

REPUBLIC OF KENYA



REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL  
*Enhancing Accountability*

# REPORT

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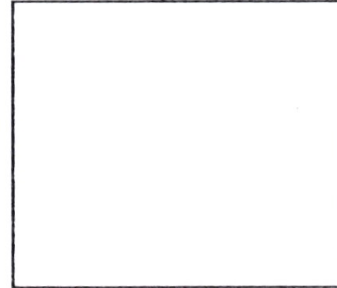
### ON

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

## FOR THE YEAR ENDED 30 JUNE, 2025



*Revised 30<sup>th</sup> June 2025*



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

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

**ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED  
30<sup>TH</sup> JUNE 2025**

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**Transitional IPSAS Financial Statements/Prepared in accordance with the Accrual Basis of Accounting Method Under  
International Public Sector Accounting Standards (IPSAS)**

**State Department for Micro, Small and Medium Enterprises Development (MSMEs)  
Annual Report and Financial Statements for the year ended June 30, 2025.**

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***State Department for Micro, Small and Medium Enterprises Development (MSMEs) Annual Report and Financial Statements for the year ended June 30, 2025.***

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**1. Acronyms and Definition of Key Terms**

**A: Acronyms and Abbreviations**

CS	Cabinet Secretary
PS	Principal Secretary
CBK	Central Bank of Kenya
ICPAK	Institute of Certified Public Accountants of Kenya
IPSAS	International Public Sector Accounting Standards
OCOB	Office of the Controller of Budget
OAG	Office of the Auditor General
OSHA	Occupational Safety and Health Act of 2007
PFM	Public Finance Management
PPE	Property Plant & Equipment
PSASB	Public Sector Accounting Standards Board
SAGAs	Semi-Autonomous Government Agencies
SC	State Corporations
TNT	The National Treasury
WB	World Bank

**B: Definition of Key Terms**

**Fiduciary Management-** Members of Management directly entrusted with the responsibility of financial resources of the organisation.

**State Department for Micro, Small and Medium Enterprises Development (MSMEs)  
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**2. Key MDA Information and Management**

**(a) Background information**

The State Department for Micro, Small and Medium Enterprises Development was created through the Executive Order No. 1 of 2022 following the re-organization of Government after the August 2022 elections. At cabinet level, the State Department for Micro, Small and Medium Enterprise Development is represented by the Cabinet Secretary for Co-operatives and Micro, Small and Medium Enterprise Development, who is responsible for the general policy and strategic direction of the Ministry.

The State Department is charged with the responsibility of promotion and development of MSME sector through entrepreneurship and management training. MSMEs play a pivotal role in Kenya's economy contributing to over 90 per cent of total labour force.

**Who are MSMEs -Definition of Micro, Small and Medium Enterprise**

The definition of MSMEs set out under the Micro and Small Enterprises Act (2012) [MSEA Act 2012], and the Public Finance Management (Amendment) Act, (No. 2) of 2020. Under the MSEA Act, MSMEs are classified by either their **annual turnover**, **the number of employees engaged** or by their **total financial investment**.

The specific definitions for each category are as follows:

- i) **Micro enterprise** – any firm with an annual turnover not exceeding Ksh.500,000 and employing (or rather engaging) 1-9 people. The total assets and financial investment or the registered capital of the enterprise does not exceed Ksh.10 million in the manufacturing sector and does not exceed Ksh.5 million in the service and farming sector.
- ii) **Small enterprises** – Any firm with an annual turnover of between Ksh.500,000 and Ksh.5 million and engaging 10-49 employees. In the manufacturing sector, investment in plant and machinery should be between Ksh.10 million and Ksh.50 million and registered capital of the enterprise between Ksh.5 million and Ksh.25 million in the service and farming sector.
- iii) **Medium enterprises** – Any firm with an annual turnover of between Ksh.5 – 100 million and engaging between 50-250 employees; in the manufacturing sector, total assets and investment in plant and machinery or the registered capital of the enterprise does not exceed Ksh.250 million; in the service and agricultural sectors, investment in equipment or registered capital of the enterprise does not exceed Ksh.125 million.

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

The mandate of the State Department includes:

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

**Vision and Mission of the State Department**

**Vision**

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

**Mission Statement**

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

**State Department for Micro, Small and Medium Enterprises Development (MSMEs)  
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**Strategic Goals/Objectives of the State Department**

The Strategic Objectives of the State Department include:

- i. To facilitate growth and development of the MSMEs.
- ii. To promote progressive credit policies and practices for MSMEs.
- iii. To promote market development for MSME products and services.
- iv. To promote entrepreneurial skills and business management.
- v. To enhance business innovation and incubation for MSMEs; and
- vi. To promote a saving culture for MSMEs.

**(c) Key Management**

The State Department executes part of its mandate through the following five (5) Parastatals/SAGAs and one department:

State Department for Micro, Small and Medium Enterprise Development Institutions has four Semi- Autonomous Government Agencies (SAGAs).

1. Kenya Industrial Estates (Companies Act, Cap. 486).
2. Micro and Small Enterprise Authority (Micro and Small Enterprises Act, No. 55 of 2012).
3. Hustler Fund (Micro and Small Enterprises Act, No. 55 of 2012) and Public Finance Management Act, No. 18 of 2012.
4. Uwezo Fund (Public Finance Management Act, No. 18 of 2012).
5. Kenya Institute of Business Training (KIBT).

The State Department's day-to-day management is under the following key organs with various mandates and objectives.

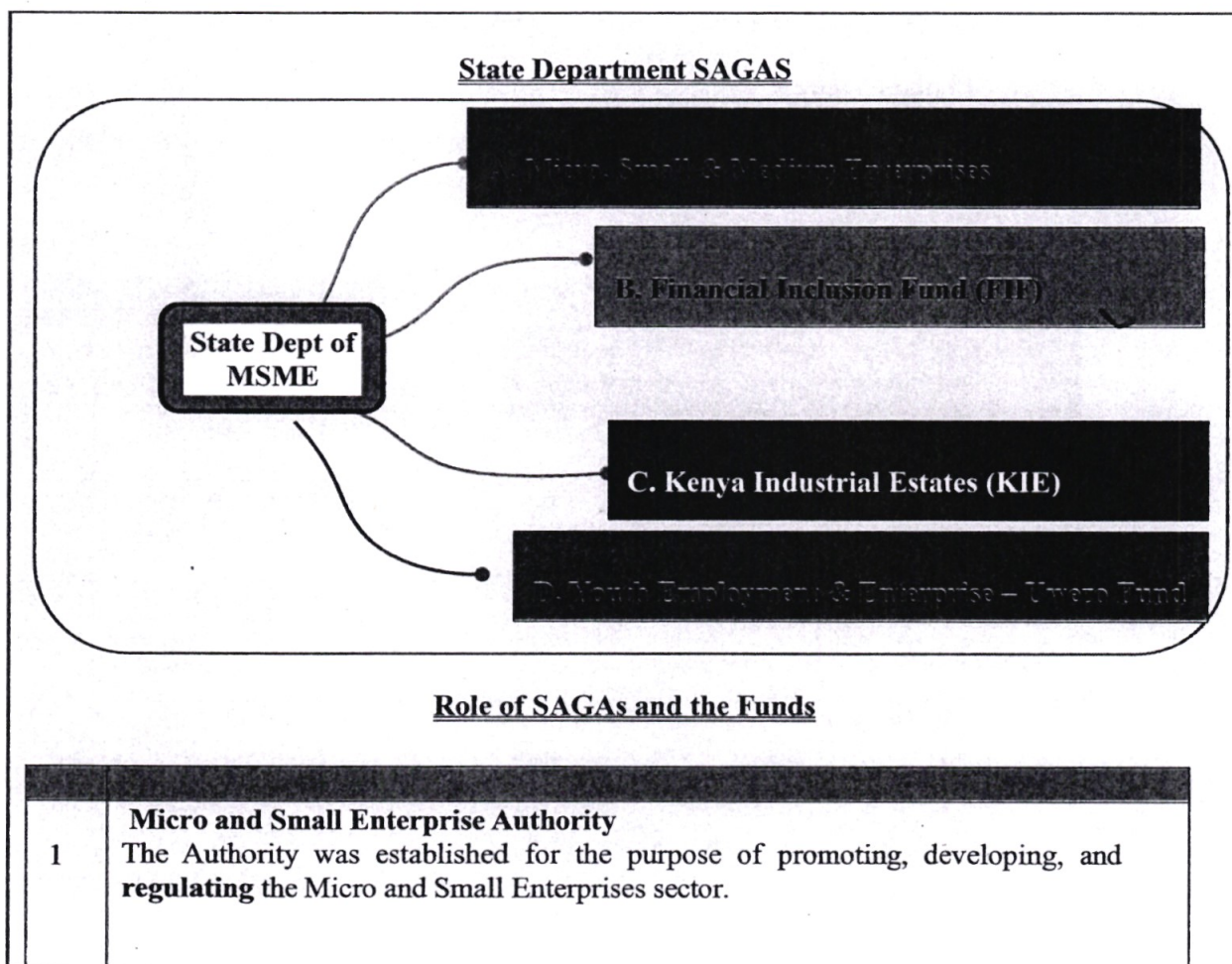
<b>Department</b>	<b>Establishment</b>	<b>Mandate/Aim</b>
<b>Micro and Small Enterprises Authority (MSEA)</b>	Micro and Small Enterprises (MSE) Act No. 55 of 2012 section 29(1).	The Act mandates MSEA to promote, develop, and regulate the MSE sector. The Act gives the Authority the mandate to formulate and coordinate policies that will facilitate the integration and harmonization of various public and private sector initiatives, for the promotion, development and regulation of the Micro and Small Enterprises to become robust industries.

**State Department for Micro, Small and Medium Enterprises Development (MSMEs)  
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<b>Department</b>	<b>Establishment</b>	<b>Mandate/Aim</b>
<b>Kenya Industrial Estates (KIE)</b>	Kenya Industrial Estates (Companies Act, Cap. 486)	The Kenya Industrial Estates was established by the government of Kenya in 1967 with a mandate to promote Small and Medium Industries with focus on Rural Industrialization. Further, it is mandated to provide finances, workspace, Business Development Services (BDS) and promotion of subcontracting linkages to Micro, Small and Medium Industries.
<b>Uwezo Fund</b>	Uwezo Fund (Public Finance Management Act, No. 18 of 2012). established vide legal notice No. 21 of 21st February 2014	UWEZO Fund is a flagship programme for Vision 2030 established vide legal notice No. 21 of 21st February 2014 aimed at enabling women, youth and persons with disabilities access finances to promote businesses and enterprises at the constituency level, thereby enhancing economic growth towards the realization of the same and the Sustainable Development Goals No. 1 (eradicate extreme poverty and hunger) and 3 (promote gender equality and empower women). The Fund is highly devolved and adopted the concept of bottom-up approach with decision making done at the grass-root level.
<b>Financial Inclusion Fund</b>	Public Finance Management Act, No. 18 of 2012 The Public Finance Management (Financial Inclusion Fund Regulation 2022. Kenya Gazette Supp No. 190.	The object and purpose of the Fund shall be to innovate, develop and deploy bottom of the pyramid financial services and products that are affordable, accessible, and appropriate for the unserved and under-served persons, including credit, saving, insurance and investment products.

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



**State Department for Micro, Small and Medium Enterprises Development (MSMEs)  
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2	<p><b>Financial Inclusion Fund</b> The object and purpose of the Fund shall be to innovate, develop and deploy bottom of the pyramid financial services and <b>products that are affordable</b>, accessible, and appropriate for the unserved and underserved persons, including credit, saving, insurance and investment products.</p>
3	<p><b>Uwezo Fund</b> The objective is to expand access to finances for the youth, women, and persons with disabilities at the <b>constituency level</b> for businesses and enterprises development, generate gainful self- employment for the youth and women.</p>
4	<p><b>Kenya Industrial Estates</b> The object and purpose of the Fund is to facilitating the industrial sector by promoting entrepreneurship; providing medium- and long-term development finance to indigenous MSME and incubation of MSMEs countrywide to facilitate their survival and growth.</p>

**(d) Fiduciary Management**

The key management personnel who held office during the financial year ended 30<sup>th</sup> June 2025 and who had direct fiduciary responsibility were:

No.	Designation	Name
1	Cabinet Secretary, Ministry of Co-operatives, Micro, Small and Medium Enterprise Development	Hon. FCPA. DR. Wycliffe Ambetsa Oparanya, EGH
2	Principal Secretary, State Department for Micro, Small and Medium Enterprise Development	PS Susan Mange'ni
3	Director Administration	Mr. Abert Mwaringa
4	Senior Deputy Accountant General	Mr. Stephen Amon Gakang'a
5	Deputy Director Supply Chain Management	Mr, Soita Nathan
6	Director Human Resource Management	Mr. Kennedy Aungo
7	Senior Chief Finance Officer	Mr. Joseph Maina
8.	Ag. Director Kenya Institute of Business Training	Mr Patrick Nyakundi

**State Department for Micro, Small and Medium Enterprises Development (MSMEs)  
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**(e) Fiduciary Oversight Arrangements**

**I. Audit and Finance Committee Committees activities**

The main purpose of this Committee is to provide oversight of the financial reporting process, the audit process, the department's internal controls and compliance with laws and regulations. They provide an independent expert assessment of the activities of top management, the quality of the risk management, financial reporting, financial management and internal audit.

**Audit and Finance**

**I. Budget Implementation Committee**

This is the committee charged with the responsibility of implementation of the State Department's budget and its prudent management. The duties of the committee will include:

- To review and consider the cash flow plans.
- To review utilization of the cash limits and consider any changes that may be required.
- To review the utilization of the donor funds voted for the State Department.
- To advise the Accounting Officer on the challenges related to the budget implementation.
- To review and recommend the reallocation of funds.
- To review and approve the submission of the payment returns, payroll IPPD, pending bills and A-I-A returns for the State Department and recommend actions to be taken.
- To participate in sector working groups.
- To review budgets, supplementary estimates and performance of budget against actual for the State Department in consultation with Heads of Departments.

**(f) MDA Headquarters**

P.O. Box 3547-00100

Prism Towers

3rd Ngong Avenue

**NAIROBI, KENYA**

**State Department for Micro, Small and Medium Enterprises Development (MSMEs)**  
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**(g) MDA Contacts**

Telephone No. +254-0704097021/23.07884840/41

Email: [ps@msme.go.ke](mailto:ps@msme.go.ke)

Website: [www.msme.go.ke](http://www.msme.go.ke)

**(h) MDA Bankers**

1. Central Bank of Kenya  
Haile Selassie Avenue  
P.O. Box 60000  
City Square 00200  
**Nairobi, Kenya**

**(i) Independent Auditors**

Auditor-General  
Office of the Auditor General  
Anniversary Towers, University Way  
P.O. Box 30084  
GPO 00100  
**Nairobi, Kenya**

**(j) Principal Legal Adviser**

The Attorney General  
State Law Office and Department of Justice  
Harambee Avenue  
P.O. Box 40112  
City Square 00200  
**Nairobi, Kenya**

### 3. Profile of Cabinet Secretary



**Hon. FCPA.DR. Wycliffe  
Ambetsa Oparanya, EGH.**

**CABINET SECRETARY-HON.FCPA.DR. WYCLIFFE  
AMBETSA OPARANYA, EGH.**

**Hon. FCPA.DR. Wycliffe Ambetsa Oparanya, EGH** is the Cabinet Secretary, Ministry of Co-operatives, and Micro, Small and Medium Enterprises Development. He holds a master's degree (MSc) In Finance, Investment & Strategic Management, and Bachelor of Commerce Degree from the University of Nairobi, Kenya. He has also been extensively trained in Corporate Governance. He has over twenty-five years of work experience in corporate governance, Policy Formulation among others He has worked directly with different Government institutions.

4. Profiles of Accounting Officer and Key Management.

**Accounting Officer and Key Management**



**Hon. Susan Auma Mang'eni**

**PRINCIPAL SECRETARY-HON SUSAN MANG'ENI**

Hon. Susan Auma Mang'eni is the Principal Secretary of Micro Small and Medium Enterprises Development. Hon. Susan Mang'eni holds an MA in Entrepreneurship Development and a BA in Political Science and Public Administration both from the University of Nairobi. She is also, an alumnus of the 2011 International Visitors Leadership Programme (IVLP) a US State department Exchange programme. She is a network member of the Mandela Institute for Development Studies. She is a governance and development expert with close to 15 years' experience in both the private and public sectors.



**Mr. Stephen Gakang'a**

**CPA STEPHEN GAKANG'A- HEAD OF ACCOUNTING UNIT**

Mr Stephen Gakang'a is the Head of the Accounting Unit and Deputy Accountant General in the State Department for Micro, Small and Medium Enterprises Development. He holds a Bachelor of Commerce. He is incharge of accounting and financial reporting. He is a CPA(K) finalist and a member of the Institute of Certified Public Accountants, Kenya (ICPAK).



**Mr. Julius Ngari**

**MR. JULIUS NGARI GITHU HEAD OF PROCUREMENT**

**Mr Julius Ngari** is the Deputy Director Supply Chain Management Service at the State Department for Micro, Small and Medium Enterprises (MSME).

He has worked in the Civil Service for 19 years since 2004 in the procurement section.

He holder of Bachelor of Arts (Economics) from University of Nairobi, Holder of Master of Science (Procurement and Logistics) from Jomo Kenyatta University of Agriculture and Technology (JKUAT). Holds Certificate in Strategic Leadership Development Program (SLDP) and Certificate in Senior Management Course (SMC) from Kenya School of Government.



**Mr. Henry Rithaa**

**MR HENRY M. RITHAA  
CHIEF EXECUTIVE OFFECER MICRO  
AND SMALL ENTERPRISES  
AUTHORITY (MSEA)**

**Mr Rithaa** is the Chief Executive Officer Micro and Small Enterprises Authority. He holds an MBA (Strategic Management), Master of Arts in Regional Integration and bachelor's degree in finance. He is a Certified Risk Professional (GARP). 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 a member of the Kenya Institute of Management (MKIM) and Secretary to the Board of Directors.



**CPA. Charles Mativo**

**CPA. CHARLES  
MATIVO  
AG. MANAGING  
DIRECTOR  
KENYA INDUSTRIALESTATES  
(KIE)**

**CPA. Charles Mativo** is the acting Managing Director, Kenya Industrial Estates. He holds a Bachelor of Commerce degree from KCA University.

He is a highly motivated and experienced finance and accounting professional with over 30 years' experience with excellent analytical, conceptual and human skills. He is Proficient in Accounting Systems, Data analysis, Budget preparation and implementation, Strategy formulation, financial reporting and possess a track record in leading cross-functional teams to achieve organizational goals.

He is a Certified Public Accountant CPA (K) and a member of the Institute of Certified Public Accountants of Kenya (ICPAK).



**Mr. Peter L. Lengapiani**

**MR PETER L.  
LENGAPIANI  
HEAD OF SECRETARIAT  
UWEZO FUND**

**Mr. Peter Lengapiani** is the Head of Secretariat of Uwezo Fund Oversight Board. He holds MA (Project Planning and Management) – University of Nairobi CPA (K) and Member of ICPAK. He has 15 years' experience in Administration and Management.

**State Department for Micro, Small and Medium Enterprises Development (MSMEs)  
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**Ms. Elizabeth N. Nkukuu**

**MS. ELIZABETH N.  
NKUKUU**  
**Ag. CHIEF EXECUTIVE OFFICER**  
**FINANCIAL INCLUSIO FUND**

**Ms. Elizabeth Nkukuu** is the Ag. Chief Executive Officer of Financial Inclusion Fund. She is currently pursuing her Doctor of Philosophy (PHD) Degree in Business Administration (Finance) from Nairobi University. She holds Master of Business Administration (MBA) and Bachelor of Science in Actuarial Science from Nairobi University. She has close to 20 years' experience in Financial Services Sector.

**State Department for Micro, Small and Medium Enterprises Development (MSMEs)  
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**5. Statement by the Cabinet Secretary**



The State Department for Micro, Small and Medium Enterprise Development is charged with the responsibility of promotion and development of MSME sector through entrepreneurship and management training. Kenya's economy relies heavily on the MSME sector, which provides employment to millions, spurs innovation, and contributes significantly to the GDP.

However, the sector is often faced with challenges including: limited access to finance; inadequate infrastructure, regulatory and compliance constraints; limited market access and stiff competition; skills and capacity gaps; technological challenges and weak institutional support and networking.

The State Department is in the process of adopting a comprehensive strategy geared towards addressing these challenges. The MSME sector is among the prioritized sectors under the BETA (BOTTOM UP ECONOMIC TRANSFORMATION AGENDA) model which aims to bring down the cost of living, eradicate hunger, create jobs, expand the tax base, improve the country's foreign exchange balance as well as inclusive growth.

**Key Priority**

The Government has identified and prioritized key value chains which if successfully implemented will have a huge impact on the MSMEs Sector. These include: Leather and leather products; Textile and textile products;

Dairy and dairy products; Edible oils; Coffee; Tea; Building and Construction, and Rice value Chain. To propel the MSME sector towards sustainable development and competitiveness. A number of interventions measures will have to be employed.

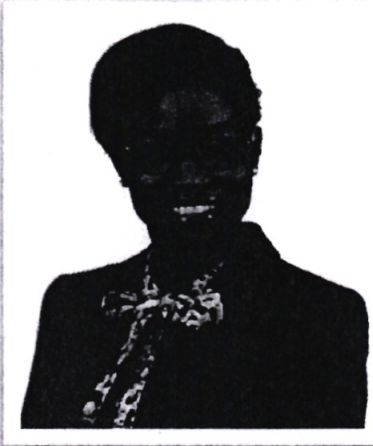
Key among these interventions include: Enhancing Access to Finance and Credit; Improving Infrastructure and Technology Adoption; Streamlining Regulatory Frameworks; Expanding Market Access and Integration; Capacity Building and Skills Development; Fostering Innovation and Research; and Sustainability and Inclusive Growth.

These intervention measures can only be achieved through adoption of an all-inclusive approach by all stakeholders, including government agencies, private sector and development partners.

**HON. FCPA. DR. WYCLIFFE AMBETSA OPARANYA, EGH**

Cabinet Secretary

**6. Statement by the Accounting Officer**



The State Department for Micro, Small and Medium Enterprises Development was created through the Executive Order No. 1 of 2023 following the re- organization of Government after the August 2022 elections. The vision is to provide a technologically advanced, highly productive, diversified, and competitive MSMEs sector for a globally competitive economy. The State Department is charged with the responsibility of promotion and development of MSE sector through entrepreneurship and management training.

**Economic growth**

The MSME sector is the backbone of the Kenyan economy, serving as a vital engine for job creation, innovation, and inclusive growth. The sector currently absorbs, 9 out of 10 of the young people joining the workforce. The micro enterprises alone

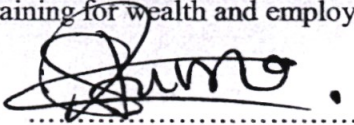
contribute 12% to the GDP while small enterprises account for 11% of GDP. Despite the critical role they play in the economy, MSMEs are frequently confronted, with market imperfections including, difficulties in accessing credit, are de-linked with the market, they cannot get skilled manpower, are unable to integrate into large- scale business relationships due to lack of international standards and quality controls and majority operate without any type of certification, which greatly reduces their prospects of developing backward linkages with large enterprises.

**Transformation**

The Government will facilitate issuance of licenses by developing policies and laws that will make trading license and provision of a trading location an entitlement to every citizen who applies. We will continue to commit resources through the Financial Inclusion Fund to ensure financial inclusion for all MSMEs. We are committed to establishing MSME Business Development Centre in every ward, industrial park, and business incubation centre in every TVET institution. The State Department is currently constructing CIDCs, Cold Storage Facilities, Incubation Centres and Centres of Excellence.

**Our Strategic Focus**

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



Accounting Officer

**State Department for Micro, Small and Medium Enterprises Development (MSMEs)**  
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**7. Statement of Performance Against Predetermined Objectives for FY2024/2025**

Section 81 (2) (f) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the accounting officer presents a statement of performance against predetermined objectives of the MDA.

The State Department is charged with the responsibility of promotion and development of the Micro, Small, and Medium Enterprises (MSMEs) sector through financing, provision of infrastructure as well as entrepreneurship and management training. The Micro, Small and Medium Enterprises (MSMEs) play a key role in the economy in both urban and rural areas of the Country. Over the years, the MSME Sector has provided opportunities for low-skill and economically excluded segment of the labour force including youth, women, persons with disabilities. According to the Kenya National Bureau of Statistics, the sector constitutes 98% of all businesses in Kenya, creating employment for over 15 million citizens with a value output of Kshs.3.3 trillion. In addition, the sector contributes to over 30 percent to GDP.

Despite the MSME Sector receiving policy attention since 1965, the sector has not achieved its full potential. MSMEs are frequently confronted with market imperfections that impede their growth. In Kenya, it is estimated that ten (10) million informal MSME operators/workers receive/generate less than Kshs. 5,000 income per month on average, which is below the living wage for one individual. This is due to the hostile environment they operate in, criminalization of their enterprises (e.g., hawkers), as well as disguised unemployment.

In realization of the challenges faced by the sector, the Government's Bottom-Up Economic Transformation Agenda (BETA) has prioritized MSME Economy among the five sectors that form the core pillars of the Administration's agenda. To address these challenges, the State Department is implementing the BETA model with the overall goal of Development of the MSME sector to enhance: Job Creation, Increased Income, Expanded Revenue Base, Inclusivity, Reduced Cost of Living, and Improving Balance of Payment (BOP).

The State Department also seeks to increase investments in at least nine (9) priority value chains which if successfully implemented will have a huge impact on the Sector. These include: (i) Leather and Leather Products; (ii) Dairy and Dairy Products; (iii) Edible Oils; (iv) Textile and Apparel; (v) Tea; (vi) Coffee; (vii) Building and Construction Materials; (viii) Rice; and (ix) Blue Economy value chains

The key strategic objectives as per the State Department strategic plan for FY 2022/2023- FY 2026/2027 are to:

- a) To promote and facilitate formalization of MSMEs;
- b) To Promote Market Development for MSMEs Products and Services;
- c) To promote progressive policies and regulatory environment for MSMEs;
- d) To strengthen coordination and partnership for MSMEs development;

**State Department for Micro, Small and Medium Enterprises Development (MSMEs)**  
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- e) To enhance business innovation and competitiveness for MSMEs;
- f) To enhance productivity at enterprise, sector and National Level;
- g) To develop and improve infrastructure for MSMEs;
- h) To enhance financial inclusion and facilitate flow of credit to MSMEs; and
- i) To promote entrepreneurial culture and enterprise development

**State Department for Micro, Small and Medium Enterprises Development (MSMEs) Annual Report and Financial Statements for the year ended June 30, 2025.**

Programme	Delivery Unit	Key Outputs	Key Performance Indicators	Annual Target for FY 2024/25	Actual achievement as at 30th June 2025	Comments on Achievement	
<b>Programme 1: PROMOTION AND DEVELOPMENT OF MSMEs</b>							
<b>S.P 1.1 MSMEs Development and Promotion</b>	MSME Policy, Research and Development Directorate	Policy framework for MSME Sector developed	Final MSMEs Policy	1	Draft	The Draft policy has been developed. External stakeholder validation Undertaken. Cabinet Memo prepared, pending signatures before forwarding to Cabinet	
			Reviewed MSME Act and regulations	1	0	Proposed amendments from different stakeholders have been compiled. The proposed amendments subjected to stakeholders for validation. Cabinet Memo prepared, pending signatures before forwarding to Cabinet	
	MSEA	MSME Sector formalized	No of MSEs sensitized on formalization	200,000	55,159	The Registrar's Office has attended various events spearheading the MSME Agenda such as Uwezo fund and other ministerial agencies to educate the public on the benefits of registration and managed to sensitize 55,159 MSEs.	
			No. of MSEs registered	100,000	36,858	The Authority registered 3399 MSE groups and associations the period. This translated to approximately 36,585 members of these MSE groups and Associations.	
			No. of MSEs Clusters registered	1,880	3,399		
			National Youth opportunities Towards Advancement Project (NYOTA) implemented	No of youth MSEs benefiting from Business Development Services/Mentorship	12,800	-	Continuous sensitization of the NYOTA project is being undertaken by the regional officers. Open call for application by Youth is out and youth have six weeks to apply for the BDS and start-up capital
			No of Youth MSEs awarded start-up capital	12,388	-		
			No of social enterprises	1000	-		
			Amount of start-up capital disbursed to youth MSEs	800,000,000	-		
			Kenya Jobs and Economic Transformation (KJET)	No of MSEs clusters mapped out and established	70	-	Terms of Reference for onboarding of the provider to undertake the value chain mapping. The TOR has been approved by the World Bank and the line item in the procurement plan that caters for this activity. Procurement process ongoing

**State Department for Micro, Small and Medium Enterprises Development (MSMEs)  
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Programme	Delivery Unit	Key Outputs	Key Performance Indicators	Annual Target for FY 2024/25	Actual achievement as at 30th June 2025	Comments on Achievement
			No of MSEs cluster benefiting from Business Development Services (Generalized and Specialized BDS)	70	-	<p>Terms of Reference for onboarding of the provider to develop the BDS Curriculum. The TOR has been approved by the World Bank and the line item in the procurement plan that caters for this activity. Procurement process ongoing</p> <p>The Authority has developed the Terms of Reference for onboarding of the Generalized and Specialized BDS providers. The BDS structure has been developed and approved by the World Bank which sequences the BDS steps.</p> <p>The TOR has been approved by the World Bank and the line item in the procurement plan that caters for this activity. Procurement process ongoing</p> <p>5 CIDCs refurbished to provide decent workspaces and common user facilities provided in the respective value chains. Muranga, Kimana, Marimanti, Funyula and Mitungu</p> <p>Procurement of machinery for textile, building and construction, textile value chains has been done and installation has been completed in 10 CIDCs.</p> <p>1. Textile- Kisii CIDC, Saboti CIDC, Moiben CIDC, Kawangware CIDC, Homa bay CIDC and Kabuji CIDC</p> <p>2. Construction- Homabay CIDC, Timau CIDC, Kimana CIDC, Funyula CIDC and Khwisero CIDC</p> <p>3. Dairy –Garrisa town CIDC and Londiani CIDC</p> <p>Other Value Chains</p> <p>1. Bakery Kajiado North</p> <p>Operationalization of the Cold Storage Facilities ongoing</p>
			No of MSEs cluster co-investments	-	-	
		Common user facilities refurbished /Equipped	No. of CIDCs Refurbished/operationalized	8	5	
			No. of CIDCs equipped with common user facilities	8	13	
			No of Cold storage facilities constructed and operationalized	3	3	

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Programme	Delivery Unit	Key Outputs	Key Performance Indicators	Annual Target for FY 2024/25	Actual achievement as at 30th June 2025	Comments on Achievement
			No of MSEs trained on utilization of machines for value addition in priority value chains	200	410	<p><b>269 MSEs trained on the use and operation of a modern sewing machine and leather machines</b></p> <p>1. 80 MSEs trained in the Textile Value Chain            2. 80 MSEs trained in the leather value chain.            3. 56 MSE s trained on Building and construction value chains            4. 53 MSEs trained on Edible oils value chain</p> <p><b>141 MSEs Trained/sensitized on priority value chain business opportunities</b></p> <p>1. 22 MSEs trained textile and art design            2. 14 MSEs were trained in the dairy and animal feed Value Chain            3.. 19 MSEs were trained in the leather value chain.            4. 86 MSES were trained in the edible oils value chain during the quarter</p>
		Market Access for MSMEs increased	No. of MSMEs linked to the regional market through EAC Nguvu Kazi Trade Fair	302	350	350 MSMEs facilitated to attend the EAC trade fair in Juba South Sudan
			No. of MSMEs facilitated to access the domestic Markets	1500	776	<p>Complast Exhibition- 18 Nairobi ASK show- 65 Meru Uni Innovation and Exhibition- 26 Changamka shopping festival Mombasa-12 Mombasa ASK show-26 Bungoma Coffee Expo-6 Farmers field day- 32 Changmaka Festival Nairobi-34, Eldoret ASK show-68 MSEs, KWECOS exhibition -23 MSEs, Garissa Job fair exhibition- 7MSEs, International women's day exhibition-7MSEs, Mandera Exhibition- 36MSEs, MSE connect Exhibition- 14 MSEs</p>

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Programme	Delivery Unit	Key Outputs	Key Performance Indicators	Annual Target for FY 2024/25	Actual achievement as at 30th June 2025	Comments on Achievement
			No of MSEs clusters linked to various markets through subcontracting linkages	150	677	The Authority facilitated a total of 677 MSEs to benefit from sub-contracting linkages. 17 MSEs were engaged in a sub-contract with Rockwell Limited, 495 MSEs were sub-contracted under the Government's Affordable Housing Programme Bomet Affordable Housing- 15 Nyandarua Affordable Housing- 245 Samburu affordable housing-100 and 166 MSMEs sensitized and facilitated to benefit from AFHP 1. Site meeting on proposed Nyali affordable housing project nyali estate-17 MSEs 2. Sensitization on affordable housing and modern market in migori-49MSEs 3. Sensitization on affordable housing project in Msosa Kisii- 53 MSEs 4. Affordable Housing Sensitization in Kisii Juakali- 27 MSEs 5. Capacity building in sub-contracting in Webuye -11MSEs 6. Capacity building on sub- contracting Bungoma- 9 MSEs.
		Employment Opportunities created	No jobs created through NYOTA	12,800	-	Applications by youth have been received through #254 platform and shortlisting is ongoing. KJET job creation not targeted in the FY
			No of jobs improved and created through KJET	-	-	
			No jobs created through Operationalization of CIDCs	560	910	13 CIDCs operationalized creating 910 jobs. Recent survey established that one operationalized CIDC creates at least 70 direct jobs (1:70)
			No jobs created through market access	1500	776	776 MSMEs facilitated to access markets creating 621 jobs (1:1)
<b>S.P 1.2: Entrepreneurship and Business Development Services</b>	Kenya Institute of Business Training (KIBT)	MSMEs capacity built	No. of Training Needs Assessment surveys in the priority value chains	7	4	-3 TNAs surveys on leather, construction and textile conducted to final year TVET and VTC students in 46 counties during a mapping exercise conducted to establish entrepreneurial skill gap within TVETS. -A deliberate TNA survey done to PWD'S (Deaf and Blind)

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Programme	Delivery Unit	Key Outputs	Key Performance Indicators	Annual Target for FY 2024/25	Actual achievement as at 30th June 2025	Comments on Achievement
			% level of digitalization	100	30	
			No. of BDS training modules developed	2	7	7 BDS training modules developed.
			No. of ToTs trained in the priority value chains	27	0	Standardized curriculum is under development before ToT
			No. of MSMEs capacity build on priority value chains	8,000	150	150 MSMEs capacity built on the rice value chain
			No. of MSMEs trained on Entrepreneurship and Value Addition	300	1500	1500 MSMEs trained on cassava value addition in collaboration with Mennomite Economic Development Associates (MEDA)
			No. of MSMEs Mobilized and capacity build within (Cotton catchment areas; on edible oils value chain; on leather value chains; on economic activities in building and construction value chain)	7,400	0	
<b>Programme 2: PRODUCT AND MARKET DEVELOPMENT FOR MSMEs</b>						
<b>S.P 2.1: Market linkages for MSMEs</b>	Innovation, product, market and enterprise Development Directorate	MSMEs capacity build	No. of MSMEs capacity built on market opportunities and Product standardization	200	0	
		Working spaces/sites for Production Clusters Identified	No. of Counties that have secured working spaces for MSMEs	10	10	The State Department has engaged CECs from different Counties and discussed on strategies towards setting aside some streets for MSMEs.
			No. of production clusters identified in the priority value chains	5	5	Counties that have been mapped out include: Makueni, Taita Taveta, Homa Bay, Embu & Kirinyaga
		Framework/guidelines for Preferential treatment for MSMEs products developed	Framework/guidelines on Preferential treatment	1	-	
<b>SP 2.2: Value addition, Innovation and</b>	KIE	Industrial credit provided	Amount of industrial credit issued (Kshs billion)	1.2	2,101,294,500	This is to provide credit to SMEs in the manufacturing sector and BETA priority value chains. The Target achieved

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Programme	Delivery Unit	Key Outputs	Key Performance Indicators	Annual Target for FY 2024/25	Actual achievement as at 30th June 2025	Comments on Achievement
Incubation for MSMEs			% of credit disbursed to the priority value chains Agro-processing (Edible oils, cotton, Dairy, Tea, Rice among others) Leather and Leather products, Textile and Apparels, Building and manufacturing materials.	470	563.6	The organization target to provide 40% to priority value chains has been exceeded.
			No. of enterprises financed (including cottage industries)	2,000	560	The average cost of investment per project has gone up and the company is focusing on the SMEs
		Jobs created	No. of new jobs created	30,000	315,194	The number of jobs created included both direct and indirect jobs due to the multiplier effect of capital investment in manufacturing sector
		Market linkages created	No. of new market linkages created	6,200	10,572	The target achieved
		Centre for Entrepreneurship established and equipped	No of Physical Centers established and equipped	1	0	The project was rolled out in the current FY 2024/25. The State Dpt is in the process of procuring an implementation consultant who is expected to support implementation.
			Satellite Centers established	-	-	
			Online Platform Established	1	0	
			No. of Accreditation Units established	-	-	
			No. of Makers spaces of Common user services established and Equipped	-	-	
			No. of youths Supported with Training Vouchers	-	-	
<b>PROGRAMME 3: DIGITALIZATION AND FINANCIAL INCLUSION FOR MSMEs</b>						
SP 3.1: Financial Inclusion	Financial Inclusion Fund	FIF established	Credit amount (Kshs. Billions)	27	14.8	
		Financial products developed	No. of financial products developed	2	4	Four financial products have been developed since inception. Personal loans, Savings, Group Loan and Bridge loan. The fund projects to launch other products such as business loan and health and housing products
		Credit disbursed	Amount of credit issued (Kshs. billion)	65	66	The amount of credit disbursed is expected to go up due to introduction of new products and revolving nature of the Fund

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Programme	Delivery Unit	Key Outputs	Key Performance Indicators	Annual Target for FY 2024/25	Actual achievement as at 30th June 2025	Comments on Achievement	
<b>S.P 3.2: Youth, Women and PWDs empowerment</b>		MSMEs Sensitized on FIF Savings for MSMEs enhanced	No. of persons accessing credit (Millions)	23	25	The number is expected to increase with introduction of new products. 8.1 million active borrowers.	
			No. of Chamas/Groups/Associations accessing credit	75,000	44,000	Limit assignment has slowed the number of groups taking loans. It's being resolved to facilitate the process.	
			No. of MSMEs sensitized	50,000	10,000		
			Amount of Money saved through Personal Loan Product in Billions)	3.2	3.3	Savings are projected to go up since its mandatory and the revolving nature of the Fund	
			Amount of GOK counterpart savings for borrowers (Kshs Billion)	-	0.4	The Counterpart savings was a one-off program	
			Amount of money saved through Group micro-enterprise loan product (Kshs. Million)	15	9.8	The product is being reengineered to improve uptake and savings	
	MSME Digital Delivery and Communication Directorate	Digital Marketing platform for MSME established	One Stop Digital Marketing platform	1	-	The process of acquiring the Digital Marketing Platform has been initiated	
			Digitalization of the financial access	No. of MSMEs on- boarded in the digital platform (Million)	5	-	The process of acquiring the Digital Marketing Platform has been initiated
	MSMEs Financing, Partnership and Coordination Directorate	Communication Strategy developed	Communication strategy developed	1	-	FIF Communication strategy is projected to be ready by end of 2024/25 FY	
			Alternative methods of Credit underwriting developed	National credit rating service established	1	-	An Interagency Technical working committee comprising of government and private sector is in the process of undertaking an data mapping
			Resource mobilization strategic developed	Resource mobilization strategy developed	1	-	Target Not Met
	Uwezo Fund	Credit disbursed to Youth, Women, Youth and PWDs	Amount disbursed to Youth, Women and PWDs Groups (Kshs Million)	800	450,783,000	The implementation of the Fund is undertaken by the constituency committees and with the reduction of budgetary provisions, their operations have been affected adversely	
			Entrepreneurship skills developed	No. of Groups trained and funded through Uwezo	6,000	4,219	The implementation of the Fund is undertaken by the constituency committees and with the reduction of budgetary provisions, their operations have been affected adversely

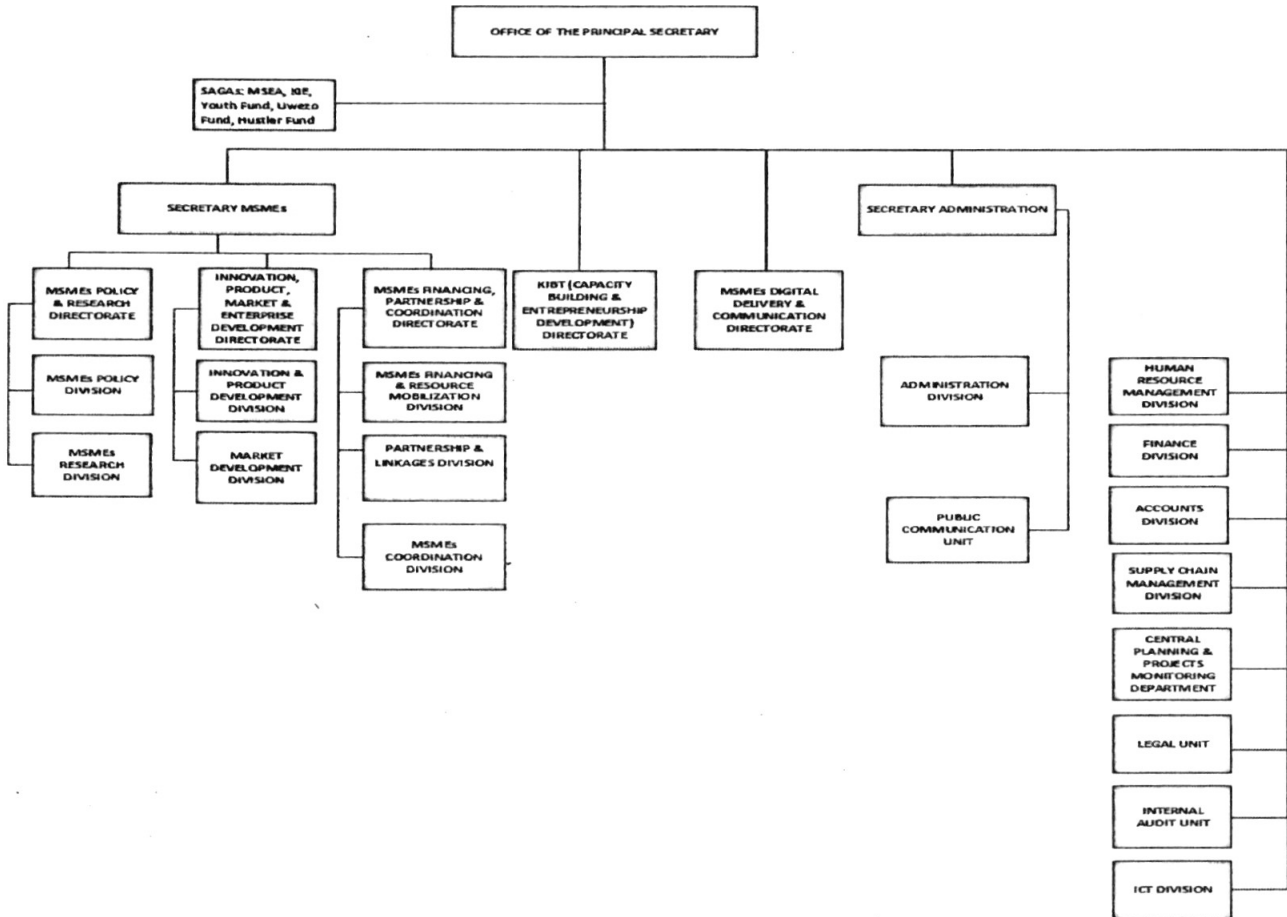
**State Department for Micro, Small and Medium Enterprises Development (MSMEs)  
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Programme	Delivery Unit	Key Outputs	Key Performance Indicators	Annual Target for FY 2024/25	Actual achievement as at 30th June 2025	Comments on Achievement
		loan services digitized	% level of digitalization	100	100	Target Met
		Jobs created	No. of Jobs Created	30,000	13,102	The implementation of the Fund is undertaken by the constituency committees and with the reduction of budgetary provisions, their operations have been affected adversely
		Enhanced Repayment of the Loan	Repayment rate for Amount Disbursed (%)	45	41	The implementation of the Fund is undertaken by the constituency committees and with the reduction of budgetary provisions, their operations have been affected adversely
<b>Programme 4: General Administration, Planning and Support Services</b>						
<b>S.P 4.1</b>	Administration	Office Space acquired	% completion on partitioning office space	100	100	A partial completion certificate has been issued. 3 payment certificates done, awaiting handover
<b>General Administration, Planning and Support Services</b>		Monitoring and evaluation undertaken	Quarterly Monitoring and evaluation reports	4	4	Target Met
		Strategic plan developed and reviewed	Strategic plan	-	1	The State Department has finalized the Strategic Plan 2023-2027
		mid-term evaluation to assess impact of Financial Inclusion Fund (FIF) undertaken	Impact assessment report	1	0	Medium term Review of FIF not yet done.
		MSME Eco-system platform developed	MSME Eco-system platform operationalized (%)	50	40	The process of onboarding the consultancies ongoing.
		Digital Training on AGPO, Uwezo Fund, WEF, YEDF, FIF (Hustler Fund), and Constituency Industrial Development Centers delivered to MSMEs	No. of MSMEs trained	50,000	0	
		KJET Project MIS to support beneficiaries interface developed	Project MIS operationalized (%)	50	20	Project Specialists have been onboarded. ToRs for the development of Project MIS developed and submitted to WB for No Objection.

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**8. Governance Statement**

**I. Key leadership structure**



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**Management Committees Established and Their Roles**

**a) Human Resource Management Advisory Committee Activities**

The Committee is composed of the following members:

No.	Name	Designation
1.	Mr James Ntabo	Chairperson
2.	Mr Charles Ahenda	Secretary
3.	Mr Patrick Nyakundi	Member
4.	Mr Anthony Njeru	Member
5.	Mr. Stephen Gakanga	Member
6.	Mr. Julius Ngari Githu	Member
8.	Mr Paul Ndumia	Member
9.	Mr Robert Osano	Member

The committee will be responsible of taking care of human resource needs of the State Department, the committee's duties include:

- Review of promotions of officers in Job Group A-P;
- Review of Confirmations in Appointment, Review of disciplinary matters.
- Review of re-designation of officers from one cadre to another and Confirmation of surcharge of officers found to have misused Overall coordination of the training functions in the State Department.
- Review and implementation of the State Department training plan.
- Resolve unsettled and unimplemented Public Accounts Committees' recommendations; and,
- Provide a channel of communication between management, internal and external audit, and fostering an independent internal audit function.

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**b) Human Resource Development**

The Committee is composed of the following members:

No.	Name	Designation
1.	Ms Hellen Chepkwony	Senior Assistant Secretary (chairperson)
2.	Ms Grace Maina	Ass. Director, Human Resource Development
3.	Mr Patrick Nyakundi	Ag. Director, KIBT
4.	Mr Anthony Njeru	Principal Economist
5.	Mr. Anthony Kimani	Principal Supply Chain Mgt Officer
6.	Mr Paul Ndumia	Assistant Director, ICT
7.	Andrew Kipkoech Kigen	Senior Principal Finance Officer

The committee will be responsible of taking care of human resource needs of the State Department, the committee's duties include:

- Human Resource Development activities and programs
- Training and Development
- Formulation and review of human resource development interventions
- Skills gap analysis for capacity development to support government development priorities.
- Training needs Analysis Training Impact Assessment

**II. The audit committee**

The committee is in the formative stages

**III. Risk management, compliance, conflict of interest etc.**

The risks encountered by the State Department are operational, functional, and systematic. They are mitigated through: -

- a) Strong internal controls that must be detective, preventive and corrective.
- b) Separation of powers and segregation of duties
- c) Payroll controls and restricted access controls
- d) Accounting controls and definite policy guidelines.

**IV. Report on recent training and development in governance for those in key leadership.**

The State Department for MSMEs Development in collaboration with GIZ and UNES undertook a training needs Assessment for MSMEs, developed a zero-draft report, analyzed the training modules, identified training gaps and made proposals and made suggestions on how to re-engineer and rebrand KIBT to make it more responsive to client's needs.

**Objectives of the Training Workshop**

- I. Align the institutes training materials to the value chain in line with the Government Bottom up Economic Transformation Agenda (BETA).
- II. Include new ideas from key stakeholders and top management from the state department to enrich the document.
- III. Enhance interpersonal relationship through team building for senior management.

**V. Public participation activities**

Micro, Small and Medium Enterprises are vital in achieving sustainable development goals. They are an important element in the implementation of SDG8(Decent Work and Economic growth) and SDG (industry, innovation, and infrastructure).

The State Department has been engaged in various public participation Activities. Some of which included the following: -

**(a). Launch of MSMEs Strategic plan**

In Kenya, MSMEs day celebrations culminated in the launch of Kenya's inaugural MSME strategic plan which will serve as a national roadmap to coordinate and guide MSME related activities, policies and investments across the country. The plan aims to foster enterprise growth, boost resilience and position MSMEs as central to Kenya's economic transformation agenda.

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(b). MSME day

Kenya celebrated World MSMEs day on 27<sup>th</sup> June, 2025 at the Kenyatta International Convention Centre. The day exhibition and Conference, ran under the theme “sustainable growth and innovation in the MSME sector”



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**VI. Compliance with laws and regulations, among others.**

The State Department has complied with the laws and regulations in the implementation of the activities as per the approved 2024/2025 Annual Work Plan and Budget.

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**9. Management Discussion and Analysis**

The State Department for Micro, Small and Medium Enterprises Development was created in financial year 2022/2023 through the Executive Order No. 1 of 2023 following the re-organization of Government after the August 2022 elections.

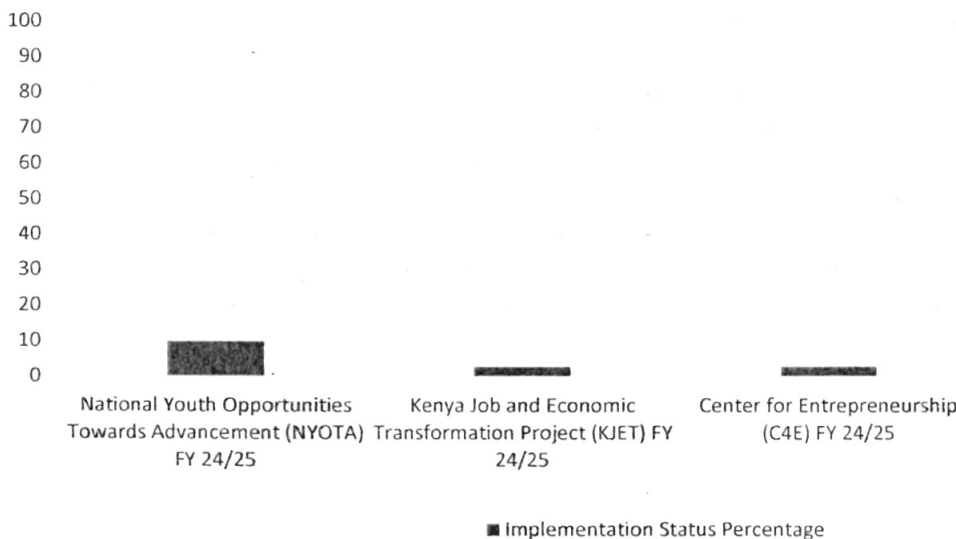
**Entity key projects**

The state department for MSMEs Development is implementing three donor funded projects i.e Centre for Entrepreneurship (C4E) Project, Kenya Jobs Economic Transformation (KJET) and National Youth Opportunities Towards Advancement (NYOTA) with the support of KfW Development Bank under the German Development Cooperation (GDC) with Kenya and the world bank respectively.

The projects target to increase income and wealth creation to the youths through entrepreneurship and employment opportunities.

These projects are in the formative stages and more activities will roll out in the financial year 2025/26.

**Implementation Status Percentage**



**Compliance with statutory requirements**

The State Department complies fully with the requirements of Public Finance Management (PFM act, 2012) on the budget processes and expenditure guidelines as stipulated in the Act, including preparation of quarterly, annual budget, financial reports and expenditure plans.

### **Major risks facing the organization**

The risks encountered by the State Department are operational, functional, and systematic. They are mitigated through: -

- a) Strong internal controls that must be detective, preventive and corrective.
- b) Separation of powers and segregation of duties
- c) Payroll controls and restricted access controls
- d) Accounting controls and definite policy guidelines.

### **Review of the Economy and Sector**

The MSME sector continues to experience many challenges despite the critical role the sector plays in our economy. These challenges include:

Despite the critical role that the sector plays, it continues to face a number of challenges including:

- i. Limited access to finance, which is attributed mainly to financiers' widespread lack of clear information on the operations of MSMEs.
- ii. Inadequate and uncondusive business premises.
- iii. Majority MSMEs operate without any type of verification, lack international standards and quality controls thus they are unable to integrate into large-scale business relationships.
- iv. Absence of integrated policies and regulatory framework for supporting MSME creation, growth and internationalization.
- v. Underdeveloped/Inadequate Programmes for promoting domestic and export markets for MSMEs.
- vi. Underdeveloped capacity development and skills upgrading for MSMEs support organizations, MSMEs and their employees.
- vii. Inappropriate mechanisms for supporting innovation, technology upgrading and modernization for enhancing MSMEs competitiveness.
- viii. Inadequate integrated infrastructural facilities for supporting MSME development, Growth and internationalization.
- ix. Underdeveloped mechanisms for strengthening coordination, partnership and networking with stakeholders for enhanced MSMEs development, growth and internationalization.
- x. Underdeveloped mechanisms for graduating and formalizing the informal sector operators.
- xi. Weak entrepreneurial culture.
- xii. Human resource and capacity constraints.
- xiii. Low survival rates of start-ups.
- xiv. Disruptions in the sector caused by geo-politics and other natural disasters.

### **Future Developments**

**State Department for Micro, Small and Medium Enterprises Development (MSMEs)  
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The MSME Sector is instrumental in accelerating economic growth through entrepreneurship and management training. These are the critical enablers that will also contribute significantly towards the attainment of Sustainable Development Goals (SDGs) and propel the realization of Kenya's Vision 2030.

During the Medium-Term Budget (MTB) period 2023/24 – 2025/26, the Sector will continue playing her role towards realizing the targets of the Fourth Medium Term Plan 2023-2027 of the Kenya Vision 2030. Key to this, the funding will be directed towards the following Priority areas:

- i. Supporting the Prioritized Value chains (Leather & Leather products, Textile and Apparels, Dairy products and Dairy products, Edible oils, Building & Construction materials, Rice, Tea and Coffee).
- ii. Enforcement of Access to Government Procurement Opportunities (AGPO).
- iii. Reducing regressive taxation bureaucracy and regulatory compliance costs.
- iv. Value addition, Innovation, and Incubation for MSMEs.
- v. Creating employment opportunities through construction, equipping and modernization of Constituency Industrial Development Centres (CIDCs).
- vi. Enhancing market access for MSMEs through exposure to local, regional, and international markets.
- vii. Advancing industrial credit and providing business advisory services to SMEs.
- viii. Providing credit facilities to women, youth and PWDs- UWEZO Fund; and
- ix. Capacity building for MSMEs including access to modern management practices.

**Launch of MSME Strategic Plan 2023 - 2027**

The State Department for Micro, Small and Medium Enterprises Development launched Kenya's inaugural MSME Strategic Plan during the National MSME day on 26<sup>th</sup> June 2025. The plan will serve as a National roadmap to coordinate and guide MSME-related activities, policies, and investments across the country. The plan aims to foster enterprise growth, boost resilience, and position MSMEs as central to Kenya's economic transformation agenda.

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## **10. Environmental and Sustainability Reporting**

The Government has identified Micro, Small and Medium Enterprises (MSMEs) Economy as one of the five key sectors that will contribute to the creation of employment opportunities and growth of average incomes of players employed in the MSME Sector. The MSMEs are key players in the production of goods, industrialization, innovation and creation of employment that impact directly on the lives of the people at the bottom of the economic pyramid. Cognizant of the critical role of MSMEs in contributing to economic growth and employment creation, the Kenya Kwanza Administration constituted the State Department for MSME Development to mainstream MSMEs into national regulatory framework, policy, planning and budgeting to support their development through appropriate interventions to propel their growth, transformation and enhance their contribution to the Kenya economy.

### **a) Sustainability strategy and profile**

Despite the Government's commitment to promoting and developing the MSME Sector, there are various trends that may cause interference along the way including:

- i. Technological advancement and innovations:** While a lot of progress has been made in the field of technology, the rapid change in technology requires the sector to keep pace for it to remain competitive. Therefore, there is a need to improve on the current technology to cope up with the market dynamism and ensure competitiveness in the MSME sector.
- ii. Geo-Politics:** The current geopolitics and alignments in the global economic power bases is a phenomenon that may continue to shape investments and trade flows. Therefore, businesses will be careful on how to manage the volatile conditions that could affect the global supply chains and globalization of trade.
- iii. Multiple Trade Regulations and Non-Tariff Barriers in foreign markets:** Kenya is a member of various trading blocs. These blocs implement trade facilitation instruments such as Common External Tariff (CET), Rules of Origin (RoO), Axle-load limits, transport insurance requirements and trade regulations. This has resulted in Non-Tariff Barriers which pose challenges to the business community in complying with the different trading arrangements while crossing borders. This gives rise to the challenge of dealing with unfair competition brought about by flow of exports through Partner States which belong to other trading blocs where RoO are not strictly enforced.

- iv. **High Cost of Energy:** Excessive cost of energy discourages the entrepreneurial development as businesses grapple with high cost of production resulting in small profit margins.
- v. **Insecurity:** The Sector faces insecurity challenges which hamper entrepreneurial development. Efforts have been made to address the challenges; however, a lot still needs to be done to ensure complete eradication of insecurity. Potential security threats such as Terrorism, Cybercrime, cattle rustling, tribal clashes among others are some key challenges the Sector experiences.
- vi. **Climate Change and Environmental Challenges:** Climate change has remained a concern which has influenced the operations and activities of the Sector. Even as Kenya continues to consolidate long-term solutions on adaptation and mitigation measures, issues such as emission reduction caps, the increased carbon sinks, carbon trading and credit ratings continually influence the operations of the Sector. Pollution and land use conflicts have resulted in pressure on natural resources on which the Sector depends upon.
- vii. **Scarcity of Land Banks:** The availability of adequate, affordable, and accessible land is a crucial factor for implementation of Sector programmes and projects. Excessive cost of land has significantly reduced the number of programmes and projects undertaken in the sector. Additionally, improper land use patterns, illegal occupation of land by squatters and acquisition of earmarked land by speculators has led to land scarcity resulting in delays in launch of projects and inflated costs.

**b) Environmental performance /climate change/ mitigation of natural disasters**

In Kenya, MSMEs are subject to various environmental policies and regulations aimed at promoting sustainable business practices and minimizing negative environmental impacts.

Some of the key policies include:

- (i) **Environmental Management and Coordination Act (EMCA), 1999 Revised 2012:** This is a comprehensive piece of legislation that establishes the legal framework for environmental management in Kenya. It covers a wide range of issues, including environmental impact assessment, waste management, pollution control, and natural resource management. MSMEs are required to comply with the provisions of this Act and obtain relevant permits or licenses for their operations.
- (ii) **National Environmental Policy, 2013:** This policy outlines the government's approach to environmental management and sustainable development. It emphasizes the integration of environmental considerations into various sectors, including industry and business. MSMEs are encouraged to adopt environmentally friendly practices and technologies.
- (iii) **Waste Management Regulations, 2006:** These regulations provide guidelines for the proper management, handling, and disposal of various types of waste, including hazardous waste. MSMEs are required to manage their waste in accordance with these regulations to prevent environmental pollution.
- (iv) **Air Quality Regulations, 2014:** These regulations set standards for ambient air quality to safeguard human health and the environment. MSMEs that emit pollutants into the air are expected to adhere to these standards and implement measures to reduce air pollution.
- (v) **Water Quality Regulations, 2006:** These regulations establish water quality standards for different types of water bodies. MSMEs that discharge effluents into water bodies must ensure that their discharges meet the prescribed quality standards.
- (vi) **Plastic Ban and Extended Producer Responsibility (EPR) Initiatives:** Kenya has taken steps to address plastic pollution by banning single-use plastic bags and promoting the responsible use and disposal of plastics.

MSMEs involved in the production or use of plastics are affected by these regulations.

- (vii) **Climate Change Act, 2016:** This Act provides a framework for addressing climate change issues in Kenya. While it may not directly target MSMEs, it underscores the importance of reducing greenhouse gas emissions and building resilience to climate change impacts.

MSMEs in Kenya are encouraged to stay updated with relevant government agencies, such as the National Environment Management Authority (NEMA), to ensure compliance with current environmental policies and regulations. It's also recommended to seek guidance from legal experts or consultants who specialize in environmental compliance for businesses.

**Success on Environmental Performance**

The Sector provides a framework and compliance guidelines on matters related to environment during business development and operations. Further, the Sector provides policies that are compatible with open trade regime as they create market for environmentally certified goods that meet international standards. Through use of environmentally friendly packaging materials, the Sector has contributed significantly to a clean environment.

**Shortcomings on Environmental Performance**

The MSME sector is particularly vulnerable to the effects of climate change. Due to their limited resources and small size, MSMEs tend to have less access to innovative technologies, capital or insurance to protect their business from extreme climate effects. Climate change can also cause a shift in economic activities, leading to a decrease in demand for goods and services produced by MSMEs. MSMEs may also experience higher energy and water costs, increased difficulty in accessing natural resources and increased health risks. Therefore, it is important to develop policies and initiatives that consider the unique challenges faced by MSMEs to ensure their long-term sustainability.

**c) Employee welfare**

The State Department is guided by a Human Resource Plan and the Human Resources Policy and Procedures Manual, 2016. In this regard, the following committees have been

**State Department for Micro, Small and Medium Enterprises Development (MSMEs)  
Annual Report and Financial Statements for the year ended June 30, 2025.**

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operationalized to guide appointments, promotion, training, and staff performance appraisals.

- i) Human Resource Management and Advisory Committee
- ii) Performance Management Committee  
Human Resource Development Committee

**d) Operational practices**

In accordance with article 27 of the 2010 Constitution that requires public entities to be fair, equitable, transparent, competitive, and cost effective when contracting for goods, works and services. The State Department has put in place measures to ensure that these crucial tenets of our constitution are achieved. The State Department further strictly adheres to the public procurement laws in order not only to ensure fairness and transparency in our procurement process but also realize value for money.

The State Department has continued to successfully implement the government policy on access to government procurement opportunities (AGPO) for disadvantaged groups of women, Youth and people living with disabilities.

**e) Community Engagements-**

The State Department is charged with the responsibility of promotion and development of MSME Sector through entrepreneurship and management training. All the various activities involve community engagement. Below are some of the activities.



**State Department for Micro, Small and Medium Enterprises Development (MSMEs)  
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**11. Statement of Management Responsibilities**

Section 81 (1) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Accounting Officer for a National Government State Department shall prepare financial statements in respect of that State Department. Section 81 (3) requires the financial statements so prepared to be in a form that complies with relevant accounting standards as prescribed the Public Sector Accounting Standards Board of Kenya from time to time.

The Accounting Officer in charge of the State Department for Micro, Small and Medium Enterprises Development is responsible for the preparation and presentation of the State Department's financial statements, which give a true and fair view of the state of affairs of the State Department for and as at the end of the financial year (period) ended on June 30, 2025. 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 State Department, (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 State Department; (v) selecting and applying appropriate accounting policies, and (vi) making accounting estimates that are reasonable in the circumstances.

The Accounting Officer in charge of the State Department for Micro, Small and Medium Enterprises Development accepts responsibility for the State Department's financial statements, which have been prepared on the Accrual Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards (IPSAS). The Accounting Officer is of the opinion that the State Department for Micro, Small and Medium Enterprises Development financial statements give a true and fair view of the state of State Department's transactions during the financial year ended June 30, 2025, and of the State Department's financial position as at that date. The Accounting Officer further confirms the completeness of the accounting records maintained for the State Department for Micro, Small and Medium Enterprises Development which have been relied upon in the preparation of the State Department's financial statements as well as the adequacy of the system of internal controls.

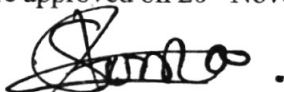
**State Department for Micro, Small and Medium Enterprises Development (MSMEs)  
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The Accounting Officer in charge of the State Department for Micro, Small and Medium Enterprises Development confirms that the State Department has complied fully with applicable Government Regulations and the terms of external financing covenants (where applicable), and that the State Department's funds received during the year under audit were used for the eligible purposes for which they were intended and were properly accounted for. Further the Accounting Officer confirms that the State Department's financial statements have been prepared in a form that complies with relevant accounting standards prescribed by the Public Sector Accounting Standards Board of Kenya.

**Approval of the financial statements**

The State Department for Micro, Small and Medium Enterprises Development financial statements were approved on 20<sup>th</sup> November, 2025 and signed by:



.....  
**Hon. Susan Mang'eni, CBS**

**Accounting Officer**

# REPUBLIC OF KENYA

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HEADQUARTERS  
Anniversary Towers  
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NAIROBI

## REPORT OF THE AUDITOR-GENERAL ON STATE DEPARTMENT FOR MICRO, SMALL AND MEDIUM ENTERPRISES (MSME) DEVELOPMENT THE YEAR ENDED 30 JUNE, 2025

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### PREAMBLE

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

- A. Report on 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 the 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 the Government achieves value for money and that such funds are applied for the intended purpose; and,
- 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, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An Unmodified Opinion is issued when the Auditor-General concludes that the financial statements are fairly presented in accordance with the applicable financial reporting framework. The Report on Financial Statements should be read together with the Report on Lawfulness and Effectiveness in the Use of Public Resources, and the Report on Effectiveness of Internal Controls, Risk Management, and Governance.

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

#### Opinion

I have audited the accompanying transitional IPSAS financial statements of State Department for Micro, Small and Medium Enterprises (MSME) set out on pages 1 to 70, which comprise of the statement of financial position as at 30 June, 2025, and the

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, the transitional IPSAS financial statements present fairly, in all material respects, the financial position of State Department for Micro, Small and Medium Enterprises (MSME) Development as at 30 June, 2025 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards Accrual Basis (including the transitional provisions permitted under IPSAS 33) and comply with the Public Finance Management Act, 2012 and The National Treasury and Economic Planning Circular No.3 of 14 April, 2025.

### **Basis for Opinion**

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the State Department for Micro, Small and Medium Enterprises (MSME) Development Management in accordance with ISSAI 130 on the 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 opinion.

### **Key Audit Matters**

Key audit matters are those matters that, in my professional judgement, 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**

### **Unresolved Prior Year Matters**

In the audit report of the previous year, several issues were raised under the Report on the Financial Statements and Report on Effectiveness of Internal Controls, Risk Management and Governance. The issues as detailed in the **Appendix I** remain unresolved as Parliament has not deliberated on the same.

### **Other Information**

The Management is responsible for the Other Information set out on page iii to xlv which comprise of Key State Department Information and Management, Profile of Cabinet Secretary, Profile of Accounting Officer and Key Management, Statement by the Cabinet Secretary, Statement by the Accounting Officer, Statement of Performance Against Predetermined Objectives, Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting and Statement of Management

Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the State Department's financial statements, my responsibility is to read the Other Information and in doing so, consider whether the Other Information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If based on the work I have performed, I conclude that there is a material misstatement of this Other Information, I am required to report that fact. I have nothing to report in this regard.

My opinion on the financial statements does not cover the Other Information and accordingly, I do not express an audit opinion or any form of assurance conclusion thereon.

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

### Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the effect of the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in the Use of Public Resources section of my report, I confirm that nothing else 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

#### 1. Wasteful Expenditure - Rentals of Produced Assets

The statement of financial performance reflects use of goods and services of Kshs.235,071,579 which includes rentals of produced assets expenditure of Kshs.39,681,477 as disclosed in Note 17 to the financial statements. As previously reported, the statement of financial performance reflected rentals of produced assets expenditure of Kshs.12,000,000 for the year 2023/2024 and Kshs.10,066,978 for the year 2022/2023 respectively.

According to the lease agreement signed on 30 June, 2023 between a local company and The State Department, the State Department acquired the lease for a period of six (6) years. However, the audit revealed that since acquisition of the lease, the State Department occupied the premises at the time of the audit in October 2025 despite being granted three (3) months rent-free period starting from 1 July, 2023 to 30 September, 2023 to enable fitting out partitions, fittings and fixtures. Cumulatively, the State Department spent an amount of Kshs.66,140,848 on leasing office space including VAT charges and electricity as at 30 June, 2025. The premises were unoccupied for twenty-four (24) months yet the State Department continued to incur expenditure.

In the circumstances, the value for money of rentals of produced assets of Kshs.66,140,848 could not be confirmed.

## **2. Irregular Use of Request for Quotation (RFQ) and Failure to Evaluate Quotations for Air Tickets Procurement**

Review of the travel-related procurement documents for the period under review revealed that the procuring entity used the Request for Quotation method to procure air tickets amounts exceeding Kshs.3,000,000 contrary to the prescribed threshold. Reference is made to the quotation documents MSME/RFQ/2023-2024 of Kshs.6,208,575 and MSME/RFQ/027/2022-2023 of Kshs.3,334,195. Further, the quotations received were not evaluated and no signed evaluation report was provided for review. This was contrary to the Public Procurement and Asset Disposal Regulations, 2020 which stipulates that the Request for Quotation (RFQ) method is applicable for low-value procurements within the threshold limits, ordinarily not exceeding Kshs.3,000,000.

In the circumstances, Management was in breach of the law.

## **3. Non-Compliance with Government Circular on Suspension of Non-Essential Foreign Travel**

It was observed that three (3) officers from the State Department for Micro, Small and Medium Enterprises Development undertook foreign travel between 9 June – 4 July, 2025 to attend trainings in Arusha, Tanzania at Esami Headquarters which fall under the suspended categories incurring a cost of Kshs.4,168,440. This was contrary to Circular No. OP/CAB.308/018 issued by the Office of the President dated 2 October, 2023 on suspensions of non-essential travel which states that, Article 201(d) of the Constitution of Kenya requires prudent and responsible utilization of public resources. Further, it provides that pursuant to Article 132(5) and Part 1 of the Fourth Schedule of the Constitution, the National Treasury issued a circular suspending official foreign travel in the following categories such as trainings and related capacity-building initiatives among others with immediate effect.

In the circumstances, Management was in breach of the law.

## **4. Delayed Completion of Contract - Kenya Institute of Business Training (KIBT) Phase II**

The State Department for Trade handed over the project to State Department for Micro, Small and Medium Enterprises (MSMEs) Development. However, the handing over minutes showing the status of Project was not provided for audit.

Audit inspection carried out on the Project in the month of November 2025 revealed the second basement floor of the Project was overflowing with water from underground. Management explained that the water was pumped out regularly to avoid overflows. However, Management did not explain the measures put in place to ensure the safety of the building in view of the current water leakage and moisture in the basement floor.

In addition, Kenya Institute of Business Training (KIBIT) building has not been included in the State Department for Micro, Small and Medium Enterprises Development's fixed asset register.

In the circumstances, value for money may not have been achieved and the state of the building is a health hazard posing threat to the occupants of the building.

The audit was conducted in accordance with ISSAI 3000 and ISSAI 4000. The standards require 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 comply 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 THE 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 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 the Management and those Charged with Governance**

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 State Department's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management is aware of the intention 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 comply with the authorities which govern them and that public resources are applied in an effective way.

Those charged with governance are responsible for overseeing the State Department's financial reporting process, reviewing the effectiveness of how Management 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**

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards of Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. 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 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 conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not 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 addition, I consider the entity's control environment 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.

Further, I am required to submit the audit report in accordance with Article 229(7) of the Constitution.

Detailed description of my responsibilities for the audit is located at the Office of the Auditor-General's website at: <https://www.oagkenya.go.ke/auditor-generals-responsibilities-for-audit/>. This description forms part of my auditor's report.

  
FCPA Nancy Gathungu, CBS  
**AUDITOR-GENERAL**

**Nairobi**

**02 December, 2025**

## Appendix I

### Unresolved Prior Year Matters

Reference No. of the Auditor-General's Report	Observation
	<b>Emphasis of Matter</b>
1	Pending Accounts Payables
2	Budgetary Control and Performance
	<b>Report on Lawfulness and Effectiveness in Use of Public Resources</b>
1	Irregular Advance Payment for Fuel, Oils and Lubricants
2	Value for Money on Rentals of Produced Assets
	<b>Report on Effectiveness of Internal Controls, Risk Management and Governance</b>
	Disconnection of Rater Services at Kenya Institute of Business Training

**State Department for Micro, Small and Medium Enterprises Development (MSMEs)  
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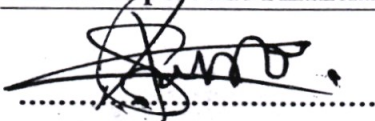
**13. Statement of Financial Performance for the year ended 30 June 2025**

<b>Revenue from non-exchange transactions</b>		
Transfers from Exchequer	6	3,913,110,308
Transfers from Other Government entities	7	29,077,550
Transfers from Domestic and Foreign Partners	8	1,332,483,287
Levies, fines, penalties, and forfeitures	9	-
Reimbursement and Refunds	10	-
<b>Total</b>		<b>5,274,671,145</b>
<b>Revenue from exchange transactions</b>		
Licenses, Fees and Permits	11	-
Rendering of services	12	-
Rental revenue from facilities and equipment	13	-
Finance income	14	-
Miscellaneous income (surcharge)	15	-
<b>Total revenue</b>		<b>5,274,671,145</b>
<b>Expenses</b>		
Employee costs	16	151,592,709
Use of goods and services	17	235,071,579
Transfers to other Government Entities	18	4,823,783,287
Prefeasibility, Feasibility and appraisal studies	19	-
Depreciation and amortization expense	20	1,623,796
Other Grants and Subsidies	21	-
Finance costs	22	-
Social Benefits	23	-
<b>Total expenses</b>		<b>5,212,071,371</b>
<b>Other gains/(losses)</b>		
Gain/(loss) on sale of assets	24	-
Gain/Loss on foreign exchange transactions	25	-
Gain/Loss on fair value of investments	26	-
Impairment loss	27	-
<b>Surplus/Deficit for the year</b>		<b>62,599,774</b>
Taxation	28	-
<b>Net Surplus/Deficit</b>		<b>62,599,774</b>

The Financial Statements set out on pages 1 to 11 were signed by:

**State Department for Micro, Small and Medium Enterprises Development (MSMEs)  
Annual Report and Financial Statements for the year ended June 30, 2025.**

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**Hon. Susan Mang'eni, CBS  
Accounting Officer**



**Stephen Gakanga  
Head of Accounting Unit  
ICPAK M/No 16194**

**State Department for Micro, Small and Medium Enterprises Development (MSMEs)  
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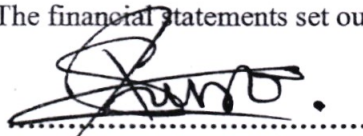
**14 Statement of Financial Position as at 30 June 2025**

<b>Assets</b>			
<b>Current Assets</b>			
Cash and Cash equivalents	29	215,769,143	1,335,976
Receivables from Exchange Transactions	30(a)	-	-
Receivables from Non-Exchange Transactions	31	-	-
Inventories	32	-	-
Investments	33	-	-
<b>Total Current Assets</b>		<b>215,769,143</b>	<b>1,335,976</b>
<b>Non-Current Assets</b>			
Receivables from Exchange Transactions	30(b)	-	-
Investments	33	-	-
Property, Plant and Equipment	34	7,218,835	-
Right of use assets	35	-	-
Intangible Assets	36	-	-
Investment Property	37	-	-
Biological Assets	38	-	-
Tangible natural resources	39	-	-
<b>Total Non- Current Assets</b>		<b>7,218,835</b>	<b>-</b>
<b>Total Assets (a)</b>		<b>222,987,978</b>	<b>1,335,976</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and Other Payables	40	1,754,350	57,127,268
Refundable Deposits	41	9,839,289	-
Current Provision	42	-	-
Current Lease Liabilities	43	-	-
Deferred Income	44	205,921,832	-
Employee Benefit Obligation	45	-	-
Current Portion of Borrowings	46	-	-
Social Benefit Liability	47	-	-
<b>Total Current Liabilities</b>		<b>217,515,471</b>	<b>57,127,268</b>
<b>Non-Current Liabilities</b>			

**State Department for Micro, Small and Medium Enterprises Development (MSMEs)  
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Non-Current Provisions	42	-	-
Non-current lease liability	43	-	-
Deferred Income	44	-	-
Employee Benefit Obligation	45	-	-
Borrowings – Non-Current Portion	46	-	-
Social Benefit Liability	47	-	-
Service Concession Liability	48	-	-
<b>Total Non- Current Liabilities</b>		-	-
<b>Total Liabilities (b)</b>		<b>217,515,471</b>	<b>57,127,268</b>
<b>Net Assets (a-b)</b>		<b>5,472,507</b>	<b>(55,791,292)</b>
<b>Represented by:</b>			
Reserves		-	-
Accumulated Surplus		(3,370,125)	-
Capital Fund		8,842,631	-
<b>Net Assets</b>		<b>5,472,506</b>	<b>(55,791,292)</b>

The financial statements set out on pages 1 to 11 were signed by:



**Hon. Susan Mang'eni, CBS**  
**Accounting Officer**



**Stephen Gakang'a**  
**Head of Accounting Unit**  
**ICPAK M/No 16194**

**State Department for Micro, Small and Medium Enterprises Development (MSMEs)  
Annual Report and Financial Statements for the year ended June 30, 2025.**

**15 Statement of Changes in Net Assets for the year ended 30 June 2025**

<b>Fund balance as at 30<sup>th</sup> June 2024</b>	<b>1,335,976</b>	<b>-</b>	<b>-</b>	<b>1,335,976</b>
<b>Adjustments</b>				<b>-</b>
Recognition of Assets	-			-
Recognition of Liabilities	(57,127,268)	-	-	(57,127,268)
<b>As at July 1, 2024</b>	<b>(55,791,292)</b>	<b>-</b>	<b>-</b>	<b>(55,791,292)</b>
Return to Exchequer	(1,335,976)	-	-	(1,335,976)
Surplus/ deficit for the year	62,599,774	-	-	62,599,774
Capital funds received in the year (capitalized surplus)	(8,842,631)	-	8,842,631	-
<b>As at June 30, 2025</b>	<b>(3,370,125)</b>	<b>-</b>	<b>8,842,631</b>	<b>5,472,506</b>

**State Department for Micro, Small and Medium Enterprises Development (MSMEs)  
Annual Report and Financial Statements for the year ended June 30, 2025.**

**16. Statement of Cash Flows for the year ended 30 June 2025**

	Notes	Kshs
<b>Cash flows from operating activities</b>		
<b>Receipts</b>		
Transfers from exchequers		5,480,592,977
Transfers from other governments entities		-
Levies, fines, penalties and forfeitures		-
Licenses, fees and permits		-
Rendering of services		-
Rental revenue from facilities and equipment		-
Finance income		-
Other income		-
<b>Total receipts</b>		<b>5,480,592,977</b>
<b>Payments</b>		
Employee costs		151,592,709
Use of goods and services		280,605,207
Transfers to other Government Entities		4,823,783,287
Other Grants and Subsidies		-
Social Benefits		-
<b>Total payments</b>		<b>5,255,981,203</b>
<b>Net cash flows from (used in) operating activities</b>	49	<b>224,611,774</b>
<b>Cash flows from investing activities</b>		
Purchase of PPE		(8,842,631)
Purchase of Intangible Assets		-
Proceeds from sale of PPE		-
Proceeds from sale of biological assets		-
Purchase of investments		-
<b>Net cash flows from/(used in) investing activities</b>		<b>(8,842,631)</b>
<b>Cash flows from financing activities</b>		
Return to Exchequer		(1,335,976)
Repayment of borrowings		-
<b>Net cash flows from financing Activities</b>		<b>(1,335,976)</b>
<b>-Net increase/(decrease) in cash &amp; Cash equivalents</b>		<b>214,433,167</b>
Cash and cash equivalents at 1 July 2024	29	1,335,976
<b>Cash and cash equivalents at 30 June 2025</b>	29	<b>215,769,143</b>

**State Department for Micro, Small and Medium Enterprises Development (MSMEs)  
Annual Report and Financial Statements for the year ended June 30, 2025.**

**17. Statement of Comparison of Budget and Actual amounts for the year ended 30 June 2025**

**Recurrent and Development Combined**

Component/Account Item	Original Budget	Amendments	Final Budget	Actual on Comparable Basis	Budget Difference	% of Budget
<b>Receipts</b>						
Exchequer releases	8,810,858,500	(3,251,067,836)	5,559,790,664	5,480,592,977	79,197,687	98%
Transfers from other government entities						
Proceeds from domestic and foreign grants						
Proceeds from domestic borrowings						
Proceeds from foreign borrowings						
Proceeds from sale of assets						
Reimbursements and refunds						
Miscellaneous receipts						
<b>Total Receipts</b>	<b>8,810,858,500</b>	<b>(3,251,067,836)</b>	<b>5,559,790,664</b>	<b>5,480,592,977</b>	<b>79,197,687</b>	<b>98%</b>
<b>Payments</b>						
Compensation of employees	188,030,000	(35,556,086)	152,473,914	151,592,709	881,206	98%
Use of goods and services	281,847,500	36,503,250	318,350,750	290,444,497	27,906,253	91%
Interest payments						
Transfers to other government entities	8,316,366,000	(2,621,814,000)	5,080,026,000	4,823,783,287	306,242,713	95%

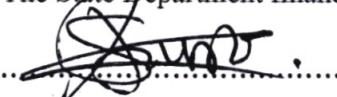
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Other grants and transfers						
Social security benefits						
Acquisition of assets	24,615,000	15,675,000	8,940,000	8,842,631	97,369	99%
Finance costs including loan interest						
Repayment of domestic & foreign borrowing						
Other payments						
<b>Total Payments</b>	<b>8,810,858,500</b>		<b>5,559,790,664</b>	<b>5,274,663,123</b>	<b>285,127,541</b>	<b>95%</b>
Surplus				205,929,854		

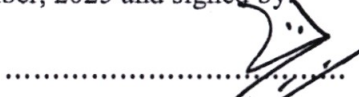
(a) **Variance analysis:** budget underutilization during the period under review was insignificant i.e. above 90% utilization

(b) **Reallocations within the year:** changes between the original and final budget are as a result supplementary budget

The State Department financial statements were approved on 20<sup>th</sup> November, 2025 and signed by:

  
.....

Hon. Susan Mange'ni, CBS  
Accounting Officer

  
.....

Stephen Gakang'a  
ICPAK M/No 16194

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**Budget Reconciliation to the Statement of Cash Flows**

Particulars		Amount
	Actual Surplus Amounts as per the statement of Budget	205,929,854
1	Contractors Retention fee	9,839,289
		-
	Closing Cash and Cash Equivalent as per the statement of Cash flows	215,769,143

**Budget Notes**

**Variance analysis:** budget underutilization during the period under review was insignificant i.e. above 90% utilization

**Reallocations within the year:** changes between the original and final budget are as a result supplementary budget

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**Budget Execution by Programmes and Sub-Programmes for FY 2024/2025**

Programme 1- 0316000 promotion and development of MSMEs	3,017,079,288	(104,120,086)	2,912,959,202	2,647,808,595	265,150,607
0316010- MSMEs Development and promotion	2,888,480,000	(67,849,086)	2,820,630,914	2,567,751,566	252,879,348
0316020- Entrepreneurship and Business Development Services	128,559,288	(36,271,000)	92,328,288	79,946,230	12,382,058
0317000- Product and Market Development for MSMEs	213,626,000	(86,605,000)	127,021,000	126,159,566	400,887,228
0317010 Market Linkages for MSMEs	19,200,000	(6,605,000)	12,595,000	11,733,566	861,434
0317030 Value addition, Innovation and incubation for MSMEs	194,426,000	(80,000,000)	114,451,794	114,426,000	25,794
0318000 Digitization and financial inclusion for MSMEs	5,250,700,000	(3,100,000,000)	2,150,700,000	2,150,700,000	-
0318010 Financial inclusion	5,010,000,000	(3,000,000,000)	2,010,000,000	2,010,000,000	-
0318020 Youth Employment services	240,700,000	(100,000,000)	140,700,000	140,700,000	-

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Program/Activity Name	Original Budget	Amendments	Final Budget	Actual on comparable basis	Budget utilization difference
0318030 Youth, Women and PWDs Empowerment	-	-	-	-	-
0319000 General Administration, Planning and Support services	329,453,212	39,657,250	369,110,462	350,105,762	19,004,700
0319010 General Administration, Planning and Support services	329,453,212	39,657,250	369,110,462	350,105,762	19,004,700
<b>Total</b>	<b>8,810,858,500</b>	<b>(3,251,067,836)</b>	<b>5,559,790,664</b>	<b>5,274,663,123</b>	<b>285,127,541</b>

**18. Notes to the Financial Statements**

**1. Establishment**

The State Department for Micro, Small and Medium Enterprises Development is established and derives its authority and accountability from Executive Order No 1 of 2023. The State Department is wholly owned by the Government of Kenya and is domiciled in Kenya. The State Department principal activity is to develop SME Financing policy to facilitate adequate flow of credit from financing institution and promote, develop Micro and Small Enterprise and enhance their competitiveness.

**2. Statement of Compliance and Basis of Reporting**

**Statement of compliance**

These financial statements have been prepared in accordance with the Public Finance Management Act, 2012 and with the International Public Sector Accounting Standards (IPSAS).

For the purpose of these financial statements, the State Department has been categorized as a Schedule 1 national government MDA in line with Section 4 of the Public Finance Management Act, 2012 read together with Regulation 211 (2) of the Public Finance Management (National Government) Regulations, 2015. Schedule 1 national government entities include Ministries, Departments, Agencies, constitutional institutions and independent offices. MDAs are reporting entities whose primary objective is to provide policy and coordination of government services.

The use of public resources by State Department is primarily governed by Chapter 12 of the Constitution, the relevant Appropriation Act, the Public Finance Management Act, of 2012, and the Public Procurement and Disposal Act, of 2015.

These financial statements were authorized for issue by the Accounting Officer on 21<sup>st</sup> October, 2025

The financial statements have been prepared in accordance with the Public Finance Management Act, and International Public Sector Accounting Standards (IPSAS) The State Department has taken advantage of the transitional provisions under IPSAS 33 and therefore the 1<sup>st</sup>/ 2<sup>nd</sup>/ 3<sup>rd</sup>/year financial statements are transitional financial statements and inventory and Property, Plant and Equipment of the financial statements have not been recognised as the State Department has taken advantage of the transition provisions outlined in IPSAS 33.

### **Reporting period**

The reporting period for these financial statements is for the period ended 30<sup>th</sup> June, 2025.

### **Basis of preparation**

These financial statements have been prepared on a going concern basis, and the accounting policies have been applied consistently throughout the period on an accrual basis unless otherwise specified (for example, the Statement of Cash Flows). Under an accrual basis, revenues are recognised when rights to assets are earned or levied rather than when cash is received, and expenses are recognised when obligations are incurred rather than when they are settled. The financial statements have been prepared and presented in Kenya Shillings to the nearest shilling. The accounting policies adopted have been consistently applied to all the years presented.

### **Critical accounting judgements**

IPSAS requires accounting judgements to be made in determining accounting policies that impact the presentation of these financial statements. The most critical of these judgements, and their impact, are:

#### Recognition of revenue

A revenue is an increase in the net financial position, other than increases arising from ownership contributions. Revenue is required to be measured when the event occurs and when recognition criteria (probable inflow of resources and ability to reliably measure their value) are met. Judgment is required to determine if these criteria are met, particularly where limited evidence is available at the time the revenue is earned.

#### Recognition of non-exchange expenses and liabilities

A liability is a present obligation of State Department for an outflow of resources that results from a past event. Expenses (and other liabilities) are recognized when there is a present obligation (legal or constructive) as a result of a past event. An outflow of resources embodying economic benefits will probably be required to settle the obligation and a reliable estimate of the obligation can be made. Judgment is required in assessing each of these conditions, and therefore reporting if an expense and a present obligation should be reported.

The State Department for Micro, Small and Medium Enterprises Development pursues a number of policy targets and outcomes. However, the commitment to these targets and outcomes, generally, do not of themselves constitute a present obligation unless the State Department is clear on the cost it intends to incur, when payment will be made, and to whom and as a consequence has raised a valid expectation. As a consequence, liabilities are not reported for costs associated with the State Department policy objectives and targets. Where a policy choice gives rise to an

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obligation that exists independently of the State Department's future actions, expenses (and other related liabilities) are recognized for that policy.

Purpose and nature of financial instruments

Judgment is required in determining whether financial assets (including investment in securities and advances) and financial liabilities are held for trading or to provide a return through interest and principal transactions. Depending on that judgment, financial instruments will be reported at fair value or on an amortized cost basis.

Climate change obligations

Kenya's current National Determined Contribution (NDC) to deliver on the goals of the Paris Agreement sets a headline target of a 32 per cent emission reduction by 2030 relative to the business-as-usual scenario of 143 MtCO<sub>2</sub>eq. MDAs commitment to climate change action does not constitute a present obligation on the balance sheet but are disclosed separately.

Physical assets

An asset is a resource presently controlled by the MDA as a result of a past event. The primary reason for holding property, plant and equipment and other assets is for their service potential rather than their ability to generate cash flows. Because of the types of services provided, a significant proportion of assets used by public sector entities including roads, national parks, heritage buildings etc are specialized in nature. There may be a limited market for such assets and so judgement is required on measurement. Judgment is also required whether assets are held for commercial purposes or public benefit purposes.

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**Notes to the Financial Statements (Continued)**

**3. Adoption of New and Revised Standards**

*i) New and amended standards and interpretations in issue effective in the year ended 30 June 2025.*

There were no new and amended standards issued in the financial year.

*ii) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2025.*



IPSAS 43: *Applicable 1<sup>st</sup> January 2025*

The standard sets out the principles for the recognition, measurement, presentation, and disclosure of 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 MDA.

The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.

The State Department did not adopt this standard in preparation of Financial Statements.

IPSAS 44: *Applicable 1<sup>st</sup> January 2025*

Non- Current Assets Held for Sale and Discontinued Operations: 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. The Standard has no impact to the State Department.

IPSAS 45- *Applicable 1<sup>st</sup> January 2025*

Property Plant and Equipment: The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement. Heritage assets were previously excluded from the scope of IPSAS 17 in IPSAS 45, heritage assets that satisfy the definition of PPE shall be recognised as assets if they meet the criteria in the standard. IPSAS 45 has an additional application guidance for infrastructure assets,

implementation guidance and illustrative examples. The standard has clarified existing principles e.g valuation of land over or under the infrastructure assets, under- maintenance of assets and distinguishing significant parts of infrastructure assets.

This Standard will be adopted in the third year of transition period.

**IPSAS 46**      *Applicable 1<sup>st</sup> January 2025*

**Measurement**      The objective of this standard was to improve measurement guidance across IPSAS by:

- i.      Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used.
- ii.     Clarifying transaction costs guidance to enhance consistency across IPSAS;
- iii.    Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures.

The standard also introduces a public sector specific measurement bases called the current operational value.

The application has no impact to the State Department.

**IPSAS 47-**      *Applicable 1<sup>st</sup> January 2026*

**Revenue**      This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non- exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an MDA shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.

This application has no impact to the State Department.

**IPSAS 48-**      *Applicable 1<sup>st</sup> January 2026*

**Transfer  
Expenses**      The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow

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arising from transfer expense transactions. This is a new standard for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers.

The application has no impact to the State Department

**IPSAS 49- *Applicable 1<sup>st</sup> January 2026***

**Retirement Benefit Plans** The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan.

This application has no impact to the State Department

**IPSAS 50: *Applicable 1<sup>st</sup> January 2027***

**Exploration For & Evaluation of Mineral Resources** The objective of this Standard is to specify the financial reporting for the exploration for and evaluation of mineral resources. The Standard requires:

- i. Limited improvements to existing accounting practices for exploration and evaluation expenditures.
- ii. Entities that recognize exploration and evaluation assets to assess such assets for impairment in accordance with this Standard and measure any impairment in accordance with IPSAS 26.
- iii. Disclosures that identify and explain the amounts in the entity's financial statements arising from the exploration for and evaluation of mineral resources and help users of those financial statements understand the amount, timing and certainty of future cash flows from any exploration and evaluation assets recognized.

This application has no impact to the State Department

***iii) Early adoption of standards***

The State Department for Micro, Small and Medium Enterprise Development did not early – adopt any new or amended standards in the financial year 2024/2025

**4. Summary of Significant Accounting Policies**

**a) Revenue recognition**

**i) Revenue from non-exchange transactions**

**Fees, taxes and fines**

The MDA 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 MDA and the fair value of the asset can be measured reliably.

**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 MDA and can be measured reliably. Recurrent grants are recognized in the statement of comprehensive income. Development grants are recognized in the statement of financial performance after meeting the revenue recognition criteria. Conditional grants are recognized as revenue upon fulfilment of the set conditions.

**ii) Revenue from exchange transactions**

**Rendering of services**

The MDA 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.

**Interest income**

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income each period.

**Rental income**

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and included in revenue.

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**Notes to the Financial Statements (Continued)**

**Summary of Significant Accounting Policies (Continued)**

**b) Budget information**

The original budget for FY 2024/25 was approved by the National Assembly on April, 2025. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the State Department for Micro, Small and Medium Enterprises Development upon receiving the respective approvals in order to conclude the final budget. Accordingly, the State Department recorded reduction in appropriations of 3,251,067,836 on the 2024/25 budget following the governing body's approval. The State Department's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of cash flows has been presented under page 10 of these financial statements.

**c) Investment property**

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property. Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model and a policy to depreciate assets is yet to be developed. Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of derecognition. Transfers are made to or from investment property only when there is a change in use.

**Notes to the Financial Statements (Continued)**

**Summary of Significant Accounting Policies (Continued)**

**d) Property, plant and equipment**

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 State Department 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.

**e) Right of use asset**

The right-of-use assets comprises the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. Whenever the MDA incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognized and measured under IPSAS 21 or IPSAS 26. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories. Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the MDA expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease. The right-of-use assets are presented as a separate line in the statement of financial position.

**Notes to the Financial Statements (Continued)**

**f) Tangible Natural Resources**

The MDA recognises a tangible natural resource recognized if, and only if: It is probable that service potential associated with the natural resource will flow to the MDA; the MDA controls the tangible natural resource as a result of past events; and the tangible natural resource can be measured reliably. Where this criterion is not met, the MDA discloses the tangible natural resource in the notes to the financial statements. Where a tangible natural resource is recognized as an asset as the result of an event that is not a transaction in an orderly market, including non-exchange transactions, the asset shall be measured initially at its deemed cost. An MDA shall apply IPSAS 46, Measurement, when measuring the deemed cost of such a recognized tangible natural resource. A recognized tangible natural resource acquired through an exchange transaction shall be measured at its cost. Historical cost model is applied after initial recognition less any depreciation and impairment losses.

**g) Leases**

Finance leases are leases that transfer substantially all of the risks and benefits incidental to ownership of the leased item to the MDA. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The MDA also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition. Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in surplus or deficit. An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the MDA will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

**Notes to the Financial Statements (Continued)**

**h) Intangible assets**

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.

**i) Research and development costs**

The MDA expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when the MDA 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.

Following initial recognition of an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete, and the asset is available for use. It is amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment annually with any impairment losses recognized immediately in surplus or deficit.

**j) Financial instruments**

IPSAS 41 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The State Department for Micro, Small and Medium Enterprises Development does not have any hedge relationships and therefore the new hedge accounting rules have no impact on the Department's financial statements. A financial instrument is any contract that gives rise to a financial asset of one MDA and a financial liability or equity instrument of another MDA. At initial recognition, the MDA measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through surplus or deficit, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

**Notes to the Financial Statements (Continued)**

**Summary of Significant Accounting Policies (Continued)**

**a) Financial assets**

**Classification of financial assets**

The MDA classifies its financial assets as subsequently measured at amortised cost, fair value through net assets/ equity or fair value through surplus and deficit on the basis of both the MDA's management model for financial assets and the contractual cash flow characteristics of the financial asset. A financial asset is measured at amortized cost when the financial asset is held within a management model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. A financial asset is measured at fair value through net assets/ equity if it is held within the management model whose objective is achieved by both collecting contractual cashflows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A financial asset shall be measured at fair value through surplus or deficit unless it is measured at amortized cost or fair value through net assets/ equity unless an MDA has made irrevocable election at initial recognition for particular investments in equity instruments.

**Subsequent measurement**

Based on the business model and the cash flow characteristics, the MDA classifies its financial assets into amortized cost or fair value categories for financial instruments. Movements in fair value are presented in either surplus or deficit or through net assets/ equity subject to certain criteria being met.

**Amortized cost**

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, and that are not designated at fair value through surplus or deficit, are measured at amortized cost. A gain or loss on an instrument that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is de-recognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

**State Department for Micro, Small and Medium Enterprises Development (MSMEs)  
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**Notes to the Financial Statements (Continued)**

**Fair value through net assets/ equity**

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through net assets/ equity. Movements in the carrying amount are taken through net assets, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in surplus/deficit. Interest income from these financial assets is included in finance income using the effective interest rate method.

**Trade and other receivables**

Trade and other receivables are recognized at fair values less allowances for any uncollectible amounts. Trade and other receivables are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end.

**Fair value through surplus or deficit**

Financial assets that do not meet the criteria for amortized cost or fair value through net assets/ equity are measured at fair value through surplus or deficit. A business model where the MDA manages financial assets with the objective of realizing cash flows through solely the sale of the assets would result in a fair value through surplus or deficit model.

**Impairment**

The State Department assesses, on a forward-looking basis, the expected credit loss ('ECL') associated with its financial assets carried at amortized cost and fair value through net assets/equity. The MDA recognizes a loss allowance for such losses at each reporting date. Critical estimates and significant judgments made by management in determining the expected credit loss (ECL) are set out in Note 27.

**b) Financial liabilities**

**Classification**

The MDA classifies its liabilities as subsequently measured at amortized cost except for financial liabilities measured through profit or loss.

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**Notes to the Financial Statements (Continued)**

**k) Inventories**

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition. Costs incurred in bringing each product to its present location and conditions are accounted for, as follows:

- i) Raw materials: purchase cost using the weighted average cost method.
- ii) Finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity but excluding borrowing costs.

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost. Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution. Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the State Department.

**l) Provisions**

Provisions are recognized when the MDA 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 MDA 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.

**State Department for Micro, Small and Medium Enterprises Development (MSMEs  
Annual Reports and Financial Statements for the year ended June 30, 2025.**

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**Notes to the Financial Statements (Continued)**

**m) Social Benefits**

Social benefits are cash transfers provided to i) specific individuals and / or households that meet the eligibility criteria, ii) mitigate the effects of social risks and iii) Address the need of society as a whole. The MDA recognises a social benefit as an expense for the social benefit scheme at the same time that it recognises a liability. The liability for the social benefit scheme is measured at the best estimate of the cost (the social benefit payments) that the MDA will incur in fulfilling the present obligations represented by the liability.

**n) Contingent liabilities**

The MDA 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.

**o) Contingent assets**

The MDA 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 MDA 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.

**p) Nature and purpose of reserves**

The State Department does not create nor maintain reserves in terms of specific requirements.

**q) Changes in accounting policies and estimates**

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

**State Department for Micro, Small and Medium Enterprises Development (MSMEs  
Annual Reports and Financial Statements for the year ended June 30, 2025.**

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**Notes to the Financial Statements (Continued)**

**Summary of Significant Accounting Policies (Continued)**

**r) Employee benefits**

**Retirement benefit plans**

The State Department does not provide retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which an MDA pays fixed contributions into a separate MDA (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. Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

**s) Foreign currency transactions**

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. At each reporting date, foreign currency monetary items are translated using the closing rate. Non-monetary items measured in historical cost are translated using the exchange rate at the date of the transaction, and those measured at fair value are translated using the exchange rates at the date when the fair value was determined. Exchange differences arising from the settlement of monetary items or translation of monetary/non-monetary items at rates different from those at which they were initially reported are recognized in surplus or deficit in the period.

**t) Borrowing costs**

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment. Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

**u) Related parties**

The State Department regards a related party as a person or an MDA with the ability to exert control individually or jointly, or to exercise significant influence over the State Department, or vice versa. Members of key management are regarded as related parties and comprise the Cabinet Secretary and Principal Secretary.

**State Department for Micro, Small and Medium Enterprises Development (MSMEs)  
Annual Reports and Financial Statements for the year ended June 30, 2025.**

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**Notes to the Financial Statements (Continued)**

**Summary of Significant Accounting Policies (Continued)**

**v) Service concession arrangements**

The State Department 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 State Department 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 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 State Department also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

**w) 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.

**x) Comparative figures**

In preparing these financial statements, the State Department has elected to apply paragraph 79 of IPSAS 33, which allows for the election by a State Department to present one statement of financial performance, one statement of cash flow, one statement of net assets and the statement of financial position and an opening statement of financial position as at the time of first-time adoption of the accrual basis of accounting.

**y) 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, 2025

**Notes to the Financial Statements (Continued)**

**Summary of Significant Accounting Policies (Continued)**

**5. Significant Judgments and Sources of Estimation Uncertainty**

The preparation of the State Department 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. State all judgements, estimates and assumptions made:

**Estimates and assumptions**

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 State Department 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 State Department. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

**Useful lives and residual value**

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

- a) The condition of the asset based on the assessment of experts employed by the MDA.
- b) The nature of the asset, its susceptibility and adaptability to changes in technology and processes.
- c) The nature of the processes in which the asset is deployed.
- d) Availability of funding to replace the asset.
- e) Changes in the market in relation to the asset

**Provisions**

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 40.

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.

**State Department for Micro, Small and Medium Enterprises Development (MSMEs Annual Reports and Financial Statements for the year ended June 30, 2025.**

**Notes to the Financial Statements (Continued)**

6.

Recurrent	1,204,410,858	-	1,204,410,858
Development	2,708,699,450	-	2,708,699,450
<b>Total</b>	<b>3,913,110,308</b>	<b>-</b>	<b>3,913,110,308</b>

7. **Transfers from Other Government entities**

State Department for MSMEsD	29,077,550	687,400	29,764,950
Ministry	-	-	-
<b>Total</b>	<b>29,077,550</b>	<b>687,400</b>	<b>29,764,950</b>

8. **Transfers from Domestic and Foreign Partners**

Grants in Cash from Bilateral donors	1,332,483,287
Grants in Cash from Multilateral donors	
Grants in Kind from Bilateral donors	-
Grants in Kind from Multilateral donors	-
Direct Payments	-
Other Public Donations	-
<b>Total</b>	<b>1,332,483,287</b>

**Note:**

The above-mentioned figure kshs 1,332,483,287 relates to amounts only transferred in the Statement of Financial Performance but the total amount received by the projects is kshs 1,537,717,719 as per note 44 on differed income.

**State Department for Micro, Small and Medium Enterprises Development (MSMEs)  
Annual Reports and Financial Statements for the year ended June 30, 2025.**

**Notes to the Financial Statements (Continued)**

**Details on Transfers from domestic and foreign partners**

National Treasury NYOTA	800,000,000	190,555,319	990,555,319
National Treasury KJET	532,483,287	14,679,113	547,162,400
-	-	-	-
-	-	-	-

**9. Levies, fines, penalties and forfeitures**

Description	
Fuel Levy	-
Petroleum Development levy	-
Fines	-
Penalties	-
forfeitures	-
Other Levies	-
<b>Total</b>	<b>-</b>

**10. Reimbursement and Refunds**

Description	
African Union	-
European Union	-
Others	-
<b>Total</b>	<b>-</b>

**11. Licenses, Fees and Permits**

Description	
Licenses	-
Fees	-
Permits	-
<b>Total</b>	<b>-</b>

**State Department for Micro, Small and Medium Enterprises Development (MSMEs  
Annual Reports and Financial Statements for the year ended June 30, 2025.**

**Notes to the Financial Statements (Continued)**

**12. Rendering of Services**

		2024-2025
		Taka
Audit		-
Security		-
Service Fees		-
Other fees		-
<b>Total</b>		<b>-</b>

**13. Rental Revenue from Facilities and Equipment**

		2024-2025
		Taka
Rent		-
Property income		-
Contingent Rentals		-
Others		-
<b>Total</b>		<b>-</b>

**14. Finance Income**

		2024-2025
		Taka
Interest from Cash investments and fixed deposits		-
Interest income from Treasury Bills		-
Interest income from Treasury Bonds		-
Interest from outstanding debtors		-
Others		-
<b>Total</b>		<b>-</b>

**State Department for Micro, Small and Medium Enterprises Development (MSMEs)  
Annual Reports and Financial Statements for the year ended June 30, 2025.**

**Notes to the Financial Statements (Continued)**

**15. Other Incomes**

Insurance recoveries	-
Sale of incidental goods	-
Sale of market establishments	-
Sale of non-market establishment	-
Administrative fees and charges	-
Bulk infrastructure levies	-
Income from profits and dividends	-
Infrastructure improvement fee	-
Income from sale of tender	-
Services concession income	-
Skills development levy	-
Agency fee	-
Other incomes not specified elsewhere	-
<b>Total other income</b>	<b>-</b>

**16. Employee Costs**

Basic salaries of permanent employees	104,517,564
Basic wages of temporary employees	-
Personal allowances – part of salary	46,285,741
Pension and other social security contributions	
Employer contributions to compulsory national social security schemes	789,404
Employer contributions to compulsory national health insurance schemes	-
Other social benefit schemes	
Other personnel costs	
<b>Employee costs</b>	<b>151,592,709</b>

**State Department for Micro, Small and Medium Enterprises Development (MSMEs  
Annual Reports and Financial Statements for the year ended June 30, 2025.**

**Notes to the Financial Statements (Continued)**

**17. Use of Goods and Services**

Utilities, supplies and services	2,356,632
Communication, supplies and services	5,181,809
Domestic travel and subsistence	53,470,054
Foreign travel and subsistence	-
Printing, advertising, and information supplies & services	9,025,901
Rentals of produced assets	39,681,477
Training expenses	30,398,407
Hospitality supplies and services	14,624,127
Insurance costs	-
Specialized materials and services	46,700
Bank Charges	-
Office and general supplies and services	9,242,399
Fuel Oil and Lubricants	8,982,820
Routine maintenance – vehicles and other transport equipment	4,993,868
Routine maintenance – assets	-
Refurbishment of buildings	57,067,386
<b>TOTAL</b>	<b>235,071,579</b>

**18. Transfers to Other Government Entities**

Transfers to national govt entities- SAGAs & SC	3,229,526,000
Transfer to other Central Government entities	
Transfers to Projects	1,594,257,287
Transfers to car loan and mortgage schemes	
Transfers to County Governments entities	
Others	
<b>Total</b>	<b>4,823,783,287</b>

**19. Commissioner's Expenses**

Chairman's Honoraria	-
Sitting Allowances	-
Medical Insurance	-
Induction and Training	-
Travel and Accommodation	-
Other Allowances	-
<b>Total</b>	<b>-</b>

**State Department for Micro, Small and Medium Enterprises Development (MSMEs  
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**Notes to the Financial Statements (Continued)**

**20. Depreciation and Amortization Expense**

Description	
Property, plant and equipment	1,623,796
Intangible assets	-
Investment property carried at cost	-
<b>Total</b>	<b>1,623,796</b>

**21. Other Grants and Subsidies**

Description	
Membership dues and subscriptions to international organizations	-
Scholarships and other educational benefits	-
Emergency relief and refugee assistance	-
Grants to small businesses, cooperatives, and self employed	-
Grants to foreign government	-
Relief to the disabled, the sick, unemployed	-
Subsidies to Public entities	-
Subsidies to Private entities	-
<b>Total Grants and Subsidies</b>	<b>-</b>

**22. Finance Costs**

Description	
Interest Payments on Foreign Borrowings	-
Interest Payments on Guaranteed Debt Taken over by Govt	-
Interest on Domestic Borrowings (Non-Govt)	-
Interest on Borrowings from Other Government Units	-
Interest on bank overdrafts	-
Interest on loans from commercial banks	-
<b>Total finance costs</b>	<b>-</b>

**23. Social Benefits**

Description	
Transfers to the elderly	-
Transfers to orphans	-
Transfers to the physically challenged	-
<b>Total social benefit expenses</b>	<b>-</b>

**State Department for Micro, Small and Medium Enterprises Development (MSMEs  
Annual Reports and Financial Statements for the year ended June 30, 2025.**

**Notes to the Financial Statements (Continued)**

**24. Gain/Loss on Sale of Assets**

	-
Property, plant and equipment	-
Intangible assets	-
Other assets not capitalised	-
<b>Total gain on sale of assets</b>	-

**25. Gain/Loss on Foreign Exchange**

	-
Gain or loss on foreign exchange transactions	-
Gain or loss on balances in foreign exchanges	-
<b>Total</b>	-

**26. Gain/Loss on Fair Value Investments**

	-
Investments at Fair Value	-
<b>Total Gain</b>	-

**27. Impairment Loss**

	-
Property, Plant and Equipment	-
Intangible Assets	-
Inventory	-
<b>Total Impairment Loss</b>	-

**28. Taxation**

	-
Current income tax charge	-
Tax charged on rental income	-
Tax charged on interest income	-
Deferred tax	-
Original and reversal of temporary differences	-
<b>Income tax expense reported in the statement of financial performance</b>	-

**State Department for Micro, Small and Medium Enterprises Development (MSMEs  
Annual Reports and Financial Statements for the year ended June 30, 2025.**

**Notes to the Financial Statements (Continued)**

**29. Cash and Cash Equivalents**

Recurrent Account	5022	1176
Development Account	3000	1,334,800
Deposits Account	9,839,289	-
Center for Entrepreneurship Project	687,400	-
National Youth Opportunities Towards Advancement Project	190,555,319	-
Kenya Jobs and Economic Transformation Project	14,679,113	-
On - Call Deposits	-	-
Fixed Deposits Account	-	-
Others	-	-
<b>Total</b>	<b>215,769,143</b>	<b>1,335,976</b>

**29 (a) Detailed Analysis of the Cash and Cash Equivalents**

Recurrent Account	1000695374	5022	1,176
Development Accounts	1000695404	3,000	1,334,800
Deposits Accounts	1000695382	9,839,289	-
Center for Entrepreneurship Project	1000742518	687,400	-
National Youth Opportunities Towards Advancement Project	1000745002	190,555,319	-
Kenya Jobs and Economic Transformation Project	1000746653	14,679,113	-
On - Call Deposits		-	-
Fixed Deposits Account		-	-
<b>Others</b>		-	-
Cash on Hand	-	-	-
Mobile Money Accounts	-	-	-
<b>Sub- Total</b>		-	-
<b>Grand Total</b>		<b>215,769,143</b>	<b>1,335,976</b>

**State Department for Micro, Small and Medium Enterprises Development (MSMEs)  
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**Notes to the Financial Statements (Continued)**

**30. Receivables from Exchange Transactions**

Other exchange debtors	-	-
Less: impairment allowance	-	-
<b>Total Receivables</b>	-	-
a) Current receivables	-	-
b) Non-current receivables	-	-
<b>Total receivables (a+b)</b>	-	-

**30 (c) Ageing analysis for Receivables**

	Current FY	% of the total	1 <sup>st</sup> July	% of the total
Less than 1 year	-	%	-	%
Between 1- 2 years	-	%	-	%
Between 2-3 years	-	%	-	%
Over 3 years	-	%	-	%
<b>Total (a+b)</b>	-	%	-	%

**30 (d) Reconciliation for Impairment Allowance on Receivables from Exchange Transactions**

At the beginning of the year	-
Additional allowance during the year	-
Recovered during the year	-
Written off during the year	-
At the end of the year	-

**State Department for Micro, Small and Medium Enterprises Development (MSMEs  
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**Notes to the Financial Statements (Continued)**

**31 Receivables from Non-Exchange Transactions**

Description				
Property tax debtors	-		-	
Levies, fines, and penalties	-		-	
Licences, fees and permits	-		-	
Other debtors (non-exchange transactions)	-		-	
Less: impairment allowance	-		-	
<b>Total receivables from non- exchange transactions</b>	-		-	
<b>Ageing analysis</b>				
Less than 1 year	-	%	-	%
Between 1-2 years	-	%	-	%
Over 3 years	-	%	-	%
<b>Total</b>	-	%	-	%

**31 (b) Reconciliation for Impairment Allowance on Receivables from Non-Exchange Transactions**

Description	
At the beginning of the year	-
Additional allowances during the year	-
Recovered during the year	-
Written off during the year	-
At the end of the year	-

**32 Inventories**

Description		
Consumable stores	-	-
Goods held for distribution	-	-
Spare parts and meters	-	-
Less: allowance for impairment	-	-
<b>Total</b>	-	-

**State Department for Micro, Small and Medium Enterprises Development (MSMEs  
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**Notes to the Financial Statements (Continued)**

Detailed disclosure on inventories

Opening balance	-
Additional Inventory in the year	-
Inventory expensed in the year	-
Write-downs in the year	-
Others	-
Closing balance	-

**33 Investments**

<b>a) Investment in Treasury bills and bonds</b>		
Financial institution		
CBK	-	-
CBK	-	-
Sub- total	-	-
<b>b) Investment with Financial Institutions/ Banks</b>		
Bank	-	-
Bank	-	-
Sub- total	-	-
<b>c) Equity investments</b>		
Equity/ shares in State Department	-	-
Sub- total	-	-
<b>Grand total</b>	-	-
Analyzed as:	-	-
<b>Current Portion of Investments</b>	-	-
<b>Non-current portion of investments.</b>	-	-

**d) Movement of Equity Investments**

At the beginning of the year	-
Purchase of investments in the year	-
Sale of investments during the year	-
Increase /(decrease) in fair value of investments	-
At the end of the year	-

**State Department for Micro, Small and Medium Enterprises Development (MSMEs)**  
**Annual Reports and Financial Statements for the year ended June 30, 2025.**

**Notes to the Financial Statements (Continued)**

**e) Shareholding in other entities**

For investments in equity share listed under note 32 above, list down the equity investments under the following categories:

Name of Entity	MDA	Shareholding (%)	Investment (Kshs)	Cost (Kshs)	Carrying Amount (Kshs)	Net Realizable Value (Kshs)
MDA A	-	-	-	-	-	-
MDA B	-	-	-	-	-	-
MDA C	-	-	-	-	-	-
	-	-	-	-	-	-

State Department for Micro, Small and Medium Enterprises Development (MSMEs)  
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Notes to the Financial Statements (Continued)

34 Property, Plant, and Equipment

Depreciation Rate		2%	20%	12.5%	33.3%	
Cost	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
Opening Bal as 1 <sup>st</sup> July 2024	-	-	-	-	-	-
Additions	-	-	-	6,350,000	2,492,631	8,842,631
Disposals	-	-	-	-	-	-
Transfer/Adjustments	-	-	-	-	-	-
As at 30, Jun 2025	-	-	-	6,350,000	2,492,631	8,842,631
Depreciation and Impairment	-	-	-	-	-	-
Depreciation	-	-	-	793,750	830,046	1,623,796
Disposals	-	-	-	-	-	-
Impairment	-	-	-	-	-	-
Transfer/Adjustment	-	-	-	-	-	-
As at 30, Jun 2025	-	-	-	793,750	830,046	1,623,796
Net Book Values						
Opening Bal as at 1st July 2024	-	-	-	-	-	-
As At 30, June 2025	-	-	-	5,556,250	1,662,585	7,218,835

**State Department for Micro, Small and Medium Enterprises Development (MSMEs)  
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**Notes to the Financial Statements (Continued)**

**Valuation**

Items of PPE are valued at Historical cost at the point of recognition in the financial statements. Where historical cost is not available or the item has been acquired at, PPE has been valued at the current operational value which is the amount the MDA would pay for the remaining service potential of an asset at the measurement date.

**35 Right- of-use assets**

<b>Cost</b>				
As at 1 July 2024	-	-	-	-
Additions	-	-	-	-
As at 30 June 2025	-	-	-	-
<b>Accumulated Depreciation</b>				
As at 1 July 2024	-	-	-	-
Charge for the year	-	-	-	-
As at 30 June 2025	-	-	-	-
<b>Carrying Amount</b>				
As at 30 June 2025	-	-	-	-

**State Department for Micro, Small and Medium Enterprises Development (MSMEs)  
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**Notes to the Financial Statements (Continued)**

**36 Intangible Assets**

<b>Cost</b>	
<b>At beginning of the year</b>	-
Additions	-
Disposal	-
<b>At end of the year</b>	-
<b>Opening Bal 1<sup>st</sup> July</b>	-
Additions–internal development	-
Disposal	-
<b>At end of the year</b>	-
<b>Amortization and impairment</b>	
<b>At beginning of the year</b>	-
Amortization	-
<b>At end of the year</b>	-
Impairment loss	-
<b>At end of the year</b>	-
<b>NBV</b>	-

**37 Investment Property**

<b>At beginning of the year</b>	-
Additions	-
Disposal during the year	-
Depreciation	-
Impairment	-
<b>At end of the year</b>	-

**State Department for Micro, Small and Medium Enterprises Development (MSMEs)  
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**Notes to the Financial Statements (Continued)**

**38 Biological Assets**

Trees in a plantation forest	-	-
Animals: Dairy Cattle, Pigs, Sheep	-	-
Fruit Trees	-	-
<b>Total</b>	-	-

**39 Tangible Natural Resources**

<b>Cost</b>				
As at 1 July 2024	-	-	-	-
Additions	-	-	-	-
As at 30 June 2025	-	-	-	-
<b>Accumulated Depreciation</b>				
As at 1 July 2024	-	-	-	-
Charge for the year	-	-	-	-
As at 30 June 2025	-	-	-	-
<b>Carrying Amount</b>				
As at 30 June 2025	-	-	-	-

**State Department for Micro, Small and Medium Enterprises Development (MSMEs)  
Annual Reports and Financial Statements for the year ended June 30, 2025.**

**Notes to the Financial Statements (Continued)**

**40 Trade and Other Payables**

Trade payables	1,754,350	57,127,268		
Payments received in advance				
Employee payables				
Third-party payments				
Other payables				
<b>Total trade and other payables</b>	<b>1,754,350</b>	<b>57,127,268</b>		
	/			
<b>Ageing analysis: (Trade and other payables)</b>	<b>2024-2025</b>	<b>% of the Total</b>	<b>1<sup>st</sup> July 2024</b>	<b>% of the Total</b>
Under one year	1,754,350	100%	57,127,268	100%
1-2 years	-	-	-	0%
2-3 years	-	-	-	0%
Over 3 years	-	-	-	0%
<b>Total (tie to above total)</b>	<b>1,754,350</b>		<b>57,127,268</b>	

**State Department for Micro, Small and Medium Enterprises Development (MSMEs)  
Annual Reports and Financial Statements for the year ended June 30, 2025.**

**Notes to the Financial Statements (Continued)**

**41 Refundable Deposits and Prepayments**

Customer deposits	9,839,289			-
Prepayments	-			-
Other deposits	-			-
<b>Total deposits</b>	<b>9,839,289</b>			<b>-</b>
	<b>Current FY 2024- 2025</b>	<b>% of the Total</b>	<b>1<sup>st</sup> July 2024</b>	<b>% of the Total</b>
<b>Ageing analysis: (Refundable deposits)</b>				
<b>Under one year</b>	9,839,289	100%	-	%
1-2 years	-	%	-	%
2-3 years	-	%	-	%
Over 3 years	-	%	-	%
<b>Total</b>	<b>9,839,289</b>		<b>-</b>	

**42 Provisions**

<b>Opening bal 1<sup>st</sup> July</b>	-	-	-	-	-
Additional provisions	-	-	-	-	-
Provision utilised	-	-	-	-	-
Change due to discount and time value for money	-	-	-	-	-
<b>Total provisions year end</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Current Provisions	-	-	-	-	-
Non-current Provisions	-	-	-	-	-

**State Department for Micro, Small and Medium Enterprises Development (MSMEs)  
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**Notes to the Financial Statements (Continued)**

**43 Lease Liability**

<b>At the start of the year</b>	-
Discount interest on lease liability	-
Paid during the year	-
<b>At end of the year</b>	-

**Maturity Analysis**

Year 1	-
Year 2	-
Year 3	-
Year 4	-
Year 5 And Onwards	-
Less: Unearned Interest	-
	-

**Analysed as:**

Current	-
Non- Current	-
<b>Total</b>	-

**44 Deferred Income**

National Government	687,400	-
International Funders	205,234,432	-
Public Contributions and Donations	-	-
<b>Total Deferred Income</b>	<b>205,921,832</b>	-

**Analysed as:**

Current	-
Non- Current	205,921,832
<b>Total</b>	<b>205,921,832</b>

**State Department for Micro, Small and Medium Enterprises Development (MSMEs)  
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**Notes to the Financial Statements (Continued)**

The deferred income movement is as follows:

	Kshs	Kshs	Kshs	Kshs
<b>Balance Brought Forward</b>	-	-	-	-
Additions	29,764,950	1,537,717,719	-	<b>1,567,482,669</b>
Transfers to Capital Fund	-	-	-	-
Transfers to Income Statement	29,077,550	1,332,483,287	-	<b>1,361,560,837</b>
Other Transfers	-	-	-	-
<b>Balance Carried Forward</b>	<b>687,400</b>	<b>205,234,432</b>	-	<b>205,921,832</b>

The amount of Ksh.205,921,832 referred as deferred income is in respect of various project unutilized amounts held by the State department as at the end of the year 2025.

**45 Employee Benefit Obligations**

Description	Kshs	Kshs	Kshs	Kshs	Kshs
Current Benefit Obligation	-	-	-	-	-
Non-Current Benefit Obligation	-	-	-	-	-
<b>Total Employee Benefits Obligation</b>	-	-	-	-	-

**Retirement benefit Asset/ Liability**

The State Department does not operate a defined benefit scheme for all full-time employees from July 1, 2024. The scheme is administered by while are the custodians of the scheme. The scheme is based on percentage of salary of an employee at the time of retirement.

An actuarial valuation to fulfil the financial reporting disclosure requirements of IPSAS 39 was carried out as at June by actuarial valuers on this basis the present value of the defined benefit obligation and the related current service cost and past service cost were measured using the Projected Unit Credit Method. The principal assumptions used for the purposes of valuation are as follows:

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**Notes to the Financial Statements (Continued)**

Discount Rates	-
Future Salary Increases	-
Future Pension Increases	-
Mortality (Pre- Retirement)	-
Mortality (Post- Retirement)	-
Withdrawals	-
Ill Health	-
Retirement	-

**Recognition of Retirement Benefit Asset/ Liability**

a) Amounts recognised under other gains/ Losses in the statement of Financial Performance:

The return on defined plan assets	-	-
Actuarial gains/ losses arising from changes in demographic assumptions	-	-
Actuarial gains/ losses arising from changes in financial assumptions	-	-
Actuarial gains and losses arising from experience adjustments	-	-
Others	-	-
Adjustments for restrictions on the defined benefit asset	-	-
<b>Remeasurement of the net defined benefit liability (asset)</b>	-	-

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**Notes to the Financial Statements (Continued)**

**b) Amounts recognised in the Statement of Financial Position**

Present value of defined benefit obligations(a)	-	-
Fair value of plan assets(b)	-	-
Funded status(=a-b)	-	-
Restrictions on asset recognised	-	-
Others	-	-
Net asset or liability arising from defined benefit obligation	-	-

The State Department also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The State Department's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at KShs. 789,403 for the Financial Year 2024/2025.

**46 Borrowings**

<b>a) External borrowings</b>		
Balance at beginning of the year	-	-
External borrowings during the year	-	-
Repayments of during the year	-	-
<b>Balance at end of the year</b>	-	-
	-	-
<b>b) Domestic borrowings</b>	-	-
Balance at beginning of the year	-	-
Domestic borrowings during the year	-	-
Repayments during the year	-	-
<b>Balance at end of the year</b>	-	-
	-	-
<b>Balance at end of the period- domestic and External borrowings c = a+b</b>	-	-

**State Department for Micro, Small and Medium Enterprises Development (MSMEs)  
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**Notes to the Financial Statements (Continued)**

The analyses of both external and domestic borrowings are as follows:

<b>External Borrowings</b>		
Dollar Denominated Loan	-	-
Sterling Pound Denominated Loan	-	-
Euro Denominated Loan	-	-
<b>Domestic Borrowings</b>	-	-
Kenya Shilling Loan From KCB	-	-
Kenya Shilling Loan from Barclays Bank	-	-
Kenya Shilling Loan from Consolidated Bank	-	-
Total Balance at End of The Year	-	-

Short Term Borrowings (Current Portion)	-	-
Long Term Borrowings	-	-
Total	-	-

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**Notes to the Financial Statements (Continued)**

**47 Social Benefit Liability**

Health social benefit scheme	-	-
Unemployment social benefit scheme	-	-
Orphaned and vulnerable benefit scheme	-	-
Elderly social benefit scheme	-	-
Disability social benefits	-	-
<b>Total</b>	-	-
	-	-
Current social benefits	-	-
Non- current social benefits	-	-
<b>Total (tie to totals above)</b>	-	-

**48 Service Concession Arrangements Liability**

Fair value of service concession assets recognized under PPE	-	-
Accumulated depreciation to date	-	-
Net carrying amount	-	-
Service concession liability at beginning of the year	-	-
Service concession revenue recognized	-	-
Service concession liability at end of the year	-	-

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**Notes to the Financial Statements (Continued)**

**49 Cash Generated from Operations**

<b>Surplus for the year before tax</b>	<b>62,599,774</b>
<b>Adjusted for:</b>	
Depreciation	1,623,796
Non-cash grants received	-
Contributed assets	-
Impairment	-
Gains and losses on disposal of assets	-
Contribution to provisions	-
Contribution to impairment allowance	-
<b>Working capital adjustments</b>	<b>64,223,570</b>
Increase in inventory	-
Increase in receivables	-
Increase in deferred income	205,921,832
Decrease in payables	(55,372,918)
Increase in Refundable deposits	9,839,289
<b>Net cash flow from operating activities</b>	<b>224,611,773</b>

**50 Financial Risk Management**

The State Departments activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The State Departments 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 State Departments 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 State Departments financial risk management objectives and policies are detailed below:

**i) Credit risk**

The State Department has no 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, considering its financial position, past experience and other factors. Individual risk limits are set based on internal or

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external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the State Department management based on prior experience and their assessment of the current economic environment.

The carrying amount of financial assets recorded in the financial statements representing the State Department maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

As at July 2024				
Receivables from exchange transactions	-	-	-	-
Receivables from non-exchange transactions	-	-	-	-
Bank balances	-	-	-	-
<b>Total</b>	-	-	-	-

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the State Department has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The State Department has no significant concentration of credit risk on amounts. The board of directors sets the State Department credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

**ii) Liquidity risk management**

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

The table below represents cash flows payable by the State Department under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts

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disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

As at 30 June 2025				
Trade payables	-	1,754,350	-	-
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Deferred income	-	-	-	-
Employee benefit obligation	-	-	-	-
<b>Total</b>	-	<b>1,754,350</b>	-	-

**iii) Market risk**

The State Department has put in place an internal audit function to assist it in assessing the risk faced by the State Department 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 State Department 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. The State Department Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day-to-day implementation of those policies. There has been no change to the State Department exposure to market risks or the manner in which it manages and measures the risk.

**a) Foreign currency risk**

The State Department has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate. The State Department manages foreign exchange risk from future commercial transactions and recognised assets and liabilities by projecting for expected sales proceeds and matching the same with expected payments.

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The carrying amount of the State Department foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

**FY 2024/2025**

<b>As At 30 June 2025</b>			
<b>Financial Assets</b>	-	-	-
Investments	-	-	-
Cash	-	-	-
Debtors	-	-	-
<b>Total Financial Assets</b>	-	-	-
<b>Financial Liabilities</b>	-	-	-
Trade And Other Payables	-	-	-
Borrowings	-	-	-
<b>Total Financial Liabilities</b>	-	-	-
<b>Net Foreign Currency Asset/(Liability)</b>	-	-	-

**Foreign currency sensitivity analysis**

**FY 2024/2025**

<b>As At 30 June 2025</b>			
<b>Financial Assets</b>	-	-	-
Investments	-	-	-
Cash	-	-	-
Debtors	-	-	-
<b>Total Financial Assets</b>	-	-	-
<b>Financial Liabilities</b>	-	-	-
Trade And Other Payables	-	-	-
Borrowings	-	-	-
<b>Total Financial Liabilities</b>	-	-	-
<b>Net Foreign Currency Asset/(Liability)</b>	-	-	-

The following table demonstrates the effect on the State Department statement of comprehensive income on applying the sensitivity for a reasonable possible change in the exchange rate of the three main transaction currencies, with all other variables held constant.

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The reverse would also occur if the Kenya Shilling appreciated with all other variables held constant.

<b>2025</b>			
Euro	-	-	-
USD	-	-	-

**b) Interest rate risk**

Interest rate risk is the risk that the State Department financial condition may be adversely affected as a result of changes in interest rate levels. The MDA's interest rate risk arises from bank deposits. This exposes the State Department to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the State Department deposits.

**Management of interest rate risk**

To manage the interest rate risk, management has endeavoured to bank with institutions that offer favourable interest rates.

**Financial Risk Management**

**Sensitivity analysis**

The State Department analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior year. Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates increase/decrease by one percentage point as a decrease/increase.

**Fair value of financial assets and liabilities**

**a) Financial instruments measured at fair value.**

**Determination of fair value and fair values hierarchy**

IPSAS 30 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the State Department market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available. The State Department considers relevant and observable market prices in its valuations where possible.

The following table shows an analysis of financial and non- financial instruments recorded at fair value by level of the fair value hierarchy:

	Level 1	Level 2	Level 3	Total
<b>As At 30 June 2025</b>				
<b>Financial Assets</b>				
Quoted Equity Investments	-	-	-	-
<b>Non- Financial Assets</b>	-	-	-	-
Investment Property	-	-	-	-
Land And Buildings	-	-	-	-
	-	-	-	-

There were no transfers between levels 1, 2 and 3 during the year. Disclosures of fair values of financial instruments not measured at fair value have not been made because the carrying amounts are a reasonable approximation of their fair values.

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**Notes to the Financial Statements (Continued)**

**iv) Capital Risk Management**

The objective of the MDA's capital risk management is to safeguard the State Department ability to continue as a going concern. The State Department capital structure comprises of the following funds:

Revaluation Reserve	-
Retained Earnings	-
Capital Reserve	-
<b>Total Funds</b>	-
Total Borrowings	-
Less: Cash and Bank Balances	-
Net Debt/ (Excess Cash and Cash Equivalents)	-
<b>Gearing</b>	-

**51 Related Party Disclosures**

**Nature of related party relationships**

Entities and other parties related to the State Department 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.

**Government of Kenya**

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

**Other related parties include:**

- i) The Parent Ministry.
- ii) County Governments
- iii) Other SCs and SAGAs
- iv) Key management.
- v) Board of directors.

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**Notes to the Financial Statements (Continued)**

<b>Transactions with related parties</b>	
<b>a) Sales to related parties</b>	
Sales of electricity to govt agencies	-
Rent income from govt. Agencies	-
Water sales to govt. Agencies	-
Others e.g. interest and bank charges	-
<b>Total</b>	-
<b>B) purchases from related parties</b>	-
Purchases of electricity from KPLC	1,560,139
Purchase of water from govt service providers	796,493
Rent expenses paid to govt agencies	-
Training and conference fees paid to govt. Agencies	-
Others	-
<b>Total</b>	<b>2,356,632</b>
<b>b) Grants /transfers from the government</b>	-
Grants from national govt	-
Grants from county government	-
Donations in kind	-
<b>Total</b>	-
<b>c) Expenses incurred on behalf of related party</b>	-
Payments of salaries and wages for employees	-
Payments for goods and services	-
<b>Total</b>	-
<b>d) Key management compensation</b>	-
Directors' emoluments	-
Compensation to key management	-
<b>Total</b>	<b>2,356,632</b>

**52 Segment Information**

The State Department operates in the same geographical region and all departments operate in the same location.

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**Notes to the Financial Statements (Continued)**

**53 Contingent Assets and Contingent Liabilities**

**Contingent Assets**

<b>Contingent Assets</b>	
Insurance Reimbursements	-
Assets Arising from Determination of Court Cases	-
Reimbursable Indemnities and Guarantees	-
Receivables from Other Government Entities	-
Others	-
<b>Total</b>	-

**Contingent Liabilities**

<b>Contingent Liabilities</b>	-
Court Case against the State Department	-
Bank Guarantees in Favour of Subsidiary	-
Contingent Liabilities arising from Contracts Including PPPs	-
Others	-
<b>Total</b>	-

**54 Capital Commitments**

Authorised for	-
Authorised and Contracted for	-
<b>Total</b>	-

**State Department for Micro, Small and Medium Enterprises Development (MSMEs)  
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**Notes to the Financial Statements (Continued)**

**55 Program for Results (PforR) Disclosure**

The State Department does not implement Programs for Results (PforR).

Name of PforR:			Name of Financing Partners:			
Expenditure Details	Opening Cumulative for Previous FYs		2024/2025		Total Cumulative	
	Budget	Actual	Budget	Actual	Budget	Actual
<b>Program code</b>	-	-	-	-	-	-
Sub-program						
Sub-program						
<b>Sub-total</b>						
<b>Program code</b>						
Sub-program						
Sub-program						
<b>Subtotal</b>					-	
<b>Total</b>	-	-	-	-	-	-

**56 Events after the Reporting Period**

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

**57 Ultimate and Holding MDA**

The State Department ultimate parent is the Government of Kenya.

**58 Currency**

The financial statements are presented in Kenya Shillings (Kshs) and is rounded off to the nearest shilling.

19. Appendix

Appendix 1: Implementation Status of Auditor-General’s Recommendations

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

OAG/AUD/MSME/2022/2023/(11)	<p><b>Cash and cash Equivalent Balance</b> The statement of financial assets and financial liabilities and as disclosed in note 7A to the financial statements reflects bank balance of kshs 49,717,415. The balance comprises of bank balance of kshs 2,813,284 and bank balance elsewhere for</p>	<p>Our actual bank balance as disclosed in Note 7A to the financial statements reflects a bank balance of kshs 49,505,283.20 comprising of CBK recurrent bank account of KSHS 2,601,152.20 and bank balances for SAGAs (Kenya Industrial Estate and Micro and Small Enterprise Authority) of kshs 46,904,131 as per copies of <b>certificates of bank balance</b> and <b>financial statements</b> ref no. MC &amp; MSME/MSME/1/2/(29) dated 23<sup>rd</sup> November 2023 received in OAG offices on 24<sup>th</sup> November 2023 (<b>copies attached</b>) <b>Appendix 1</b>. However, we have realised that the Auditor picked bank balance of kshs 2,813,284 from</p>	Not Resolved	

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Reference No. of the external audit Report	Issue / Observations from Auditor	Management comments	Status (Resolved/ Not Resolved)	Timeline (If a date when you expect the issue to be resolved)
	<p>SAGAS (KIE and MSEA) of kshs 46,904,131. However, the cashbook balance in support of the Recurrent bank Account reflects nil balance resulting in unreconciled balance of kshs 2,813,284. Further the KIE and MSEA balance of kshs 46,904,131 was not supported with certificate of bank balance. In the circumstances, the completeness and accuracy of the cash and</p>	<p>our earlier response to management letter ref no MC &amp; MSME/MSME/1/2/ (27) dated 10<sup>th</sup> November 2023. <b>(copy attached). Appendix 2</b></p> <p>We acknowledge our bank balance of kshs 2,601,152.20 as per Note 7A to the financial statement should not have been treated as an expense in our cashbook in the month of June 2023 hence reflecting a NIL bank balance for the financial year under review. The balance of kshs 2,601,152.20 should have been treated as an opening balance for financial year 2023/24. We have made amendments to our cashbook to reflect a true position <b>(attached herewith, please find an extract of the cashbook) Appendix 3</b>. Further, an amount of kshs 2,601,152.20 was transferred to National treasury</p>		

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[Redacted Header]				
	cash equivalents balance of kshs 49,717,415 could not be confirmed.	as an unspent balance on 24th July 2023 as per the <i>attached copy of bank statement</i> . <b>Appendix 4</b>		
OAG/AUD/MSME/2022/2023/(11)	<p><b>Budgetary Control and Performance</b></p> <p>The Statement of Comparison of Budget and Actual Amounts reflects final receipts budget and actual on comparable basis of kshs 633,620,281 and kshs 647,149,858 respectively resulting in an overcollection of kshs 13,529,577. The over</p>	<p>Our statement of comparison of budget and actual amounts expenditure summary as contained in the financial report and statement for the period ended 30<sup>th</sup> June,2023 included an amount of kshs 46,904,131 being over collection of AIA by SAGAs. This over collection was treated as part of the transfers to SAGAS giving an impression of over expenditure. (<b>Attached herewith is an extract of the financial report</b>). <b>Appendix 5</b></p> <p>We have amended the financial reports and statements and presented to OAG office vide</p>	Not Resolved	

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Reference No. in the external audit Report	Issue / Observations from Auditor	Management comments	Status (Resolved / Not Resolved)	Timeframe (If in a date when you expect the issue to be resolved)
	<p>collection is attributed to miscellaneous revenue over performance where the actual collection was kshs 257,604,131 against the budgeted collection of kshs 210,700,000. Further, the department spent kshs 644,336,574 against approved budget of kshs 633,620,281 resulting to over expenditure of kshs 10,716,293.</p>	<p>letter ref no. MC &amp; MSME/MSME/1/2/(29) dated 23<sup>rd</sup> November 2023. The miscellaneous receipt of kshs 46,904,131 has been excluded from statement of budget execution and actual amounts expenditure summary as part of the transfers to SAGAs. Our actual expenditure for the period therefore is kshs 597,644,575 against a budgetary allocation of kshs 633,620,281. The percentage of total expenditure to actual budget is 94.32%. <b>Attached herewith, please find an amended extract of statement of comparison of budget and actual amounts). Appendix 6</b></p>		
OAG/AUD/MSME/2022/2023/(11)	<b>Irregular Advance payment for fuel, Oils and lubricants</b>	The state department wish to state that we utilized the state department for public works - supplies branch contract	Not Resolved	

**State Department for Micro, Small and Medium Enterprises Development (MSMEs)  
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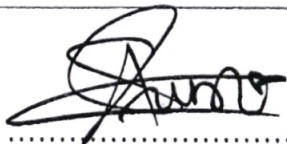
	<p>The statement of receipts and payments reflects expenditures on use of goods and services and routine maintenance of kshs 55,266,832 and kshs 694,766 respectively as disclosed in note 4 to the financial statements. The expenditure on use of goods and services include expenditure on fuel, oil and lubricants of kshs 2,286,472. However, expenditure on fuel, oil and lubricants</p>	<p><i>(attached herewith). Appendix 7</i></p> <p>It is a standard procedure that an item of the nature of fuel and lubricants be paid for in bulk and consumption is done on a need basis. This practice is most suitable where the department does not have storage facility for bulk fuel purchase. The state department for MSME employs the use of fuel cards as internal control measures in consumption of fuel.</p> <p>The fuel that was paid for has since been consumed in full as per the <b>statement herein attached. Appendix 8</b></p>	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status (Resolved / Not Resolved)	Final date (If not resolved specify the date of resolution)
	<p>and routine maintenance totalling kshs 2,981,238 were paid in advance contrary to section 146 of the Public Procurement and Disposal Act, 2015 which states that no works, goods or services contract shall be paid for before they are executed or delivered and executed or delivered and accepted by the accounting officer of a procuring entity or an officer authorized by him</p>			

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	<p>or her in writing except where so specified in the tender documents and contract agreement. Such an advance payment shall not be paid before the contract is signed. Further, signed contracts between the state department and suppliers were not provided for audit.</p>			



Accounting Officer

Date 20/11/2025

State Department for Micro, Small and Medium Enterprises Development (MSMEs)  
Annual Reports and Financial Statements for the year ended June 30, 2025.

Appendix II: Projects implemented by (State Department for Micro, Small and Medium Enterprises Development (MSMEs)

Project Name	Project Number	Donor	Period/ Duration	Donor commitment	Separate donor reporting required per the donor agreement (Yes/No)	Consolidated in the financial statements (Yes/No)
Centre for entrepreneurship	BMZ-Ref.:2018 65 245	Kfw	4yrs	3,864,000,000	Yes	Yes
National Youth Opportunities Towards Advancement	7355-KE	World bank	5yrs	6,182,538,000	Yes	Yes
Kenya Jobs Economic Transformation	7450-KE	World bank	5yrs	20,000,000,000	Yes	Yes

Status of Projects completion

Project Name	Total Commitment	Total Disbursed	Completion Rate	Disbursed	Disbursed	Source of funds
Centre for entrepreneurship	KES 3,864,000,000	29,077,550	0.75%	32,500,000	29,077,550	G.O. K
National Youth Opportunities	KES 6,182,538,000	KES 1,032,696,450	17%	1,240,000,000	1,032,696,450	Donor Funded

**State Department for Micro, Small and Medium Enterprises Development (MSMEs)  
Annual Reports and Financial Statements for the year ended June 30, 2025.**

Towards Advancement						
Kenya Jobs Economic Transformation	KES 20,000,000,000	KES 532,483,287.45	3%	547,162,400	532,483,287.45	Donor Funded

State Department for Micro, Small and Medium Enterprises Development (MSMEs)  
 Annual Reports and Financial Statements for the year ended June 30, 2025.

Appendix III: Fixed Asset Register

	Historical Cost (KSh) Previous Year	Additions during the year (KSh)	Disposals during the year (KSh)	Transfers in/out during the year	Historical Cost (KSh) Current Year
Land					
Buildings and structures					
Transport equipment	71,193,689	-			71,193,689
Office equipment, furniture and fittings	4,516,241	6,350,000			10,866,241
ICT Equipment	3,906,312	2,492,631			6,398,943
Machinery and Equipment					
Biological assets					
Infrastructure Assets- Roads, Rails					
Heritage and cultural assets					
Intangible assets					
Work in Progress					
<b>Total</b>	<b>79,616,242</b>	<b>8,842,631</b>			<b>88,458,873</b>

**State Department for Micro, Small and Medium Enterprises Development (MSMEs)  
Annual Reports and Financial Statements for the year ended June 30, 2025.**

**Appendix IV: Transfers from Other Government Entities**

Date of the RFD Done	Date of the transfer	From	To	Amount	Where	Account	Account	Account	Total

**Appendix VI: Reporting of Climate Relevant Expenditures**

Project Name	Project Description	Project Objectives	Project Activities					Source Of Funds	Implementing Partner
				Q1	Q2	Q3	Q4		

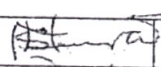
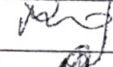

**State Department for Micro, Small and Medium Enterprises Development (MSMEs)  
Annual Reports and Financial Statements for the year ended June 30, 2025.**

**Appendix VII: Disaster Expenditure Reporting Template**

Programme	Sub-programme	Disaster Type	Category of disaster related Activity that require expenditure reporting (response/recovery/mitigation/preparedness)	Expenditure item	Amount (Kshs.)	Comments

MINISTRY OF COOPERATIVES AND MSMEs DEVELOPMENT  
 STATE DEPARTMENT FOR MICRO, SMALL AND MEDIUM ENTERPRISES DEVELOPMENT  
 TRIAL BALANCE  
 PERIOD ENDED 30TH JUNE 2025

PARTICULARS	DR	CR
SALARY AND WAGES	151,592,709	
UTILITIES, SUPPLIES AND SERVICES	2,356,632	
COMMUNICATION, SUPPLIES AND SERVICES	5,181,809	
DOMESTIC TRAVEL AND SUBSISTENCE	53,470,054	
FOREIGN TRAVEL AND SUBSISTENCE		
PRINTING, ADVERTISEMENT AND INFORMATION SUPPLIES	9,025,901	
RENTAL OF PRODUCED ASSETS	39,681,477	
TRAINING EXPENSES	30,398,406	
HOSPITALITY SUPPLIES AND SERVICES	14,624,127	
SPECIALISED MATERIALS AND SUPPLIES	46,700	
OFFICE AND GENERAL SUPPLIES SERVICES	9,242,399	
FUEL AND LUBRICANTS	8,982,820	
ROUTINE MAINTENANCE	4,993,868	
CURRENT GRANTS TO GOVERNMENT AGENCIES	753,526,000	
CAPITAL GRANTS TO GOVERNMENT AGENCIES	4,070,257,288	
REFURBISHMENT OF BUILDINGS	57,067,385	
PURCHASE OF OFFICE FURNITURE AND GENERAL EQUIPMENT	7,218,835	
DEPRECIATION OF FURNITURE AND GENERAL EQUIPMENT	1,623,796	
PAYMENT FOR PREVIOUS YEARS PAYABLES	57,127,268	
RECURRENT BANK ACCOUNT	5,022	
DEVELOPMENT BANK ACCOUNT	3,000	
CENTRE FOR ENTREPRENEURSHIP PROJECT ACCOUNT	687,400	
NATIONAL YOUTH OPPORTUNITIES TOWARDS ADVANCEMENT PROJECT ACCOUNT	190,555,319	
KENYA JOBS AND ECONOMIC TRANSFORMATION PROJECT ACCOUNT	14,679,113	
DEPOSIT/ RETENTION BANK ACCOUNT	9,839,289	
CONTRACTORS RETENTION MONEY		9,839,289
EXCHEQUER RECEIPTS		5,480,592,977
PENDING BILLS/ LIABILITIES		1,754,350
TOTALS	5,492,186,616	5,492,186,616

PREPARED BY	Solomon Kivata	SIGN	
CHECKED BY	Paul Njigi	SIGN	
APPROVED BY	Jacob Macharia	SIGN	

REPUBLIC OF KENYA

Date 15-07-2025

Report of the board of Survey on the Cash and Bank Balances of Recurrent Accounts No - 1000695374 as at the close of business on 30th June 2025

The Board, consisting of- (Names and Official titles)
CHAIRPERSON: BEATRICE W. THAO
SECRETARY: PAMU MUGRI
MEMBER: EVANS JILANI

assembled at the office of THE CAROL STATE DEPARTMENT FOR MORE, at 11:00 AM (time) on the 15th July 2024. 20. MTRK MEDIUM ENTERANCE

and the following cash was produced:-
Notes ML Sh ML
Silver MML Sh ML
Copper ML Sh ML
Cheques (as details on reverse) Sh ML

It was observed that cheques amounting to Sh ML cts ML had been at hand for more than 14 days prior to the date of the survey.

The cash consists of East African currency and does not contain any demonetized coin or notes.

The cash book reflected the following balances as at the close of business on the 30th June 2025, 20.

Cash at hand Sh ML
Bank Balance Sh 5022.20

The Bank Certificate of Balance showed a sum of Shs. (Sh. 442270, cts 20.)

Amounting to the credit of the account on 30th June 2025

The difference between this figure and the Bank Balance as shown by the Cash Book is accounted for in the Bank Reconciliation statement (F.O. 30) attached.

Date 15/07/2025

Chairman
Member of the Board

REPUBLIC OF KENYA

Date 15-07-2025  
Development

Report of the board of Survey on the Cash and Bank Balances of  
Account no. 1000695484 as at the close of  
business on 20th JUNE 2025

The Board, consisting of- (Names and Official titles)  
CHAIRPERSON: BEATRICE W. THAO  
Secretary PAUL K. MUGISI  
MEMBER EVANS JILANI

assembled at the office of THE CASHIER - STATE DEPARTMENT for MCO, at 11:00 Am (time) on the 15th July 2025 20. Stamp: MCO, ESTD 1962

and the following cash was produced:-  
Notes ..... Sh .....  
Silver ..... Sh .....  
Copper ..... Sh .....  
Cheques (as details on reverse) ..... Sh .....

It was observed that cheques amounting to Sh ..... cts ..... had been at hand for more than 14 days prior to the date of the survey.

The cash consists of East African currency and does not contain any demonetized coin or notes.

The cash book reflected the following balances as at the close of business on the 20th JUNE 2025  
Cash at hand ..... Sh .....  
Bank Balance ..... Sh .....

The Bank Certificate of Balance showed a sum of Shs. .... (Sh. 2000, cts 00) Amounting to the credit of the account on 20th JUNE 2025

The difference between this figure and the Bank Balance as shown by the Cash Book is accounted for in the Bank Reconciliation statement (F.O. 30) attached.

Date 15/07/2025

Chairman  
Member of the Board

LIST OF CHEQUES INCLUDED AS PART OF CASH ON HAND

CHEQUE NO	DRAWER	DATE OF CHEQUE	DATE RECEIVED	AMOUNT

REPUBLIC OF KENYA

Report of the board of Survey on the Cash and Bank Balances of DEPOSIT STATE DEPT MCA Date 15-07-2025  
 Account no. 1000695382 as at the close of  
 business on 30th June 2025

The Board, consisting of- (Names and Official titles)  
 CHAIRPERSON: BEATRICE W. THUO  
 SECRETARY: PAUL K. MUGI  
 MEMBER: EVANS JILANI

assembled at the office of THE CARMA STATE DEPARTMENT FOR MCA  
 at 11:00 Am (time) on the 15th July 2025 20 25

and the following cash was produced:-  
 Notes ML Sh ML  
 Silver ML Sh ML  
 Copper ML Sh ML  
 Cheques (as details on reverse) Sh ML

It was observed that cheques amounting to Sh ML cts ML  
 had been at hand for more than 14 days prior to the date of the survey.

The cash consists of East African currency and does not contain any demonetized coin or notes.

The cash book reflected the following balances as at the close of business on the  
30th June 2025  
 Cash at hand Sh .....  
 Bank Balance Sh 9839,289.05

The Bank Certificate of Balance showed a sum of Shs.....  
 (Sh. 7097,347 cts 25)  
 Amounting to the credit of the account on 30th June 2025

The difference between this figure and the Bank Balance as shown by the Cash Book is accounted for in the Bank Reconciliation statement (F.O. 30) attached.

Date 15/07/2025  
 Chairman [Signature]  
 Member of the Board



BANKI  
KUU YA  
KENYA



CENTRAL  
BANK OF  
KENYA

Haile Selassie Avenue  
P.O. Box 60000 - 00200 Nairobi, Kenya  
Telephone: 2860000, Fax: 3340192


July 18, 2025


## CERTIFICATE OF BALANCES

Customer : 167954  
Balance  
Date: 30-Jun-25

STATE DEPT FOR MICRO SMALL  
AND MEDIUM ENTERPRISES

Account No	Account Name	Currency	Balance
1000695374	REC-STATE DEPT FOR MICRO, SMALL MED	KES	442,870.20
1000695382	DEP-STATE DEPT FOR MICRO, SMALL MEDI	KES	7,097,347.25
1000695398	CBK 165-STATE DEP FOR MICRO, SMALL M	KES	0.00
1000695404	DEV-STATE DEPT FOR MICRO, SMALL MEDI	KES	3,000.00
1000739215	FINANCIAL INCLUSION FUND	KES	0.00
1000739697	KFW PROG FOR PROM OF ENTRERP AND EM	KES	0.00
1000742518	CENTER FOR ENTREPRENEURSHIP PROJECT	KES	1,239,400.00
1000745002	NATIONAL YOUTH OPPORT TOWARDS ADV P	KES	190,555,319.00
1000745258	FINANCIAL INCLUSION FUND	KES	0.00
1000746653	KENYA JOBS AND ECONOMIC TRANSF PROJ	KES	39,741,714.55

  
Micah Nabori  
Authorised Signatory  
Banking Services Division

  
Joyce Nasieku  
Authorised Signatory  
Banking Services Division



REPUBLIC OF KENYA

MINISTRY OF CO-OPERATIVES AND MICRO, SMALL & MEDIUM ENTERPRISES (MSMES)  
DEVELOPMENT  
STATE DEPARTMENT FOR MICRO, SMALL & MEDIUM ENTERPRISES (MSMES) DEVELOPMENT

Telephone: 020-2731531-9

Email: [ps@msme.go.ke](mailto:ps@msme.go.ke)

Fax: 273511

When replying please quote:

SOCIAL SECURITY BUILDING  
BISHOP ROAD  
P.O. Box 30547-00100  
NAIROBI

Ref: MSME/ACC/CBK/5/Vol. I/ (39)

Central Bank of Kenya  
Central Bank of Kenya  
P O Box 60000- 00200  
NAIROBI



17<sup>th</sup> July, 2025

**RE: REQUEST FOR ACCOUNT BALANCES**

The State Department for Micro, Small and Medium Enterprises Development request for the Bank Certificates as at 30<sup>th</sup> June 2025 for the Accounts scheduled below:

Type	Account Number	Account Name	Currency
Recurrent Account	1000695374	Rec-State Dept for Micro, Small and Medium Enterprises Development	Ksh
Development Account	1000695404	Dev- State Dept for Micro, Small and Medium Enterprises Development	Ksh
Deposit Account	1000695382	Dep-State Dept for Micro, Small and Medium Enterprises Development	Ksh
Project Accounts	1000746653	Kenya Jobs and Economic Transformation Project	Ksh
	1000742518	Centre for Entrepreneurship Project	Ksh
	1000745002	National Youth Opportunities Towards Advancement	Ksh
Others	1000695398	CBK 165- State Dept for Micro, Small and Medium Enterprises Development	Ksh
	1000739215	Financial Inclusion Fund	Ksh

Thank you for your continued support

Stephen Gakanga  
AUTHORISER

Jacob Macharia  
AUTHORISER

1943-1944

Police List

John Smith	by 517223	210820	2443	CA	11/10/43
John Brown	by 517223	210820	2444	CA	11/10/43
John White	by 517223	210820	2445	CA	11/10/43
John Black	by 517223	210820	2446	CA	11/10/43
John Green	by 517223	210820	2447	CA	11/10/43
John Grey	by 517223	210820	2448	CA	11/10/43
John Blue	by 517223	210820	2449	CA	11/10/43
John Yellow	by 517223	210820	2450	CA	11/10/43
John Purple	by 517223	210820	2451	CA	11/10/43
John Pink	by 517223	210820	2452	CA	11/10/43
John Red	by 517223	210820	2453	CA	11/10/43
John Orange	by 517223	210820	2454	CA	11/10/43
John Olive	by 517223	210820	2455	CA	11/10/43
John Teal	by 517223	210820	2456	CA	11/10/43
John Gold	by 517223	210820	2457	CA	11/10/43
John Silver	by 517223	210820	2458	CA	11/10/43
John Bronze	by 517223	210820	2459	CA	11/10/43
John Copper	by 517223	210820	2460	CA	11/10/43
John Iron	by 517223	210820	2461	CA	11/10/43
John Steel	by 517223	210820	2462	CA	11/10/43
John Tin	by 517223	210820	2463	CA	11/10/43
John Lead	by 517223	210820	2464	CA	11/10/43
John Zinc	by 517223	210820	2465	CA	11/10/43
John Nickel	by 517223	210820	2466	CA	11/10/43
John Cobalt	by 517223	210820	2467	CA	11/10/43
John Cadmium	by 517223	210820	2468	CA	11/10/43
John Mercury	by 517223	210820	2469	CA	11/10/43
John Bismuth	by 517223	210820	2470	CA	11/10/43
John Antimony	by 517223	210820	2471	CA	11/10/43
John Arsenic	by 517223	210820	2472	CA	11/10/43
John Selenium	by 517223	210820	2473	CA	11/10/43
John Tellurium	by 517223	210820	2474	CA	11/10/43
John Polonium	by 517223	210820	2475	CA	11/10/43
John Astatine	by 517223	210820	2476	CA	11/10/43
John Francium	by 517223	210820	2477	CA	11/10/43
John Radium	by 517223	210820	2478	CA	11/10/43
John Actinium	by 517223	210820	2479	CA	11/10/43
John Thorium	by 517223	210820	2480	CA	11/10/43
John Protactinium	by 517223	210820	2481	CA	11/10/43
John Uranium	by 517223	210820	2482	CA	11/10/43
John Neptunium	by 517223	210820	2483	CA	11/10/43
John Plutonium	by 517223	210820	2484	CA	11/10/43
John Americium	by 517223	210820	2485	CA	11/10/43
John Curium	by 517223	210820	2486	CA	11/10/43
John Berkelium	by 517223	210820	2487	CA	11/10/43
John Californium	by 517223	210820	2488	CA	11/10/43
John Einsteinium	by 517223	210820	2489	CA	11/10/43
John Fermium	by 517223	210820	2490	CA	11/10/43
John Mendelevium	by 517223	210820	2491	CA	11/10/43
John Nobelium	by 517223	210820	2492	CA	11/10/43
John Lawrencium	by 517223	210820	2493	CA	11/10/43
John Rutherfordium	by 517223	210820	2494	CA	11/10/43
John Dubnium	by 517223	210820	2495	CA	11/10/43
John Seaborgium	by 517223	210820	2496	CA	11/10/43
John Bohrium	by 517223	210820	2497	CA	11/10/43
John Hassium	by 517223	210820	2498	CA	11/10/43
John Meitnerium	by 517223	210820	2499	CA	11/10/43
John Darmstadtium	by 517223	210820	2500	CA	11/10/43

1945-1946

John Smith	by 517223	210820	2443	CA	11/10/43
John Brown	by 517223	210820	2444	CA	11/10/43
John White	by 517223	210820	2445	CA	11/10/43
John Black	by 517223	210820	2446	CA	11/10/43
John Green	by 517223	210820	2447	CA	11/10/43
John Grey	by 517223	210820	2448	CA	11/10/43
John Blue	by 517223	210820	2449	CA	11/10/43
John Yellow	by 517223	210820	2450	CA	11/10/43
John Purple	by 517223	210820	2451	CA	11/10/43
John Pink	by 517223	210820	2452	CA	11/10/43
John Red	by 517223	210820	2453	CA	11/10/43
John Orange	by 517223	210820	2454	CA	11/10/43
John Olive	by 517223	210820	2455	CA	11/10/43
John Teal	by 517223	210820	2456	CA	11/10/43
John Gold	by 517223	210820	2457	CA	11/10/43
John Silver	by 517223	210820	2458	CA	11/10/43
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John Tin	by 517223	210820	2463	CA	11/10/43
John Lead	by 517223	210820	2464	CA	11/10/43
John Zinc	by 517223	210820	2465	CA	11/10/43
John Nickel	by 517223	210820	2466	CA	11/10/43
John Cobalt	by 517223	210820	2467	CA	11/10/43
John Cadmium	by 517223	210820	2468	CA	11/10/43
John Mercury	by 517223	210820	2469	CA	11/10/43
John Bismuth	by 517223	210820	2470	CA	11/10/43
John Antimony	by 517223	210820	2471	CA	11/10/43
John Arsenic	by 517223	210820	2472	CA	11/10/43
John Selenium	by 517223	210820	2473	CA	11/10/43
John Tellurium	by 517223	210820	2474	CA	11/10/43
John Polonium	by 517223	210820	2475	CA	11/10/43
John Astatine	by 517223	210820	2476	CA	11/10/43
John Francium	by 517223	210820	2477	CA	11/10/43
John Radium	by 517223	210820	2478	CA	11/10/43
John Actinium	by 517223	210820	2479	CA	11/10/43
John Thorium	by 517223	210820	2480	CA	11/10/43
John Protactinium	by 517223	210820	2481	CA	11/10/43
John Uranium	by 517223	210820	2482	CA	11/10/43
John Neptunium	by 517223	210820	2483	CA	11/10/43
John Plutonium	by 517223	210820	2484	CA	11/10/43
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John Einsteinium	by 517223	210820	2489	CA	11/10/43
John Fermium	by 517223	210820	2490	CA	11/10/43
John Mendelevium	by 517223	210820	2491	CA	11/10/43
John Nobelium	by 517223	210820	2492	CA	11/10/43
John Lawrencium	by 517223	210820	2493	CA	11/10/43
John Rutherfordium	by 517223	210820	2494	CA	11/10/43
John Dubnium	by 517223	210820	2495	CA	11/10/43
John Seaborgium	by 517223	210820	2496	CA	11/10/43
John Bohrium	by 517223	210820	2497	CA	11/10/43
John Hassium	by 517223	210820	2498	CA	11/10/43
John Meitnerium	by 517223	210820	2499	CA	11/10/43
John Darmstadtium	by 517223	210820	2500	CA	11/10/43

RECURRENT

CASHBOOK

FY 2024 / 2025

MSME

CASHBOOK





M/S ME  
DEVELOPMENT  
CASH BOOK  
2024 / 2025

F.O 26 (SMALL)  
CASH BOOK

2022 / 2023

F/7

2023 / 2024





**MSEA**  
**Micro And Small Enterprises**  
**Authority**

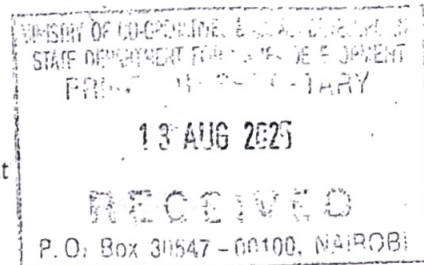
Tel: 020-340006  
 Cell:+254 700 666 000  
 +254 770 666 000  
 Email: mseakenya@gmail.com  
 When replying, Please quote:

Utalii House, 10<sup>th</sup> Floor Left Wing  
 Utalii Lane, Along Uhuru Highway  
 P.O. Box 48823 – 00100  
 Nairobi  
 Kenya

Ref: MSEA/10/05/ (177) Vol V

Date: 13<sup>th</sup> August 2025

Susan Mang'eni  
 The Principal Secretary  
 State Department for MSMES Development  
 Ministry of Co-operatives and MSMES Development  
NAIROBI



Attn: Stephen Gakanga

RE: CONFIRMATION OF FUNDS PAID IN FINANCIAL YEAR 2024/2025

Reference is made to your letter Ref No: MSME/ACC /EXC/1/ Vol. II/61 dated 31<sup>st</sup> July 2025 on the above subject matter.

The Authority received Ksh 488,400,000 from the State Department for Trade in respect to Recurrent Grant, Ksh 477,500,000 Development Grant, NYOTA Project Grant Ksh 1,032,696,450 and KJET Project Grant Ksh 499,162,400 as at 30<sup>th</sup> June 2025 for the financial year 2024/2025 as per the below table.

RECURRENT EXCHEQUERS

DATE	FUNDS RECEIVED	REF. NOS
19-06-25	40,699,999.00	FT25170JVMV3
16-05-25	40,700,000.00	FT25136TCVTV
16-05-25	93,333,336.00	FT25136BZX78
16-05-25	11,666,667.00	FT25136BDCJL
29-04-25	40,700,000.00	FT25118ZPYCY

02-04-25	29,033,333.00	FT25092MYGLW
27-02-25	29,033,333.00	FT25058GVHT0
28-01-25	29,033,333.00	FT25028MJZ2G
24-12-24	29,033,333.00	FT2435942V88
27-11-24	29,033,333.00	FT24332VWQ20
25-10-24	29,033,333.00	FT24299865TD
04-10-24	29,450,000.00	FT24276K22CT
13-09-24	29,033,333.00	FT24257CZQGQ
02-08-24	28,616,667.00	FT24215BK8L8
<b>TOTAL</b>	<b>488,400,000.00</b>	

**DEVELOPMENT EXCHEQUER**

DATE	FUNDS RECEIVED	REF. NOS
08-05-25	75,000,000.00	INWARD SWIFT STATE DEPT
08-05-25	75,000,000.00	INWARD SWIFT STATE DEPT
08-05-25	200,000,000.00	INWARD SWIFT STATE DEPT
20-02-25	63,000,000.00	INWARD SWIFT STATE DEPT
26-09-24	1,500,000.00	INWARD SWIFT STATE DEPT
20-11-24	1,500,000.00	INWARD SWIFT STATE DEPT
28-10-24	30,000,000.00	INWARD SWIFT STATE DEPT
28-10-24	30,000,000.00	INWARD SWIFT STATE DEPT
26-09-24	1,500,000.00	INWARD SWIFT STATE DEPT
<b>TOTAL</b>	<b>477,500,000.00</b>	

PROJECTS	DATE	FUNDS RECEIVED	REF NOs
KJET	09-06-25	52,000,000.00	RTGS
	08-01-25	447,162,400.00	RTGS
TOTAL		499,162,400.00	
NYOTA	09-04-25	200,000,000.00	RTGS
	21-03-25	232,696,450.00	RTGS
	24-12-24	200,000,000.00	RTGS
	02-10-24	400,000,000.00	RTGS
TOTAL		1,032,696,450.00	

Yours

*Caroline KAU*

DR. CAROLINE KAUA  
FOR: DIRECTOR GENERAL/CEO



REPUBLIC OF KENYA

# UWEZO FUND OVERSIGHT BOARD

SECRETARIAT

Lourhe House,  
16<sup>th</sup> Floor,  
Standard Street,  
Nairobi

visit our website:  
<https://www.uwezo.go.ke>

P. O. Box 42009-00100,  
NATROBI.  
E-MAIL: info@uwezo.go.ke

Ref: UWZ/MIN/3/7 (2)

21<sup>st</sup> August, 2025

The Principal Secretary

Ministry of Co-operatives and-Micro, Small & Medium Enterprises  
(MSME) Development

**NAIROBI**

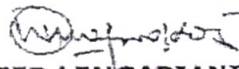
Attention: Head Accounting Unit

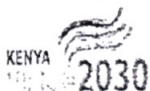
**RE: CONFIRMATION OF EXCHEQUER RECEIVED FY 2024/2025**

Reference is made to your letter dated 31<sup>st</sup> July, 2025 reference MSME/ACC/EXC/1/Vol.II/59 on the above subject matter.

This is to confirm that Uwezo Fund oversight board received a total of **Kshs. 140,700,000** (One hundred forty million, seven hundred thousand) being recurrent exchequer during the financial year 2024/2025 as tabulated below.

Date	Funds Received	Ref Nos
01/08/2024	11,725,000	FT2421485G62
13/09/2024	11,725,000	FT24257DJX5Q
01/10/2024	11,725,000	FT24275FKPMD
31/10/2024	11,725,000	FT24305F93QZ
28/11/2024	11,725,000	FT243332Y4N3
07/01/2025	11,725,000	FT25007SNYY5
27/01/2025	11,725,000	FT2502760N2K
11/03/2025	11,725,000	FT250709H8Q8
03/04/2025	11,725,000	FT25093GN97V
15/05/2025	23,450,000	FT25135PZ2D2
18/06/2025	11,727,000	FT25169V7MJJ
TOTAL	140,700,000	

for   
PETER LENGAPIANI, MBS  
HEAD OF SECRETARIAT  
UWEZO FUND



AHADI YETU KAZI KWAKO





**KENYA  
INDUSTRIAL  
ESTATES**

*Noted for your action*  
*[Signature]*  
*06/08/2025*

05 AUG 2025  
12.09

Date: 04<sup>th</sup> August, 2025

Your Ref: MSME/ACC/EXC/1/Vol.11/601

Our Ref: DKK/MoC & MSME/CoN.1.2/Vol.3/015

Principal Secretary,  
State Department for Micro, Small & Medium Enterprises Development,  
P.O. Box 30547-00100,  
Nairobi.

MINISTRY OF CO-OPERATIVES, MSMEs DEVELOPMENT  
STATE DEPARTMENT FOR MSMEs DEVELOPMENT  
HEAD OF ACCOUNTING UNIT  
07 AUG 2025  
**RECEIVED**  
Box 30547 - 00100, NAIROBI

Attn: Mr. Stephen Gakang'a

Dear Sir,

CONFIRMATION OF FUNDS DISBURSED IN THE FINANCIAL YEAR 2024/2025

We refer to the above captioned.

This is to confirm as per circular Ref: No. MSME/ACC/EXC/VOL.II(60) that Kenya Industrial Estates Limited (KIE) received Ksh.114,426,000 as recurrent exchequer and NO development exchequer as tabulated in the appendix.

Thank you.

Yours faithfully,

**DR. DOREEN KIMATHI, PhD**  
**AG. MANAGING DIRECTOR**

Fungua Viwanda

Kenya Industrial Estates Ltd  
Likoni/Lusingeti Road  
Nairobi Industrial Area  
P.O. Box 78029 - 00507  
Nairobi, Kenya

T: 020-66511348/53  
M: 0722297636, 0733279861  
E: admin@kie.co.ke  
W: kie.co.ke

**Recurrent Exchequers**

Date	Amounts Disbursed (A)	Reference Nos.
02/08/2024	9,535,500	FT2421570NV1
16/09/2024	9,535,500	FT24260KBP1R
02/10/2024	9,535,500	RT24276T6XHS
02/11/2024	9,535,500	FT24306CDBF0
29/11/2024	9,535,500	FT24334VWL75
07/01/2025	9,535,500	FT25007FOC51
28/01/2025	9,535,500	FT25028B69XV
12/03/2025	9,535,500	FT25071Z2LLW
04/04/2025	9,535,500	FT25094FDN61
16/05/2025	9,535,500	FT25136BS5KM
16/05/2025	9,535,500	FT25136FRRV8
19/06/2025	9,535,500	FT25170GKXDR
<b>Total</b>	<b>114,426,000.00</b>	


**Development Exchequers**

Date	Amounts Disbursed (A)	Reference Nos.
N/A	N/A	N/A
<b>Total</b>		

I confirm that the amount shown above are correct as of the date indicated.


Head of Accounts Department

Name: CPA CHARLES M. MATIVO  
FINANCE MANAGER

Signature .....  ..... Date..... 5/8/2025

Yours faithfully,

DR. DOREEN KIMATHI, PhD  
AG. MANAGING DIRECTOR

Signature .....  ..... Date..... 05/08/2025

Fungua Viwanda



# FINANCIAL INCLUSION FUND (HUSTLER)



Telephone: 020-2731531-9  
Email: [ceo@hustlerfund.go.ke](mailto:ceo@hustlerfund.go.ke)  
Fax: 273511  
When replying please quote:

Kenya Industrial Business Training (KIBT)  
OJIJO ROAD,  
P.O. Box 30547-00100  
NAIROBI

Ref. No.: FIF /ACC/1/120

Date: 22<sup>nd</sup> August, 2025

Susan A. Mang'eni, CBS  
Principal Secretary  
State Department for Micro, Small,  
Medium Enterprises (MSMEs) Development  
NAIROBI.

## RE: CONFIRMATION OF FUNDS RECEIVED FOR FY 2024/2025

Reference is made to your letter dated 31<sup>st</sup> July 2025 on the above subject matter.

The Financial Inclusion Fund received funds from State Department for Micro, Small and Medium Enterprises as tabulated below;

RECURRENT EXCHEQUERS RECEIVED		
DATE	AMOUNT RECEIVED	REF NUMBER
30/09/2024	833,333.30	From state department for MSME
28/10/2024	833,333.30	From state department for MSME
11/02/2024	833,333.00	From state department for MSME
29/11/2024	833,333.00	From state department for MSME
01/07/2025	833,333.00	From state department for MSME
17/01/2025	833,333.30	From state department for MSME
28/01/2025	833,333.00	From state department for MSME
03/12/2025	833,333.00	From state department for MSME
04/04/2025	833,333.00	From state department for MSME
16/05/2025	1,666,666.00	From state department for MSME
19-Jun-25	833,336.00	From state department for MSME
<b>TOTAL</b>	<b>9,999,999.90</b>	

**FO 30. MINISTRY OF COOPERATIVES AND MICRO, SMALL & MEDIUM ENTERPRISES**  
**BANK RECONCILIATION STATEMENT FOR RECURRENT ACCOUNT**  
**BANK ACCOUNT FOR THE MONTH ENDING 30TH JUNE 2025**

	AMOUNT	AMOUNT
	KSHS	KSHS
Balance as per Bank Certificate		442,870.20
LESS		
(1) PAYMENT IN THE CASH BOOK NOT YET RECORDED IN THE BANK STATEMENTS	36,101,490.00	
(2) RECEIPTS IN THE BANK STATEMENTS NOT YET RECORDED IN THE CASH BOOK		
<b>SUB- TOTAL KSHS</b>		
<b>ADD BACK</b>		
(3) PAYMENT IN THE BANK STATEMENT NOT YET RECORDED IN THE CASH BOOK		
(4) RECEIPT IN THE CASH BOOK NOT YET RECORDED IN THE BANK STATEMENTS	35,663,642.00	
<b>CASH BOOK BALANCE</b>		5,022.20

Prepared by:  
 Veronica Kivuva  
 Name

Senior Accountant .....  
 Designation Sign

Checked by:  
 J. Macharia  
 Name

AAG .....  
 Designation Sign

I certify that the bank reconciliation statements are correct  
 Principle Secretary .....

FO 30. MINISTRY OF COOPERATIVES AND MICRO, SMALL & MEDIUM ENTERPRISES		
BANK RECONCILIATION STATEMENT FOR DEPOSIT ACCOUNT		
BANK ACCOUNT FOR THE MONTH ENDING 30TH JUNE 2025		
	AMOUNT	AMOUNT
	KSHS	KSHS
Balance as per Bank Certificate		7,097,347.25
LESS		
(1) PAYMENT IN THE CASH BOOK NOT YET RECORDED IN THE BANK STATEMENTS		
(2) RECEIPTS IN THE BANK STATEMENTS NOT YET RECORDED IN THE CASH BOOK		
SUB-TOTAL KSHS		
ADD BACK		
(3) PAYMENT IN THE BANK STATEMENT NOT YET RECORDED IN THE CASH BOOK		
(4) RECEIPT IN THE CASH BOOK NOT YET RECORDED IN THE BANK STATEMENTS	2,741,941.80	
CASH BOOK BALANCE		9,839,289.05

Prepared by:  
Veronicah Kivuva  
Name

Checked by:  
J. Macharia  
Name

Senior Accountant .....  
Designation Sign

A. AG .....  
Designation Sign

I certify that the bank reconciliation statements are correct  
Principle Secretary .....

FO 30. MINISTRY OF COOPERATIVES AND MICRO, SMALL & MEDIUM ENTERPRISES  
 BANK RECONCILIATION STATEMENT FOR DEVELOPMENT ACCOUNT  
 BANK ACCOUNT FOR THE MONTH ENDING 30TH JUNE 2025

	AMOUNT KSHS	AMOUNT KSHS
Balance as per Bank Certificate		
LESS		3,000.00
(1) PAYMENT IN THE CASH BOOK NOT YET RECORDED IN THE BANK STATEMENTS		
(2) RECEIPTS IN THE BANK STATEMENTS NOT YET RECORDED IN THE CASH BOOK		
SUB-TOTAL KSHS		
ADD BACK		
(3) PAYMENT IN THE BANK STATEMENT NOT YET RECORDED IN THE CASH BOOK		
(4) RECEIPT IN THE CASH BOOK NOT YET RECORDED IN THE BANK STATEMENTS		
CASH BOOK BALANCE		3,000.00

Prepared by:  
 Veronicah Kivuva  
 Name

Senior Accountant  
 Designation

Sign

Checked by:  
 J. Macharia  
 Name

AAG  
 Designation

Sign

I certify that the bank reconciliation statements are correct  
 Principle Secretary .....

