorganization
- iv) Observable data indicates a measurable decrease in estimated future cash flows (e.g. changes in arrears or economic conditions that correlate with defaults)

### ***Financial liabilities***

#### ***Initial recognition and measurement***

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Authority determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

#### ***Loans and borrowing***

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well as through the effective interest method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

#### **h) Inventories – IPSAS 12**

Inventories of consumable nature are stated at the lower of cost and net realizable value. Cost comprises the purchase price and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realizable value represents the estimated selling price less all estimated costs of selling the item. Consumable stock balance is disclosed as part of current assets in the financial statements.

**i) Provisions – IPSAS 19**

Provisions are recognized when the Authority has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Authority expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

The Authority has recognized provisions of refurbishment of CIDC's during the period and charged the same to capital work in progress in the Property Plan and Equipment since contractual obligation existed as at the end of reporting period.

***Contingent liabilities***

The Authority does not recognize a contingent liability, but discloses details of any contingencies in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

The Authority discloses contingent liability with relation to disputed historical rent with Tourism Finance Corporation dating back to the periods before the Authority was incorporated when the Authority used to be a department under State Department for Labour.

***Contingent assets***

The Authority does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Authority in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

**j) Nature and purpose of reserves**

The Authority creates and maintains reserves in terms of specific requirements as disclosed in statement of changes in net assets. The Authority maintains Development grants and assets as reserves through adopting IPSAS 3.

**k) Changes in accounting policies and estimates – IPSAS 3**

The Authority recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

**l) Employee benefits – IPSAS 25**

**Retirement benefit plans**

The Authority provides retirement benefits for its employees. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund), and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable. The Authority contributes to a defined contribution staff retirement benefit scheme for its permanent and pensionable employees. The assets of this scheme are held in a separate trustee administered fund. The company's contributions to the defined contribution retirement benefit scheme are charged to the income statement in the year to which they relate. The scheme is funded by contributions from both the employees and employer. Benefits are paid to retiring staff in accordance with the scheme rules.

**m) Foreign currency transactions**

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

**n) Related parties**

The Authority regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the Authority, or vice versa. Members of key management are regarded as related parties and comprise the directors, the CEO and senior managers.

**o) Service concession arrangements**

The Authority analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the Authority recognizes that asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price. In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the

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asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the Authority also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

**p) Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

**q) Comparative figures**

Where necessary comparative figures for the previous financial year have been amended or reconfigured to conform to the required changes in presentation.

**r) Subsequent events**

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2022.

**5. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY**

The preparation of the Authority's financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

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Estimates and assumptions – IPSAS 1.140

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Authority based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Entity. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

**Useful lives and residual values**

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

- i) The condition of the asset based on the assessment of experts employed by the Authority
- ii) The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- iii) The nature of the processes in which the asset is deployed
- iv) Availability of funding to replace the asset
- v) Changes in the market in relation to the asset

**Provisions**

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

	2021/2022 Kshs	2020/2021 Kshs
<b>6 Government grant</b>		
Government grant - recurrent	360,400,000	266,531,560
AIE from State Department for Industrialization*	-	12,191,760
	<u>360,400,000</u>	<u>278,723,320</u>
<b>7 Development partner</b>		
IDA-KYEOP World Bank	1,935,971,824	980,279,847
Grants from ILO	2,782,353	999,486
	<u>1,938,754,177</u>	<u>981,279,333</u>
<b>8 Internally generated revenue</b>		
Charges from Kariobangi CoE	2,872,113	
Fees from Registration Services	1,193,662	
Mse Market Exhibition	100,000	
	<u>4,165,775</u>	<u>2,987,121</u>
<b>9 Operating Expenses</b>		
<b>a) Operating costs</b>		
Communication supplies and services	770,189	964,140
Domestic travel and subsistence	303,305	3,665,741
Foreign travel and subsistence	-	916,516

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Printing, advertising and information services	24,000	96,167
Trade shows and exhibitions	9,800	964,140
MSEs regional and international	-	-
MSE marketing	-	627,000
Hospitality supplies and services	2,660,266	3,918,458
Legal expenses	-	912,500
ILO expenses	2,781,720	976,000
	<u>6,549,280</u>	<u>13,040,662</u>
<b>b) Administrative costs</b>		
Utilities (water and electricity)	36,681	142,791
Rent - non residential	20,519,733	18,043,914
Office general supplies and services	185,530	2,280,966
Fuel and lubricants	28,000	451,596
Security	148,000	1,665,200
Cleaning Services	432,600	6,221,817
Bank charges	736,660	384,770
Provision for audit fee	450,000	450,000
Recruitment expense		343,220
Motor vehicle insurance	358,934	1,293,929
provision for obsolete stock	-	-
	<u>22,896,138</u>	<u>31,278,203</u>
	<u>29,445,418</u>	<u>44,318,864</u>
<b>10 Staff costs</b>		
Basic Salary Expense	151,219,407	130,332,811
House Allowance Expense	58,572,633	53,561,174
Commuter Allowance Expense	28,018,467	24,668,135
Entertainment Allowance	700,000	718,710
Extraneous Allowance	2,402,000	2,139,919
Hardship Allowance	205,200	217,500
Airtime Allowance	3,967,200	3,784,225
Salary Arrears	92,863	291,102
Transfer Allowance	136,650	1,093,600
Leave Allowance	3,982,271	2,993,191
Other Allowances	-	528,518
Acting Allowance	425,862	
Disability Allowance	240,000	
Gratuity Expense	12,893,091	12,849,949
Pension Expense	21,584,344	17,261,351
National Social Security Fund	484,400	404,000
National Industrial Training Authority Levy	121,500	81,950
Stipend Allowance	-	-
Medical Insurance Cover	40,467,796	33,296,296
Training expenses	299,600	893,400
	<u>325,813,285</u>	<u>285,115,831</u>
	<b>2021/2022</b>	<b>2020/2021</b>
<b>11 Board Expenses</b>	<b>Kshs</b>	<b>Kshs</b>
Sitting allowance	4,772,000.0	7,414,259
Subsistence allowance and travel expenses	2,403,350.0	2,118,539
Honoraria	757,333.0	960,000
Transport reimbursement/Mileage	1,133,850.0	1,394,535

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Board Training	92,800.0	872,900
Medical insurance	1,136,719.0	947,778
Board Airtime	60,200.0	84,000
	<u>10,356,252.0</u>	<u>13,792,011</u>
<b>12 Project expenses</b>		
KYEOP Project expenses	<u>1,622,684,970</u>	<u>642,268,720</u>
<b>13 Depreciation expense</b>		
Furniture & fittings	888,753	1,015,718
Computer & accessories	7,119,665	7,648,860
Motor vehicles	7,473,986	8,203,173
Office equipment	2,699,206	2,829,481
Software	714,555	314,767
	<u>18,896,166</u>	<u>20,011,999</u>
<b>14 Repairs &amp; maintenance</b>		
Motor vehicles	43,915	1,144,613
Equipments	22,850	769,944
Computers	-	30,000
	<u>66,765</u>	<u>1,944,557</u>
<b>15 Cash and cash equivalent</b>		
National Bank - recurrent account	2,103,928	375,449
KCB - development account	284,222,566	518,565,931
KCB - project account	649,715,025	338,083,106
KCB -Revenue Collection account	-	-
MPESA	340,127	22,499
	<u>936,381,645</u>	<u>857,046,984</u>
<b>16 Receivable from non-exchange transactions</b>		
Outstanding Imprest	435,640	1,556,306
Prepayments	-	-
Grants receivable*	-	23,001,760
	<u>435,640</u>	<u>24,558,066</u>
<b>17 Inventory</b>		
Consumable stocks	<u>1,740,989</u>	<u>1,943,015</u>

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18 Property, Plant and Equipment

	Office Equip	Computers	Motor Vehicle	Fittings	Work in Progress CIDC	Work in Progress Cold Storage	Totals
	Kshs 12.5%	Kshs 33.3%	Kshs 25%	Kshs 12.5%	Kshs 0.0%	Kshs 0.0%	Kshs
<b>COST</b>							
1st July 2020	40,216,187	47,358,735	61,657,414	16,948,864	513,304,997	24,504,310	703,990,507
Additions	1,787,282	14,299,852	17,522,686	-	236,932,373	69,404,379	339,946,572
Disposal	-	-	-	-	-	-	-
30th June 2021	<u>42,003,469</u>	<u>61,658,587</u>	<u>79,180,100</u>	<u>16,948,864</u>	<u>750,237,370</u>	<u>93,908,689</u>	<u>1,043,937,079</u>
Additions	-	-	1,800,000	-	333,123,252	42,307,923	377,231,175
Disposal	-	-	-	-	-	-	-
30th June 2022	<u>42,003,469</u>	<u>61,658,587</u>	<u>80,980,100</u>	<u>16,948,864</u>	<u>1,083,360,622</u>	<u>136,216,612</u>	<u>1,421,168,254</u>
<b>ACCUMULATED DEPRECIATION</b>							
1st July 2020	17,580,338	32,929,351	41,080,982	8,823,121	-	-	100,413,792
Charge for the Year	2,829,481	7,648,860	8,203,173	1,015,718	-	-	19,697,232
30th June 2021	20,409,819	40,578,211	49,284,155	9,838,839	-	-	120,111,024
Charge for the Year	2,699,206	7,119,665	7,473,986	888,753	-	-	18,181,611
30th June 2022	<u>23,109,025</u>	<u>47,697,877</u>	<u>56,758,141</u>	<u>10,727,592</u>	<u>-</u>	<u>-</u>	<u>138,292,635</u>
<b>NET BOOK VALUE</b>							
30th June 2021	21,593,650	21,080,376	29,895,945	7,110,025	750,237,370	93,908,689	923,826,055
30th June 2022	<u>18,894,444</u>	<u>13,960,710</u>	<u>24,221,959</u>	<u>6,221,272</u>	<u>1,083,360,622</u>	<u>136,216,612</u>	<u>1,282,875,619</u>

Notes to the Property Plant and Equipment

i. The Property Plant and Equipment (PPE) does not include valuation for land and Constituency Industrial Development Centres the Authority owns across the county. Authority is in the process of valuing its properties to have an updated PPE.

ii. W-I-P for CIDC & Cold Storage relates to capitalized Development grant received towards construction and refurbishment of CIDCs and Cold storage facilities.

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19 Intangible Assets

	Software Kshs 8.0%	Totals Kshs
<b>COST</b>		
1st July 2020	-	-
Additions - Navision ERP System	4,346,702	4,346,702
Additions - Registrar and CRM system	3,100,000	3,100,000
Additions - Help desk software	1,800,000	1,800,000
<b>30th June 2021</b>	<b>9,246,702</b>	<b>9,246,702</b>
Additions - Navision ERP System	-	-
<b>30th June 2022</b>	<b>9,246,702</b>	<b>9,246,702</b>
<b>ACCUMULATED DEPRECIATION</b>		
1st July 2020	-	-
Charge for the Year	314,767	314,767
<b>30th June 2021</b>	<b>314,767</b>	<b>314,767</b>
Charge for the Year	714,555	714,555
<b>30th June 2022</b>	<b>1,029,322</b>	<b>1,029,322</b>
<b>NET BOOK VALUE</b>		
<b>30th June 2021</b>	<b>8,931,935</b>	<b>8,931,935</b>
<b>30th June 2022</b>	<b>8,217,380</b>	<b>8,217,380</b>
<b>20 Payables from exchange transactions</b>	<b>2021/2022 Kshs</b>	<b>2020/2021 Kshs</b>
Trade payables	31,452,888	15,244,082
Staff payables	9,029,579	47,353,428
Gratuity and pension payable	16,470,877	18,251,051
Board payable	-	332,000
Retention Payable	32,930,327	5,152,887
Unspent donor funds	-	-
Accruals	1,030,600	1,319,500
	<u>90,914,272</u>	<u>87,652,949</u>
<b>21 Provisions</b>		
Audit fee	900,000	900,000
Refurbishment of CIDC & Worksites	111,876,884	199,150,085
	<u>112,776,884</u>	<u>200,050,085</u>
<b>Capital Commitments</b>	<b>2021-2022 Kshs</b>	<b>2020-2021 Kshs</b>
Opening balance	199,150,085	408,421,536
Utilization during the period	(136,459,800)	(304,454,260)
	<u>62,690,284</u>	<u>103,967,276</u>
Commitment for the period	49,186,599	95,182,808
Closing balance	<u>111,876,884</u>	<u>199,150,085</u>

**22. Construction of cold storage facility**

Through a presidential directive in January 2020, the Authority was allocated Kshs 300 million in supplementary budget II of 2019/2020 financial year to cater for construction and equipping of three cold storage facility in Nyandarua, Kisii and Meru with each facility expected to cost Kshs 100 million. The funds were disbursed to the Authority's KCB development account. As at the end of the period, Kshs 136,216,613 had been cumulatively spent on the project in terms of payments leaving unspent cash balance of Kshs 163,783,388 which is part of the cash and cash equivalent reported as at the end of the financial year.

**23. Capital Commitments**

The Authority had authorised and contracted capital commitment amounting to Kshs 163,783,388 as at the end of reporting period with relation to construction of cold storage facilities.

**24. Financial Risk Management**

The Authority's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The Authority's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The Authority does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history. The Authority's financial risk management objectives and policies are detailed below:

**(i) Credit risk**

The Authority has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments.

Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the company's management based on prior experience and their assessment of the current economic environment. The amount that best represents the Authority's maximum exposure to credit risk as at 30th June is made up as follows;

Description	2021-2022	2020-2021
	Kshs	Kshs
Bank balances	936,381,645	857,046,984
Receivable from exchange transactions	<u>435,640</u>	<u>1,556,306</u>
	<u>936,817,285</u>	<u>858,603,290</u>

**(ii) Liquidity risk management**

Ultimate responsibility for liquidity risk management rests with the Board, who have built an appropriate liquidity risk management framework for the management of the Authority's short, medium and long-term funding and liquidity management requirements. The Authority manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

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The Authority's approach when managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, without incurring unacceptable losses or risking damage to the Authority's reputation.

**(iii) Market risk**

The board has put in place an internal audit function to assist it in assessing the risk faced by the Authority on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls.

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the Authority's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

There has been no change to the entity's exposure to market risks or the manner in which it manages and measures the risk.

**Currency Risk**

The Authority's transactions are denominated in Kenya Shillings and in cases of foreign currency payments, sufficient negotiations are carried out to obtain better foreign currency exchange rates.

**Capital Risk Management**

The objective of the Authority's capital risk management is to safeguard the Board's ability to continue as a going concern. The entity capital structure comprises of the following fund:

	<b>2021-2022</b>	<b>2020-2021</b>
	<b>Kshs</b>	<b>Kshs</b>
Accumulated fund	497,954,394	201,897,298
Capital reserve	1,528,005,724	1,326,705,724
<b>Total funds</b>	<b><u>2,025,960,118</u></b>	<b><u>1,528,603,022</u></b>
Total borrowings	-	-
Cash and bank balances	936,381,645	857,046,984
<b>Gearing</b>	<b><u>0%</u></b>	<b><u>0%</u></b>

**25. Prior year adjustments – IPSAS 3**

Prior period errors are omissions from, and misstatements in, the entity's financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that: (a) Was available when financial statements for those periods were authorized for issue; and (b) Could reasonably be expected to have been obtained and taken into account in the preparation and

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presentation of those financial statements. Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts.

There was no prior year adjustment with relation to change in accounting treatment of development grants during the period under review.

**26. Related Party Disclosure**

**Nature of related party relationships**

Entities and other parties related to the entity include those parties who have ability to exercise control or exercise significant influence over its operating and financial decisions. Related parties include management personnel, their associates and close family members. The entity is related to;

**Government of Kenya**

The Government of Kenya is the principal shareholder of the entity, holding 100% of the entity's equity interest. The Government of Kenya has provided full guarantees to all long-term lenders of the Entity, both domestic and external.

**Other Related Parties Include:**

- i. The Ministry of Industrialization, Trade and Enterprise Development
- ii. The Board of directors
- iii. Key management

**27. Events after the reporting period**

There were no material adjusting and non- adjusting events after the reporting period.

**28. Ultimate and Holding Entity**

The Authority is a Semi- Autonomous Government Agency under the Ministry of Trade and Industrialization. Its ultimate parent is the Government of Kenya.

**29. Currency**

The financial statements are presented in Kenya Shillings (Kshs).

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**APPENDIX 1: INTER-ENTITY TRANSFERS**

	<b>ENTITY NAME:</b>	Micro and Small Enterprises Authority		
	<b>Break down of Transfers from the State Department for Trade and Enterprises Development</b>			
	<b>Financial Year</b>			
	2021/2022			
<b>a.</b>	<b>Recurrent Grants</b>			
		<b>Bank Statement Date</b>	<b>Amount (KShs)</b>	<b>Financial Year to which the amounts relate</b>
		03.09.2021	54,800,000	2021/2022
		26.10.2021	82,225,000	2021/2022
		20.12.2021	27,425,000	2021/2022
		07.02.2022	82,225,000	2021/2022
		23.05.2022	82,225,000	2021/2022
		24.06.2022	31,500,000	2021/2022
		<b>Total</b>	<b>360,400,000</b>	
<b>b.</b>	<b>Development Grants</b>			
		<b>Bank Statement Date</b>	<b>Amount (KShs)</b>	<b>Financial Year to which the amounts relate</b>
		02.11.2021	99,750,000	2021/2022
		25.04.2022	99,750,000	2021/2022
		<b>Total</b>	<b>199,500,000</b>	
<b>c.</b>	<b>Direct Payments</b>			
		<b>Bank Statement Date</b>	<b>Amount (KShs)</b>	<b>Financial Year to which the amounts relate</b>
	No direct payment undertaken during the reporting period			
<b>d.</b>	<b>Donor Receipts</b>			
		<b>Bank Statement Date</b>	<b>Amount (KShs)</b>	<b>Financial Year to which the amounts relate</b>
		21.10.2021	377,173,104.30	2021/2022
		02.02.2022	221,409,752.15	2021/2022
		05.04.2022	194,905,000	2021/2022
		09.05.2022	443,423,967.50	2021/2022
		10.06.2022	699,060,000	2021/2022
		<b>Total</b>	<b>1,935,971,823.93</b>	

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	<b>ENTITY NAME:</b>	Micro and Small Enterprises Authority		
	<b>Break down of Transfers from the State Department for Trade and Enterprises Development</b>			
	<b>Financial Year</b>			
	2020/2021			
<b>a.</b>	<b>Recurrent Grants</b>			
		<b>Bank Statement Date</b>	<b>Amount (KShs)</b>	<b>Financial Year to which the amounts relate</b>
		16.09.2020	57,340,000	2020/2021
	AIE from SDT	12.10.2020	6,095,780	2020/2021
		26.11.2020	57,340,000	2020/2021
	AIE from SDT	11.12.2020	6,095,780	2020/2021
		01.02.2021	58,460,000	2020/2021
		10.05.2021	70,390,000	2020/2021
		05.07.2021	23,001,760	2020/2021
		<b>Total</b>	<b>278,723,320</b>	
<b>b.</b>	<b>Development Grants</b>			
		<b>Bank Statement Date</b>	<b>Amount (KShs)</b>	<b>Financial Year to which the amounts relate</b>
		22.09.2020	140,546,698	2020/2021
		16.06.2021	60,000,000	2020/2021
		<b>Total</b>	<b>200,546,698</b>	
<b>c.</b>	<b>Direct Payments</b>			
		<b>Bank Statement Date</b>	<b>Amount (KShs)</b>	<b>Financial Year to which the amounts relate</b>
	No direct payment undertaken during the reporting period			
<b>d.</b>	<b>Donor Receipts</b>			
		<b>Bank Statement Date</b>	<b>Amount (KShs)</b>	<b>Financial Year to which the amounts relate</b>
		10.09.2020	109,366,954.40	2020/2021
		07.10.2020	106,883,907.10	2020/2021
		17.02.2021	235,611,421.85	2020/2021
		10.05.2021	177,795,025.65	2020/2021
		25.05.2021	319,290,000.00	2020/2021
		10.06.2021	31,332,535.90	2020/2021
		<b>Total</b>	<b>980,279,844.90</b>	

**APPENDIX II: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS**

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor.

Issue / Observations from Auditor	Management comments	Status:	Timeframe:
<p>As reported previously, the property, plant and equipment balance of Kshs 923,826,055 as at 30 June 2021 excludes undetermined value of properties in 158 Constituency Industrial Development Centers. Further, some other non-current assets of undetermined value are held by the Authority for transfer to various Constituency Industrial Development Centers (CIDCs). Also, the management has not taken stock of all its land, buildings and other properties and valued them to establish their accounting treatment in the Authority's books of account.</p>	<p>Management is in the process of valuing the 158 CIDC handed over by the Ministry in January 2015 in the 2022/23 financial period. With the revalued amounts, the authority will be in a good position to adjust the books and correctly state the figure for property, plant and equipment as required by International Public Sector Accounting Standards.</p>	<p>Not resolved.  Revaluation process on-going with National Lands Commission.</p>	<p>30<sup>th</sup> June 2023</p>

  
 .....  
 Director General / CEO

Date: 30.09.2022

**APPENDIX III: PROJECT IMPLEMENTED BY THE AUTHORITY**

Projects implemented by the Authority Funded by development partners and/ or the Government.

[Redacted]						
Kenya Youth Employment and Opportunities Project	IDA Credit No.5812-KE	World Bank	6 Years	Kshs 4 billion	Yes	Yes

**Status of Project Completion**

[Redacted]						
Kenya Youth Employment and Opportunities Project	Kshs 4.5 billion	Kshs 3.2 billion	82%	Kshs 4.5 billion	Kshs 4.5 billion	World Bank

**APPENDIX IV: REPORTING OF CLIMATE RELEVANT EXPENDITURES**

The Authority did not incur any climate relevant expenditures during the period under review.