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A. Shubuko

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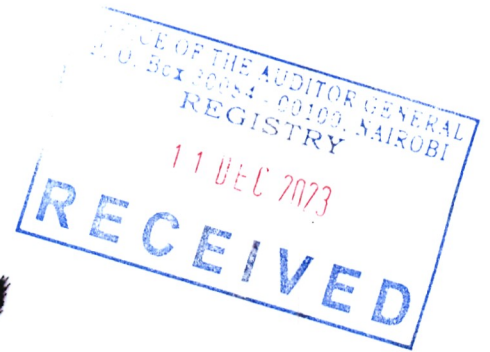
THE AUDITOR-GENERAL

ON

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

**FOR THE NINE (9) MONTHS PERIOD
ENDED 30 JUNE, 2023**





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

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

REPORT AND FINANCIAL STATEMENTS

**FOR NINE (9) MONTHS ENDED JUNE 30,
2023**

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

**MINISTRY OF CO-OPERATIVES AND MICRO, SMALL AND MEDIUM
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1. Acronyms and Glossary of Terms

AGPO	Access to Government Procurement Opportunities
AIE	Authority to Incur Expenditure
BETA	Bottom-Up Economic Transformation Agenda
CFO	Chief Finance Officer
CIDCs	Constituency Industrial Development Centres
FIF	Financial Inclusion Fund
HAU	Head of Accounting Unit
IPSAS	International Public Sector Accounting Standards
KIBT	Kenya Institute of Business Training
KIE	Kenya Industrial Estate
MSE	Micro and Small Enterprises
MSEA	Micro and Small Enterprises Authority
MSMEs	Micro, Small and Medium Enterprise Development
MTB	Medium-Term Budget
OAG	Office of the Auditor General
OCOB	Office of the Controller of Budget
PFM	Public Finance Management
SAGA	Semi- Autonomous Government Agencies
SDG	Sustainable Development Goals
YEDF	Youth Enterprise Development Fund

2. Key Entity 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.

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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.

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.

The Mandate Core Functions

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.

The Mandate Core Functions

- 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; and
- xv. Promotion and Development of the Cottage Industry.

Function of MSME: Promotion and Development of Micro and Small Enterprise and enhance their competitiveness.

Picture 1 Activity: This year's Madaraka Day 1st June 2023 was themed around the MSMEs, demonstrating the urgency and the renewed focus of promoting economic participation of MSME towards inclusive economic.



Function of MSME

Market development for MSME products and services (better access to domestic and export markets)

Picture 2 Activity: MSMEs Day on 27th June 2023. Embracing innovation: In today's rapidly changing business landscape, innovation is crucial for the growth and

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Function of MSME

Administration of the “Hustler Fund” for the promotion, development and enhancing competitiveness of MSMEs.

Picture Activity 3: Kenya International Investment Conference is game changer for small businesses. This Year's conference was power packed with discussions on boosting MSMEs and driving economic growth.

Function of MSME

Develop SME Financing Policy to facilitate adequate flow of credit from financial institutions.

Picture Activity 4: Disbursed funding to support 89 youth entrepreneurs in Kajiado County. This credit will unlock their potential, enabling them to kick-start and scale their businesses for self-economic growth. Fostering a thriving entrepreneurial ecosystem.



(b) 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 five (5) 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

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of 2012 4. Uwezo Fund (Public Finance Management Act, No. 18 of 2012) 5. Youth Enterprise Development Fund (Youth Enterprise Fund Board Order, of 2007) 6. 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.

Key Management

Department	Establishment	Mandate/Aim
Micro and Small Enterprises Authority (MSEA)	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.
Kenya Industrial Estates (KIE)	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.
Uwezo Fund	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.

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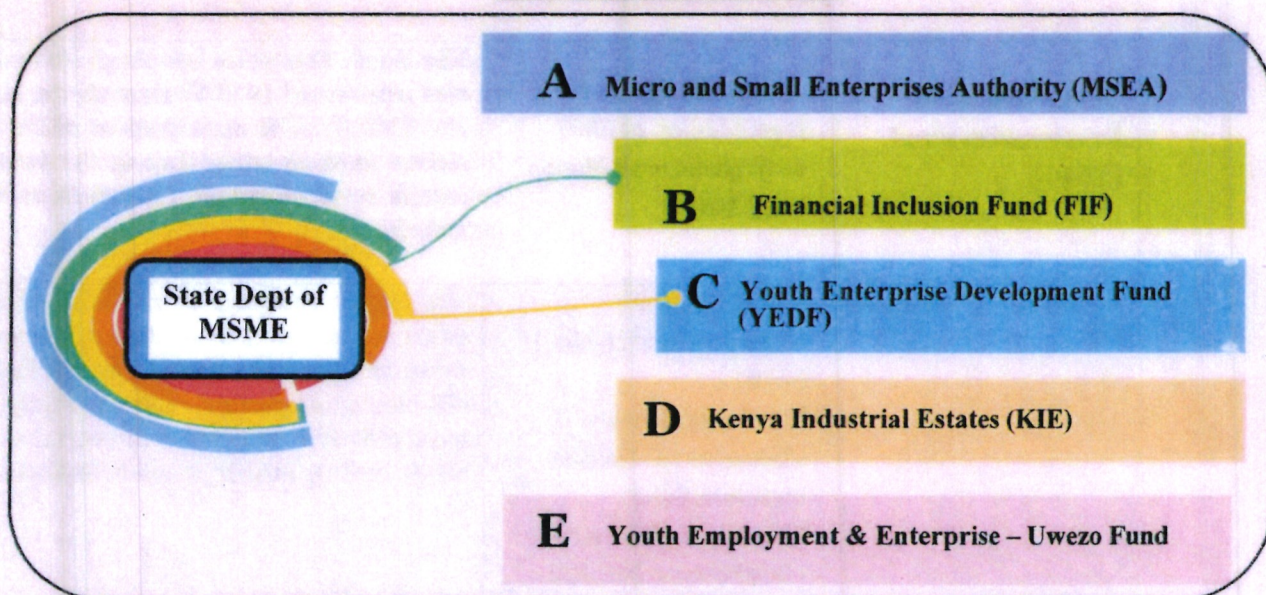
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Department	Establishment	Mandate/Aim
Youth Enterprise Development Fund (YEDF)	Youth Enterprise Fund Board Order, of 2007 through the legal Notice No. 63/2007	The Youth Enterprise Development Fund (YEDF) was established in 2007 through the legal Notice No. 63/2007. The main purpose of the Fund is to reduce unemployment among the youth through enterprise development. The functions of the Fund include:
Financial Inclusion Fund	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.
Kenya Institute of Business Training (KIBT)	The Institute was established in 1966 with the assistance of ILO/UNDP under the name Management Training and Advisory Centre (M.T & A.C).	The objective of the Centre was to train and develop indigenous managers and entrepreneurs in practical management and business skills. The Mandate of the institute is to provide Business & Management Development Services to MSMEs and other Interest Groups and to provide Counselling, Extension Services and Business Information for improved performance.

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State Department SAGAS



Role of MSEA and the Funds

	<p>Micro and Small Enterprise Authority The Authority was established for the purpose of promoting, developing, and regulating the Micro and Small Enterprises sector.</p>
	<p>Youth Enterprise Development Fund Provides loans to youth owned enterprises. market to youth enterprises, develop linkages with large enterprises, provide trading premises and worksites, business development services to youth owned enterprises and Facilitate youth to obtain jobs abroad.</p>
	<p>Financial Inclusion Fund 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 underserved persons, including credit, saving, insurance and investment products.</p>
	<p>Uwezo Fund The objective is to expand access to finances for the youth, women, and persons with disabilities at the constituency level for businesses and enterprises development, generate gainful self- employment for the youth and women.</p>

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(c) Fiduciary Management

The key management personnel who held office during the period ended June 2023 and who had direct fiduciary responsibility were:

No.	Designation	Name
1	Cabinet Secretary, Ministry of Co-operatives, Micro, Small and Medium Enterprise Development	Mr Simon K. Chelungui, EGH
2	Principal Secretary, State Department for Micro, Small and Medium Enterprise Development	PS Susan Mange'ni
3	Senior Deputy Secretary	Mr. Albert Mwaringa
4	Deputy Accountant General	Mr Stephen Amon Gakang'a
5	Deputy Director Supply Chain Management	Mr, Julius Ngari Githu
6	Director Human Resource Management	Ms. Jayne Asuma
7	Senior Principal Finance Officer	Mr. Andrew K. Kigen
8.	Ag. Director Kenya Institute of Business Training	Mr Patrick Nyakundi

(d) 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.

II. 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.

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- 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.

Note: During the period under review the State Department had not established the Committee. The Committee was instituted in July 2023.

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(e) Entity Headquarters

State Department for Micro, Small and Medium Enterprise Development Headquarters
P.O. Box 3547-00100
Social Security House, Bishop Road
Capitol Hill
NAIROBI, KENYA

Entity Contacts

State Department for Micro, Small and Medium Enterprise Development Headquarters
Telephone No. +254-0704097021/23.07884840/41
Email: ps@msme.go.ke
Website: www.msme.go.ke

(f) Entity Banks

**State Department for Micro, Small and Medium Enterprise Development Headquarters
Bankers**
Central Bank of Kenya
Haile Selassie Avenue
P. O. Box 60000
City Square 00200
Nairobi, KENYA.

(g) Independent Auditors

Auditor General
Office of The Auditor General
Anniversary Towers, University Way
P.O. Box 30084
GPO 00100
Nairobi, Kenya'

(h) Principal Legal Adviser

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

3. Statement of Governance

 <p>Cabinet Secretary</p>	<p><u>CABINET SECRETARY-HON SIMON KIPRONO CHELUGUI, EGH</u></p> <p>Hon. Simon Kiprono Chelugui, 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.</p>
 <p>Principal Secretary</p>	<p><u>PRINCIPAL SECRETARY-HON SUSAN MANG'ENI</u></p> <p>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 alumna 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.</p>

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MR ALBERT MWARINGA
HEAD OF ADMINISTRATION

Mr Mwaringa is the Head of Administration and Senior Deputy Secretary. He holds Bachelor of Art 2nd Class Honors (Upper Division)-Government Public Administration, Moi University. Served as a field Officer as Deputy County Commissioner. Attended Diploma in Public Administration (DPA) course at Kenya School of Government). Attended Paramilitary Course at Administration Police Training College Nominated to work in Juba South Sudan as an Administrative officer under the IGDA-GOSS Civil Service Support Program to mentor the civil servants of the newly independent Republic of South Sudan.



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).



CPA ANDREW KIPKOECH KIGEN
HEAD OF FINANCE

Mr Andrew is the Head of Finance and a Senior Principal Finance Officer in the State Department for Micro Small and Medium Enterprises Development. Has worked in the Civil Service for 13 years in economic planning and public financial management sector. Holder of Bachelor of Arts from Egerton University, Masters, in Economics from Kenyatta University and Certified Public Accountant (CPA) and a member of Institute of Certified Public Accountant of Kenya (ICPAK).



MR. JULIUS NGARIGITHU
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.

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MR. FESTUS M. WANGWE
HEAD OF PLANNING

Mr. Festus M. Wangwe is the Head of Planning and Director of Planning. He holds a B.A and M.A in economics from the University of Nairobi. He is an experienced economist who has served in the public service for 27 years in different Ministries and departments including four Years of Diplomatic service at the Kenya Embassy, Tokyo, Japan.



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.



MR JOSIAH ARABU MORIASI
CHIEF EXECUTIVE OFFICER
YOUTH ENTERPRISE DEVELOPEMNT FUND

Mr. Josiah Arabu Moriasi is the Chief Executive Officer (CEO) of the Youth Enterprise Development Fund (YEDF). He holds a Master of Business Administration (MBA) degree with a specialization in Management and Finance from Kenyatta University, Bachelor of Arts in Economics and Mathematics from Egerton University and is currently pursuing a PhD in Business Administration. He has extensive experience in various fields.



DR PARMAIN OLE NARIKAE
MANAGING DIRECTOR
KENYA INDUSTRIAL ESTATE (KIE):

Dr. Parmain ole Narikae is the Managing Director, Kenya Industrial Estates. He holds a Doctorate in Business Administration. He also holds MBA and Bachelor of Science Degree in Business Administration from United States International University He has wide experience as a career banker having served in Senior Leadership positions as Chief Manager. He is a member of the Institute of Directors.

Dr. Narikae was awarded the Moran of the Burning Spear (MBS) by H.E the President of Republic of Kenya for his contribution to the Nation.

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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.



MS. ELIZABETH N. NKUKUU
Ag. CHIEF EXECUTIVE
OFFICER
FINANCIAL INCLUSION 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.



MR PATRICK NYAKUNDI
ACTING DIRECTOR
KENYA INSTITUTE OF BUSINESS TRAINING (KIBT):

Mr. Patrick Nyakundi is the Acting Director of Kenya Institute of Business Training (KIBT). He holds MPhil. in Guidance & Counselling (Vocational Counselling), BED(Economics), SLDP & SMC from KSG and Master Trainer in BDS approved by JICA. He has 28 years working experience in public sector.

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Management Committees established and their roles.

I. Human Resource Management Advisory Committee Activities

The Committee is composed of the following members:

No.	Name	Designation
1.	Mr Albert Mwaringa	Senior Deputy Secretary
2.	Ms Grace Maina	Ass. Director, Human Resource Development
3.	Mr Patrick Nyakundi	Ag. Director, KIBT
4.	Mr Festus M. Wangwe	Director Planning
5.	Mr. Stephen Gakanga	Deputy Accountant General
6.	Mr. Julius Ngari Githu	Deputy Director SCM
8.	Mr Paul Ndumia	Assistant Director, ICT
9.	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:

- 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.

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- 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.

II. Human Resource Development

The Committee is composed of the following members:

No.	Name	Designation
1.	Ms Hellen Chepkwony	Senior Assistant Secretary
2.	Ms Beatrice Musyoka	Assistant Accountant General
2.	Ms Grace Maina	Ass. Director, Human Resource Development
3.	Mr Patrick Nyakundi	Ag. Director, KIBT
4.	Mr Anthony Njeru	Principal Economist
6.	Mr. Anthony Kimani	Principal Supply Chain Mgt Officer
7.	Mr Paul Ndumia	Assistant Director, ICT
8.	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

1. 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.

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

The State Department for MSMEs Development organized a Group Training Workshop for both headquarters and field officers on onboarding of Financial Inclusion Fund (FIF) Products and to align the officers on the policy focus of the State Department in relation to MSMEs support. The Workshop was held from 29th - 30th June 2023 at Lake Naivasha Resort in Naivasha. A total of 63 field officers participated in the training workshop.

Objectives of the Training Workshop

The overall objective of the training workshop was to:

- i. Align the officers with the priority programmes and activities of the State Department to enable them to mainstream the same into policy planning and budgeting.
- ii. Train officers on onboarding of Financial Inclusion Fund (FIF) Products so that they can be well equipped to serve beneficiaries of the Fund across the Counties.

3. 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 SDG9 (industry, innovation, and infrastructure).

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

(i) International MSME Day on 27th June 2023

The objective of this celebration is to improve business environment for MSMEs, encourage innovation and development of new products and services, promote regional development and reduce regional disparities, create market opportunities in both domestic and global market and also to encourage MSMEs to adopt sustainable practices. The events also provide a platform for small business owners to tell their stories of entrepreneurship and its challenges, while governments, international organizations and business support organizations show their commitment to support.

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The MSME Day was celebrated on 27th June 2023. The event aims to highlight their pivotal role and explore opportunities for their further advancement.

Kenya joined the world in marking the International Micro, Small, and Medium Entrepreneurship (MSME) Day in Kitengela, Kajiado County. The theme for this year's MSME Day was 'Galvanizing MSMEs Worldwide by Supporting Women and Youth Entrepreneurship and Resilient Supply Chains.'



Activity: International MSME Day

The International MSME day was held in Kitengela, Kajiado County. This important Day showcases the immense potential of MSMEs in driving economic growth and empowering MSMEs.

Activity: MSME Day 2023-Empowering MSME with Common user facilities.

The PS MSME handed over working machines to Kitengela Juakali Association, Kajiado Central Juakali and Ngong Juakali Associations.



(ii) MSME Expo -Madaraka Day 1st June 2023

The MSMEs expo was a build-up to the Madaraka Day Celebrations held on Thursday, 1st June 2023 at the Embu Moi Stadium. The President of the Republic of Kenya H.E Hon. Dr. William Samoei Ruto was the Chief Guest during the opening ceremony of the Expo. The Expo provided opportunities to learn about modern farming practices, value addition, and market access within the Bottom-Up Economic Transformation Agenda (BETA)

Activity Pre- Madaraka in Embu
Beneficiaries of Uwezo Fund

1. Bead Work: Mugure differently abled displays bead work in Embu at Madaraka Expo on 30th May 2023. The CBO have received funding from Uwezo fund which they invested in bead work. The group makes bags, necklaces and purses out of cloth and beads.



Activity :Pre- Madaraka Expo in Embu
2. Bakery and Confectionery Project

Pivot self help group show case their products in Embu at Madaraka Expo on 30th May . They received funding from Uwezo Fund which they invested into a bakery and confectionery project. They bake and sell sumptuous cakes, cookies and cup cakes.

4. 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 2022/2023 Annual Work Plan and Budget.

4. Statement by the Cabinet Secretary



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 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.

Affordable Credit for all

Through the Ministry, the Government's flagship project, the Financial Inclusion Fund (Hustler Fund), has been addressing the perennial challenge of lack of affordable and accessible credit for MSMEs. The fund aims at realizing financial inclusion for millions of Kenyans, particularly MSMEs, who would otherwise be excluded from the mainstream financial system. To enhance financial inclusion for MSMEs, Kenya Industrial Estates (KIE) provides affordable medium- to long-term finance to MSMEs in the manufacturing sector with a focus on value addition. Through the Uwezo Fund, women, youth, and persons with disabilities can access finances to promote businesses and enterprises at the grassroots level (constituencies). In addition, the Youth Enterprise Development Fund provides affordable credit to youth-led businesses to mainstream their participation in economic growth.

Key Priority

The Ministry has prioritized key value chains within the economy that exhibit high growth potential, have sustainable job creation, and cater to a significant portion of the population. These strategic sectors include Agro-processing, leather, textiles, milk production, edible oils, and construction materials. The Ministry is committed to enhancing cottage-level manufacturing with common user machinery to refine their production processes and facilitating the aggregation of MSMEs, leveraging the existing network of over 200 Constituency Industrial Development Centres (CIDCs) run by the Micro and Small Enterprises Authority, to support and promote value addition within these industries.

HON. SIMON KIPRONO CHELUGUI, EGH

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**CABINET SECRETARY,
MINISTRY OF CO-OPERATIVES AND MICRO, SMALL AND MEDIUM ENTERPRISES
DEVELOPMENT**

5. Statement by the Principal

Secretary



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 significantly contributing 85 per cent of non-farm jobs, which today translates to 15 million out of 18 million workforces. 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.

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1. Summary the budget performance against actual amounts for current year based on economic classification and programmes,

1.1 Budget Performance against Actual

Table 1: Actual Performance against Budget for the Year 30th June 2023

Item Description	Approved Estimates F/Y 2022/2023	Actual Expenditure FY 2022/2023	Variance	Percentage Absorption
Recurrent Budget	587,620,281	551,432,443	- 36,187,838	94%
Development Budget	46,000,000	46,000,000	-	100%
Gross Expenditure	633,620,281	597,432,443	- 36,187,838	94%
AIA	210,700,000	257,604,131	- 46,904,131	122%
Net expenditure	422,920,281	339,828,312	83,091,969	80%

- **Budget-** During the financial year 2022/2023, the State Department for Micro, Small and Medium Enterprises Development was allocated a **total gross budget** of **Kshs 633,620,281** made up of **Kshs 587,620,281** and **Kshs 46,000,000** for Recurrent for Development vote respectively.
- **A.I.A-** The A.I.A target was **Kshs 210,700,000** of which actual collected A.I.A during the period was **Kshs 257,604,131**. (122%)
- **Actual Expenditure-**The total actual expenditure during the year was **Kshs 597,432,443** which translates 94% absorption rate. The actual expenditure under the recurrent was **Kshs 551,432,443(94%)** and development **Kshs 46,000,000(100%)** respectively.

Table 2: Actual Receipts and Payments against the Budget

Financial Performance	Budget	Actual	Variance	% change
Total Receipts	633,620,281	647,149,858	- 13,529,577	-2%
Total Payments	633,620,281	597,432,443	36,187,838	5.7%
Surplus for the year			49,717,415	

Actual receipts stood at 2% above the budget while actual payments were 5.7% Below budget. This is attributable to overcollection of A.I.A of Ksh 46,904,131 from AIA in KIE and MSEA as per the explanation below: -

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- **Micro and Small Enterprises Authority (MSEA)**- Overcollection of AIA of Ksh 537,297 was due to increased MSE registration following the launch of the Financial Inclusion Fund.
- **Kenya Industrial Estates (KIE)**- Overcollection of AIA of Ksh 46,366,833.50 was due to better performance of the loans to Micro, Small and Medium Enterprises (MSMEs) thus generating more interest income than anticipated. This is an indication that the MSMEs were recovering from the negative impact of Covid 19 and were servicing their loans well. Other incomes which include fees and charges also performed well due to strong demand for loans by MSMEs.

1.2 Exchequer Receipts against the Actual Budget

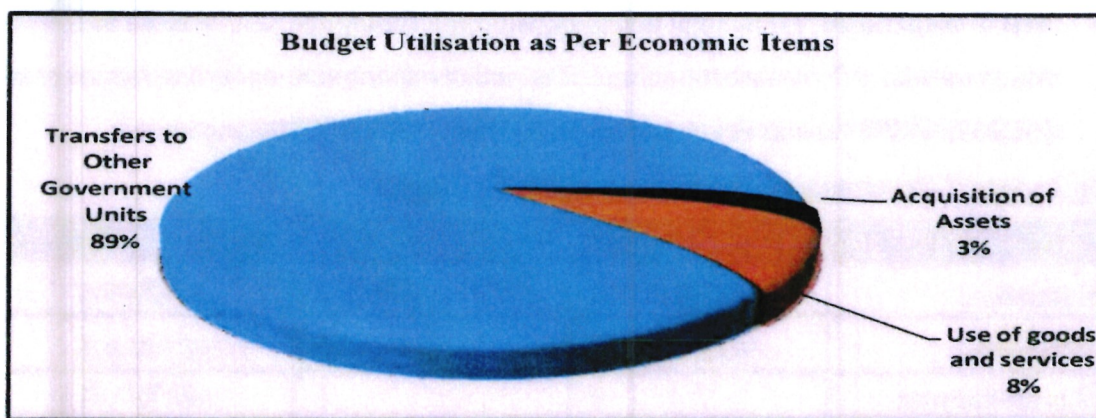
During the Financial year 2022/2023 the State Department received exchequer Issues from the National Treasury amounting to Kshs 389,545,727 and the actual expenditure was Kshs 386,944,575.

Table 3 Exchequer Receipts and Actual Expenditure

	Exchequer 2022/2023	Actual Expenditure FY 2022/2023	Balance	Percentage Absorption
Recurrent	343,545,727.00	340,944,575.00	2,601,152.00	99%
Development	46,000,000.00	46,000,000.00	-	100%
Gross Expenditure	389,545,727.00	386,944,575.00	2,601,152.00	99%

1.3 Economic Classification

Figure 1: Budget Utilisation as per Economic Items



Out of the Total Payment amount of Ksh 597,432,443, 89% was transferred to the Semi-Autonomous Government Agencies (SAGAs) including AIA, 8% was utilised under use of goods and services and 3% on Acquisition of Assets.

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1.4 Budget Allocation by Programmes

During the year the State Department had two Programmes. Programme 1 is Promotion and Development of MSMEs, with a Budget allocation of 83% the objective is to create a conducive environment for growth and sustainability of MSMEs sector. Programme 2 is General Administration, planning and support services with a budget allocation of 17% the objective is to strengthen institutional capacity for service delivery as per table 5 below.

Figure 2: Budget Allocation by Programmes

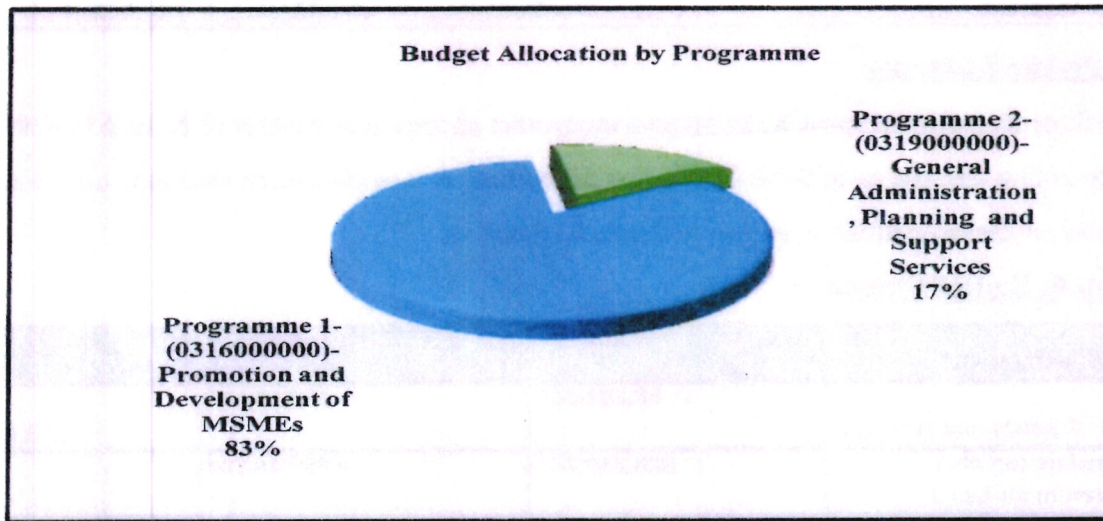


Table 4: Expenditure by economic classification and by Programme

Program	Item	Description	Approved Budget	Actual Payments	Variance
0316000000-Promotion and Development of MSMEs			525,748,781	525,748,781	0
	2630000	Grants Transfers to Other Government Units	525,748,781	525,748,781	0
0319000000--General Administration, Planning and Support Services	0	-	107,871,500	71,683,662	36,187,838
	2110000	Wages and Salary Contributions	-	-	-
	2210000	Goods & Services	88,571,500	55,266,832	33,304,668
	2220000	Routine Maintenance	1,100,000	694,766	405,234
	3110000	Acquisition of Fixed Capital Assets	18,200,000	15,722,064	2,477,936
			633,620,281	597,432,443	- 36,187,838

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Table 5: Budget Allocation by Programmes

Programmes	Approved Budget Allocation	Actual Payments	Variance	Per(%)
	KShs	KShs	KShs	
Programme 1- (0316000000)-Promotion and Development of MSMEs	525,748,781	525,748,781	0	0%
Programme 2- (0319000000)-General Administration, Planning and Support Services	107,871,500	71,683,662	36,187,838	66%
Total Payments	633,620,281	597,432,443	36,187,838	94%

1.5 Budget Utilisation

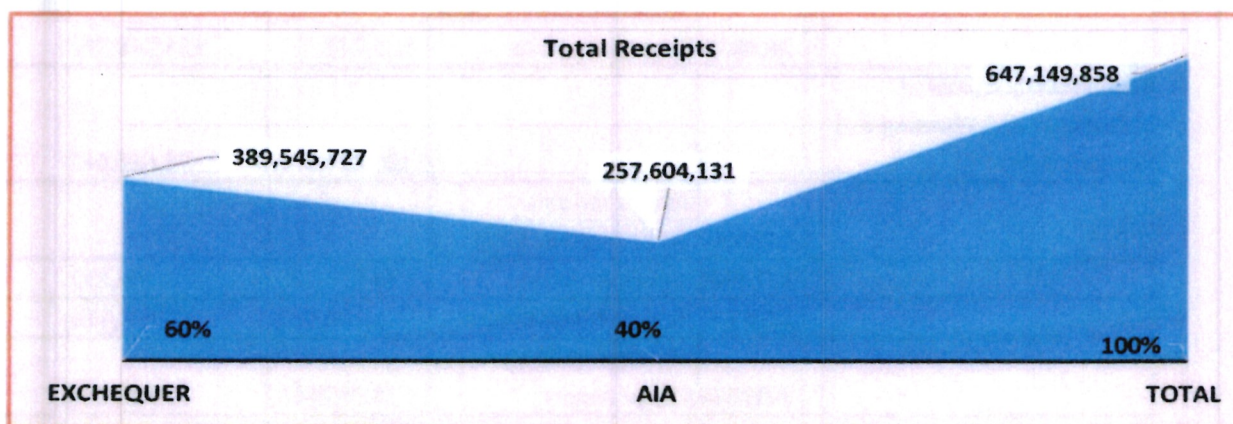
The State Department spent **Kshs 597,432,443** against an approved budget of **Kshs 633,620,281** representing absorption of 94%. Utilisation of the budget was conducted through various activities (economic classification) as shown in the table 6 below: -

Table 6: Budget Utilisation

Economic Item	Approved Budget Allocation	Actual Payments	Variance
Use of goods and services	88,571,500	55,266,832	33,304,668
Transfers to Other Government Units	525,748,781	525,748,781	0
Acquisition of Assets	18,200,000	15,722,064	2,477,936
Routine Maintenance	1,100,000	694,766	405,234
Total Payments	633,620,281	597,432,443	36,187,838

1.6 Receipts

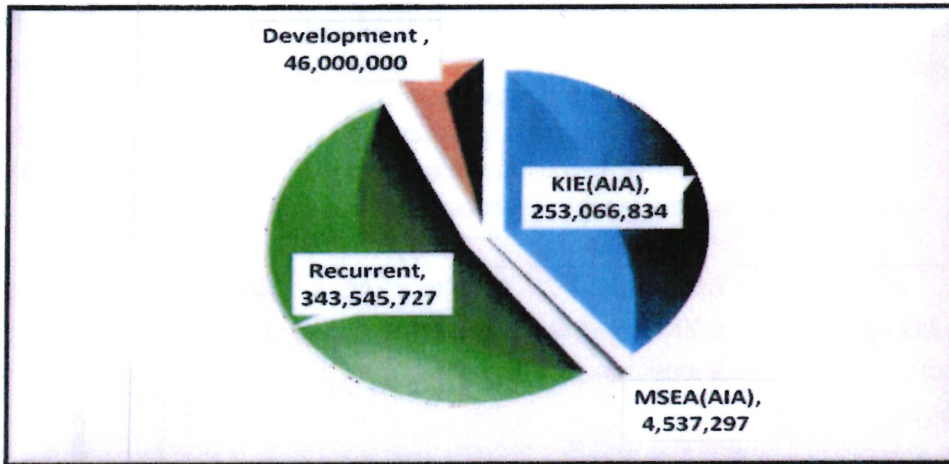
Figure3: Source of Funding



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The major source of funding for the State Department is exchequer releases that account for 60% of total receipt. During the year, the Department received **Kshs 389,545,727 as Exchequer Issue from National Treasury against a budget of Kshs 422,920,281 and Appropriation in Aid (A.I.A) amounting to Kshs 257,604,131 against a budget of Kshs 210,700,000 respectively.**

Figure 4: Categories of Receipts

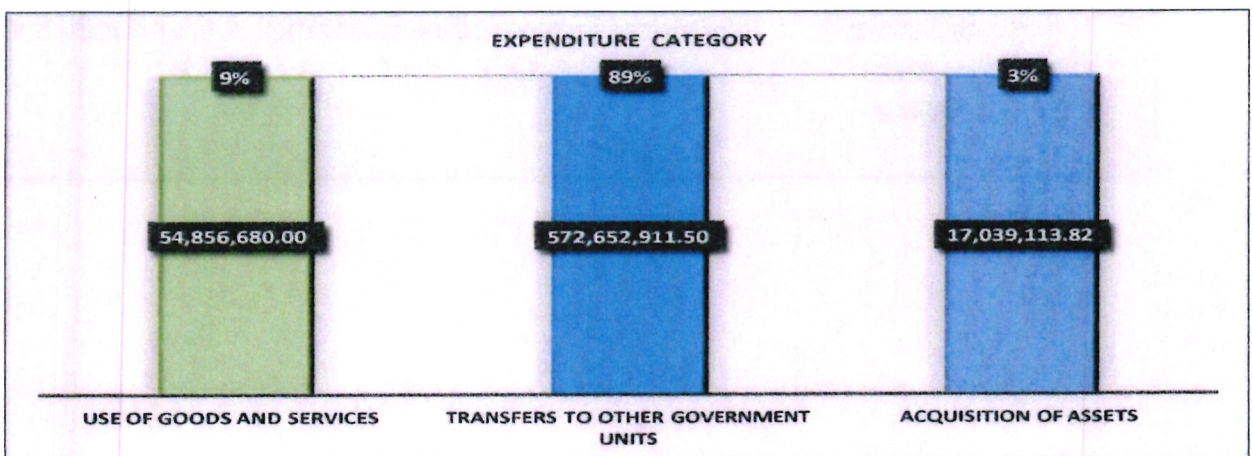


Out of the Total Receipt amount Ksh 647,149,858, Recurrent was Ksh 343,545,727, Development Ksh 46,000,000 and AIA collection from KIE and MSEA Kshs 253,066,834 and 4,537,297, respectively.

1.7 Payments

Table 5 below shows the actual expenditure amount spend under the expenditure category and against the budget.

Figure 5: Actual Expenditure Category



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2. Key Achievements

Key Achievements		
1.	The State Department	The State Department held several engagements with Development partners, Public Institutions and the Private Sector and discussed initiatives and measures to be put in place to create a conducive business environment.
2.	Financial Inclusion Fund (FIF)	Launch of Hustler Fund- Hustler Fund that has availed affordable and accessible credit facilities for the majority of Kenyan MSEs who had previously been locked out of the credit facilities. The Fund has also boosted a savings culture while creating momentum for sustainable development of the MSME sector. The fund has four products namely Personal Finance, Micro Loans, SME Loans and Start-Up.
3.	Micro and Small Enterprises Authority (MSEA)	Refurbished 20 CIDCs creating 5,600 jobs; 46,509 youth received KYEOP grants; Registered 720,821 MSEs and 195,498 MSE Associations and groups.
4.	UWEZO Fund	Funds disbursed to 1,438 groups of youth, women, and Persons with Disabilities (PWDs); and partnered with eMobiles to provide access to market to 2,000 groups.
5.	Kenya Industrial Estates (KIE)	Funds disbursed and Financed enterprises in Leather value chain to the tune of Kshs.17,100,000; and Facilitated 4,099 linkages among MSMEs and between MSMEs and large enterprises.
6.	Youth Enterprise Development Fund (YEDF)	21 groups linked to markets; and 10,000 youth capacity built on Leather value chain.

Key Achievements



1. Launch of Hustler Fund

The President on 30th November 2022, Wednesday, launched the Hustler Fund Personal Loan product, which enables borrowers to access up to Sh50,000 at an annual rate of eight per cent.



2. Affordable Credit for All

Lack of funds and low business activity are some of the challenges hurting small and SMEs. The launch of the Hustler Fund therefore will go a long way in realizing financial inclusion for millions of Kenyans who would otherwise be.



3. Beneficiaries of Uwezo Fund

Kanja rabbit farmers, a group of eight members who have partnered to venture into rabbit farming. They received kshs 100,000 from the Fund which they invested in rearing different breeds of rabbits.

4. Beneficiary of Youth Enterprise Development Fund Young Livestock Farmer

Daudi Tepela, a livestock farmer from Kajiado East, is a beneficiary of Ksh 2 million business expansion loan from the YEDF. He specializes in livestock farming for slaughter and export through EPZ. He has created employment opportunities for 6 youth at his farm.



3. Emerging Issues

Emerging issues and opportunities affecting the MSME Sector include:

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 MSME Sector to keep pace for it to remain competitive. Low levels of ICT adoption in the sector and high cost of ICT infrastructure have hindered access and usage of technology leading to increased costs of operation and inadequate service delivery. On the other hand, for those that have embraced technology there's enhanced service delivery.

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. For instance, the Russian-Ukraine conflict has occasioned major supply chain disruptions leading to rising commodities and energy prices.

iii) Social and Digital Media Platforms

Digital/Social Media Platforms are gaining prominence in official circles as fast ways of communication and information sharing. They are applied to shape opinion and undertake brand campaigns that make it possible for seamless communication and linkages with stakeholders in the MSME sector.

iv) Cyber security threats

Cyber insecurity has emerged as a great threat to businesses in the sector as witnessed by fraudulent practices in mobile banking, e-Commerce and e-Business resulting in huge losses to consumers and businesses.

4. Highlight key risk management strategies.

The risks encountered by the state department are mainly operational, functional and systematic. They are mitigated through.

- (i) Strong internal controls that must be detective, preventive and corrective.
- (ii) Separation of power and segregation of duties
- (iii) Payroll controls and restricted access controls.
- (iv) Accounting controls and definite policy guidelines.

5. Implementation Challenges

Despite the critical role played by MSMEs in the economy, they are frequently confronted with market imperfections. Challenges that impede the implementation of various activities, projects and programs in the MSME Sector include:

i. Limited access to affordable finances/credit.

This is attributed mainly to financiers' widespread lack of clear information on the operations of MSMEs. This has led to stagnation of MSMEs while others have collapsed after a short duration of operation.

ii. Inadequate and uncondusive business premises/infrastructure.

Majority of MSMEs lack adequate business premises, leading to unplanned and informal development of markets and business premises which are temporary. Inadequate prioritization on funding for business premises and appropriate modern retail market development from the Government has made this a perennial problem.

iii. Complex Regulatory Framework which creates an uncondusive business environment for MSMEs.

The MSME sector regulatory framework is complex and multifaceted. It includes laws, regulations and policies governing the activities of MSMEs including those related to access to finance, legal registration, compliance, taxation, labor, health and safety. There are separate laws governing different types of businesses and activities from both National and County Governments. Moreover, the cost of complying with regulatory requirements is often high making it difficult for MSMEs to access and

benefit from support provided by the Government. The complexity of the regulatory framework often impedes the promotion and development of MSMEs.

iv. **Lack of required business skills and capacity especially in the informal sector.**

Majority of MSMEs lack the necessary business skills and capacity to undertake their operations resulting in lower quality of goods and services, inefficient productivity and increased operation costs making them less competitive in the market.

v. **Low level of technology and innovation.**

MSMEs need to take up technology and innovation to ensure that their goods and services meet untapped customer needs. Technology adoption and innovation require adequate funding and especially with a view to encouraging process and marketing innovations, which studies show are not common features among MSMEs.

vi. **High cost of data**

The high cost of data and information on MSMEs is an obstacle for the development and growth of MSMEs. Despite the fact that MSMEs are an essential part of the Kenyan economy there is insufficient data and information available to understand their contribution and aid in planning and decision making. This makes it hard for decision makers to design and implement effective policies that would support their growth. Furthermore, it is also difficult to measure the impact of interventions and programmes meant to support MSMEs making it challenging to track progress and evaluate their effectiveness.

vii. **Lack of harmonization within the sector**

Lack of harmonization of policies and programs for the MSMEs in Kenya has been a major challenge for the Sector. The lack of coordination and standardization of policies and programmes for MSMEs has led to duplication of efforts and resources as well as creation of barriers for the growth of the sector. This has hindered the development of the sector as it has been unable to effectively compete with the larger and more organized businesses due to lack of an enabling environment.

Recommendations and Way Forward

i. **Access to finance**

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

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ii. Ending criminalisation of work

The Government will facilitate issuance of licences by developing policies and laws that will make trading license and provision of a trading location an entitlement to every citizen who applies. The Government will work with County Governments to provide one street trading premise per 50 urban residents, with a view to increasing average daily income of informal traders by Sh200.

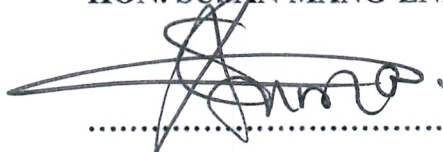
iii. Reduce Regressive taxation bureaucracy and regulatory compliance costs.

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

iv. Infrastructure & Capacity Building

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

HON. SUSAN MANG'ENI



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**PRINCIPAL SECRETARY
STATE DEPARTMENT FOR MICRO, SMALL AND MEDIUM ENTERPRISES
DEVELOPMENT**

6. Statement of Performance Against Predetermined Objectives for the FY2022/23

Introduction

Section 81 (2) (f) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the accounting officer when preparing financial statements of each entity Government entity Government entities in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board includes a statement of the National government entity's performance against predetermined objectives.

The State Department was created through the Executive Order No. 1 of 2023 following the re-organization of Government after the August 2022 elections. The State Department is charged with the responsibility of promotion and development of MSME Sector through entrepreneurship and management training.

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.

Progress on the attainment of Strategic Objectives through Performance Contracting

For purposes of implementing and cascading the above development objectives to specific sectors, all the development objectives were made specific, measurable, achievable, realistic and time-bound (SMART) and converted into development outcomes. Attendant indicators were identified for reasons of tracking progress and performance measurement: Below we provide the progress on attaining the stated objectives:

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Program	Strategic Objective	Outcome	Indicator	Performance
Promotion and Development of MSMEs	To facilitate growth and development of the MSMEs	Enhanced growth of the MSMEs Sector	No. of contract services % of improved corporate governance structures	Target Achieved
	To promote progressive credit policies and practices for MSMEs	Enhanced growth of the MSMEs Sector	No. of youth groups beneficiaries of the Loan product. Amount of Loan disbursed to youth groups (Ksh, Million)	Target Achieved
	To promote entrepreneurial skills and business management	Enhanced growth of the MSMEs Sector	No of youth , Women & people with Disabilities Groups trained	Target Achieved
	To promote progressive credit policies and practices for MSMEs	Enhanced growth of the MSMEs Sector	Amount disbursed to Youth, Women & PWDs Group (Ksh. Million)	Target Achieved
	To promote progressive credit policies and practices for MSMEs	Enhanced growth of the MSMEs Sector	No. of MSMEs established on market linkages (KIE)	Target Achieved
General Administration, Planning and Support	To facilitate growth and development of the MSMEs.	Strengthen institutional capacity for service. delivery	% of efficiency in service delivery No. of staff trained on skills development	Training on skills development was not achieved, will be implemented in 2023/3024.
	To facilitate growth and development of the MSMEs.	Strengthen institutional capacity for service. delivery	Planning, Monitoring % Evaluation Services	
	To facilitate growth and development of the MSMEs.	Strengthen institutional capacity for service. delivery	MSMEs Policy, 2005 reviewed No. Financial Inclusion Fund Regulation	Target Achieved, Financial Inclusion Regulation and operational

7. 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. Therefore, there were no activities in 2021/2022 operations commenced in the fourth quarter 2022/2023.

Future Development

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 Centers (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:

8. Environmental and Sustainability Reporting

Introduction

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.

MINISTRY OF CO-OPERATIVES AND MICRO, SMALL AND MEDIUM ENTERPRISES (MSME) DEVELOPMENT
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The State Department is committed and engaged in the National Tree Growing Restoration Campaign as per the Presidential Directives., Below are some of the activities.



Activity: Annual SME Conference and Expo 2022: Cabinet Secretary Planting Trees

During the 10th Annual SME Conference at Strathmore University, Nairobi Campus running from 17th – 18th November 2022.

Activity: MSME Day 27th June 2023

The State Department commemorated the MSME day on 27th June 2023 through Tree planting at the Kitenge CDF office, the PS urged leaders to motivate citizens in increasing tree planting efforts and enhancing the nation's forest coverage.



Activity: Combating climate change

The PS Hon Susan Mageni in Busia County during the launch of Mission 15B Jaza miti. YEDF officers mobilized youth to plant trees at Budalangi Youth Empowerment Centre. They urged them to pursue environmentally conscious business practices to combat climate change.

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

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

d) Operational practices/ Market place 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.



Activity: Jua Kali Sector Engagement
The PS discusses with MSME groups who are in Juakali Industry at Kamukunji, Nairobi. The State Department of MSMEs through MSEA will continue to support Hustlers on development of enterprises and equipping them.

Activity: Supporting youth, women and persons living with disabilities

The PS presided over the disbursement of Uwezo Fund and youth fund Cheques worth Ksh. 13.7 million for Youth, Women & People living with Disabilities groups in Butere Constituency, Kakamega County.



9. 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 Entity shall prepare financial statements in respect of that entity. 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 entity's financial statements, which give a true and fair view of the state of affairs of the entity for and as at the end of the financial year (period) ended on June 30, 2023. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period, (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity, (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud, (iv) safeguarding the assets of the entity; (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 entity's financial statements, which have been prepared on the Cash 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 *entity's* financial statements give a true and fair view of the state of entity's transactions during the financial year ended June 30, 2023, and of the entity's financial position as at that date. The Accounting Officer in charge of the State Department for Micro, Small and Medium Enterprises Development further confirms the completeness of the accounting records maintained for the *entity*, which have been relied upon in the preparation of the entity's financial statements as well as the adequacy of the systems of internal financial control.

The Accounting Officer in charge of State Department for Micro, Small and Medium Enterprises Development confirms that the entity has complied fully with applicable Government Regulations and the terms of external financing covenants (where applicable), and that the entity'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 entity'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.

**MINISTRY OF CO-OPERATIVES AND MICRO, SMALL AND MEDIUM
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Approval of the financial statements

The *entity's* financial statements were approved and signed by the Accounting Officer on 11/12 2023.



.....
SUSAN MANG'ENI
Accounting Officer



.....
STEPHEN GAKANG'A
Head of Accounting Unit
ICPAK M/No: 16194

REPUBLIC OF KENYA

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Enhancing Accountability

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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON STATE DEPARTMENT FOR MICRO, SMALL AND MEDIUM ENTERPRISES (MSME) DEVELOPMENT FOR THE NINE (9) MONTHS PERIOD ENDED 30 JUNE, 2023

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of State Department for Micro, Small and Medium Enterprises (MSME) Development set out on pages 1 to 23, which comprise of the statement of financial assets and financial liabilities as at 30 June, 2023, and the statement of receipts and payments, statement of cash flows, statement of

Report of the Auditor-General on State Department for Micro, Small and Medium Enterprises (MSME) Development for the Nine (9) months period ended 30 June, 2023

comparison of budget and actual amounts, for the nine (9) months period then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the 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, 2023, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Public Finance Management Act, 2012.

Basis for Qualified Opinion

Cash and Cash Equivalent Balance

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 SAGAS (Kenya Industrial Estate and Micro and Small Enterprises Authority) of Kshs.46,904,131. However, the cash book 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 cash equivalents balance of Kshs.49,717,415 not be confirmed.

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 Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison 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 over collection of Kshs.13,529,577. The over 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.

The underperformance affected the planned activities of the State Department and may have impacted negatively on service delivery to the public.

My opinion if not modifies in respect of this matter.

Key Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matter described in the Basis for Conclusion on Lawfulness and Effectiveness in 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

Irregular Advance Payment for Fuel, Oils and Lubricants

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, expenditures on fuel, oil and lubricants and routine maintenance totalling Kshs.2,981,238 were paid in advance contrary to Section 146 of the Public Procurement and Asset Disposal Act, 2015 which states that no works, goods or services contract shall be paid for before they are executed or delivered and accepted by the Accounting Officer of a procuring entity or an officer authorized by him 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.

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

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

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

Responsibilities of Management and 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 (Cash Basis) and for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements which are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and overall governance.

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

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

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

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

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report which includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence which is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions, which may cast significant doubt on the State Department's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the State Department to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner which achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the State Department to express an opinion on the financial statements.
- Perform such other procedures, as I consider necessary in the circumstances.

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

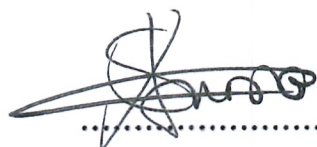
24 January, 2024

**MINISTRY OF CO-OPERATIVES AND MICRO, SMALL AND MEDIUM
ENTERPRISES (MSME) DEVELOPMENT
STATE DEPARTMENT FOR MICRO, SMALL AND MEDIUM ENTERPRISES (MSME)
DEVELOPMENT**
Report and Financial Statements for Nine (9) months ended 30th June 2023

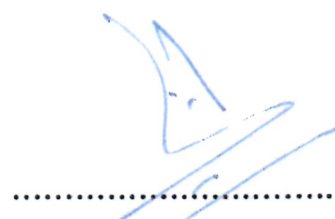
**11. Statement of Receipts and Payments for the nine (9) months period ended 30th
June 2023**

Description	Note	2022-2023	2021-2022
		Kshs	Kshs
Receipts			
Exchequer release	1	389,545,727	-
Miscellaneous Receipts	2	257,604,131	-
Total Receipts		647,149,858	-
Payments			
Compensation of Employees	3	-	-
Use of goods and services	4	55,266,832	-
Transfers to Other Government Units	5	525,748,781	-
Acquisition of Assets	6	15,722,064	-
Routine Maintenance	7	694,766	-
Total Payments		597,432,443	-
Surplus		49,717,415	-

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 11/12 2023 and signed by:



.....
SUSAN MANG'ENI
Accounting Officer



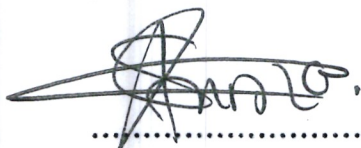
.....
STEPHEN GAKANGA
Head of Accounting Unit
ICPAK M/No: 16194

MINISTRY OF CO-OPERATIVES AND MICRO, SMALL AND MEDIUM ENTERPRISES (MSME) DEVELOPMENT
STATE DEPARTMENT FOR MICRO, SMALL AND MEDIUM ENTERPRISES (MSME) DEVELOPMENT
Report and Financial Statements for Nine (9) months ended 30th June 2023

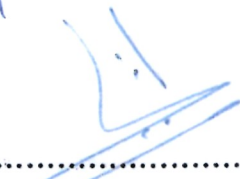
12. Statement of Financial Assets and Financial Liabilities as at 30th June 2023

Description	Note	2022-2023	2021-2022
		Kshs	Kshs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances	7A	49,717,415	-
Cash Balances	7B		-
Total Cash and Cash Equivalents		49,717,415	-
Imprests and Advances	8		-
TOTAL FINANCIAL ASSETS		49,717,415	-
LESS: FINANCIAL LIABILITIES			
Third party deposits and retention	9	-	-
NET FINANCIAL ASSETS		49,717,415	-
REPRESENTED BY			
Fund balance b/fwd	10	-	-
Prior year adjustments	11	-	-
Surplus/Deficit for the year		49,717,415	
NET FINANCIAL POSITION		49,717,415	-

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 11/12 2023 and signed by:



SUSAN MANG'ENI
 Accounting Officer



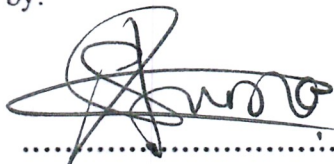
STEPHEN GAKANG'A
 Head of Accounting Unit
 ICPAK M/No: 16194

**MINISTRY OF CO-OPERATIVES AND MICRO, SMALL AND MEDIUM
ENTERPRISES(MSME) DEVELOPMENT
STATE DEPARTMENT FOR MICRO, SMALL AND MEDIUM ENTERPRISES (MSME)
DEVELOPMENT
Report and Financial Statements for Nine (9) months ended 30th June 2023**

13. Statement of Cash Flow for the nine (9) months period ended 30th June 2023

Description	Note	2022-2023	2021-2022
		Kshs	Kshs
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts			
Exchequer releases	1	389,545,727	-
Miscellaneous Receipts	2	257,604,131	-
Total Receipts		647,149,858	-
Payments			
Use of goods and services	4	55,266,832	-
Transfers to Other Government Units	5	525,748,781	-
Routine Maintenance	7	694,766	-
Total Payments		581,710,379	-
Net receipts/(Payments)		65,439,479	-
Adjusted for:			-
Adjustments during the year			-
Net cashflow from operating activities		65,439,479	-
CASHFLOW FROM INVESTING ACTIVITIES			
Acquisition of Assets	6	15,722,064	-
Net cash flows from Investing Activities		(15,722,064)	-
NET INCREASE IN CASH AND CASH EQUIVALENT			
Cash and cash equivalent at BEGINNING of the period	10	-	-
Cash and cash equivalent at END of the period		49,717,415	-

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 11/12 2023 and signed by:


.....

SUSAN MANG'ENI
Accounting Officer


.....

STEPHEN GAKANG'A
Head of Accounting Unit
ICPAK M/No: 16194

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 Nine (9) months ended 30th June 2023

14. Statement of Comparison of Budget and Actual Amounts for Nine (9) Months Period to 30 June 2023

Revenue/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilisation Difference	% of Utilisation Difference to Final Budget
	a	b	c=a+b	d	e=c-d	f=d/c %
RECEIPTS						
Exchequer releases			422,920,281	389,545,727	33,374,554	92%
Miscellaneous			210,700,000	257,604,131	(46,904,131)	122%
Total Receipts			633,620,281	647,149,858	(13,529,577)	102%
Payments						
Compensation of Employees	-	-	-	-		
Use of goods and services	-	-	88,571,500	55,266,832	34,404,668	62%
Transfers to Other Government Units	-	-	525,748,781	572,652,912	(46,904,131)	109%
Acquisition of Assets	-	-	18,200,000	15,722,064	1,377,936	86%
Routine Maintenance	-	-	1,100,000	694,766	405,234	63%
Total Payments			633,620,281	644,336,574	(10,716,293)	102%
Surplus/Deficit				2,813,284	(2,813,284)	

Variance analysis:

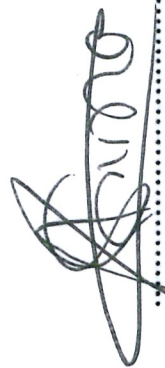
(1) Miscellaneous receipts – Budget utilization difference of Ksh 46,904,131 (22%) represents over collection of AIA in KIE and MSEA as per the explanation and analysis below.

SAGA	Budget	Actual (AIA)	Variance
KIE(AIA)	206,700,000.00	253,066,834	- 46,366,833.50
MSEA(AIA)	4,000,000.00	4,537,297	- 537,297.00
TOTAL	202,700,000.00	257,604,131	- 46,904,130.50

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- (i) **Micro and Small Enterprises Authority (MSEA)**- Overcollection of AIA of Ksh 537,297 was due to increased MSE registration following the launch of the Financial Inclusion Fund.
- (ii) **Kenya Industrial Estates (KIE)**- Overcollection of AIA of Ksh 46,366,833.50 was due to better performance of the loans to Micro, Small and Medium Enterprises (MSMEs) thus generating more interest income than anticipated. This is an indication that the MSMEs were recovering from the negative impact of Covid 19 and were servicing their loans well. Other incomes which include fees and charges also performed well due to strong demand for loans by MSMEs.
- (2) **Use of goods and Services** - Budget utilization difference of Ksh 34,814,820 (39%) represents under expenditure due to challenges associated in setting up of a new State department. The State Department for Micro, Small and Medium Enterprises Development was created in 2022/2023 therefore most activities were conducted in quarter four.
- (3) **Transfer to other Government entities** - Budget utilization difference of Ksh 46,904,131 (9%) represents over collection of AIA. The AIA collected and spent at source by KIE Ksh 46,366,833.50 and MSEA Ksh 537,297. The explanatory notes is similar to note 1 above.

The entity financial statements were approved on 11/12 2023 and signed by:


.....

SUSAN MANG'ENI
Accounting Officer


.....

STEPHEN GAKANG'A
Head of Accounting Unit
ICPAK M/No: 16194

MINISTRY OF CO-OPERATIVES AND MICRO, SMALL AND MEDIUM ENTERPRISES(MSME) DEVELOPMENT
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14 (a) Statement of Comparison of Budget and Actual Amounts: Recurrent for Nine (9) Months Period to 30 June 2023

Revenue/Expense Item	Original Budget a	Adjustments b	Final Budget c=a+b	Actual on Comparable Basis d	Budget Utilisation Difference e=d-c	Utilisation Difference to Final Budget f=d/c %
RECEIPTS						
Exchequer releases			376,920,281	343,545,727	33,374,554	
Miscellaneous			210,700,000	257,604,131	(46,904,131)	122%
Total Receipts			587,620,281	601,149,858	(13,529,577)	102%
PAYMENTS						
Compensation of Employees						
Use of goods and services			89,671,500	55,266,832	34,814,820	61%
Transfers to Other Government Units			479,748,781	525,748,781	(46,904,131)	110%
Acquisition of Assets			17,100,000	15,722,064	1,377,936	92%
Routine Maintenance			1,100,000	694,766	405,234	63%
Total Payments			587,620,281	597,432,443	(10,716,293)	102%
Surplus/Deficit				3,717,415	(2,813,284)	

Variance analysis:

(1) **Miscellaneous receipts** – Budget utilization difference of K.sh 46,904,131 (22%) represents over collection of AIA in KIE and MSEA as per the explanation and analysis below.

SAGA	Budget	Actual (AIA)	Variance
KIE(AIA)	206,700,000.00	253,066,834	- 46,366,833.50
MSEA(AIA)	4,000,000.00	4,537,297	- 537,297.00
TOTAL	202,700,000.00	257,604,131	- 46,904,130.50

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- (i) **Micro and Small Enterprises Authority (MSEA)**- Overcollection of AIA of Ksh 537,297 was due to increased MSE registration following the launch of the Financial Inclusion Fund.
- (ii) **Kenya Industrial Estates (KIE)**- Overcollection of AIA of Ksh 46,366,833.50 was due to better performance of the loans to Micro, Small and Medium Enterprises (MSMEs) thus generating more interest income than anticipated. This is an indication that the MSMEs were recovering from the negative impact of Covid 19 and were servicing their loans well. Other incomes which include fees and charges also performed well due to strong demand for loans by MSMEs.
- (2) **Use of goods and Services** - Budget utilization difference of Ksh 34,814,820 (39%) represents under expenditure due to challenges associated in setting up of a new State department. The State Department for Micro, Small and Medium Enterprises Development was created in 2022/2023 therefore most activities were conducted in quarter four.
- (3) **Transfer to other Government entities** - Budget utilization difference of Ksh 46,904,131 (10%) represents over collection of AIA. The AIA collected and spent at source by KIE Ksh 46,366,833.50 and MSE A Ksh 537,297. The explanatory notes are like note 1 above.

The entity financial statements were approved on 11/12 2023 and signed by:



.....
SUSAN MANG'ENI
Accounting Officer



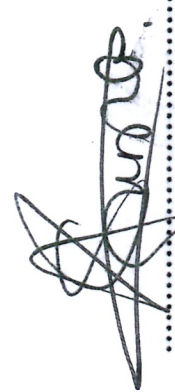
.....
STEPHEN GAKANG'A
Head of Accounting Unit
ICPAK M/No: 16194

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14 (b) Statement of Comparison of Budget and Actual Amounts: Development for Nine (9) Months Period to 30 June 2023

Revenue/Expense Item	Original Budget a	Adjustments b	Final Budget c=a+b	Actual on Comparable Basis d	Budget Utilisation Difference e=c-d	% of Utilisation f=d/c %
RECEIPTS						
Exchequer releases	-	-	46,000,000	46,000,000		
Miscellaneous	-	-				
Total Receipts			46,000,000	46,000,000		100%
Payments						
Transfers to Other Government Units			46,000,000	46,000,000		
Grand Total			46,000,000	46,000,000		100%
Surplus/Deficit						

The entity financial statements were approved on 11/12 2023 and signed by:



SUSAN MANG'ENI

Accounting Officer



STEPHEN GAKANG'A

Head of Accounting Unit

ICPAK M/No: 16194

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14. (c) Budget Execution by Programmes and Sub-Programmes for Nine (9) Months Period to 30 June 2023

Programme/Sub-programme	Original Budget	Adjustments	Final Budget	Actual on comparable basis	Budget utilization difference
	2023		2023	2023	
	Kshs	Kshs	Kshs	Kshs	Kshs
Programme 1- (0316000000)-Promotion and Development of MSMEs	525,748,781	0	525,748,781	572,652,912	(46,904,131)
Sub-programme 1-(0316029999)-Entrepreneurship and Business Development Services	274,917,500	0	274,917,500	321,284,334	(46,366,834)
Sub-programme 2-(0316019999)-MSMEs Development and Promotion	250,831,281		250,831,281	251,368,578	(537,297)
Programme 2- (0319000000)-General Administration, Planning and Support Services	107,871,500	0	107,871,500	71,895,794	35,975,706
Sub-programme 1-(0319019999)-General Administration, Planning and Support Services	107,871,500	0	107,871,500	71,895,794	35,975,706
TOTAL	633,620,281	0	633,620,281	644,548,706	(10,928,425)

15. Notes to the Financial Statements

1. Statement of Compliance and Basis of Preparation

The financial statements have been prepared in accordance with Cash-basis International Public Sector Accounting Standards (IPSAS) as prescribed by the Public Sector Accounting Standards Board (PSASB) and set out in the accounting policy note below. This cash basis of accounting has been supplemented with accounting for; a) receivables that include imprests and salary advances and b) payables that include deposits and retentions. The financial statements comply with and conform to the form of presentation prescribed by the PSASB. The accounting policies adopted have been consistently applied to all the years presented.

2. Reporting Entity

The financial statements are for the State Department for Micro, Small and Medium Enterprises Development. The financial statements encompass the reporting entity as specified under Section 81 of the PFM Act 2012.

3. Reporting Currency

The financial statements are presented in Kenya Shillings (Kshs), which is the functional and reporting currency of the Government, and all values are rounded to the nearest Kenya Shilling.

The accounting policies set out in this section have been consistently applied by the State Department for Micro, Small and Medium Enterprises Development for all the years presented.

a) Recognition of Receipts

The *Entity* recognizes all receipts from the various sources when the event occurs, and the related cash has been received.

(i) Transfers from the Exchequer

Transfers from the exchequer are recognized in the books of accounts when cash is received. Cash is considered as received when payment instruction is issued to the bank and notified to the receiving *entity*.

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(ii) External Assistance

External assistance is received through grants and loans from multilateral and bilateral development partners. Grants and loans shall be recognized in the books of accounts when cash is received. Cash is considered as received when a payment advice is received by the recipient entity or by the beneficiary. In case of grant/loan in kind, such grants are recorded upon receipt of the grant item and upon determination of the value. The date of the transaction is the value date indicated on the payment advice. A similar recognition criterion is applied for loans received in the form of a direct payment. During the year ended 30th June 2023, there were no instances of non-compliance with terms and conditions which have resulted in cancellation of external assistance loans.

(iii) miscellaneous receipts

These include Appropriation-in-Aid and relates to receipts such as proceeds from disposal of assets and sale of tender documents. These are recognised in the financial statements the time associated cash is received.

b) Recognition of payments

The Entity recognises all payments when the event occurs, and the related cash has been paid out by the *Entity*.

i) Compensation of Employees

Salaries and wages, allowances, statutory contribution for employees are recognized in the period when the compensation is paid.

ii) Use of Goods and Services

Goods and services are recognized as payments in the period when the goods/services are paid for. Such expenses, if not paid during the period where goods/services are consumed, shall be disclosed as pending bills.

iii) Interest on Borrowing

Borrowing costs that include interest are recognized as payment in the period in which they are paid for.

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iv) Principal on borrowing

The repayment of principal amount of borrowing is recognized as payment in the period in which the repayment is made.

v) Acquisition of Fixed Assets

The payment on acquisition of property plant and equipment items is not capitalized. The cost of acquisition and proceeds from disposal of these items are treated as payments and receipts items respectively. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration and the fair value of the asset can be reliably established, a contra transaction is recorded as receipt and as a payment. A fixed asset register is maintained, and a summary provided for purposes of consolidation. This summary is disclosed as an annexure 1 to the financial statements.

vi) In-kind contributions

In-kind contributions are donations that are made to the Entity in the form of actual goods and/or services rather than in money or cash terms. These donations may include vehicles, equipment, or personnel services. Where the financial value received for in-kind contributions can be reliably determined, the *Entity* includes such value in the statement of receipts and payments both as receipts and as payments in equal and opposite amounts; otherwise, the contribution is not recorded.

vii) Third Party Payments

Included in the receipts and payments, are payments made on the entity's behalf to third parties in form of loans and grants. These payments do not constitute cash receipts and payments and are disclosed in the payment to third parties in the statement of receipts and payments as proceeds from foreign borrowings or grants.

c) 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

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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. A bank account register is maintained, and a summary provided for purposes of consolidation. *This summary is disclosed as an annexure to the financial statements.*

Restriction on Cash

Restricted cash represents amounts that are limited/restricted from being used to settle a liability for at least twelve months after the reporting period. This cash is limited for direct use as required by stipulation. Amounts maintained in deposit bank accounts are restricted for use in refunding third party deposits and retentions. As of 30th June 2023, there was nil amount.,

d) Imprests and advances

For the purposes of these financial statements, imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year are treated as receivables. This is in recognition of the government practice where the imprest payments are recognized as payments when fully accounted for by the imprest or Authority to Incur Expenditure (AIE) holders. This is an enhancement to the cash accounting policy. Other accounts receivables are disclosed in the financial statements.

e) Third party deposits and retention

For the purposes of these financial statements, deposits and retentions held on behalf of third parties have been recognized on an accrual basis (as accounts payables). This is in recognition of the government practice of retaining a portion of contracted services and works pending fulfilment of obligations by the contractor and to hold deposits on behalf of third parties. This is an enhancement to the cash accounting policy adopted for National Government Ministries and Agencies. Other liabilities including pending bills are disclosed in the financial statements.

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f) Pending Bills

Pending bills consist of unpaid liabilities at the end of the financial year arising from contracted goods or services during the year or in past years. As pending bills do not involve the payment of cash in the reporting period, they are recorded as 'memorandum' or 'off-balance' items. When the pending bills are finally settled, such payments are included in the Statement of Receipts and Payments in the year in which the payments are made.

g) Budget

The budget is developed on a comparable accounting basis (cash basis except for imprest and deposits and retentions, which are accounted for on an accrual basis), the same accounts classification basis, and for the same period as the financial statements. The original budget was approved by Parliament in *June 2022 for the period 1st July 2022 to 30th June 2023* as required by Law and there were 1 number of supplementary adjustments to the original budget during the year.

A comparison of the actual performance against the comparable budget for the financial year under review has been included in the financial statements. Government Development Projects are budgeted for under the MDAs but receive budgeted funds as transfers and account for them separately. These transfers are recognised as inter-entity transfers.

h) Comparative Figures

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

i) Subsequent Events

There have been no events after the financial year end with a significant impact on the financial statements for the year ended *30th June 2023*.

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j) Prior Period Adjustment

During the year, errors that have been corrected are disclosed *under note 11* explaining the nature and amounts.

k) Related Party Transactions

Related party means parties are related if one party has the ability to:

- a) Control the other party or
- b) Exercise significant influence over the other party in making financial and operational decisions, or if the related party entity and another entity are subject to common control.

Related party transaction is a transfer of resources or obligations between related parties regardless of whether a price is charged.

l) Contingent Liabilities

A contingent liability is:

- a) A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
- b) A present obligation that arises from past events but is not recognised because:
 - i) It is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or
 - ii) The amount of the obligation cannot be measured with sufficient reliability.

Some of contingent liabilities may arise from: litigation in progress, guarantees, indemnities. Letters of comfort/ support, insurance, Public Private Partnerships. The *entity* does not recognize 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. **Note 16** and *Annex* of this financial statement is a register of the contingent liabilities in the year.

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Notes to the Financial Statements

1. EXCHEQUER RELEASES

Description	2022-2023	2021-2022
	Kshs	Kshs
Transfer From Exchequer	389,545,727	0
Total	389,545,727	0

During the year, the State department received Total exchequer amounting to Ksh 389,545,727. Out of which Ksh 343,545,272 was Recurrent and Ksh 46,000,000 was Development.

2. MISCELLANEOUS RECEIPTS

Description	2022-2023	2021-2022
	Kshs	Kshs
Receipts from Administrative Fees and Charges - Collected as AIA(KIE)	253,066,834	0
Receipts from Administrative Fees and Charges - Collected as AIA(MSEA)	4,537,297	
Total	257,604,131	0

Receipts from Administrative fees and charges collected as AIA Ksh 253,066,834 is from Kenya Industrial (KIE) and Ksh 4,537,297 from Micro Small Enterprises Authority.

3. COMPENSATION TO EMPLOYEES

There was no expenditure under compensation of employees. The State Department for Micro, Small and Medium Enterprises Development is a new Department created through the Executive Order No. 1 of 2023 following the re-organization of Government, therefore no funds were utilised under employee's compensation since all the staff were transferred from various Institutions and the payroll within the department had not been established.

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4. USE OF GOODS AND SERVICES

DESCRIPTION	2022-2023	2021-2022
	KSHS	KSHS
Communication, supplies and services	2,430,757	0
Domestic travel and subsistence	5,626,275	0
Foreign travel and subsistence	9,305,971	0
Printing, advertising and information supplies	634,603	0
Rentals of produced assets	10,066,978	0
Training expenses	7,343,608	0
Hospitality supplies and services	12,286,550	0
Fuel Oil and Lubricants	2,286,472	0
Other operating expenses	3,630,300	0
General Office Supplies	1,655,318	0
TOTALS	55,266,832	0

5. GRANTS AND TRANSFERS TO OTHER GOVERNMENT ENTITIES

The amount of Ksh 526,652,912 includes Ksh 257,604,131 collected as AIA as reflected in Table 5B below.

- (i) Kenya Industrial Estates (KIE) collecting Ksh 253,066,833.5 as AIA.
- (ii) Micro and Small Enterprises Authority (MSEA) collecting Ksh 4,537,297 as AIA.

5. TRANSFERS TO SELF – REPORTING ENTITIES IN THE YEAR

Description	Recurrent	Development	Total	2021-2022
	Kshs	Kshs	Kshs	Kshs
Transfers to SAGAs and SCs				
(MSEA)	97,725,000.00		97,725,000	
FUND(YEDF)	64,723,781.00		64,723,781	
KENYA INDUSTRIAL ESTATE LIMITED (KIE)	68,217,500.00		68,217,500	
UWEZO FUND (YOUTH EMPLOYMENT & ENTERPRISE) (YEMPE)	38,382,500.00	46,000,000	84,382,500	
TOTAL TRANSFERS	269,048,781	46,000,000	315,048,781	
AIA COLLECTED BY SAGAS				
KIE AIA	253,066,834	-	253,066,834	
MSEA AIA	4,537,297	-	4,537,297.00	
TOTAL AIA	257,604,131	-	257,604,131	
TOTAL	526,652,912	46,000,000	572,652,912	0

- (i) The recurrent transfer to KIE composed of AIA collected and spent at source of Ksh 253,066,834.
- (ii) The recurrent transfer to MSEA composed of AIA collected and spent at source of Ksh 4,537,297.

Description	2022-2023	2021-2022
	Kshs	Kshs
Transfers to National Government entities		
Current grants to government agencies and other level of government	479,748,781	0
Capital grants to government agencies and other level of government	46,000,000	0
TOTAL	525,748,781	0

6. ACQUISITION OF ASSETS

Non -Financial Assets	2022-2023	2021-2022
	Kshs	Kshs
Purchase of Vehicles and Other Transport Equipment	11,188,510	0
Purchase of Office Furniture and General Equipment	3,377,241	0
Purchase of ICT Equipment, Software and Other ICT Assets	1,156,312	0
Sub-total	15,722,064	0
Financial Assets		
Sub-total	0	0
Total	15,722,064	0

7. Repairs and Maintenance

Non -Financial Assets	2022-2023	2021-2022
	Kshs	Kshs
Repairs and Maintenance	694,766	0
Total	694,766	0

7A. BANK BALANCES

Description	2022-2023	2021-2022
	Kshs	Kshs
Bank Account (Note 7A)	2,813,284	0
Cash on hand (Note 7B)	0	0
Elsewhere	46,904,131	0
Total	49,717,415	0

7. B CASH BALANCES

Name of Bank, Account No. & currency	Amount in bank account currency	Indicate whether recurrent, Development, deposit e.t.c	Exc rate (if in foreign currency)	2022-2023	2021-2022
				Kshs	Kshs
Cash in Hand	0	0	0.00	0	0
Total				0	0

8. Imprests and Advancements

There were no imprests and advances

9. THIRD PARTY DEPOSITS AND RETENTION

There were no third-party deposits and retention.

10. FUND BALANCE BROUGHT FORWARD

Description	2022-2023	2021-2022
	Kshs	Kshs
Fund Balance b/f	0	0
Total	0	0

11. PRIOR YEAR ADJUSTMENTS

There were no Prior year adjustments,

12. (INCREASE) / DECREASE IN ADVANCES AND IMPRESTS

There was no increase /Decrease in Advance and Imprests

13. RELATED PARTY DISCLOSURES

The following comprise of related parties to the State Department for Micro, Small and Medium Enterprises Development.

- i) Key management personnel
 - Cabinet Secretaries
 - Accounting Officers
- ii) Other Ministries Departments and Agencies and Development Projects.
 - Kenya Institute of Business Training (KIBT)
- iii) State Corporations and Semi-Autonomous Government Agencies.
 - Micro and Small Enterprises Authority (MSEA)
 - Kenya Industrial Estates (KIE)
 - Youth Enterprise Development Fund (YEDF)
 - Financial Inclusion Fund
 - Youth Employment & Enterprise – Uwezo Fund

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OTHER IMPORTANT DISCLOSURES

14. RELATED PARTY TRANSACTIONS

	2022-2023	2021-2022
	Kshs	Kshs
Key Management Compensation	0	0
Transfers to related parties		
Transfers to other MDAs	0	0
Transfers to SCs and SAGAs	525,748,781	0
Total Transfers to related parties	525,748,781	0
Transfers from related parties		
Transfers from the Exchequer	389,545,727	0
Total Transfers from related parties	389,545,727	0

15: PENDING ACCOUNTS PAYABLE

There were no pending accounts payable during the year.

15.2: PENDING STAFF PAYABLES

There was no pending staff payable during the year.

15.3: OTHER PENDING PAYABLES

There was no Other pending payables during the year.

16. CONTINGENT LIABILITIES

There were no Contingent liabilities during the year.

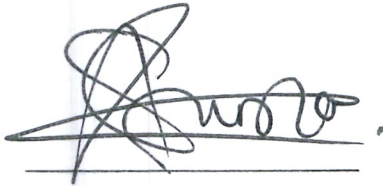
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Notes to the Financial Statements (Continued)

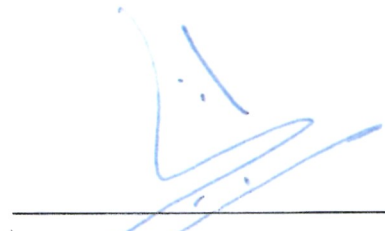
17. Progress on follow-up of Prior Years Auditor-General's recommendations.

The following is the summary of issues raised by the Auditor-General during the prior year and management comments that were provided.

There was no Progress on follow-up of prior year Auditor – General's recommendations since the State Department for Micro, Small and Medium Enterprises Development was created in 2022/2023 through the Executive Order No. 1 of 2023. Therefore, there were no activities in 2021/2022, operations commenced in the fourth quarter 2022/2023.



Accounting Officer
SUSAN MANG'ENI
Accounting Officer



Head of Accounting Unit
STEPHEN GAKANG'A
Head of Accounting Unit
ICPAK M/No: 16194

**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 Nine (9) months ended 30th June 2023**

16. Annexes

Annex 1 – Summary of Fixed Asset Register

Asset class	Historical Cost b/f 2021/2022	Additions during the year 2022/2023	Disposals during the year 2022/2023	Historical Cost c/f 2022/2023
	(Kshs)	(Kshs)	(Kshs)	(Kshs)
Purchase of Vehicles and Other Transport Equipment		11,188,510		11,188,510
Office equipment, furniture and fittings		3,377,241		3,377,241
ICT Equipment, Software and Other ICT Assets		1,156,312		1,156,312
Other Machinery and Equipment		0		0
Total	0	15,722,064	0	15,722,064

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**Annex 2 – List of SCs, Sagas and Public Funds Under (State Department for
Micro, Small Medium Enterprises (MSME))**

Ref	SC, SAGA or Public Fund's name	Amount transferred during the year	Inter- entity reconciliations done?(yes/no)
1	MICRO SMALL ENTERPRISES AUTHORITY (MSEA)	97,725,000	YES
2	YOUTH ENTERPRISES DEVELOPMENT FUND(YEDF)	64,723,781	YES
3	KENYA INDUSTRIAL ESTATE LIMITED (KIE)	68,217,500	YES
4	UWEZO FUND (YOUTH EMPLOYMENT & ENTERPRISE) (YEMPE)	84,382,500	YES

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DEVELOPMENT
*Report and Financial Statements for Nine (9) months ended 30th June 2023***

Annex 3- Reports Generated from IFMIS

- i) **GOK IFMIS Comparison Trial Balance**
- ii) **FO 30 (Bank reconciliation) for all bank accounts**
- iii) **GOK IFMIS Receipts and Payments Statement**
- iv) **GOK IFMIS Statement of Financial Position**
- v) **GOK IFMIS Statement of Cash Flows**
- vi) **GOK IFMIS Notes to the Financial Statements**
- vii) **GOK IFMIS Statement of Budget Execution**
- viii) **GOK IFMIS Statement of Deposits**
- ix) **GOK IFMIS Budget Execution by Programme and Economic Classification**
- x) **GOK IFMIS Budget Execution by Head and Programmes**
- xi) **GOK IFMIS Budget Execution by Programmes and Sub- programmes**

Annex 5- Other Disclosures

- i) **Appendix 1- Confirmation of SAGAs Disbursement**
- ii) **Appendix 2- Board of Survey Report**
- iii) **Appendix 3-Copies of Bank Statements Extract**
- iv) **Appendix 5-Copies of Cash Book Extract**
- v) **Appendix 6- Copies of Bank Certificates**
- vi) **Appendix 7- Fixed Asset Register**

