

REPUBLIC OF KENYA



*Enhancing Accountability*



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DATE: 04 JUN 2024	DAY: TUESDAY
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**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

**MICRO AND SMALL  
ENTERPRISES AUTHORITY**

**FOR THE YEAR ENDED  
30 JUNE, 2023**





OFFICE OF THE AUDITOR GENERAL  
P. O. Box 30084 - 00100, NAIROBI  
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**MICRO AND SMALL ENTERPRISES AUTHORITY**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDING  
JUNE 30, 2023**

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

Micro and Small Enterprises Authority  
Annual Reports and Financial Statements  
For the year ended June 30, 2023

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## 1. Acronyms, Abbreviations and Glossary of Terms

### A: Acronyms and Abbreviations

CEO	Chief Executive Officer
DG	Director General
ICPAK	Institute of Certified Public Accountants of Kenya
IPSAS	International Public Sector Accounting Standards
MSE	Micro and Small Enterprises
MSEA	Micro and Small Enterprises Authority
MSEMEs	Micro, Small and Medium Enterprises
PFM	Public Finance Management.

### B: Glossary of Terms

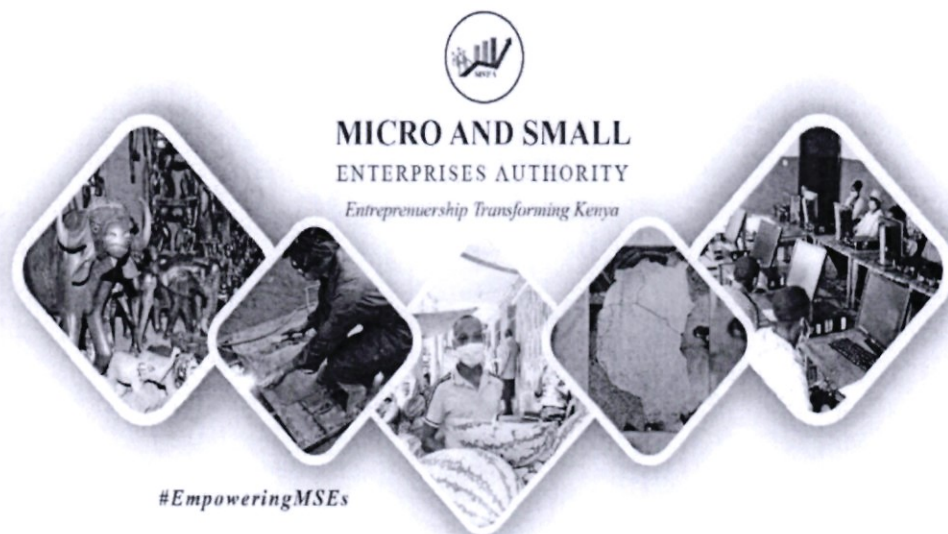
**Fiduciary Management** – Members of Management directly entrusted with the responsibility of financial resources of the organisation.

**Comparative Year** –Means the prior period

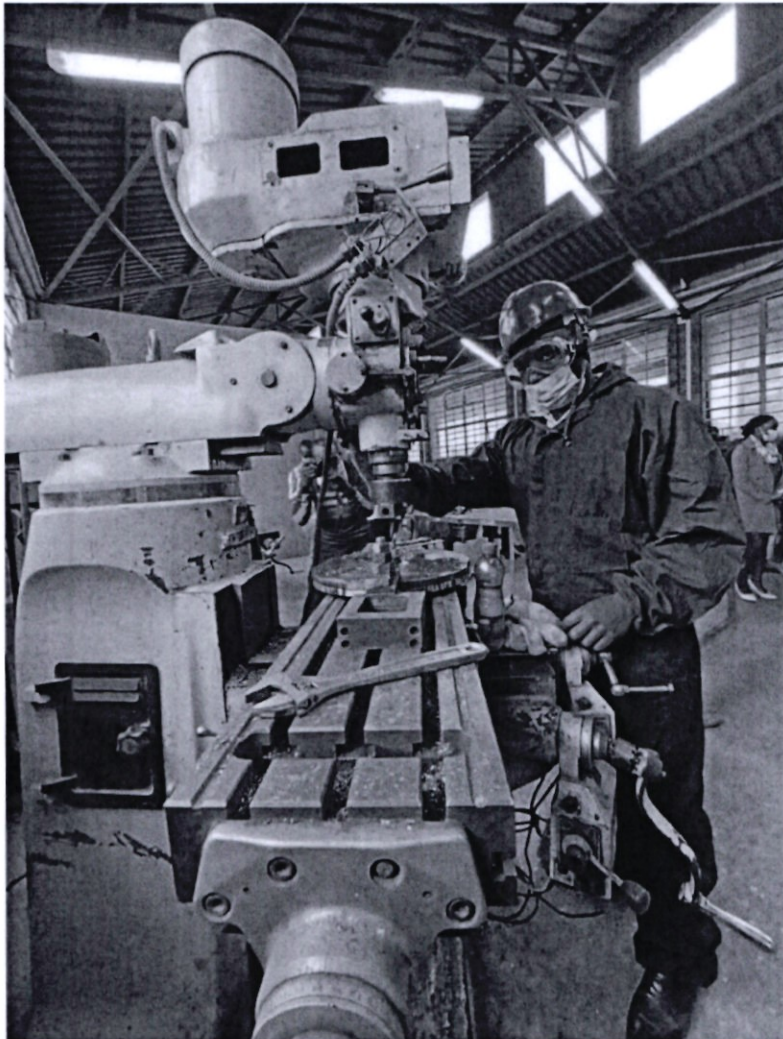
## 2. KEY ENTITY INFORMATION AND MANAGEMENT

### (a) Background information

The Micro and Small Enterprises Authority (MSEA) is a State Corporation established under the Micro and Small Enterprise Act No. 55 of 2012. The Authority is established by law to support development and regulation of Micro and Small Enterprises. The Authority's mandate as indicated by the Micro and Small Enterprise Act No. 55 of 2012 is to Regulate, Promote and Develop the Micro and Small Enterprise Sector. The Authority focuses on the following sectors: Manufacturing, Agribusiness, Trade and Services. At Cabinet level, the Authority is represented by the Cabinet Secretary for Co-operatives and Micro Small and Medium Enterprises Development, who is responsible for the general policy and strategic direction of the Authority.



**TAGLINE, MISSION, VISION:**



**CORE VALUES:**

The MSEA shall uphold the following core values:

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



## CORE VALUES:

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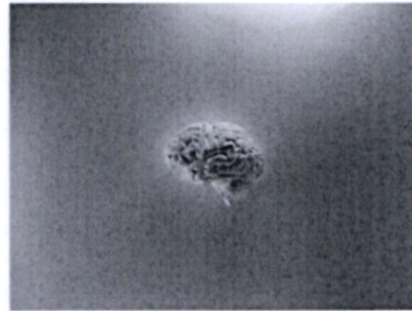
### 1) Collaboration:

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



### 2) Innovation:

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



### 3) Equity:

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



### 4) Integrity:

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



### 5) Sustainability:

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





# OUR FOUR STRATEGIC PILLARS

## Strategic Pillars

### REGULATION

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



### PROMOTION

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



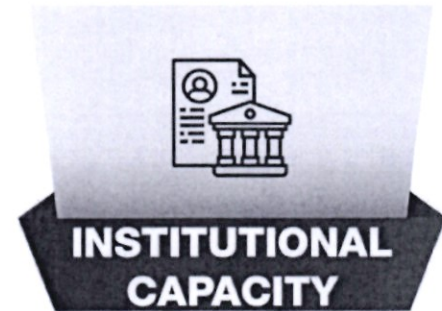
### DEVELOPMENT

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

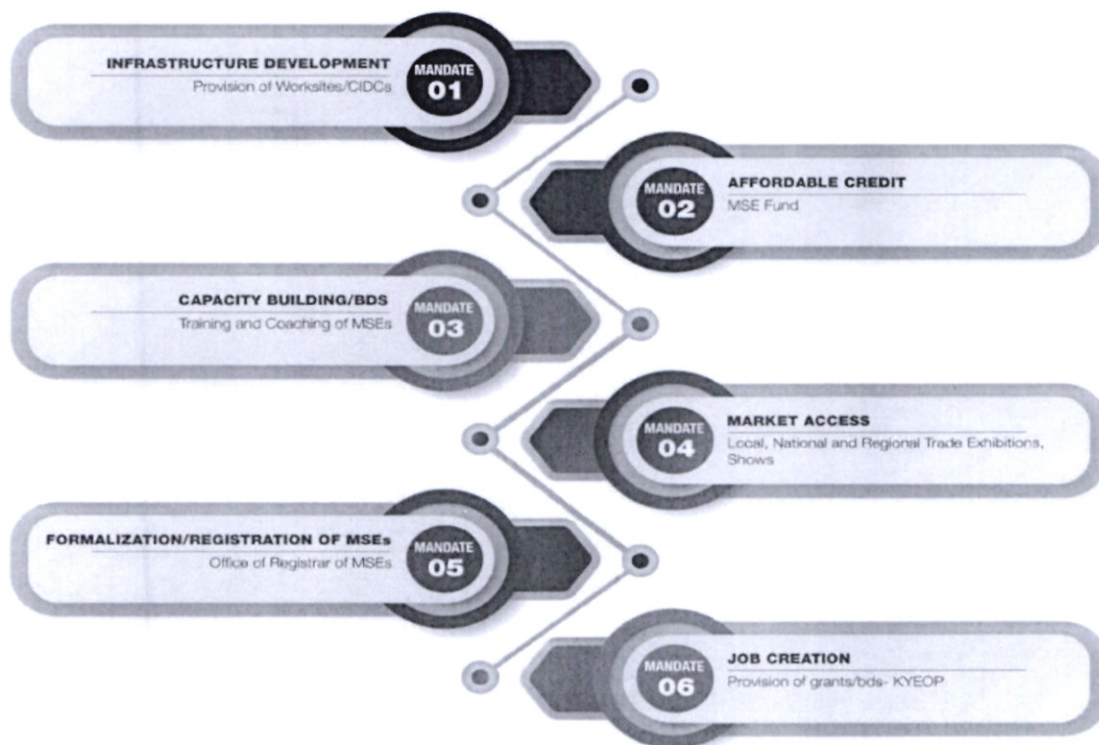


### INSTITUTIONAL CAPACITY

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



## CORE MANDATE



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

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

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

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

**(c) Key Management**

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

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

**(d) Fiduciary Management**

The key management personnel who held office during the financial year ended 30<sup>th</sup> June 2023 and who had direct fiduciary responsibility were:

No.	Designation	Name
1	Chief Executive Officer	Henry Rithaa
2	Director, Corporate Services	Simon Nyamolo
3	Ag. Head of Finance	Elsie Thambu
4	Director, Infrastructure Development, Technology and Innovation	Eng. Edward Karani
5	Ag. Director, Business Development, Marketing and Trade	Caroline Kioko
6	Director, Human Capital Development	Naomi Kariuki
7	Registrar of Micro and Small Enterprise	Catherine Mungania
8	Director, Strategy, Planning and MSE Coordination	Richard Ipero
9	Chief Legal Officer	Mary Chege
10	Ag. Head of Supply Chain Management	Silas Kiome
11	Head, Corporate Communication	Elizabeth Mulae

**(e) Fiduciary Oversight Arrangements**

The primary organ responsible for fiduciary oversight arrangements is the Board of Directors. Other Government bodies also provide oversight. The Board exercised this oversight through Board Committees. These were the Finance, Human Resource and Administration Committee, Strategy and Business Development Service Committee, Development and Infrastructure Committee, Audit and Risk Management Committee. The key function of the Board is to guide and control the performance and management of the affairs of the Authority.

**(f) Headquarters**

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

**(g) Contacts**

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

**(h) Bankers**

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



**(i) Independent Auditors**

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

**(j) Principal Legal Adviser**

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

### 3. The Board of Directors


 <p><b>Mr. James Mureu</b></p>	<p><b>Chairperson of the Board</b></p> <p>Born in 1960, Mr. James N. Mureu holds a B.Sc degree in Business Management from Hartford University, USA, Australia Melbourne campus.</p> <p>He is the Managing Director of Prolong Kenya Ltd, a firm involved in construction and farming, Chairman of Mastrade Holdings Ltd with interests in telecommunication and Afrinol Holdings Ltd involved in large-scale farming of Sorghum. He is the immediate past National Vice Chairman of the Kenya National Chamber of Commerce &amp; Industry (KNCCI), and Chairman of the Economic Diplomacy committee of KNCCI. He is also the joint Chairman of the Kenya/India Joint Business Council as well as a member of both the Nigeria and South Africa Joint Business Councils. He has interests in telecommunications, real estate and farming.</p>
 <p><b>Simon K. Chelugui, E.G.H</b></p>	<p><b>Cabinet Secretary: Ministry of Cooperatives and Micro, Small and Medium Enterprises (MSME) Development</b></p> <p>Simon Kiprono Chelugui is the current Cabinet Secretary for Cooperatives and Micro, Small and Medium Enterprises (MSME) Development following his recent appointment in September 2022.</p> <p>Prior to this, he served as the Cabinet Secretary for Labour and Social Protection (2020-2022) and Water, Sanitation and Irrigation (2018-2020).</p> <p>Simon holds a Master's Degree (Msc) in Finance, Investment &amp; Strategic Management and Bachelors of Commerce (Management Science Option) Degree from the University of Nairobi, Kenya.</p> <p>He has also been extensively trained in Corporate Governance. Simon has over twenty years work experience in corporate governance, Policy Formulation, monitoring and reviewing implementation and technical policies; Water Engineering, Finance, Investment &amp; Strategic Management and has worked directly with different Government institutions.</p> <p>Simon was vested with Elder of Golden Heart (EGH) Presidential Award for his outstanding stewardship and service.</p>



**Principal Secretary: State Department of Micro Small and Medium Enterprises (MSME) Development**



Hon. Susan Auma Mang'eni is the Principal Secretary of the newly established State Department of Micro Small and Medium Enterprises (MSME) Development under the Ministry of Cooperative and Micro Small and Medium Enterprises (MSME). She is a governance and development expert with close to 15 years' experience in both the private and public sectors in areas of strategic leadership, public policy formulation, analysis and implementation, enterprise development, institutional building, oversight, youth and women empowerment. Prior to her current appointment, Hon. Susan Mang'eni served on the Boards of the Youth Enterprise Development Fund (YEDF), Kenya Institute of Public Policy Research and Analysis (KIPPRA) and The Competition Tribunal of Kenya. She was also a member of the Working group on the socio-economic audit of the constitution of Kenya 2010, under the office of the Auditor General. In the Private sector, Hon. Susan Mang'eni has engaged in consultancies and discourses focused on socio-economic and political transformation across the country, region and beyond, gaining global perspectives and insights that continue to impact on her contributions in the public policy arena. She is also part of the








**Hon. Susan Auma Mang'eni**



	<p>team that participated in the economic visioning of the Kenya Kwanza Manifesto (The Plan), in particular her role in the development of Western Region Economic Blue Prints Document.</p> <p>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 (MINDS), the Women Democracy Network (WDN) and the Women Waging Peace International and the Pan African Movement.</p>
 <p><b>Mr. Henry M. Rithaa</b></p>	<p><b>Director General / Chief Executive Officer:</b></p> <p>Born in 1977, Mr. Rithaa holds an MBA (Strategic Management), Master of Arts in Regional Integration and Bachelor’s degree in Finance.</p> <p>He is a Certified Risk Professional (GARP) and Certified in Regional Integration and Trade. He has worked in Banking, Micro Finance and Corporate Strategy for over 17 years in both private financial institutions and the Public Sector.</p> <p>He is also a trained in Advanced Leadership and Management Development Program from Kenya Institute of Management and has done Strategic Leadership Development Program from Kenya School of Government. He is a member of the Kenya Institute of Management (MKIM) and Secretary to the Board of Directors. Henry has served in various Directorship positions in both Private and Public institutions.</p>



 <p><b>Mr. Humphrey N. Ndung'u</b></p>	<p><b>Director (Until November 13<sup>th</sup>, 2022)</b></p> <p>Mr. Ndung'u was born on 23rd September 1962. He is a visionary, delivery and execution leader with over 13 years' progressive responsibility heading teams, providing strategic solutions and large-scale projects with companies and organisations. He also has expertise in executive leadership, product management, contract negotiations, and business development. Successful experience building innovative digital businesses. His latest stint was at Mobile Decisioning Holdings Limited where he worked as Group Chief Financial Officer 2011 – 2012, Group Chief Operating Officer 2012 – 2013 and Group Director, Strategy 2013 – 2014.</p> <p>He has also worked for Equity Investment Bank Limited, Renaissance Capital Kenya Limited, K-Rep Bank Limited, Consolidated Bank of Kenya Limited, Standard Chartered Bank PLC - South Africa, Standard Chartered Bank Kenya and Limited First American Bank of Kenya Limited. Mr. Ndung'u is an Independent Director of the Board of MSEA and Chairperson to Finance, Human Resource and Administration Committee of the Board.</p>
 <p><b>Mr. Anthony Kwache</b></p>	<p><b>Director: (Until November 13<sup>th</sup>, 2022)</b></p> <p>Mr Anthony Kwache was born on 12th December 1971. Mr Kwache joined the Micro and Small Enterprises sector in the year 1995 after a stint in formal employment as a newspaper vendor and selling merchandise in Nairobi and later moved to Kisumu the same year to continue along Oginga Odinga Street.</p> <p>In the year 1999 he started supplementing his income by venturing into vegetables farming in his rural home. During this period he was elected to be the Chairperson of the traders, shoe shiners and the newspaper vendors in Kisumu to lead in advocating for their recognition and provision of a suitable environment for their businesses. He also joined hands with the Jua Kali Associations to champion for the enactment of laws and regulations that could enhance the governance and growth of the valuable sectors.</p> <p>In the year 2005 when the Institute of Economic Affairs was conducting a research on the organizing and governance of the trade and service sectors, Mr. Kwache was part of the team and was first elected in 2008 as a co-opted member of the management board and national executive</p>


	<p>member. This gave birth to the Kenya National Association of Street Vendors and Traders (KENASVIT). He is the Chairperson of Kisumu Informal Traders and Economic Support which is affiliated to KENASVIT.</p> <p>He has championed for provision of adequate worksites for the members of the Jua Kali and other sectors, the enactment of the MSE Act 2012 and has been leading KENASVIT in sensitizing the sector members on the Act and following up on its full implementation. He is also Chairman of Kisumu County MSE Association. Mr. Kwache is the Chairperson of Development and Infrastructure Committee of the Board of MSEA.</p>
 <p><b>Mr. Billy Baltazar</b></p>	<p><b>Director:</b></p> <p>Mr. Baltazar has had diverse experience in different fields including Health Policy, Health Financing and management of teams both in private and public sector. He holds a Bachelor of Commerce degree in Management from Catholic University of Eastern Africa and currently pursuing Master of Science in Human Resource Management from the University of Nairobi.</p> <p>He also has a Diploma in Computer Programming and Human Resource Management. Mr. Baltazar has attended short courses in Leadership and Governance, Quality Management Systems, Statistical Methods among others. Currently he is working with NASCOP CDC under Ministry of Health. Previously he has worked with Kenya Medical Supplies Agency. He is the Chairperson of Audit and Risk Committee of MSEA Board.</p>
 <p><b>Mr. Isaac Mbingi Okello</b></p>	<p><b>Director: (Until November 13<sup>th</sup> ,2022)</b></p> <p>Born in 1964, Mr. Okello holds a Master of Commerce Degree (Business Management) with over 20 years' experience in Human Resource and Administration in both the public and private sector. He is an Advocate of the High Court of Kenya and holder of a Post Graduate Diploma in Law from the Kenya School of Law and a Bachelor of Laws Degree from the University of Nairobi.</p> <p>He is currently the Administrative Secretary, Central Organization of Trade Unions, Kenya (COTU-K). He is also a member of the Kenya Institute of Management and the Law Society of Kenya.</p>

 <p><b>Eng. Charles Kalomba</b></p>	<p><b>Director:</b></p> <p>Eng. Kalomba was born on 18<sup>th</sup> August, 1962. He is a graduate of industrial instrumentations from Institute of Machine Tools Batala, India and also renewable energy scientist from the Mithradham Energy Institute in Cochin, Kerala Southern India. He has also a Higher National Diploma in Automotive from Kenya National Polytechnic. He is the founder Member and developer of the framework at National Industrial Training Authority. He is also the chief architect, lead Consultant and co-chair to the Vice Chancellor to the “JKUAT Mashinani” Initiative, public-private sector collaboration between the Jomo Kenyatta University of Agriculture and Technology and the indigenous local industry/JuaKali, whose specific objective is to build the capacity of the University’s linkages with the MSE/Jua Kalis. In 2017, he was appointed by the Board of National Industrial Training Authority (NITA) as the Chairman of the Commercial, Wholesale, Retail Trade and Allied Agencies (CWR), with a huge Component of Private Security modernizing and standardizing.</p>
 <p><b>Mr. Yuda Imunya</b></p>	<p><b>Director: (Until November 13<sup>th</sup> ,2022)</b></p> <p>Born in December 20<sup>th</sup> 1965. Mr. Imunya holds a Bachelor’s degree in Business Administration and Management from Kenya Methodist University. He has also trained on Leadership, Governance and Management at Kenya School of Government. Mr. Imunya also attended a short course in Governance and Management in Johannesburg, South Africa.</p> <p>He has a vast experience in business and management and currently is a Director at Ideal Security Services Limited. Prior to that, he was a Member of County Public Service Board at Meru County. He has previously worked with Kangeta Girls High School, Henneiman Educational Publishers before moving to East African Educational Publishers as Credit Controller in charge of East African Countries Branch Office.</p>
 <p><b>Ms. Caroline Karanja</b></p>	<p><b>Director: (Until November 13<sup>th</sup> ,2022)</b></p> <p>Ms. Karanja was born on 25th March 1974. She is a graduate of the United States International University Africa (USIU-A) with a major in International Business Administration - finance option. She has attended short courses in Leaders in Action, Basic Banking Operations, and</p>

	<p>Performance Management among others. Ms. Karanja has over 15 years of work experience both in the banking and microfinance sectors.</p> <p>Currently she is the Chief Executive Officer at Association of Micro-finance Institutions Kenya (AMFI-K). She has previously held senior positions at Commercial Bank of Africa, Nature Expeditions Africa Limited and Citibank N.A.</p>
 <p><b>Mr. Joseph Samal Lomwa</b></p>	<p><b>Director: (Until November 13<sup>th</sup>, 2022)</b></p> <p>Mr. Lomwa is a holder of Bachelor of Arts Degree in Development Studies from Kimmage Development Studies Centre-Dublin, Ireland and Diploma in Community Development from Premise Development Training Institute. He has also a Certificate in Social Development Work. Mr. Lomwa is an initiative driven leader and Public Servant with over 20 years serving the community both in the Non-Governmental Organisation and the Public sector. He has extensive project management, public administration, community empowerment, leadership among others having served as a Member of Parliament (MP) for Isiolo North Constituency between March 2013-2017.</p> <p>Prior to then, he worked as Executive Director (CEO) at PREMAP- a local CBO, based in Isiolo. Previously, he has in senior positions at Catholic Development Office and Modogashe Development Office. He left the Authority on 8<sup>th</sup> February 2022 upon resigning.</p>
 <p><b>Ms. Rose Mwongera</b></p>	<p><b>Alternate to Principal Secretary State Department for Youth Affairs: (Until November 13<sup>th</sup>, 2022)</b></p> <p>Ms. Mwongera sits in MSEA Board as alternate to Principal Secretary, State Department for Youth Affairs. She is a holder of Master of Arts in Project Planning and Management from the University of Nairobi and Bachelor of Education in Home Economics from Kenyatta University. Currently she is a PhD student studying Development Studies at the Jomo Kenyatta University of Agriculture and Technology. Ms. Mwongera has vast experience in public policy, strategy and research currently working as Deputy Director in charge of Youth Development at State Department for Youth Affairs.</p> <p>Prior to that, she worked as Assistant Director coordinating and advising on Youth Mainstreaming from 2013 to 2016 at the Ministry of Health.</p>

	<p>Previously, she worked as Chief Youth Officer, Principal Youth Officer and then Assistant Director at the Department of Youth Development from 2007 to 2016.</p>
 <p><b>Mrs. Margaret Gitonga</b></p>	<p><b>Director :</b></p> <p>Margaret is a holder of a Masters degree in Entrepreneurship and Corporate innovation from Strathmore University and a Bachelor of Commerce (<b>1<sup>st</sup> class Hons</b>) graduate from University of Nairobi. She is a certified Women in Business advisor by Goldman Sachs (USA) and a certified trainer of trainers (TOT) by Achieve Global -South Africa. She is also a practicing entrepreneur, management consultant, scholar and publisher on small and Medium size businesses – <i>She has published (CC-BY 4.0) by Cogent Business &amp; Management: 2019: "The effect of banking services on the business performance of bank agents in Kenya".</i></p> <p>Margaret has over 28 years experience at senior management in the Banking industry and as a business and projects consultant. She has undertaken lead roles in Key Micro finance bank restructuring, investor sourcing and on boarding: Worked as consultant and business advisor for the Goldman Sachs “10,000 women in business” project, a World Bank sponsored initiative at USIU and undertaken USAID projects as Quality Assurance consultant among other small and medium enterprises coaching and trainings programmes.</p> <p>Margaret is a serving council member - University of Eldoret, council member of Zetech University and Board member LOLC Micro Finance Bank PLC among other public and private organizations.</p> <p>She is a Rotarian (Paul Harris Fellow) at Rotary club of Karen.</p>
 <p><b>Ms. Milka Muthui</b></p>	<p><b>Alternate to the Principal Secretary State Department for Trade.</b></p> <p>Ms. Milka Muthui Holds a Master of Business Administration (MBA) in International Relations from the University of Nairobi and a Bachelor of Commerce - Marketing option from Catholic University of Eastern Africa.</p> <p>Ms. Milka has vast experience on Trade Negotiations and Advisory Services, Coordination of bilateral trade activities as well as building</p>

	<p>consensus and forging collaborations and facilitating trade-offs between incoming and outgoing business delegations.</p> <p>She has been Involved in Technical working group to resolve trade barriers between Kenya and South Africa, which led to unlocking the stalemate of Avocado exports from Kenya to South Africa.</p> <p>She also facilitated implementation of computer based program and application for purposes of accounting under the Joint Loans Boards program.</p>
 <p><b>Mr. Adan S. Abudullahi</b></p>	<p><b>Director:</b></p> <p>Mr Adan holds a Bachelor of Commerce Degree, Business and Entrepreneurship Degree, and other multiple certifications in business and entrepreneurship.</p> <p>He is highly innovative, engaging, and result-driven business manager and administrator with over 10 years of top leadership as a Board of Director, and senior management experience and extensive international experience working with various intercultural teams.</p> <p>He has served in various organisations as a board member ; Laba Ventures F2-LLC, Global Attain Advancement, LLC (United States of America) Global Attain Advancement and LLC (United States of America).</p>
 <p><b>Mr. Richard Gakunya</b></p>	<p><b>Alternate to Cabinet Secretary The National Treasury and Planning: (Until November 13<sup>th</sup> ,2022)</b></p> <p>Mr. Gakunya is a holder of Masters of Science in Economics and Statistics and Bachelor of Science in Economics and Statistics both from Odessa Institute of National Economy. He has attended short courses in Activity based costing, Fiscal risk reporting, Strategic Leadership Development Program, Public expenditure management and among others.</p> <p>He has extensive experience in budgeting, fiscal planning, public policy and public sector financial management currently working as Deputy Director of Budgets at National Treasury. Previously he has worked for over 20 years as Economist in the Public Service and Office of Controller and Auditor General as Auditor.</p>

 <p><b>Mr. Joseph Mbeva</b></p>	<p><b>Alternate to the Principal Secretary State Department for Industrialization.</b></p> <p>Mr Mbeva holds a bachelor of Science degree from University of Nairobi (1990). He has a masters on Intellectual Property from Franklin Pierce Law Cent, USA (2002).</p> <p>He’s currently the Director of Industries since 2018 where he’s in charge of Promoting Industrialization at the County Level; Coordinating Inter-governmental linkages, projects and programmes; Collaborating with stakeholders in the counties on industry, enterprise; investment matters; Carrying out resource surveys and endowment mapping in the counties and identifying Industrial Investment opportunities; Linking innovators and entrepreneurs to potential investors, financiers and markets; Coordinating Collection and dissemination of county investment and industrial intelligence, Providing Business Development Services and Business Information to target beneficiaries in the counties; Liaising with other directorates on information on county industrial development; Oversee disciplining, training and development of departmental staff; Guide in preparation and implementation of the Performance Contracts; Represent the Department/Ministry in various committees and meetings; Provide technical input to stakeholders on entrepreneurship and industrial matters; Oversee staff deployment, disciplining, training and development in the directorate. He has served in several Boards as Alternate Director including Micro and Small Enterprises Authority (2014-2017); Kenya Bureau of Standards KEBS (2015-20210); Kenya Industrial Property Institute (KIPI) (2016-2018); Industrial Development Bank 2021). Kenya Shipyard limited (2021); Scrap Metal Council (SMC) (2022-2023)</p>
	<p><b>Alternate to Principal Secretary State Department for Youth Affairs</b></p> <p>Mr. Mbogo is an experienced professional with Over 30 years of progressive work in Teaching, Youth work and management engagements.</p> <p>He is currently the Director, Youth Development in charge of Entrepreneurship and Skills Development, State Department for Youth Affairs and the Arts.</p> <p>He has served in various senior level positions in Government such as, High School teacher climbing up to the level of Deputy Principal;</p>



**Mr. George Mbogo**




Lecturer in a Technical Training Institute up to the level of Head of Department in Business Studies; Director, Department of Education and Youth and Ag. Chief Officer in Nyeri County Government; Regional Youth Coordinator- Nyanza and Deputy Director Youth Development.

He holds an MBA in Finance from the University of Nairobi, BED (A) from Kenyatta University, Certified Public Accountant of Kenya, Higher Diploma in Human Resource Management and Certificate in Guidance and Counselling both from Institute of HRM, Certificate in E- Learning from Namibia Open Learning Network and Kenya e-learning Centre, Certificate in Sexual Health and AIDS Prevention for Adolescents from Aharon Ofri International Training Center- Israel, Certificate in Strategic Leadership Development Program and Certificate in Research Proposal and Consultancy Skills both from Kenya School of Government.

He is a member of Kenya Institute of Management (KIM).

**4. MANAGEMENT TEAM**

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

 <p><b>Ms. Caroline Kioko</b></p>	<p><b>Ag. Director, Business Development, Marketing and Trade</b></p> <p>Born in 1982, Ms. Caroline Kioko holds a Master's of Business Administration Degree in Entrepreneurship and Bachelor's degree in Environmental Studies and Community Development, both from Kenyatta University. She has attended several other courses including Senior Management Course from the Kenya School of Government, Project Planning and Implementation from ESAMI, Small Business Planning and Promotion from NIESBUD, among others. Her experience in Business Development Services in the MSE sector spans over 12 years, within the Kenyan context as well as the EAC region. She is also serving as the Project Coordinator of the Kenya Youth Employment and Opportunities Project (KYEOP) Component 2.</p>
 <p><b>Eng. Edward Karani</b></p>	<p><b>Director, Infrastructure Development, Technology and Innovation</b></p> <p>Born in 1989, Mr. Karani holds a Masters Degree in Project Management from Jomo Kenyatta University Of Agriculture and Technology. He is also a graduate of Bsc Electrical and Electronic Engineering and a Double degree in Bsc Telecommunication and Information Engineering from the same University. Edward has extensive experience in Project Management both in Private and Public sector. He is a member of Institute of Engineers Kenya and Engineers Board of Kenya in addition he has undergone training on Young leaders SME Development and Promotion.</p>
 <p><b>Ms. Naomi Kariuki</b></p>	<p><b>Director, Human Capital Development</b></p> <p>Born in 1978, Ms. Kariuki holds a Master of Science in Human Resource Management from Jomo Kenyatta University of Agriculture and Technology and a Bachelor's degree in Business Administration and Management. She is a Certified Human Resource Professional (CHRP) and a full member of the Institute of Human Resource Management. She has attended other courses in Senior Management from Kenya School of Government, Credit Management, Risk Management and Public Relations among others. Currently pursuing MA in Diplomacy and International Relations. Her corporate experience spans over 15 years working in various institutions including the Council of Legal Education/Kenya School of Law, Export Promotion Council prior to joining the Authority.</p>

 <p><b>Ms. Catherine Mungania</b></p>	<p><b>Registrar of Micro and Small Enterprise</b></p> <p>Born in 1981, Ms. Mungania is an Advocate of the High Court of Kenya with a distinguished law career and vast experience in legal matters spanning over 14 years. She holds a Bachelor of Laws (LL.B.) Degree from Moi University, a Postgraduate Diploma in Law from Kenya School of Law, a Master of Laws (LL.M.) Degree in Public Finance from the University of Nairobi and a Diploma in Human Resource from Kenya Institute of Management.</p> <p>She brings a wealth of experience having worked as an Ag. Corporation Secretary at the Engineers Board of Kenya, A Senior Resident Magistrate at Kericho Law Courts, a Senior Manager at Nyayo Tea Zones Development Corporation, Manager at JKUAT as well as a practicing advocate in various law firms in Kenya.</p>
 <p><b>Mr. Richard Omelu</b></p>	<p><b>Director, Strategy, Planning and MSE Coordination</b></p> <p>Born in 1982, Mr Omelu holds a Master of Business Administration Degree in Strategic Management from Moi University and Bachelor of Commerce Degree in Finance from the University of Nairobi. He is a Risk Certified Professional examined by the Global Association of Risk Professionals (GARP-UK) and a member of the Kenya Institute of Management (MKIM).</p> <p>Richard has attended various Senior Management courses locally and internationally on Corporate Governance for Directors, Performance Management, Corporate Planning, Credit Management, Fund Raising, Enterprise Risk Management, Pricing Risk Management, Project Management, Value Chains Analysis among others. His corporate experience spans over 14 years working in various institutions including the Commodities Fund, Coffee Development Fund, Agricultural Finance Corporation (AFC), Equity Bank Limited prior to joining the Authority.</p>

 <p><b>Ms. Mary Chege</b></p>	<p><b>Chief Legal Officer</b></p> <p>Born in 1979, Ms. Mary Chege holds Bachelor of Laws (2nd class upper) Degree from the University of Nairobi, Certified Public Accountant, Certified Public Secretary, Certification in Training of Trainers for Financial Inclusion and Negotiation of Financial Instruments by UNITAR/AGFUND. She is currently writing project papers in pursuit of Masters of Laws and Master of Business Administration studies at the University of Nairobi.</p> <p>She is a certified Governance Auditor, Member of the Law Society of Kenya, Institute of Certified Secretaries of Kenya and Chartered Institute of Arbitrators. She has over fifteen years of legal practice working in senior management positions in the banking, capital markets, IT, conveyance and micro finance sectors. She is passionate about financial inclusion.</p>
 <p><b>Mr. Silas Kiome</b></p>	<p><b>Ag. Head, Supply Chain Management</b></p> <p>Born in 1983, Mr Silas Kiome is a seasoned Supply Chain Management professional who holds a Master of Science in Procurement and Contract management, A bachelor of Commerce in Purchasing and Supplies management, Diploma in Purchasing and Supplies management and a Certificate in Senior Management and Executive Leadership.</p> <p>He has been in the Supply Chain Management profession for fourteen years working with various organizations.</p>
 <p><b>Ms. Elsie Thambu</b></p>	<p><b>Ag. Head, Finance and Accounts</b></p> <p>Born in 1987, Ms. Elsie Thambu holds a Master of Business Administration (Finance) from United States International University-Africa (USIU) and Bachelor of Business Management (Finance &amp; Banking) from Moi University. She is currently pursuing Advanced Diploma in Tax Administration from Kenya School of Revenue Administration (KESRA).</p> <p>She is a Certified Public Accountant of Kenya and a Member of the Institute of Certified Public Accountants of Kenya. Her experience in accounting and finance spans over ten years working in various institutions both in private and public sectors including Health, Real Estate &amp; Microfinance prior to joining the Authority in December 2019.</p>



**Ms. Elizabeth Mulae**

**Head, Corporate Communication**

Born in 1982, MPRSK Elizabeth Mulae is a Communication & Public Relations Professional with over 15 years 360 % experience in the communication field. Her experience has holistically exposed her to Journalism, Reporting, Sales, Marketing and Advertising, Publications management, Public relations and development communication in general.

She is currently a full member of Public Relations Society of Kenya where she serves in the Editorial Panel of Experts; also a member of the Partnership & Resource Mobilization committee and the Association of Media women in Kenya where she serves in the publicity committee. She has previously worked in the mainstream media, several publications production companies, The Land management, Surveying and Property sector and The Kenya Export Promotion and Branding Agency. Ms. Mulae Holds a Masters in Development Communication, Bachelor of Arts in Communication & Public Relations and Diplomas in Marketing & Advertising.

## 5. CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, I am delighted to present to you the Micro and Small Enterprises Authority's annual performance report for the year ended 30<sup>th</sup> June 2023. This has been a momentous year for the Micro and Small Enterprises (MSEs) sector, particularly under the visionary leadership of the Kenya Kwanza Government. Throughout the year, MSEs have demonstrated resilience and adaptability, overcoming various challenges to achieve substantial growth and contribute significantly to Kenya's economic progress. The government's unwavering commitment to fostering a conducive business environment and supporting the growth of MSEs has been instrumental in the sector's success.

To respond to the current challenges and cushion businesses from the adverse effects of the ongoing global economic headwinds, the Government is currently implementing the Bottom-up Economic Transformation Agenda - whose objective is towards economic turnaround and inclusive growth under five pillars that are expected to have the highest impact at the bottom of the economy. These are: Agricultural Transformation and Inclusive Growth; transforming the Micro, Small and Medium Enterprise (MSMEs) Economy; Housing and Settlement; Healthcare; and Digital Superhighway and Creative Economy.

Great gains have been realized by the Authority in the year under review including: Provision of affordable and accessible credit for individual and collectives registered MSEA under the Financial inclusion Fund known as the Hustler Fund; job creation for youth under the "Kenya Youth Employment and Opportunities Project"; skill development programmes for the existing and potential entrepreneurs, in order to build their capacity. These training courses are as per demands of industry, a pathway to fill up the gap of requirement of skilled workforce in the MSME sector in consonance with the changing landscape of the MSME Ecosystem; Infrastructure development through the operationalizing the over 200 Constituency Industrial Development Centers completed as aggregation centers for linkages to bulk market arrangements for MSEs products.

The MSEA Board is grateful to all the stakeholders particularly, the Ministry of Cooperatives and Micro, Small and Medium Enterprises (MSMEs) Development and the associated state corporations, The Ministry of Interior and Coordination of National Government, The National

Treasury, Public Service Commission, The National Assembly and the County Governments for their support in Development of Micro and Small Enterprises Sector. I also take this opportunity to appreciate the innovative and resilient Micro and Small Entrepreneurs who have endeavored to provide quality products, employment and creation of wealth hence increasing livelihood of many Kenyans.

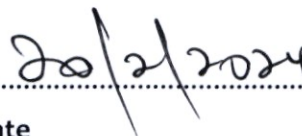
The challenges ahead are daunting no doubt, but our experiences of the past few years have strengthened our resolve to succeed and taught us that with our strategies and focus, we will not only maximize every opportunity but will sustain our performance and deliver on our mission; to promote the development of competitive and sustainable Micro and Small Enterprises. The board recognizes that this will take a concerted and shared effort between the Government, private sector and academia to expand and support the MSMEs sector and ensure their sustained participation in the economy

I reiterate once again that we are focused on our collective goals as the Micro and Small Enterprises Authority and will ensure the delivery of not only globally competitive Micro and Small Enterprises, but sustainable value to all stakeholders in the MSE sector.

As the Chairman of the Board, I cannot fail to highlight the crucial role played by the staff of the Authority towards the realization of the mandate of the Authority. On behalf of the Board of Directors, I take this opportunity to appreciate the continued support and diligent service of the entire MSEA team under the able guidance and leadership of the Chief Executive Officer.  
Ahsanteni sana!



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



.....  
**Date**  
**Nairobi**

## 6. REPORT OF THE CHIEF EXECUTIVE OFFICER

The Micro and Small Enterprises Authority (MSEA) has continued to carry out its mandate strengthening MSEs economic competitiveness and generating positive impacts in job creation, supporting livelihoods, and incomes for the sector. The Authority envisions a progressive and globally competitive MSE sector through providing support to existing enterprises, adopting cutting edge technologies and encouraging job creation.

In the financial year ending 30th June 2023, we received a recurrent grant of **Ksh.390.9 million** from the Government of Kenya. We also received Development grant of **Ksh.115 million** from the Government. The development partners disbursed **Kshs.771.51 million** through Kenya Youth Employment and Opportunities Project funded by World Bank. The Authority intends to maintain and deepen these partnerships and bring in more development partners.

During the year under review, the Authority through the registrar of MSEs has been playing a critical role in registering goal-oriented associations/chamas that are focused on entrepreneurship under the Group Micro Enterprise Loan Product (GMELP) of the Hustler Fund.

The Authority has been carrying out registration via the online registration platform registrar.msea.go.ke, the e citizen portal as well as under the USSD platform \*254#. The process involves two basic steps, i.e. name search application and registration. Trend wise, the registration system has seen a progressive increase in the numbers of MSEs and MSE Associations towards formalization. The total data captured since the live registration process was **1.17 million** as of 28<sup>th</sup> July 2023. Collaborative initiatives between other government agencies and the Office of the registrar of MSEs has contributed majorly on enhancing the database. Since the registration process, the total number of groups and associations registered was **36,594** as of 28<sup>th</sup> July 2023, with groups registered under the Hustler fund platform attributing to the biggest share (97%). MSEA continues to register and maintain a comprehensive and dependable database of registered MSEs in a bid to formalize the MSME sector as well as to provide statistics to the government to budget and create policy interventions that are tailor-made to the needs of MSMEs.

In the period under review the Authority manage to facilitate 809 MSEs to various markets and trade fairs, The Authority also identified and profiled 329 products for value addition, trained 1,742 MSEs on value addition and 1,270 MSEs on intellectual property and Standardization of MSE products in collaboration with KEBS and KIPI. The Authority in collaboration with Stanbic bank and foundation implemented the Future Ni Digital program. The programme offers capacity building to MSMEs through enhancement of digital skills literacy to promote youth employability and economic empowerment. A total of 368 MSEs were trained and equipped with the digital literacy skills at the Kariobangi Centre of Excellence in Nairobi and Mitunguu CIDC in Meru with

the majority being the youth. The training were sponsored by Microsoft and the African Centre for Women, Information, and Communications Technology.

The Authority partnered with International Labor Organization (ILO) under the Better Utilization of Skills for Youth (BUSY) project supported the Authority to develop an online Business Development Services Portal that will be used to train Master Craft Persons (MCPs) on various modules related to business developed. A total of 150 MCPs were trained. The Authority also sensitized and trained 200 MSEs in North Rift (Kesses Constituency) on MSE registration and the role of MSEA towards creating a positive impact on local business

To enhance 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. Leveraging on support of development partners such as the World Bank through an upcoming project, the Ministry targets to upgrade the CIDCs to include business incubation, market intelligence & linkages, access to renewable energy to reduce the production costs and enhanced access to modern machinery to enhance productivity and improve product quality. Through the Ministry of Cooperatives and MSMEs Development, the Authority also aims to learn from the Small Business Administration (SBA) in partnership with USAID to strengthen the capacity of Kenyan MSMEs and builds linkages to U.S. counterparts. The MSMEs are provided with counselling and training to support business start-ups and existing business expansion through the CIDCs.

The Authority is also operationalizing the center of excellence in Kariobangi. The center has common user facilities that are used by artisans to orient their businesses commercially by up scaling their capacity of production. The artisans are also trained in the following sub-sectors which include; metal fabrication, electrical works, glass fitting, leather works, textile and upholstery, automotive works and woodwork. At Kariobangi there is also the Biashara Center (compliance-standardization). At this center is were government services in the MSME ecosystem that have been centralized and integrated for ease of access by MSMEs in the process of formalizing their businesses. The program is a multi-agency partnership between the Ministry of Cooperatives and MSMEs Development and the Ministry of Investment, Trade and Industry.

In the case of enhancing the value of agricultural products, MSEA is focusing on post-harvest handling, storage efficiency and linkage to appropriate markets on time, especially the staple food commodity markets. The Authority is in the process of operationalizing cold storage facilities in Nyandarua, Meru and Kisii counties to reduce post-harvest losses, enhance the value addition of locally available agricultural produce, and provide an aggregation platform for onward offtake of agricultural produce. The Authority in collaboration with relevant stakeholders have provided platforms for MSMEs to showcase their products beyond our borders. For instance through the EAC MSME Trade Fair (of which the recent edition was in Kampala Uganda), over 5000 MSEs have been provided access to the EAC market and through this platform, over 30% have been able to enter into export arrangements for their products across the region. The EAC market is a significant export market with a consumer base of 146 million Consumers and a combined GDP of \$240 Billion.

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On behalf of the Management, I would like to take this opportunity to recognize and appreciate the direction of the Board of Management and the contribution of the Cabinet Secretary, Hon. Simon Chelugui and Principal Secretary Ms. Susan Mang'eni who have maintained the efforts of the Board in meeting the expectations of the Public. I also appreciate the National Treasury for the continued support in providing the resources to get us where we are today. For all our stakeholders and general public who have continued to believe in us, I say thank you very much.

I wish to once again assure my colleagues and partners in the MSE Sector of my utmost commitment to serve you with diligence expediency and passion to realise your dreams today and for your future generations and more so actualize the Vision 2030.



**Henry M. Rithaa**  
**Director General / CEO**



**Date**

## 7. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2022/2023

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

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

Pillar 1: Development of Micro and Small Enterprises

Pillar 2: Promotion of Micro and Small Enterprises

Pillar 3: Regulation of Micro and Small Enterprises

Pillar 4: Building Institutional Capacity

The Authority develops its annual work plans based on the above four pillars. Assessment of the Authority's performance against its annual work plan is done on a quarterly basis. The Authority achieved its performance targets set for the FY 2022/2023 period for its four strategic pillars, as indicated in the diagram below:

Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievements
Development of Micro and Small Enterprises	To create conducive working environment for MSEs	No of CIDCs refurbished	Construction and refurbishment of CIDCs	The Authority refurbished 20 constituency Industrial Development Centres.
		No. of equipment installed in Kariobangi Center of excellence and CIDCs	Equipping and installing of equipment's at Kariobangi Center of Excellence and CIDCs.	During the year the Authority equipped and installed Over 30 common user machines
		No. of Cold storage facilities constructed	Construction and equipment of cold storages.	The Authority continued with construction of three cold storage facilities started in FY2019/20 The main works and equipping for the three facilities have been completed. The Nyandarua facility has been commissioned by H.E the president and the Kisii and

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				Meru facilities will be commissioned in due course.
Promotion of Micro and Small Enterprises	To promote growth from Micro to Small, Small to Medium, and Medium to Large enterprises	No. of MSEs facilitated to Markets	Facilitation of MSEs to markets through local, regional and international shows and exhibitions	The Authority facilitated 1285 MSEs access market through locals shows and exhibitions
		No. of youth accessing grants	Provision of grants to youths for job creation	A total of 46, 509 youth received grants while 9,601 youth received Business development services. A total of 741 awardees received grants amounting to KShs. 1,332,800,000 under the Mbele na Biz Business Plan Competition
		No. of employment Created in MSE sector.	Operationalize CIDCs, Market access and linkages and KYEOP project	During the financial year, 82,228 jobs were created as a result of success of various project initiatives
Regulation of Micro and Small Enterprises	To initiate and implement formalization of the MSE sector	No. of MSEs, associations and umbrella bodies registered	Registration of MSEs, Associations Umbrella bodies and	The Authority registered 27307 MSE associations and created a database of 1,370,862 MSEs.
Building Institutional Capacity	To build a strong Institution capable of supporting the growth of MSE sector.	No. of systems Developed	Acquisition and development of systems	The Authority acquired three (3) systems including Registrars systems that is primarily used in registration of MSEs, Customer Relationship Management system and Enterprise Resource Planning system.
		No. of vehicles acquired	Acquisitions of motor vehicles	The Authority acquired two (2) vehicles during the period under review through the Kenya Youth Employment and Opportunities Project.

These achievements were in line with the performance contract signed between the Board and the Ministry of Industrialization in the financial year 2022/23. The programmes under review included incubation and provision of decent workspaces for MSEs, Enhancement of MSE

contribution to employment, facilitation of market access and implementation of Kenya youth employment and opportunities project. Other Included implementations of presidential directives which was to construct cold storage facilities in Kisii, Meru and Nyandarua counties.



*MSE Exhibitors during the Nairobi International Trade fair*



*His Excellency the Deputy President of Kenya Hon. Rigathi Gachagua during hand over of machines to artisans in various Juakali associations.*

## **PERFORMANCE REVIEW FOR THE FINANCIAL YEAR 2022-2023**

### **Constituency Industrial Development Centers (CIDCs)**

The Construction of Constituency Industrial Development Centers (CIDCs) was an Economic Stimulus project which was initiated in 2009/2010FY. The project aimed at expanding economic opportunities in rural areas for employment creation and regional development by facilitating youth participation as artisans and entrepreneurs in value added activities. It targeted construction and equipping of one CIDC in each Constituency. In the period under review the Authority refurbished 20 CIDCs creating 5600 jobs directly and indirectly. The Authority has initiated several activities, which are ongoing towards realization of operationalizing the targeted CIDCs. The activities are distribution, installation and training on usage of various machines; procurement of contractors for CIDCs identified for completion; and land documentation and verification in collaboration with National Land Com. It is worth noting that the Authority development grant amounting to Kshs 200 million as per the printed estimates was reduced during supplementary 1 of FY 2022/2023 ksh 50 million. The amount was already committed and therefore this will result to pending bills of the same amount.

### **Cold Storage Facilities**

The Authority finalized the construction of three cold storage facilities implemented as presidential directive to construct cold storage facilities in Nyandarua, Meru and Kisii Counties. These facilities are meant to assist the potato and banana farmers in the region by giving them a common user facility to preserve their produce. The facility is the first of its kind with the long-term storage designed to employ a temperature regulation system based on mechanical ventilation to ensure that the produce is safe from weather variables, pests and rodents. The facilities are projected to serve over 5000 farmers in Kisii, Meru and Nyandarua regions that are among the largest producers of potatoes and bananas in Kenya.

In the period under review the main works for the three facilities were completed and the president commissioned Nyandarua cold storage facility. The other two to be commissioned in due time.

### **MSE Registration**

The Authority is responsible for formalization of the MSE sector through the Office of the Registrar of MSEs established under section 4 of the MSE Act. The Office of the registrar of MSEs is responsible for registering MSEs, MSE Associations and MSE umbrella Organization. The Office of the registrar has designed programmes to strategically educate and sensitize MSEs on formalization to support their transition to formal status. Formalization provided MSEs with various government incentives such as benefitting from government initiatives, access to affordable credit and business development services. In the period under review, the registrar of MSEs integrated its registration portal to the government e-citizen platform as a way to simplify the registration process. The Authority registered 27307 MSE associations and created a database of 1,370,862 MSEs.

### **Kenya Youth Employment Opportunities Programme**

The Kenya Youth Employment and Opportunities project (KYEOP) is a partnership between World Bank and the Authority to support youth employment through developing their skills and providing them with start-up grants for business. The project started in 2016 and is ending in August 2023. It has impacted lives of most youth across the 17 counties it was being implemented. In the period under review the Authority was able to disburse grants to 23,433 youths amounting to Ksh 937,320,000

The cumulative Achievement of the project since inception is as shown below;

- i. The project has benefited 80,026 youth through issuance of grants and 5,264 youth through business development services.
- ii. A total of Kshs 3,032,320,000 grants has been disbursed to the youth.

The table below shows its performance since its inception to 30.06.2023;

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

Start-up grants beneficiaries				
Cycle	Orientation 1	Orientation 2	Total	Amount disbursed
Pilot	29	24	53	1,060,000
1	1,040	752	1,792	35,840,000
2	2,485	2,272	4,757	95,140,000
3	4,029	3,518	7,547	150,940,000
4	6,413	6,413	12,826	256,520,000
5	12,026	11,965	23,991	479,820,000
6	11,591	11,585	23,176	463,520,000
7a	15,648	15,392	31,040	620,800,000
7b	16,214	16,125	32,339	646,780,000
8a	7,135	6,960	14,095	281,900,000
<b>Total</b>	<b>76,610</b>	<b>75,006</b>	<b>151,616</b>	<b>3,032,320,000</b>
<b>Pending</b>				
5	98	158	256	5,120,000
6	50	58	108	2,160,000
7a	440	689	1,129	22,580,000
7b	360	449	809	16,180,000
8a	246	421	667	13,340,000
8b	3,416		3,416	68,320,000
8b	290	3,696	3,986	79,720,000
<b>Total Pending</b>	<b>4,900</b>	<b>5,471</b>	<b>10,371</b>	<b>207,420,000</b>

The Authority provides capacity building and sensitization programmes to MSEs as way to strengthen their resilience and improve their business operations. These capacity building and sensitization programmes are aimed at upgrading and re-skilling MSEs in new and innovative ways of business operations, enhancing technology acquisition, adoption and transfer of new technologies to enhance efficiency and productivity. Some of the capacity building and sensitization training undertaken in the period under review include:

Cumulatively FY 2022/23 the Authority has identified and profiled 329 products for value addition, trained 1,742 MSEs on value addition and 1,270 MSEs on intellectual property & Standardization of MSE products in collaboration with KEBS and KIPI.

- A total of 763 MSEs have been identified and have undergone capacity building on value addition of various products. A total of
- 748 MSEs have undergone sensitization on Intellectual Property Rights & Standardization of MSE products in collaboration with KEBS and KIPI.
- The Authority in collaboration with Stanbic bank and foundation are implementing the FutureNiDigital program. The programme offers capacity building to MSMEs through enhancement of digital skills literacy to promote youth employability and economic empowerment. A total of 368 MSEs have been trained and equipped with the digital literacy skills at the Kariobangi Centre of Excellence in Nairobi and Mitunguu CIDC in Meru with the majority being the youth. In addition, the Authority is offering a free digital skills training program, sponsored by Microsoft and the African Centre for Women, Information, and Communications Technology. The training is designed to equip participants with essential digital skills.
- The Authority partnered with International Labor Organization (ILO) under the Better Utilization of Skills for Youth (BUSY) project supported the Authority to develop an online Business Development Services Portal that will be used to train Master Craft Persons (MCPs) on various modules related to business developed. 150 MCPs were trained on the portal including registering them on the portal and assisting them navigate through the modules in the portal.
- At least 200 MSEs in North Rift (Kesses Constituency) were sensitized and trained MSE registration and role of MSEA towards creating a positive impact on local business

Various MSEs across the country have been trained on business and entrepreneurial skills with the aim of scaling up their business operations.

#### Market Access

The Authority facilitates MSEs to access local, regional and international markets in an effort to expose their products to market and enhance their customer reach. In the period under review the Authority managed to facilitate 809 MSEs to various markets and trade fairs as shown in the table below.

#### Exhibitions targets/MSE market linkages for FY 2022/23

SN	Exhibition	Date	No of MSEs in attendance
1.	Nairobi International Trade Fair(show)	26 <sup>th</sup> -2 <sup>nd</sup> October 2022	99
2.	Kenya Association of Manufacturers 5 <sup>th</sup> Manufacturing summit and Expo-Changamka shopping Festival	1 <sup>st</sup> -5 <sup>th</sup> November 2022	87
3.	22 <sup>nd</sup> EAC MSME Trade Fair	December 11, 2022	348
4.	NMG 4 <sup>th</sup> Edition SME conference and Expo	15 <sup>th</sup> - 17 <sup>th</sup> March 2023	58
5.	Embu National Exhibition	26 <sup>th</sup> -31 <sup>st</sup> may 2023	209
6	2023 MSME Conference and Expo		
7	Madaraka Day Co-operatives and MSMEs Expo		
<b>TOTAL</b>			<b>809</b>

#### Automation

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

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

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

### **Internal audit controls**

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

### **Recruitment**

In the financial year 2022/2023, the Authority in the recruited twenty (24) staff who were engaged on short-term contracts. Fifteen interns (15) were also on-boarded in order to fill the human resource gaps experienced by the Authority and to support the Authority in realization of its mandate.

### **Staff Training**

In the financial year 2022/2023, twelve (12) staff were trained on various skill sets. Out of these, one was a champion for NACOSTI to mainstream Science Technology and Innovation to the Authority's activities.

### Deployment

The Authority in the financial year 2019/2020 deployed officers heading regions all over the Country. There arose a need for leadership in the County offices to facilitate effective administrative coordination of the Micro and Small Enterprises activities in the Counties. Some Counties did not have a substantive head to spearhead the various activities as expected to achieve the Authority's mandate. Owing to this gap, the Authority re-organized the staffing arrangements majorly in the core department of Business Development, Marketing and Trade (BDMT) and was able to redeploy officers to address the issue which had resulted to leadership gaps in some counties.

### Staffing Levels

The Authority operated with a staff establishment of 658 operationalized from the delinking report of 2016. However, during the year, the authority obtained an approval of Human Resource (HR) Instruments with a staff establishment of 393. While the Authority has commenced implementation of the new approved structure, it has not fully transitioned staff to the new approved organizational structure. The Authority aims at applying all interventions and mechanisms possible to accommodate all staff within the new structure as it implements the organizational structure in phases.

In the reporting for the financial year ended 30<sup>th</sup> June 2023, the Authority had a staff capacity of two hundred and seven (207) against an authorized establishment of three hundred and ninety three (393). The current establishment comprises of the Chief Executive Officer, seven (7) senior managers, thirty one (31) middle level Management, one hundred and twenty four (124) technical staff and forty four (44) support services staff as analysed below;

### Staff Establishment

S No	Level	Optimal Establishment	Staff In post	Variance
1	Policy Level	1	1	0
2	Senior Management	23	7	16
3	Middle Management	127	31	96
4	Technical	230	124	106
5	Support	12	44	-36
<b>Total</b>		<b>393</b>	<b>207</b>	<b>196</b>

### Staff Exits

In the financial year, eleven (11) staff exited due to various reasons ranging from contract expiry, resignations and retirement. Analyzed from the financial year 2019/2020 to the current year of reporting 2022/2023, thirty (30) staff have since exited service.

### **Policy Environment**

The Authority during the financial year reviewed and obtained approval of the HR Instruments; Human Resource Policy and Procedures Manual 2023, Organizational Structure and Staff Establishment 2023 and Career Guidelines 2023 which guides its operations among other policy documents.

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

#### **Asset Management**

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

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

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

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

#### **Prevention of HIV Infections**

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

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

### **Safety and Security Measures**

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

### **National Cohesion and Values**

The Authority implemented various programs in promotion of National Values and Principles of Public Service and this includes five commitments on the Annual Presidential report. Key to note are prioritization and alignment of projects and activities in realization of the Big Four Agenda. The Authority implemented the Kenya Youth Opportunities Project (KYEOP) and to date a total of 80,026 youth have received start-up business grants amounting to Kshs. 3,100,640,000.

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

### **Road Safety Mainstreaming**

The Authority is committed to promotion of Road Safety mainstreaming and implemented activities yielding to that. Activities undertaken are; six (6) Drivers trained on Defensive driving,

disseminating Information, and Sensitization done to staff on Road safety using fliers via social media.

### **Corruption Prevention**

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

### **Health and Safety**

The Authority endeavours to provide a good working environment for its employees. In the financial year, the Authority provided preventive measures to address staff health and welfare and to address this, sanitizers were provided to protect staff from any emerging resurgence of Covid 19. There was also a provision of fire extinguishers within the Authority's offices which were serviced as required in order to curb any fire emergency.

In the same breadth, the Authority maintains an up to date Medical Scheme for all staff and the Board of Directors. It further has a twenty four hour security surveillance in the Authority's Head quarters and Kariobangi Centre of excellence.

### **Strategic Partnerships and Collaborations**

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

#### **1. World Bank: Kenya Youth Empowerment and Opportunities Project**

Kenya Youth Employment and Opportunities Project (KYEOP) is an ongoing five-year World Bank funded project whose implementation started in the 2016/2017 financial year. The project was initially extended by one year and was expected to close by 31<sup>st</sup> December 2022. However, a further extension was given up to 31<sup>st</sup> August 2023 to allow completion of pending activities and full absorption of allocated funds.

## Component 2: Support for Job Creation

MSEA is actively involved in the implementation of KYEOP Component 2 on support for job creation. This component is addressing key constraints and market failures that limit the demand for youth employment and their productivity once in employment. It has two sub-components as follows:

- Support for self-employed – Provision of business Start-up Grants and Business Development Services
- Catalytic interventions for job creation – Implementation of Business Plan Competition - MbeleNaBiz Business Plan Competition.

The project has impacted lives of most youth across the 17 counties as follows:

- Start-up Grants- 80,026 Youth have each benefitted from Kshs. 40,000. Total grants disbursed amount to 3.1640 Billion
  - Business Development Services (BDS)– 9,601 youth benefitted
  - From the just concluded impact evaluation, the number of direct jobs created by the beneficiaries of Grants and BDS are 86%
  - Business Plan Competition – 741 Youth benefitted from a target of 750 youth with 250 of them receiving Kshs. 3.6M and 491 received Kshs. 900,000
- i. The Implementation of KYEOP Component 2 has stimulated a great deal of interest amongst youths in the country. The project is on course to achieving its goal of job creation and increased incomes. It has immensely contributed to the development of an inclusive economy with opportunities for the youth in Kenya and its long-term impact cannot be underestimated. MSEA is, therefore, keen to continue engaging like-minded partners to participate in innovative interventions aimed at transforming youth to entrepreneurs.

### 2. Stanbic Foundation and Stanbic Bank Kenya

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

### 3. ILO – BUSY Project

The Better Utilization of Skills for Youth through Quality Apprenticeship (BUSY Project) is a four-year initiative financed by the U.S. department of Labor and Implemented by International Labor Organization (ILO). The Busy project goal is to increase decent job opportunities and

employability to young people, thereby address unemployment, vulnerability and poverty in urban and rural setting. The projects objective is to improve capacity of Kenyan government employers and workers and civil society organizations to establish and expand workplace based programs with a focus on vulnerable and marginalized youth. MSEA in collaboration with ILO is implementing this project in Kilifi, Kitui and Busia.

#### **4. United Nations Development Programme (UNDP)**

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

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

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

#### **6. Small Business Development Centres (SBDC)**

The Micro and Small Enterprises Authority has been keen to borrow best practices from the United States Small Business Administration (US – SBA). MSEA's Strategic Plan (2020–2024) highlighted SBA as one of the potential Strategic Partners besides borrowing from its strategic and operational framework. Notably, SBA has SBDC (Small Business Development Centers) as one of their functionalities that has touched the lives of most MSMEs in the United States.

The Model of US-SBDCs has been replicated in Kenya through Strathmore University in seven counties namely; Isiolo, Makueni, Kisumu, Kiambu, Nairobi, Nakuru and Mombasa. The model aims at translating to a robust MSME Sector through business guide and capacity enhancement, access to affordable finance and access to government contracting opportunities. This, further, shall be an opportunity to enhance capacity for value addition in Constituency Industrial Development Centres (CIDCs) through upscaling (to the other counties) of the Kenya Small Business Development Centres (Kenya - SBDC) model that is currently being implemented in the seven counties.

MSEA is at advanced stages in discussion with Strathmore University on developing, promoting and regulating MSEs in Kenya using the SBDC model. To further understand the model, MSEA

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was invited for a one-week familiarization visit to Washington D.C. from 23<sup>rd</sup> April, 2023. A taskforce to champion the implementation of the model in Kenya was appointed by the Cabinet Secretary, MSMEs.

## 8. CORPORATE GOVERNANCE STATEMENT

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

### 1. The Board

#### A. Board Composition

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

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

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

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

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

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

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

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

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

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

### C. Committees of the Board

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

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

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

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

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

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

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

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

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

**i. Audit and Risk management Committee**

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

The terms of reference for the Committee are highlighted below;

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

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

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

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

The terms of reference for the Committee are highlighted below;

- ✓ Resource mobilization
- ✓ Work planning and Budgeting
- ✓ Reviewing the Authority's ICT policies and systems
- ✓ Overseeing procurement processes and procurement plan

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- ✓ Reviewing human resources policies and procedures
- ✓ Performance contracting
- ✓ Performance Appraisal
- ✓ Reviewing financial policy and procedures
- ✓ Ensuring compliance with legal and statutory requirements

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

**iii. Development and Infrastructure Board Committee**

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

The terms of reference for the Committee are highlighted below;

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

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

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

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

The terms of reference for the Committee are highlighted below;

- ✓ Policy formulation and review
- ✓ Strategy Planning
- ✓ Research and Product Development

- ✓ Protection of Intellectual property
- ✓ Marketing and Access to markets
- ✓ Technology development, acquisition and transfer
- ✓ Training and capacity building for MSEs
- ✓ Monitoring and Evaluation systems

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

#### **D. Board Almanac and Meetings**

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

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i. Board and committee membership

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

Name of the Director	Board Position	Board Committees			
		Finance, HR & Admin	Development & Infrastructure	Strategy & BDS	Audit & Risk
Mr. James Mureu	Chairman	-	-	-	-
Mr. Henry Rithaa	Director General/ Chief Executive Officer	√	√	√	-
Hon. Susan Auma Mang'eni	Principal Secretary: State Department of Micro Small and Medium Enterprises (MSME) Development	-	√	√	-
Mr. Humphrey Njoroge	Member (Untill 13 <sup>th</sup> Nov 2022)	Chair	-	√	-
Mr. Anthony Kwache	Member (Untill 13 <sup>th</sup> Nov 2022)	-	Chair	√	-
Mr. Billy Baltazar	Member	-	√	-	Chair
Ms. Caroline Karanja	Member (Untill 13 <sup>th</sup> Nov 2022)	√	-	√	-
Mr. Isaac Mbingi	Member (Untill 13 <sup>th</sup> Nov 2022)	√	-	√	-
Mr. Joseph Samal	Member (Untill 13 <sup>th</sup> Nov 2022)	√	√	-	-
Mr. Charles Kalomba	Member	-	√	√	Chair
Mr. Yuda Imunya	Member (Untill 13 <sup>th</sup> Nov 2022)	-	√	-	√
Ms. Rose Mwongera	Alternate to Principal Secretary, State Department for Youth (Until 13 <sup>th</sup> Nov 2022)	√	-	√	-
Mr. Richard Gakunya	Alternate to Cabinet Secretary, The National Treasury and Planning (Until 13 <sup>th</sup> Nov 2022)	√	-	-	√
Mrs. Margaret Gitonga	Member	Chair	-	√	-
Mr. Adan Abdullahi	Member	√	-	√	-
Mr. Joseph Mbeva	Alternate to Principal Secretary, State Department for Industrialization	-	√	-	√
Ms. Milka Muthui	Alternate to Principal Secretary, State Department for Trade	-	√	-	√
Mr. George Mbogo	Alternate to Principal Secretary, State Department for Youth	√	-	√	-

**Notes**

√ Board Committee membership during the period.

## II.) Board Evaluation

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

## III.) Board Charter

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

## IV.) Board Capacity Development

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

## V.) Policies

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

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

- Financial Policy and Manual
- Communication policy

#### **VI.) Accountability and Audit**

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

#### **VII.) Board Effectiveness**

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

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

#### **VIII.) Board Appointment and Removal**

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

Analysed below is MSEA Board of Directors tenure of service

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No.	Name	Gender	Ethnicity	Title	Sector represented	Date of Birth	ID/Passport No.	Date of Appointment	Expiry of term
1.	Mr. James Mureu	Male	Kikuyu	Chairman	S. 30(1)(a)	3 <sup>rd</sup> April 1960	0997841	6 <sup>th</sup> October 2021	5 <sup>th</sup> October 2024
2.	Hon. Susan Auma Mang'eni	Female	Luhya	PS: State Department of Micro Small and Medium Enterprises (MSME) Development	PS: State Department of Micro Small and Medium Enterprises (MSME) Development	1978		2 <sup>nd</sup> December 2022	
3.	Joseph Mbeva	Male	Kamba	Alternate Director, PS, State Department for Industrialization	S. 30(1)(d)	2 <sup>nd</sup> September 1966	7258194	27 <sup>th</sup> April 2023	26 <sup>th</sup> April 2025
4.	Mrs. Margaret Kathambi Gitonga	Female	Meru	Independent Director	Not gazetted	7 <sup>th</sup> June 1968	9215486	5 <sup>th</sup> August 2022	4 <sup>th</sup> August 2025
5.	Mr. Adhan Sheikh Abdullahi	Male	Somali	Independent Director	Not gazetted	20 <sup>th</sup> September 1990	29466614	5 <sup>th</sup> August 2022	4 <sup>th</sup> August 2025
6.	Mr. Charles Kalomba	Male	Luhya	Independent Director	Not gazetted	18 <sup>th</sup> August 1962	6498594	5 <sup>th</sup> August 2022	4 <sup>th</sup> August 2025
7.	Mr. Billy Baltazar	Male	Samburu	Independent Director	Not gazetted	4 <sup>th</sup> October 1981	22440730	5 <sup>th</sup> August 2022	4 <sup>th</sup> August 2025
8.	Mr. Nicholas Gakiha	Male	Kikuyu	Alternate Director, PS, State Department for Industrialization	S. 30(1)(d)	26 <sup>th</sup> June 1966	8979980	15 <sup>th</sup> October 2021	14 <sup>th</sup> October 2024
9.	Ms. Milka Muthui	Female	Kikuyu	Alternate Director, PS State Department for Trade	S. 30(1)(e)	7 <sup>th</sup> November 1972	20886447	13 <sup>th</sup> June 2022	12 <sup>th</sup> June 2025
10.	Mr. George Mbogo	Male	Embu	Alternate Director, PS Public Service & Youth	S. 30(1)(f)	3 <sup>RD</sup> December 1967	9063941	9 <sup>th</sup> November 2022	8 <sup>th</sup> November 2025
11.	Mr. Henry Mwenda Rithaa	Male	Meru	Chief Executive Officer / Board Secretary	S. 30(1)(l) Chief Executive Director	10 <sup>th</sup> June 1977	20678302	20 <sup>th</sup> March 2019	

**IX) Performance Contract**

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

**X) Training and Development**

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

**XI) Conflict of Interest**

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

**XII) Directors Emoluments**

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

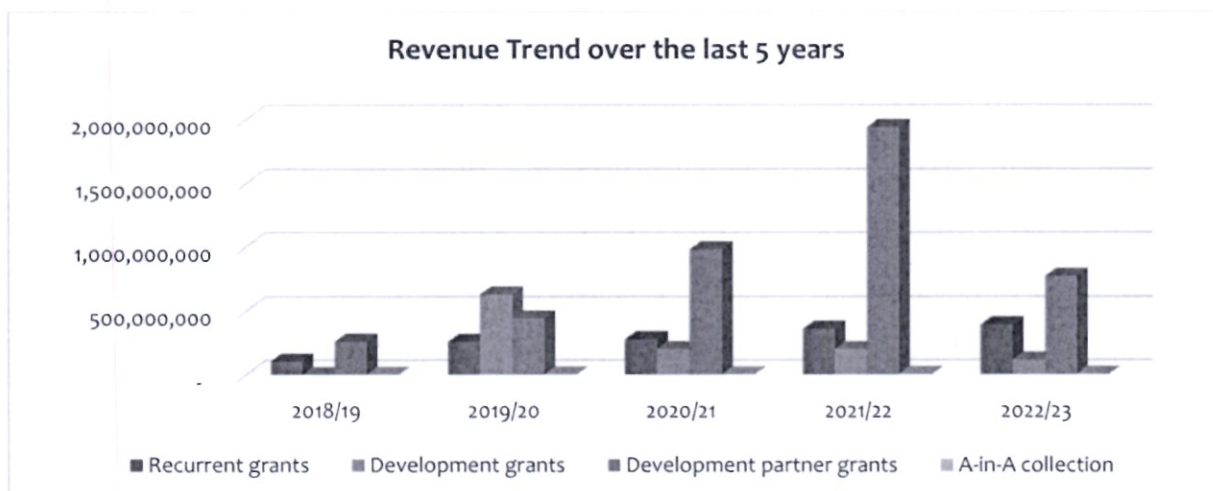
**9. MANAGEMENT DISCUSSION AND ANALYSIS**

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

*Revenue trend over the last five years*

Revenue has increased substantially over the last five years from low of Kshs 369.3 million in 2018/19 to high of Kshs 1.3 billion in the current year under review. This is attributable to grant from Kenya Youth Employment and Opportunities Project, which has registered notable increment from one period to another due to improved project absorption rates. Development grant has remained moderately low with 2019/2020 financial year registering the highest funding over the five years period. Recurrent grant has also recorded increment over the last two years following a successful delinking exercise though insufficient to meet the growth in recurrent needs of the Authority.

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

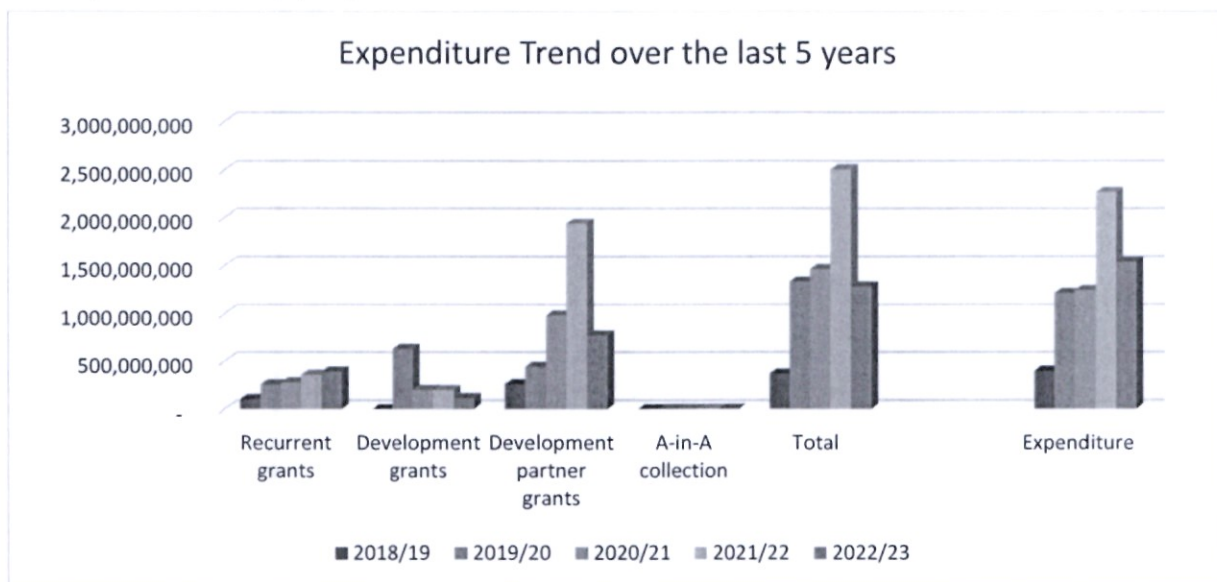


**Figure 2: Five-year revenue trend**

*Expenditure trend over the last five years*

Over the last five years, the expenditure for the period grew exponentially to the same rate as revenue as the Authority continued to implement the approved Annual Work Plans, Budget and Procurement Plans for both the Government Grants and Kenya Youth Employment and Opportunities Project. The financial year 2018/19 recorded the lowest expenditure over the last five years with 2021/22 registering the highest.

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



**Figure 3: Five-year expenditure trend**

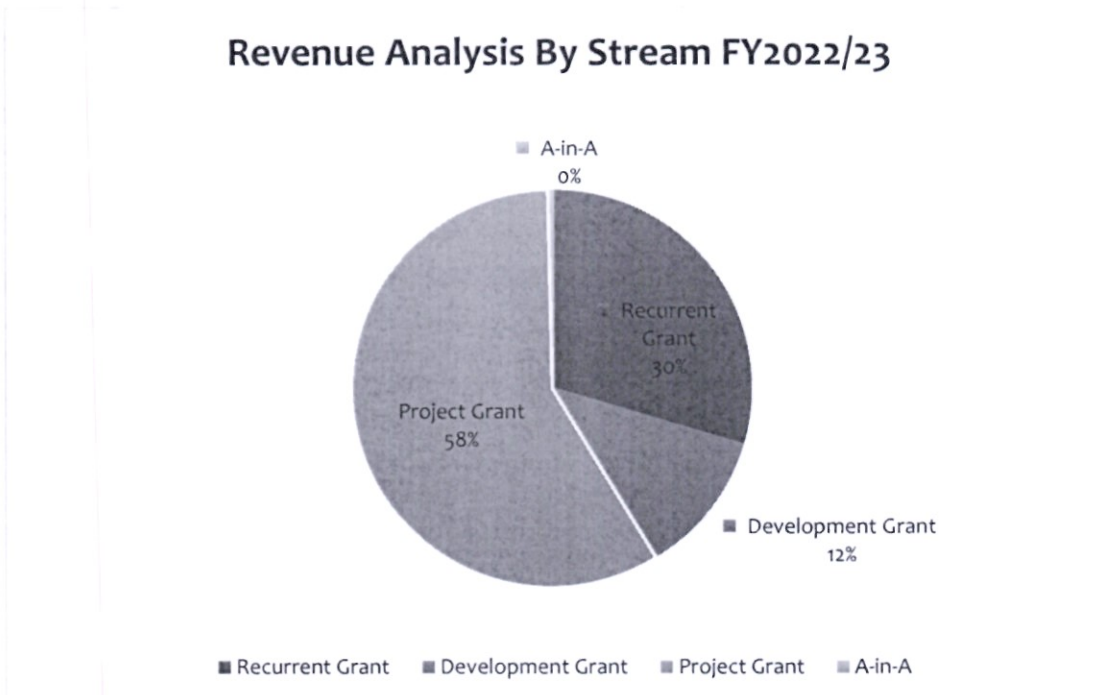
*Current period financial performance review*

During the period under review, the Authority received a recurrent grant of Kshs 390.9 million compared to Kshs 360.4 million received in the previous period marking a 29% increment.

The Authority also received development grant amounting to Kshs 115 million compared to Kshs 199.5 million received in the last financial year for refurbishment and operationalization of Constituency Industrial Development Centres. It is worth noting that the Authority **development grant was reduced to Kshs 50 million** during supplementary 1 of FY 2022/2023 out of the initial approved budget of Kshs 200 million as per the printed estimates. This has however been received in the financial year 2022/2023. The amount was already committed and therefore this will result to pending bills of the same amount.

Development partners disbursed Kshs. 771 million against a budget of 1.170 billion through Kenya Youth Employment and Opportunities Project (KYEOP). Internally generated revenue amounted to Kshs 4.5 million compared to Kshs 4.2 million in the previous year. The Authority was able to carry out its mandate and achieved activities as planned for.

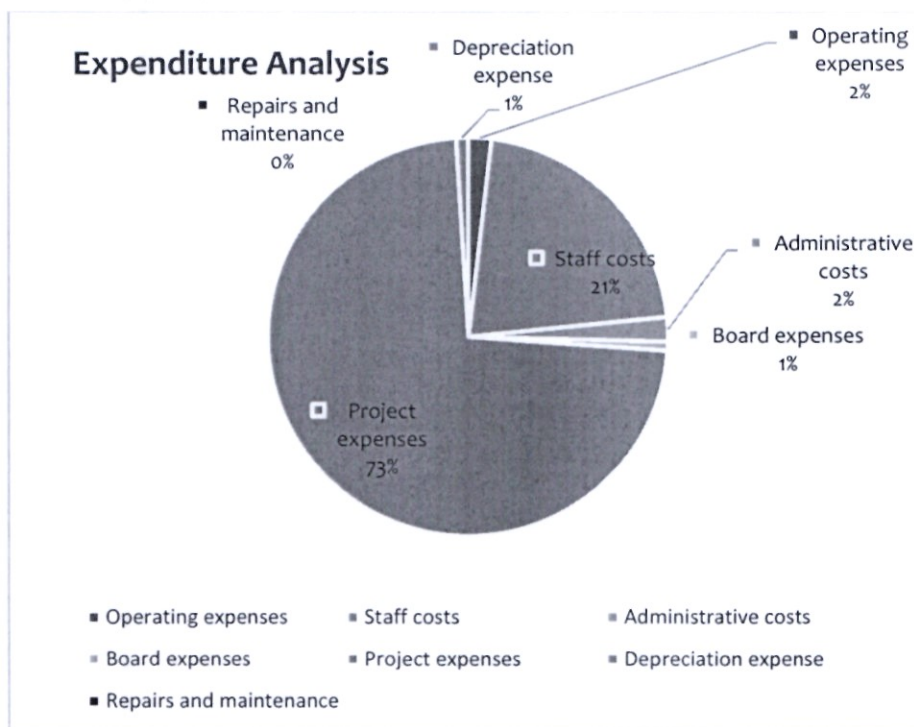
The pie chart below shows revenue received by stream;



**Figure 4: Revenue Analysis by stream FY2022/2023**

Operating and administration expenditure accounted for 2% each of the total expenditure relating to refurbishment and operationalization of CIDCs and worksites while Project expenses accounted for 73% being the highest spending category during the period relating to grant disbursement to beneficiaries under KYEOP Project. Staff costs accounted for 21%, while depreciation expense accounted for 1% of the total expenditure.

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



**Figure 4: Expenditure Analysis by category FY2022/2023**

During the period, the Authority remained financially constraint in its recurrent budget funding with a total of Kshs 66 million pending settlement as at the end of reporting period. This relates to staff pension and gratuity amounting to Kshs 14.4 million, medical cover and contractual obligation on contracted services in relation to rent.

**Authority’s compliance with statutory requirements**

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

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

The Authority is implementing component II of the KYEOP, a World Bank funded project. The Project is for initial duration of five years from 2016 to 2023 with an approved budget of US\$ 25.2 M for component two (2) equivalent to Kshs 3.0 billion. The project ending timeline was revised

to December 2022 through project restructuring dated August 9, 2021 with additional reallocation of financing proceeds amounting to \$ 15.9 (equivalent Kshs 1.5 billion). Expected completion date is August 31<sup>st</sup>, 2023. Kshs 3.7 billion already spent and committed towards the project as at the end of reporting period (92% absorption rate). During the period, the Authority refurbished 20 CIDCs and worksites across the Country at a total budget of Kshs 200 million, most of the works were still on going as at the end of reporting period.

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

#### **Major risks facing the Authority**

The Authority has a structure and process to help identify, assess and manage risks. All risks facing the Authority are reviewed, assessed and evaluated for an appropriate action. Some of the major risk facing the Authority as at the end of reporting period include financial risk as the Authority had a pending bill of Ksh 51 million due to budgetary constraints.

#### **Material arrears in statutory / financial obligations**

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

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

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

## **THE MICRO AND SMALL ENTERPRISES (MSE) SECTOR**

### **MSE Sector Performance**

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

Majority of Kenyan enterprises are concentrated in the service sector, are informal, small and based in Nairobi. According to the KNBS 2016 there are over 138,000 formal establishments in Kenya and 7.4 million MSMEs in Kenya. From amongst the formal enterprises 96% percent have less than 50 employees whilst four percent have 50 or more employees. Majority of MSMEs (94%) are unlicensed micro enterprises having fewer than 5 employees. Nairobi host 36% of formal enterprises and 14 percent of MSMEs.

Development of MSEs is guided by the Sessional Paper No. 2 of 2005 on Development of Micro and Small Enterprises for Wealth and Employment Creation for Poverty Reduction. This policy identified various challenges such as access to finance, markets and weak linkages of MSEs to medium and large enterprises. Further, a 2019 KIPPRA study on "County Business Environment for Micro and Small Enterprises in Kenya" identified five critical areas to unlock the potential of MSEs. The five areas include access to affordable finance; innovation, technology and capacity; worksites and infrastructure; markets; and governance and regulatory framework.

### **MSE Formalization**

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

The MSE sector is highly informal with majority of micro and small enterprises being part of a huge informal economy which may seem to offer relief for their short-term challenges but in the long run, minimizes their potential for growth, access to wider resources and markets and ultimately limits their socio-economic impact. Transitioning from the informal to formal requires a multifaceted approach of finding the right policy mix that corresponds to the different characteristics and drivers of informality.

The international labour organization (ILO) developed the first international standard focusing on transition from the Informal to Formal Economy Recommendation (No. 204) providing guidance on the process towards formalization. In addition, United Nations adopted the 2030 Agenda for Sustainable development (SDGs) where SDG goal 8 includes the transition to formality in its targets. The Authority has made formalization of the informal economy one of its strategic outcomes and has developed strategies towards achieving this. One of the strategies include the establishment and operationalization of the office of the registrar of MSEs, Associations and Umbrella organizations which has been instrumental in formalizing the MSE sector through registering MSE associations and umbrella organizations.

**Registration of MSE Associations by MSEA 2022-2023**



*Source MSEA Office of the Registrar of MSEs, Associations and Umbrella Organizations*

### Registration by Business Registration Services 2022-2023



Source Business Registration Service

### Financial Access

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

MSEs are likely to face more credit constraints than larger firms. MSEs are particularly considered high risk borrowers due to information asymmetry, performance volatility and insufficient collateral, they face disproportionately high constraints in access to affordable and adequate finance. In addition, deficits in corporate governance and technical skills make access to credit

or equity challenging. Compared to large enterprises, a higher proportion of MSEs access credit from microfinance institutions, SACCOs and informal sources such as chamas. Bridging the finance gap for MSMEs is critical to the Country's recovery and can offer investors an opportunity to tap into growth of the MSE sector.

The government instituted various measures to address the MSEs financing challenge including affirmative funds such as the Youth Enterprise Development Fund, Women Enterprise Fund, financial inclusion fund (hustler fund) and Uwezo Fund. Other measures include licensing of credit reference bureaus to facilitate credit information sharing and enactment of the Movable Property Securities Act, 2017 to facilitate the use of movable property as collateral for credit facilities. The government is committed to establish a National credit guarantee scheme to serve as a de-risking instrument for lending to MSEs. This included setting aside a Kshs3 billion seed capital to operationalize the scheme and help in accessing affordable finance, particularly now that MSMEs are seeking finance to realize the recovery trajectory. Despite the introduction of these funds, however, access to formal financial services and products and the cost of credit is still a challenge for MSMEs.

#### **Overview of Financial Access to MSME**

Over the years, traditional sources of financing for MSMEs have revolved around personal savings, loans from friends and family, and other informal sources. According to KIPPRA study over 80.6 per cent of enterprises use family/own funds as the main source of start-up capital while 4.2 per cent of business owners get loans from family and/or friends to start their business. Banks finance 5.6 per cent of MSMEs, chamas 1.4 per cent and cooperatives only 0.4 per cent. The Government funds 0.1 per cent of all MSMEs. Therefore, MSMEs face challenges in raising finances to support their entrepreneurial pursuits.

According to the central bank survey of 2022 on access to bank credit by MSMEs there were 1.18 million active MSME loan accounts in the banking industry as at December 2022, with a total value of Ksh.783.3 billion. This was a 29 percent increase from 915,115 active loan accounts valued at Ksh.638.3 billion as at the last MSME lending survey in December 2020. Of this total,

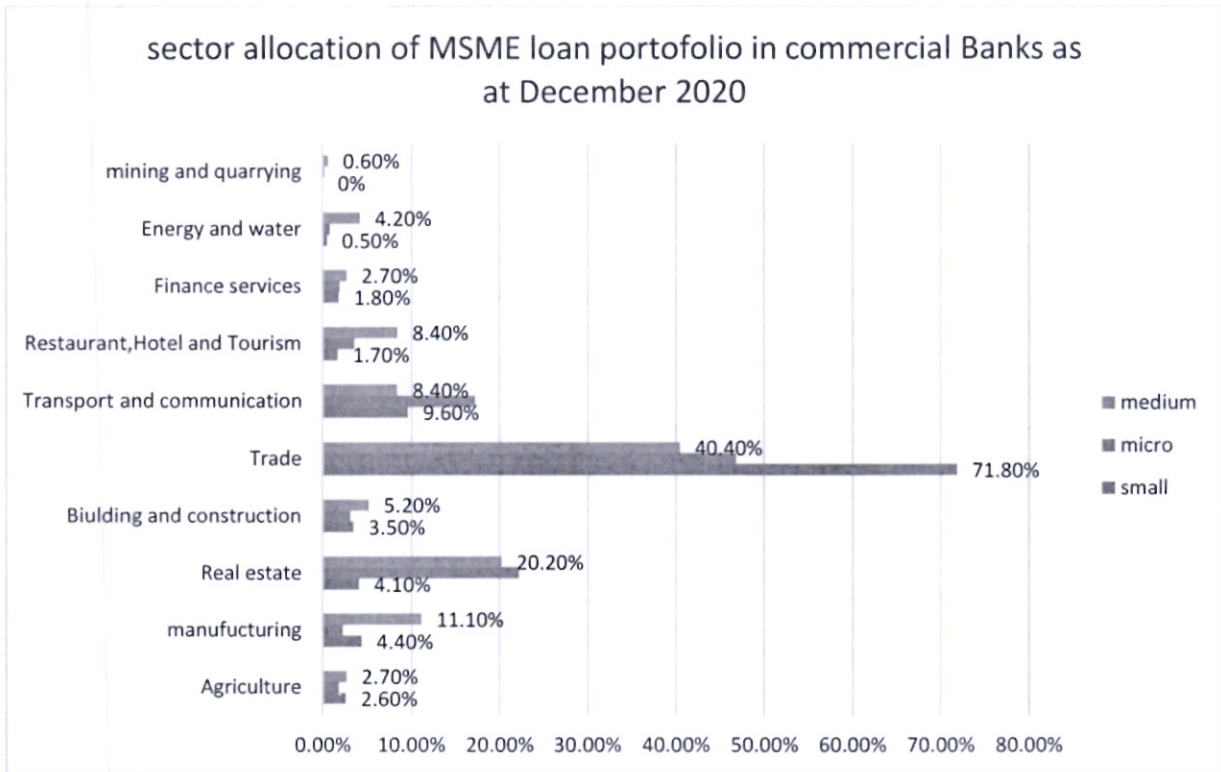
commercial banks, and mortgage finance companies, cumulatively, disbursed Ksh.750.3 billion (96 percent) while MFBs disbursed Ksh.32.98 billion (4 percent).

Category	Commercial Banks		Microfinance Banks		Overall	
	2020	2022	2020	2022	2020	2022
	(Ksh M)	(Ksh M)	(Ksh M)	(Ksh M)	(Ksh M)	(Ksh M)
Micro	0.086	0.11	0.02	0.03	0.06	0.08
Small	2.9	2.9	0.4	0.5	2.1	2.2
Medium	7.7	8.2	4.5	4.0	7.5	8.0
Overall	1	0.93	0.1	0.1	0.7	0.7
<i>Source: Central Bank of Kenya MSME Survey Data, 2022</i>						

MSMEs continued to be a significant source of funding for the banking industry, accounting for 14.9 percent and 59.5 percent of total customer deposits held in commercial banks and MFBs, respectively.

Banks have designed various credit products targeting MSMEs. More than 55 percent of all commercial banks offer products targeting all the three categories of MSMEs, i.e. micro, small and medium-sized enterprises. 21 percent of commercial banks offer products targeting only enterprises in the medium category, while 10 percent offer products targeting enterprises in the categories, while 14 percent offer products targeting only micro and small enterprises.

In commercial banks, the largest credit allocation as at December 2022 was to MSMEs in trade sector (45.2 percent), followed closely by real estate, and transport and communication sector at 19.4 percent and 11.3 percent, respectively. The agriculture, financial services sectors and mining had the lowest allocation at 2.4 percent, 2.4 percent, and 0.4 percent, respectively.



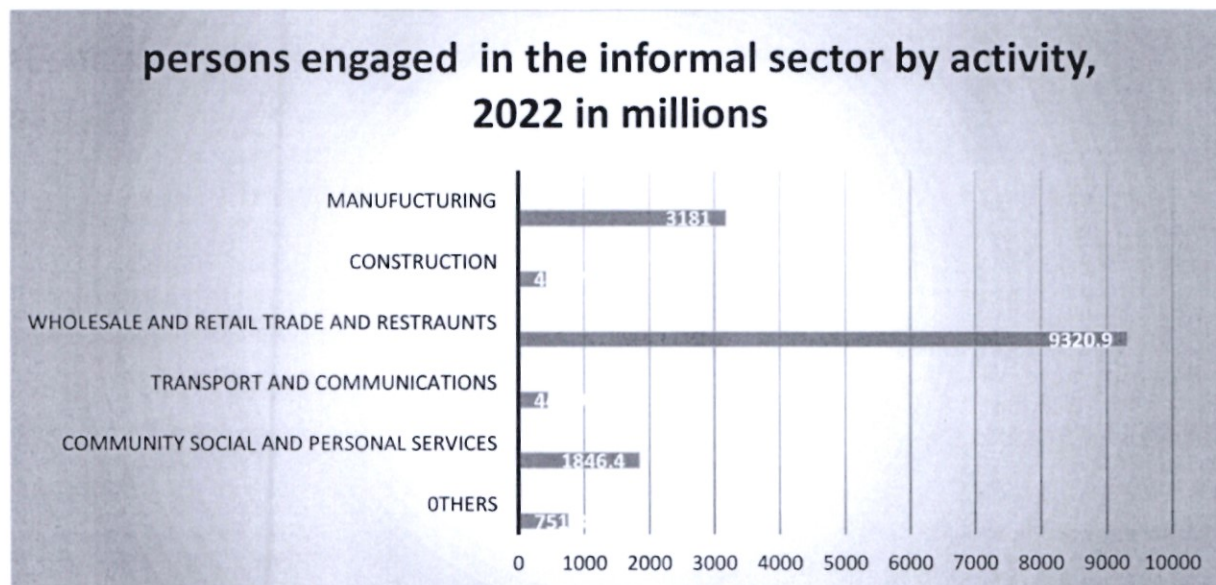
Source: Central Bank of Kenya MSME Survey Data, 2022

### Employment creation

MSEs are the backbone of most economies in terms of sustainable growth, employment creation, increasing trade, development of entrepreneurial skills and contribution to export earnings. Majority of MSMEs are in the informal economy which covers small scale activities that are usually semi organized, unregulated, use low and simple technology such as retailers, hawkers and other service providers. The ease of entry and exit into the MSME sector coupled with the use of low level or no technology makes it an easy avenue for employment creation.

MSMEs contribute significantly to the provision of productive employment opportunities, the generation of income and the reduction of poverty. Since MSMEs are more labour intensive than large enterprises they proportionately require more employees. It is estimated that MSMEs employ over 2.2 billion people globally that is around 50% of the total employed workforce.

According to the economic survey 2023 total new jobs created in the Kenyan economy were 816.6 thousand of which 113.7 thousand were in the modern sector, while 753.8 thousand were in the informal sector accounting for 86.1 per cent of the total jobs created outside of small-scale agriculture and pastoralist activities. The table below show the total number of people engaged in the informal sector in Kenya.



Source Economic Survey 2023

### Adoption of Modern Technology

MSEs are slow to adopt modern technology. The persistent reliance on old technology means MSEs are unable to reduce production and transaction costs offered by modern technologies. Innovation and technology are critical to cope with the pandemic given the instituted preventive measures such as social distancing and restrictions on movements across geographical boundaries that impact on the operations of MSEs. Low adoption of technology is partly explained by limited capacity of MSEs, both awareness and finance, to invest in innovation activities and intellectual property rights. That said, the ability to produce personal protective equipment with the pandemic demonstrates the significant capability the MSEs possess and which need to be fully exploited.

The MSEs have moderate uptake of financial innovations such as M-pesa and M-shwari which offer alternative sources of financing to the traditional banking sector. Innovation is also low

among the MSEs due to high costs of innovation, coupled with lack of incentives to innovate and limited finance to fund innovative ideas, and cumbersome patenting processes. MSEs need to be sensitized on financial innovations that can be used as avenues for accessing external financing to cover both working capital and long-term investment. The use of services such as Credit Reference Bureau are avenues for promoting self-awareness in matters of financial integrity and credibility that MSEs need to embrace. This will support them in accessing credit from the traditional banking sector. On innovation and patenting, MSEs should be encouraged to come out of their comfort zones through exposures such as exhibitions. The national government should subsidize cost of innovation through KIRDI and promote the need to acquire intellectual property rights through patenting with support of KIPI. Further, there is need to initiate a national technical training, apprenticeship and certification programme to ensure standardization of skills development and of products.

#### **Market Access and Linkages**

The market access is an intertwined problem of information asymmetry, poor infrastructure and weak value chain linkages in accessing raw materials and stock and reaching the customers. MSEs source raw materials and other inputs largely from each other and the supply-chain concentration magnifies impacts of shocks. Their customer base is largely localized individual consumers which minimizes market flexibility. Moreover, only a few products generated by MSEs undergo standardization and certification. This limits access to national, regional and other international markets. The pandemic has further elevated this obstacle with reduced face to face seller-customer interactions. However, the pandemic provides an opportunity to reduce reliance on importation of some essential products that MSEs have the capability to supply.

Generally, the uptake of AGPO in prequalification is low amongst MSEs due to information asymmetry. There is a huge disparity in distribution of road infrastructure across counties, which is important for MSEs access to inputs and markets. Further, there are challenges on MSEs acquiring certification that allows their access to local, national and international markets, and unhealthy competition and unfair trade practices which impact on ability of MSEs to grow their trade. To improve on market environment for MSEs, the national government through the AGPO Secretariat need to promote and enhance sensitization of MSEs on the affirmative platform. Further, enhancing road infrastructure to facilitate trade, and sensitizing MSEs on how to

produce goods of quality and acceptable standards will go a long way in facilitating their competitiveness to both domestic and international markets

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

MSEs workplace is a key challenge with limited worksites, appropriate infrastructure and security. Within the worksites, MSEs require adequate and affordable modern common user facilities. A significant proportion of MSEs operate in illegal sites, heightening their vulnerability to demolition by the national and county governments. There is also limited land to construct worksites, in some cases inappropriate locality for the worksites and inability of the existing worksites to meet growing demands. Further, MSEs' workshops are inadequate and lack safety gears, limiting the use of common manufacturing facilities

Further, provision of adequate and affordable utilities such as water, electricity and sanitation services are essential. Over 60% of MSEs operate from rental facilities compared to about 70% large enterprises operating from own premises. This means that MSEs are disproportionately affected by the pandemic since failure to pay rent is a double tragedy as they risk being evicted from the premises. To create an enabling environment for MSEs to operate, the national government through institutions such as Micro and Small Enterprises Authority (MSEA) and Kenya Industrial Estates (KIE), and the county governments need to work closely to facilitate development of adequately equipped worksites designated for MSEs to save them from sporadic disruptions caused by demolitions and save on cost of production. Infrastructure such as centres of excellence like the Kariobangi MSE Centre of Excellence, and Constituency Industrial Development Centres (CIDCs) developed by MSEA for instance provide additional opportunities for incubation, knowledge and skill transfer and exchange, as well as enhancing survival rate

### **Governance and regulatory framework**

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

The Policy goal is to provide an integrated enabling business environment for the growth and development of productive MSEs in Kenya that make significant socio-economic contributions to the economy through provision of decent jobs and source of quality products. The objectives of the Policy are anchored on ten (10) challenges that emerged from critical review of literature and past policies, as well as extensive stakeholder consultations across the country targeting MSEs, policy implementing institutions, development partners and private sector representatives. The ten (10) objectives include: - (i) Entrenchment of entrepreneurial culture; (ii) Skills and capacity development; (iii) Access to domestic and export markets (iv) Access to a diversified and affordable range of financial products and services; (v) Access to decent and affordable infrastructure; (vi) Facilitation of start-ups; (vii) Promotion of formalization; (viii) Enhanced coordination and implementation of support programmes targeting development of the Sector; (ix) Conducive regulatory environment at the national and county levels; and (x) Mitigation of business external risks including those that are emerging and cross-cutting in nature.

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

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

### **Challenges Facing MSE Sector in Kenya**

The Micro and Small Enterprise Sector plays an important role in the realization of the governments development agenda as anchored in the Vision 2030, MTP III and the Big 4 Agenda. It provides enormous opportunities for socio economic transformation of the country by providing employment and income generating opportunities especially to the youth, women and persons with disabilities. However, despite various initiatives by the government and stakeholder the sector still faces several challenges that limit its growth and development. These challenges include but are not limited to:

#### **Access to Market**

Access to Markets is one of the major constraints hindering the growth and development of MSEs. MSEs mainly produce for the local market with individuals' consumers being the major customers for MSEs. However, MSEs face significant competition to access local market emanating from illicit trade, including counterfeits. The perception of local consumers that MSE products are of low quality has also contributed to low demand for MSE products. Furthermore, the proportion of MSEs participating in the export market is negligible mainly due to limited export market information, low compliance to standards and certification and export market requirements.

Various initiatives by public and private sector are being undertaken to enhance market access and customer reach for MSEs products and services. Key support given include facilitation to access trade fairs/exhibitions, sensitizing MSEs on cross border trade, AfCTA and product quality and standardisation to enhance their products for exports. However, more need to be done to be able to reach more MSEs by providing adequate resources to support this initiatives.

#### **Access to Finance**

Access to reliable, flexible and diversified credit is essential for growth and sustainability of any business enterprise. However, MSEs face major constraints to access affordable credit compared to large firms. Majority of MSEs rely heavily on finances from their personal savings or friends and family contributions to start or grow their businesses. Banks and other formal financial institutions regard MSEs as high-risk borrowers, which has led to increased cost of borrowing for MSEs. The main obstacles to access formal credit by MSEs are weak financial structure of MSEs,

informality, unstructured business operations and weak collateral base. There is need for financial institutions to develop products that are flexible enough to meet the needs and requirements of MSEs.

The government has been able to develop various financial products such as Financial Inclusion Fund, Youth Fund, UWEZO fund among others that are providing easily accessible financing to MSEs. In addition the KYEOP project has been scaled up to the NYOTA project and will benefit all 47 counties whereby youth will receive start up grants of up to Ksh. 40,000. These initiatives should be integrated to ensure beneficiaries are able to scale up their business and are adopted into the formal financial sector credit where they are able to get bigger loans.

#### **Inadequate infrastructure/worksite facilities**

Majority of MSEs operate in undesignated areas which poses a risk of demolitions by the county and national government. The key challenge in MSE infrastructure include access, affordability and decency. MSEs require access to affordable and decent worksites, incubation centres, storage facilities, centres of excellence that have adequate waste management and sanitation facilities and utilities including water and electricity.

The Authority in collaboration with County government and other agencies have set aside land for development of various infrastructure facilities for MSEs. These areas are easily accessible and should have supportive infrastructure such as roads and electricity. The Authority needs more resources to be able to continuously provide adequate and decent infrastructure facilities across the country.

#### **Informality of the sector**

Over 70% of MSEs operating in Kenya are informal as per the KNBS survey 2016, this serves as a constraint for MSEs to access market and finance. A World Bank 2016 survey report identified the main reasons for MSEs not registering are; taxation, high cost of registration, low perceived benefits from registration and bribes. However, the report also states that over 50% of MSEs are willing to register and MSEs expect formalization to ease difficulties they face in accessing finances and public services.

### **Regulatory environment**

MSEs experience an inhibitive regulatory environment given the multiple licenses required and multiple procedures required to register a business. In addition, high cost of acquiring licenses, multiple regulatory agencies at the county and national government and multiple levies and taxes all increase the cost of doing business for MSEs.

The Authority is mandated to formalize the MSEs sector in the country. To achieve this the Authority established the Office of the registrar of MSEs who is responsible for registering and formalizing MSEs, MSE Associations and Umbrella organizations. There is need to continuously create awareness of MSEs on the benefits of formalization and

### **Recommendations / Support required**

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

A large number of public and private stakeholders are involved in the MSE sector, but there is limited coordination between them. There is an urgent need to create an MSE working group to enhance communication and coordination between entities, improve data sharing, and encourage collaboration on key issues facing the sector. The management developed a National Harmonization and Coordination Strategy that provides key strategies to coordinate the sector. However, the strategy has not been approved by the Ministry and there is need to ensure its approved and implemented.

#### **Accelerate Formalization Efforts**

A large number of public and private stakeholders are involved in the MSE sector, but there is limited coordination between them. There is need to create an MSE working group to enhance communication and coordination between entities, improve data sharing, and encourage collaboration on key issues facing the sector. The Authority has been working with various partners including county government to enhance the formalization of MSEs.

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

Business associations interact with a large number of MSEs and so provide a useful channel through which to communicate information on government tenders, financing opportunities, market development plans, and other opportunities. Close Monitoring of associations to ensure good governance and provide MSEs with safe mechanisms to lodge complaints and grievances against associations without fear of repercussion. The Authority has partnered and signed MOUs with various associations including the National Jua Kali Association.

**Better Data and Data Sharing Practices**

Data on the sector is fragmented, infrequently updated, often in-accessible and data quality is variable. There is an urgent need to review available data and data collection practices to identify data gaps, develop a data plan to fill gaps and improve data collection, as well as data sharing practices. The Authority has been seeking partnership to undertake and national MSMEs survey and develop a comprehensive national MSMEs database.

### MSEA VISIBILITY INITIATIVES

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

#### Capacity building of MSES through issuance of machines

The Authority in collaboration with the County Government distributed various machines in various counties in a bid to build capacity of MSEs and enhance their product development and improve efficiency and quality standards. The MSEs were urged to utilize the workshop and machines to better their innovations and create standardized products.

The machines distributed included; Universal vehicle diagnostic kit, electrical toolbox, bench grinders and vices, moulding machine, assorted consumables, Arc welding machines, mig 205 Welding machines, oxy acetylene welding sets, an abrasive chop saw and a mega tech toolbox., Woodwork Machines, Arc welding machines, bench grinder and vice, vehicle diagnostic kit, electrical kit and assorted accessories



The Machinery Distribution was done in the following regions;- Limuru Constituency Industrial Development centre (CIDC), Olkalau CIDC



Machine handover in Embu and Tharaka Nithi counties



*Rumuruti Manyatta Bodaboda Association and Marmanet worksite and sipili CIDC Nyahururu Juakali Worksite*



*Cabinet Secretary Ministry of Co-operatives and MSME Development Hon. Simon Chelugui received by MSEA Director General Mr. Henry Rithaa and Keiyo South MP, Hon Gideon Maiyo during the commissioning of the Chepkorio Constituency Industrial Development Centre.*

#### **Launch of countrywide registration of MSEs**

CS Ministry of Co-operatives and Micro, Small and Medium Enterprises (MSME) Development Hon. Simon Chelugui together with PS State Department for Micro, Small and Medium Enterprises (MSME) Development Susan Mang'eni, MSEA Board Chairman Mr. James Mureu, MSEA CEO Henry Rithaa, CEO Kenya National Federation of Juakali Associations Mr Richard Muteti officiated the launch of the countrywide MSE Registration drive.



During the launch, MSEA and Kenya National Federation of Juakali Association signed a Memorandum of Understanding in a bid to support the process.

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

### a) EAC Trade Fair Kampala, Uganda



During the official opening ceremony for the East African Community MSMEs Trade Fair held on December 11, 2022 and launched by Uganda's Prime Minister, Robinah Nabbanja,



Chief Guest during Kenya day celebration, Cabinet Secretary Ministry of Co-operatives and MSMEs Development Hon. Simon Chelugui at the EAC Trade Fair.



Kenya Day symposium discussion at the EAC Trade fair

b) Madaraka Week MSMEs Exhibition



H.E the President Dr. William Ruto during the official opening of the Co-operatives and MSMEs Expo preceding Madaraka Day celebrations at Embu University grounds.



H.E the Prime Cabinet Secretary Hon. Musalia Mudavadi at the MSEA stand during the Madaraka week Expo

c) 2023 Conference and Expo and World MSME Day 2023 Celebrations



Cabinet Secretary Ministry of Co-operatives and MSME Development Hon. Simon Chelugui accompanied by MSEA Board Chairman Mr. James Mureu at the KICC official opening of the 2023 SME conference and Expo



**PS State Department of MSMEs Susan Mang'eni during the World MSME Day 2023 Celebrations in Kajiado County.**

**MSEA DIGITAL CAMPAIGNS ON MSE INFRASTRUCTURE DEVELOPMENT**

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

**Kariobangi Center of Excellence:-**

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

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

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

## **CIDCs (CONSTITUENCY INDUSTRIAL DEVELOPMENT CENTRES)**

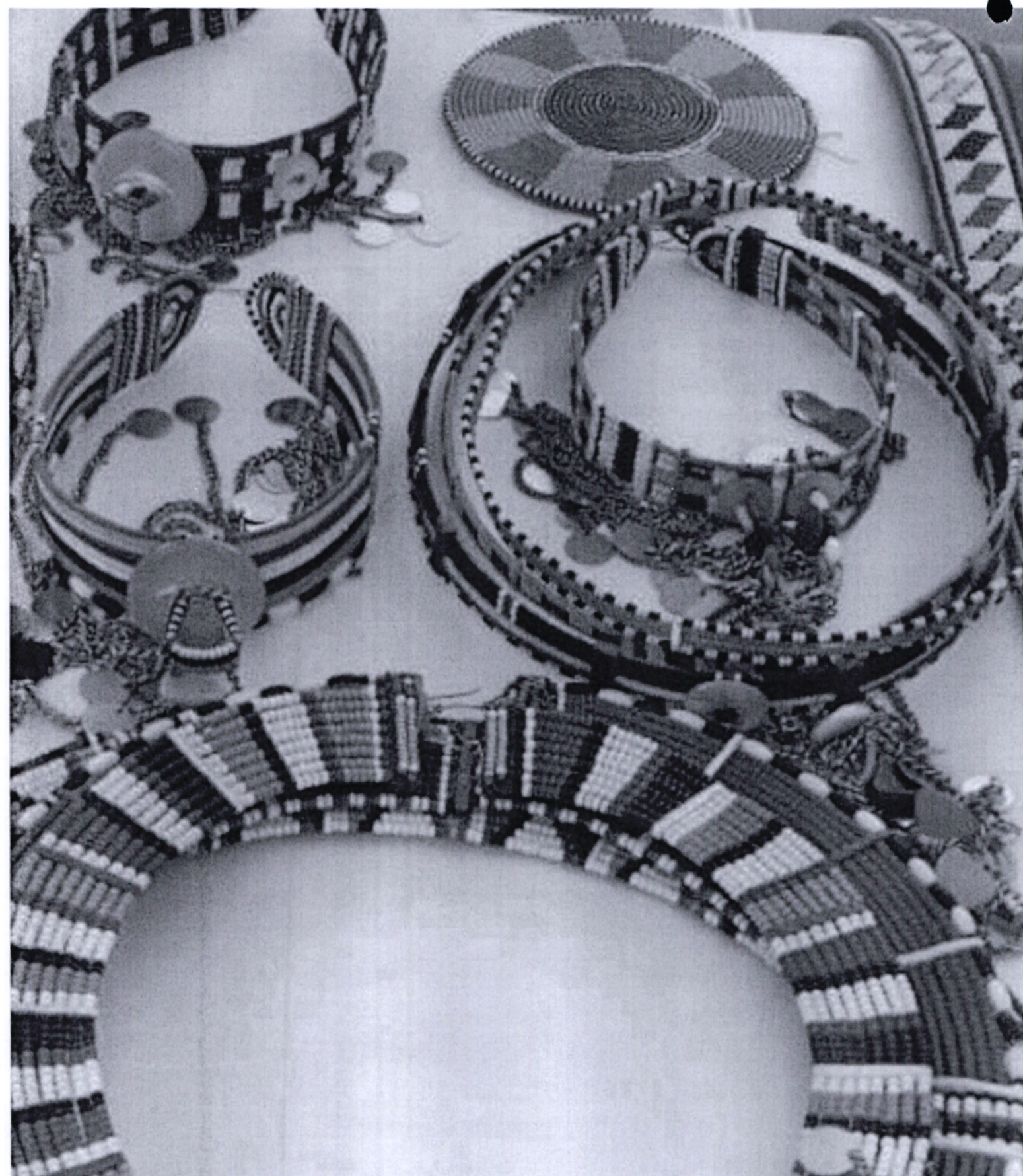
They provide MSE incubation facilities in constituencies countrywide.

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### **PURPOSE OF THE CIDCs**

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





## 10. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

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

### i. Employee Welfare

The Authority in collaboration with Equity Afia conducted a General wellness check-up for staff, which kicked off with a brief Sensitization from CIC on General Family Wellness. Having regular check-ups can help detect potentially life threatening health issues early enough. Early detection affords you the best chance for getting the right treatment quickly.



*Moments captured during the staff wellness day*

### ii. Corporate Social Responsibility/ Community Engagements:

During the launch of the National program for accelerated forestry and rangelands restoration on 21<sup>st</sup> December 2022, HE President William Samoei Ruto launched an expedite national tree growing campaign to increase Kenya's forest cover by 30 percent by 2032. The President called upon the entire government, both national and county, communities, the private sector, non-governmental organizations, educational and religious institutions to mobilize the people of Kenya to participate in the noble endeavour.

*Tree planting in busia, nairobi and kajiado counties*

The Micro and Small Enterprises Authority's yearly Corporate Social Responsibility (CSR) initiatives include tree planting. It represents the Authority's solidarity with the Kenyan government in preservation of biodiversity, restoration of forests and mitigating the risks of climate change while also aiming to raise public understanding of environmental issues.

Various MSEs have planted over 500 bamboo and other indigenous trees in Busia, Nairobi and Kajiado counties during various events.



February 13<sup>th</sup> 2023 PS Hon Susan Mang'eni during a courtesy call to the County Commissioner Busia County.



Planting of Bamboo trees by MSEs in Busia County May 18<sup>th</sup> 2023



MSEA Nairobi Region Office and members of the community planting trees during a formalization exercise at Mathare Ward June 16<sup>th</sup> 2023.



PS Hon Susan Mang'eni planting trees in Kajiado County during the celebrations of the World MSME Day June 27<sup>th</sup> 2023.

Currently the country's forest cover is 8.8 percent while the tree cover stands at 12.13 percent. As a brand that champions sustainability, MSEA is committed to supporting the national agenda of promoting restoration and preservation of our natural environment.

## 11. REPORT OF THE DIRECTORS

The Directors submit their annual report together with the financial statements for the year ended June 30, 2023 which show the state of the Authority's affairs.

### i. Principal activities

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

### ii. Results

The results of the Authority for the year ended June 30, 2023 are set out on page 1 to page 5.

### iii. Directors

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


### iv. Surplus remission

In accordance with Section 219 (2) of the Public Financial Management Act regulations, regulatory entities shall remit into Consolidated Fund, ninety per centum of its surplus funds reported in the audited financial statements after the end of each financial year.

### v. Auditors

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

By Order of the Board



Name: Simon O. Nyamilo,

Corporation Secretary / Secretary to the Board

## 12. STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

The Directors are responsible for the preparation and presentation of the Authority's financial statements, which give a true and fair view of the state of affairs of the Authority for and as at the end of the financial year ended on June 30, 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 Authority; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.


The Directors accept responsibility for the Authority's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and the State Corporations Act. The Directors are of the opinion that the Authority's financial statements give a true and fair view of the state of Authority's transactions during the financial year ended June 30, 2023, and of the Authority's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Authority, which have been relied upon in the preparation of the Authority's financial statements as well as the adequacy of the systems of internal financial control.

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

Micro and Small Enterprises Authority  
Annual Reports and Financial Statements  
For the year ended June 30, 2023

Approval of the financial statements

The Authority's financial statements were approved by the Board on ..... 5<sup>th</sup> Sep 2023 ..... and signed on its behalf by:



.....

James Mureu  
Chairperson of the Board



.....

Henry M. Rithaa  
Accounting Officer

# REPUBLIC OF KENYA

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E-mail: info@oagkenya.go.ke  
Website: www.oagkenya.go.ke



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

## **REPORT OF THE AUDITOR-GENERAL ON MICRO AND SMALL ENTERPRISES AUTHORITY FOR THE YEAR ENDED 30 JUNE, 2023**

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### PREAMBLE

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

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for 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 the entity has complied with all relevant laws and regulations and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

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

### REPORT ON THE FINANCIAL STATEMENTS

#### **Qualified Opinion**

I have audited the accompanying financial statements of Micro and Small Enterprises Authority set out on pages 1 to 25, which comprise of the statement of financial position as at 30 June, 2023, and statement of financial performance, statement of changes in net

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

In my opinion, except for the 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 the Micro and Small Enterprises Authority 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 (Accrual Basis) and comply with the Public Finance Management Act, 2012 and the Micro and Small Enterprises Act, 2012.

### **Basis for Qualified Opinion**

#### **Undisclosed Property, Plant and Equipment**

The statement of financial position reflects property, plant and equipment balance of Kshs.1,537,608,536 as disclosed in Note 18 to the financial statements. However, as previously reported, this balance excludes undetermined value of two hundred and seventy-nine (279) parcels of land the Authority owns across the Country where most of the Constituency Industrial Training Centres (CIDCs) and cold storage facilities have been erected. Further, the Authority does not have title documents for two hundred and fifty-two (252) out of the two hundred and seventy-nine (279) parcels of land.

In the circumstances, the existence, accuracy and completeness of the property, plant and equipment balance of Kshs.1,537,608,536 could not be confirmed.

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

### **Emphasis of Matter**

#### **1. Pending Accounts Payables**

The statement of financial position reflects payables from exchange transactions balance of Kshs.95,291,452 as disclosed in Note 20 to the financial statements. The balance includes payables and accruals amounting to Kshs.65,102,206 which have been outstanding for more than one (1) year. However, Management has not explained why the bills were not settled during the year they occurred. Failure to settle bills in the year for which they relate, adversely affects the implementation of subsequent years' programmes.

The Authority is at risk of incurring significant interest and penalties with the continued delay in settlement of the payables.

## **2. Budgetary Control and Performance**

The statement of comparison of budget and actual amounts reflects final revenue budget and actual on comparable basis of Kshs.1,572,923,000 and Kshs.1,166,946,743 respectively resulting in revenue shortfall of Kshs.405,976,257 or 26% of the budget. Management attributed the shortfall to reduction in disbursement of grants from the development partners.

The revenue shortfall may have affected planned activities and impacted negatively on delivery of services to the public.

My opinion is not modified in respect of these matters.

### **Key Audit Matters**

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

### **Other Matter**

### **Unresolved Prior Year Matters**

In the audit report of the previous year, several issues were raised under the Report on Lawfulness and Effectiveness in Use of Public Resources and Report on Effectiveness of Internal Controls, Risk Management and Governance which remained unresolved as at 30 June, 2023.

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

### **Conclusion**

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

### **Basis for Conclusion**

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

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

### **Conclusion**

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

## **Basis for Conclusion**

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal 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 the Board of Directors**

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

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

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

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

The Board of Directors is responsible for overseeing the Authority's financial reporting process, reviewing the effectiveness of how 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 that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal 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 control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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


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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal 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 that may cast significant doubt on the Authority's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Authority to cease to sustain its services.

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

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

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

  
FCPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

Nairobi

18 April, 2024

## 14. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2023

	Notes	2022/2023 Kshs	2021/2022 Kshs
<b>Revenue from non-exchange transactions</b>			
Government grants	6	390,900,000	360,400,000
Development partners	7	771,512,176	1,938,754,177
		<u>1,162,412,176</u>	<u>2,299,154,177</u>
<b>Revenue from exchange transactions</b>			
Internally generated revenue	8	4,534,567	4,165,775
		<u>4,534,567</u>	<u>4,165,775</u>
<b>Total revenue</b>		<u><b>1,166,946,743</b></u>	<u><b>2,303,319,952</b></u>
<b>Expenses</b>			
Operating expenses	9	58,812,106	29,445,418
Staff costs	10	332,136,967	325,813,285
Board expenses	11	11,239,411	10,356,252
Project expenses	12	1,122,460,613	1,622,684,970
Depreciation expense	13	14,650,661	18,896,166
Repairs and Maintenance	14	391,569	66,765
		<u>1,539,691,328</u>	<u>2,007,262,855</u>
<b>Total Expenditure</b>		<u><b>1,539,691,328</b></u>	<u><b>2,007,262,855</b></u>
<b>Surplus / (deficit) for the period</b>		<u><b>(372,744,585)</b></u>	<u><b>296,057,097</b></u>

The notes set out on pages 6 to 25 form an integral part of these Financial Statements.

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



Name: Henry M. Rithaa

Accounting Officer

Date:



Name: Elsie Thambu

Head of Finance

ICPAK M/ No.16628

Date:



Name: James Mureu

Chairman of the Board

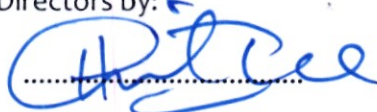
Date:

Micro and Small Enterprises Authority  
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15. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023

	Notes	2022/2023 Kshs	2021/2022 Kshs
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	15	363,500,784	936,381,645
Receivable from exchange transactions	16	-	435,640
Prepayments	16	-	-
Grants receivable	16	380,000	-
Consumable stocks	17	3,080,628	1,740,989
		<u>366,961,412</u>	<u>938,558,274</u>
<b>Non-current assets</b>			
Property, plant and equipment	18	1,537,608,536	1,282,875,619
Intangible Assets	19	7,559,990	8,217,381
		<u>1,545,168,526</u>	<u>1,291,093,000</u>
<b>Total assets</b>		<u>1,912,129,938</u>	<u>2,229,651,274</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables from exchange transactions	20	95,291,452	90,914,272
Provisions	21	48,622,952	112,776,884
<b>Total liabilities</b>		<u>143,914,404</u>	<u>203,691,155</u>
<b>Net assets</b>		<u>1,768,215,534</u>	<u>2,025,960,118</u>
<b>Equity</b>			
Capital fund		1,643,005,724	1,528,005,724
Accumulated surplus		125,209,810	497,954,394
<b>Total net asset and liabilities</b>		<u>1,768,215,534</u>	<u>2,025,960,118</u>

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



Name: Henry M. Rithaa  
Accounting Officer

Date:



Name: Elsie Thambu  
Head of Finance  
ICPAK M/ No.16628

Date:



Name: James Mureu  
Chairman of the Board

Date:

16. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2023

	Surplus Reserve Kshs	Capital Grants / Reserves Kshs	Total Kshs
<b>At 1st July 2021</b>	<b>201,897,298</b>	1,326,705,724	1,528,603,022
Surplus/(Deficit) for the period	296,057,096	-	296,057,096
Development grant (CIDC)	-	199,500,000.00	199,500,000
Capital acquisition (KYEOP Project)	-	1,800,000	1,800,000
<b>At 30th June 2022</b>	<b>497,954,394</b>	<b>1,528,005,724</b>	<b>2,025,960,118</b>
<b>At 1st July 2022</b>	497,954,394	1,528,005,724	2,025,960,118
Surplus/(Deficit) for the period	(372,744,585)		(372,744,585)
Development grant (CIDC)	-	115,000,000	115,000,000
Capital acquisition (KYEOP Project)	-	-	-
<b>At 30th June 2023</b>	<b>125,209,810</b>	<b>1,643,005,724</b>	<b>1,768,215,534</b>

17. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2023

	Notes	2022/2023 Kshs	2021/2022 Kshs
<b>Cash flows from operating activities:</b>			
<b>Receipts</b>			
Transfers from GOK-Recurrent Grant	6	390,900,000	360,400,000
Transfers from Development Partners	7	771,512,176	1,938,754,177
Internally generated revenue	8	4,534,567	4,165,775
<b>Total receipts</b>		<b>1,166,946,743</b>	<b>2,303,319,952</b>
<b>Payments</b>			
Use of goods and services	9	58,812,106	29,445,418
Employee costs	10	332,136,967	325,813,285
Board Expenses	11	11,239,411	10,356,252
Project Expenses	12	1,122,460,613	1,622,684,970
Repairs and maintenance	14	391,569	66,765
<b>Total payments</b>		<b>1,525,040,665</b>	<b>1,988,366,690</b>
<b>Net cash from operating activities</b>		<b>(358,093,922)</b>	<b>314,953,262</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	18	(268,726,188)	(377,231,175)
Purchase of intangible assets	19	0	-
(Increase) / decrease in receivable		435,640	1,120,666
(Increase) / decrease in prepayments		0	-
Increase / (decrease) in payables		4,377,180	3,261,323
Increase / (decrease) in provisions		(64,153,931)	(87,273,202)
(Increase) / decrease in consumables		(1,339,640)	202,027
(Increase)/decrease in Grants Receivable		(380,000)	23,001,760
<b>Net cash used in investing activities</b>		<b>(329,786,938)</b>	<b>(436,918,601)</b>
<b>Cash flows from financing activities</b>			
Capital fund- Development Grant		115,000,000	201,300,000
<b>Net cash used in financing activities</b>		<b>115,000,000</b>	<b>201,300,000</b>
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>(572,880,861)</b>	<b>79,334,661</b>
<b>Cash and cash equivalents at start of year</b>		<b>936,381,645</b>	<b>857,046,984</b>
<b>Cash and cash equivalents at end of year</b>		<b>363,500,784</b>	<b>936,381,645</b>

18. STATEMENT OF COMPARISON OF BUDGET & ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2023

Category	Original Budget Kshs a	Adjustments Kshs b	Final Budget Kshs c=(a+b)	Actual on comparable basis Kshs d	Performance difference Kshs e=(c-d)	% of utilization
<b>Revenue</b>						
Recurrent grant	390,900,000	-	390,900,000	390,900,000	-	100%
Development partner	1,170,100,000	-	1,170,100,000	763,589,176	406,510,824	65%
Other Income- Stanbic Foundation	7,923,000	-	7,923,000	7,923,000	-	100%
Fees and charges	2,500,000	1,500,000	4,000,000	4,534,567	(534,567)	113%
<b>Total revenue</b>	<b>1,571,423,000</b>	<b>1,500,000</b>	<b>1,572,923,000</b>	<b>1,166,946,743</b>	<b>405,976,257</b>	<b>74%</b>
<b>Expenditure</b>						
Operating expenses	57,219,435	1,500,000	58,719,435	58,812,106	(92,671)	100%
Staff costs	332,573,565	-	332,573,565	332,136,967	436,598	100%
Board expenses	11,136,800	-	11,136,800	11,239,411	(102,611)	101%
Project expenses	1,170,100,000	-	1,170,100,000	1,122,460,613	47,639,387	96%
Depreciation expense	-	-	-	14,650,661	(14,650,661)	#DIV/o!
Repairs & Maintenance	393,200	-	393,200	391,569	1,631	100%
<b>Total expenditure</b>	<b>1,571,423,000</b>	<b>1,500,000</b>	<b>1,572,923,000</b>	<b>1,539,691,328</b>	<b>33,231,673</b>	<b>98%</b>
<b>Surplus for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(372,744,585)</b>	<b>372,744,584</b>	

**Budget Notes**

1. Development Partner-the variance relates to World Bank grants not received as expected in during the period under review. The amount is expected to be received in the FY 2023/2024.
2. Revenue collection (A-I-A) was surpassed by 13% attributable to the ongoing registration of MSEs across the country.
3. Budget Adjustments- During the period under review, the Authority's A-I-A was revised to 4M from 2.5M. Operations and management vote remain strained due to low funding, and as a result, the Authority closed the financial year with pending bills relating to rent, cleaning and other contracted services.

## 19. NOTES TO THE FINANCIAL STATEMENTS

### 1. GENERAL INFORMATION

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

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

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

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

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

### 3. ADOPTION OF NEW AND REVISED STANDARDS

#### i. New and amended standards and interpretation in issue effective in the year ended 30 June 2023.

Standard	Effective date and impact:
IPSAS 41: Financial Instruments	<b>Applicable: 1<sup>st</sup> January 2023:</b> The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:

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Standard	Effective date and impact:
	<ul style="list-style-type: none"> <li>• Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held;</li> <li>• Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and</li> <li>• Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.</li> </ul> <p>The standard has no Impact to the Authority.</p>
<p><b>IPSAS 42:</b> Social Benefits</p>	<p><b>Applicable: 1<sup>st</sup> January 2023</b></p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:</p> <p>(a) The nature of such social benefits provided by the entity;</p> <p>(b) The key features of the operation of those social benefit schemes; and</p> <p>(c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows.</p> <p>The Standard has no Impact to the Authority.</p>
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p><b>Applicable: 1st January 2023:</b></p> <p>a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.</p> <p>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p>

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Standard	Effective date and impact:
	<p>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p> <p>The Standard has no Impact to the Authority.</p>
Other Improvements to IPSAS	<p><b>Applicable 1<sup>st</sup> January 2023</b></p> <ul style="list-style-type: none"> <li>• <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i></li> <li>• <i>IPSAS 39: Employee Benefits</i></li> <li>• <b>IPSAS 29: Financial Instruments: Recognition and Measurement</b></li> </ul> <p>The standard has no Impact to the Authority.</p>

ii. **New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2023.**

Standard	Effective date and impact:
IPSAS 43	<p><b>Applicable 1<sup>st</sup> January 2025</b></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and of disclosure leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p>

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Standard	Effective date and impact:
	The standard has no Impact on the Authority.
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<b><i>Applicable 1<sup>st</sup> January 2025</i></b> The standard requires, Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and: Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance. The standard has no Impact since the Authority has no Assets held for sale.

**iii. Early adoption of standards**

The Authority did not early – adopt any new or amended standards in the year 2022/23.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue recognition

i) Revenue from non-exchange transactions – IPSAS 23

**Fees, taxes and fines**

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

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

**Transfers from other government entities**

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

**Development partner funds**

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

ii) Revenue from exchange transactions – IPSAS 9

**Rendering of services**

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

b) **Budget information – IPSAS 24**

The original budget for the current FY was approved by the National Assembly. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the Authority upon receiving the respective approvals in order to conclude the final budget.

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

c) **Taxes – IAS 12**

**Withholding Tax**

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

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

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

**Depreciation**

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

<b>Category</b>	<b>Percentage</b>
Land	nil
Building	10
Furniture and fittings	12.5
Computer	33.3

Software	8
Motor vehicle	25
Office equipment	12.5

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

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

**e) Intangible assets - IPSAS 31**

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

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

**f) Research and development costs**

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

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

**g) Financial instruments**

**Financial assets**

**Initial recognition and measurement**

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

**Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial

measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the surplus or deficit.

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

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

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

#### ***Financial liabilities***

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

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Authority determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

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

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

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

#### **h) Inventories – IPSAS 12**

Inventories of consumable nature are stated at the lower of cost and net realizable value. Cost comprises the purchase price and those overheads that have been incurred in

bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realizable value represents the estimated selling price less all estimated costs of selling the item. Consumable stock balance is disclosed as part of current assets in the financial statements.

**i) Provisions – IPSAS 19**

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

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

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

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

***Contingent liabilities***

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

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

***Contingent assets***

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

**j) Nature and purpose of reserves**

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

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

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

**l) Employee benefits – IPSAS 25**

**Retirement benefit plans**

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

**m) Foreign currency transactions**

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

**n) Related parties**

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

**o) Service concession arrangements**

The Authority analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the Authority recognizes that asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price. In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the Authority also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

**p) Cash and cash equivalents**

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

**q) Comparative figures**

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

**r) Subsequent events**

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2023.

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

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

**Estimates and assumptions – IPSAS 1.140**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Authority based its assumptions and estimates on parameters

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available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Entity. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

**Useful lives and residual values**

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

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

**Provisions**

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

	<b>2022/2023</b>	<b>2021/2022</b>
	<b>Kshs</b>	<b>Kshs</b>
<b>6 Government grant</b>		
Government grant - recurrent	390,900,000	360,400,000
	<u>390,900,000</u>	<u>360,400,000</u>
<b>7 Development partner</b>		
IDA-KYEOP World Bank	763,589,176	1,935,971,824
Grants from Stanbic Foundation	7,923,000	2,782,353
	<u>771,512,176</u>	<u>1,938,754,177</u>
<b>8 Internally generated revenue</b>		
Charges from Kariobangi CoE	3,155,042	2,872,113
Fees from Registration Services	1,327,525	1,193,662
Mse Market Exhibition	52,000	100,000
	<u>4,534,567</u>	<u>4,165,775</u>
<b>9 Operating Expenses</b>		
<b>a) Operating costs</b>		
Communication supplies and services	981,500	770,189
Domestic travel and subsistence	7,307,805	303,305
Foreign travel and subsistence	6,063,479	-
Printing, advertising and information services	64,618	24,000

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Trade shows and exhibitions	487,160	9,800
MSEs regional and international	-	-
MSE marketing	-	-
Hospitality supplies and services	5,135,735	2,660,266
MSE coordination and harmonisation	185,500	
Training of MSEs	-	
Legal expenses	404,000	-
ILO expenses		2,781,720
Stanbic Foundation expenses	7,737,700	-
	<u>28,367,497</u>	<u>6,549,280</u>

**b) Administrative costs**

Utilities (water and electricity)	369,129	36,681
Rent - non residential	17,989,234	20,519,733
Office general supplies and services	4,197,080	185,530
Fuel and lubricants	995,000	28,000
Security	1,198,336	148,000
Cleaning Services	3,716,600	432,600
Bank charges	689,230	736,660
Provision for audit fee	450,000	450,000
Recruitment expense	840,000	
Motor vehicle insurance	-	358,934
provision for obsolete stock	-	-
	<u>30,444,609</u>	<u>22,896,138</u>
	<u>58,812,106</u>	<u>29,445,418</u>

**10 Staff costs**

Basic Salary Expense	156,557,178	151,219,407
House Allowance Expense	56,188,086	58,572,633
Commuter Allowance Expense	26,946,365	28,018,467
Entertainment Allowance	840,000	700,000
Extraneous Allowance	2,220,000	2,402,000
Hardship Allowance	205,200	205,200
Airtime Allowance	4,013,823	3,967,200
Salary Arrears	754,823	92,863
Transfer Allowance	1,062,100	136,650
Leave Allowance	3,842,523	3,982,271
Other Allowances	1,791,359	-
Acting Allowance	3,201,380	425,862
Disability Allowance	240,000	240,000
Gratuity Expense	13,437,436	12,893,091
Pension Expense	21,900,508	21,584,344
National Social Security Fund	1,462,520	484,400
National Industrial Training Authority Levy	125,200	121,500
Medical Insurance Cover	37,348,467	40,467,796
Training expenses	-	299,600
	<u>332,136,967</u>	<u>325,813,285</u>

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	2022/2023	2021/2022
	Kshs	Kshs
<b>11 Board Expenses</b>		
Sitting allowance	3,804,800.0	4,772,000
Subsistence allowance and travel expenses	3,400,458.0	2,403,350
Board Lunch allowance	198,800.0	-
Honoraria	960,000.0	757,333
Transport reimbursement/Mileage	2,365,383.4	1,133,850
Board Training		92,800
Medical insurance	425,970.0	1,136,719
Board Airtime	84,000.0	60,200
	<u>11,239,411.4</u>	<u>10,356,252</u>
<b>12 Project expenses</b>		
KYEOP Project expenses	<u>1,122,460,613</u>	<u>1,622,684,970</u>
<b>13 Depreciation expense</b>		
Furniture & fittings	777,659	888,753
Computer & accessories	5,248,317	7,119,665
Motor vehicles	5,605,490	7,473,986
Office equipment	2,361,805	2,699,206
Software	657,390	714,555
	<u>14,650,661</u>	<u>18,896,166</u>
<b>14 Repairs &amp; maintenance</b>		
Buildings	68,200	-
Motor vehicles	214,069	43,915
Equipments	105,300	22,850
Computers	4,000	
	<u>391,569</u>	<u>66,765</u>
<b>15 Cash and cash equivalent</b>		
National Bank - recurrent account	221,886	2,103,928
KCB - development account	71,200,113	284,222,566
KCB - project account	290,843,588	649,715,025
KCB -Revenue Collection account	762,115	-
MPESA	473,082	340,127
	<u>363,500,784</u>	<u>936,381,645</u>
<b>16 Receivable from non-exchange transactions</b>		
Outstanding Imprest	-	435,640
Prepayments	-	-
Grants receivable*	380,000	-
	<u>380,000</u>	<u>435,640</u>
<b>17 Inventory</b>		
Consumable stocks	<u>3,080,628</u>	<u>1,740,989</u>

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**18 Property, Plant and Equipment**

	Office Equip	Computers	Motor Vehicle	Fittings	Work in Progress CIDC	Work in Progress Cold Storage	Totals
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
	12.5%	33.3%	25%	12.5%	0.0%	0.0%	
<b>COST</b>							
1st July 2021	42,003,469	61,658,587	79,180,100	16,948,864	750,237,370	93,908,689	1,043,937,079
Additions	-	-	1,800,000	-	333,123,252	42,307,923	377,231,175
Disposal	-	-	-	-	-	-	-
30th June 2022	<u>42,003,469</u>	<u>61,658,587</u>	<u>80,980,100</u>	<u>16,948,864</u>	<u>1,083,360,622</u>	<u>136,216,612</u>	<u>1,421,168,254</u>
Additions	-	-	-	-	238,843,413	29,882,775	268,726,188
Disposal	-	-	-	-	-	-	-
30th June 2023	<u>42,003,469</u>	<u>61,658,587</u>	<u>80,980,100</u>	<u>16,948,864</u>	<u>1,322,204,035</u>	<u>166,099,387</u>	<u>1,689,894,442</u>
<b>ACCUMULATED DEPRECIATION</b>							
1st July 2021	20,409,819	40,578,211	49,284,155	9,838,839	-	-	120,111,024
Charge for the Year	2,699,206	7,119,665	7,473,986	888,753	-	-	18,181,611
30th June 2022	<u>23,109,025</u>	<u>47,697,877</u>	<u>56,758,141</u>	<u>10,727,592</u>	-	-	<u>138,292,635</u>
Charge for the Year	2,361,805	5,248,317	5,605,490	777,659	0	0	13,993,271
30th June 2023	<u>25,470,831</u>	<u>52,946,193</u>	<u>62,363,631</u>	<u>11,505,251</u>	-	-	<u>152,285,906</u>
<b>NET BOOK VALUE</b>							
30th June 2022	<u>18,894,444</u>	<u>13,960,710</u>	<u>24,221,959</u>	<u>6,221,272</u>	<u>1,083,360,622</u>	<u>136,216,612</u>	<u>1,282,875,619</u>
30th June 2023	<u>16,532,638</u>	<u>8,712,394</u>	<u>18,616,469</u>	<u>5,443,613</u>	<u>1,322,204,035</u>	<u>166,099,387</u>	<u>1,537,608,536</u>

**Notes to the Property Plant and Equipment**

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

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

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19 Intangible Assets

	Software Kshs	Totals Kshs
	8.0%	
<b>COST</b>		
1st July 2021	9,246,702	9,246,702.10
Additions	-	-
<b>30th June 2022</b>	<b>9,246,702</b>	<b>9,246,702</b>
Additions - Navision ERP System	-	-
<b>30th June 2023</b>	<b>9,246,702</b>	<b>9,246,702</b>
<b>ACCUMULATED DEPRECIATION</b>		
1st July 2021	314,767	314,767.00
Charge for the Year	714,555	714,555
<b>30th June 2022</b>	<b>1,029,322</b>	<b>1,029,322</b>
Charge for the Year	657,390	657,390
<b>30th June 2023</b>	<b>1,686,712</b>	<b>1,686,712</b>
<b>NET BOOK VALUE</b>		
<b>30th June 2022</b>	<b>8,217,380</b>	<b>8,217,380</b>
<b>30th June 2023</b>	<b>7,559,990</b>	<b>7,559,990</b>

	2022/2023 Kshs	2021/2022 Kshs
<b>20 Payables from exchange transactions</b>		
Trade payables	37,074,260	31,452,888
Staff payables	15,188,072	9,029,579
Gratuity and pension payable	14,419,638	16,470,877
Board payable	-	-
Retention Payable	28,159,482	32,930,327
Unspent donor funds	-	-
Accruals	450,000	1,030,600
	<u>95,291,452</u>	<u>90,914,272</u>
<b>21 Provisions</b>		
Audit fee	900,000	900,000
Refurbishment of CIDC & Worksites	47,722,952	111,876,884
	<u>48,622,952</u>	<u>112,776,884</u>
<b>Capital Commitments</b>		
	2022/2023 Kshs	2021-2022 Kshs
Opening balance	111,876,884	199,150,085
Utilization during the period	(68,967,962)	(136,459,800)
	<u>42,908,922</u>	<u>62,690,284</u>
New provision during the period	4,814,030	49,186,599
Closing balance	<u>47,722,952</u>	<u>111,876,884</u>

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**22. Construction of cold storage facility**

Through a presidential directive in January 2020, the Authority was allocated Kshs 300 million in supplementary budget II of 2019/2020 financial year to cater for construction and equipping of three cold storage facility in Nyandarua, Kisii and Meru with each facility expected to cost Kshs 100 million. The funds were disbursed to the Authority's KCB development account. As at the end of the period, Kshs 166,099,387 had been cumulatively spent on the project in terms of payments leaving unspent cash balance of Kshs 133,900,613 at the end of the financial year.

**23. Capital Commitments**

The Authority had authorised and contracted capital commitment amounting to Kshs 149,815,234 as at the end of reporting period with relation to construction of cold storage facilities.

**24. Financial Risk Management**

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

**(i) Credit risk**

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

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

<b>Description</b>	<b>2022-2023</b> <b>Kshs</b>	<b>2021-2022</b> <b>Kshs</b>
Bank balances	363,500,784	936,381,645
Receivable from exchange transactions	0	435,640
	<u>363,500,784</u>	<u>936,817,285</u>

**(ii) Liquidity risk management**

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

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

**(iii) Market risk**

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

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

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

**Currency Risk**

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

**Capital Risk Management**

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

	<b>2022-2023</b>	<b>2021-2022</b>
	<b>Kshs</b>	<b>Kshs</b>
Accumulated fund	125,209,810	497,954,394
Capital reserve	1,643,005,724	1,528,005,724
<b>Total funds</b>	<b><u>1,768,215,534</u></b>	<b><u>2,025,960,118</u></b>
Total borrowings	-	-
Cash and bank balances	363,500,784	936,381,645
<b>Gearing</b>	<b><u>0%</u></b>	<b><u>0%</u></b>

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

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

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reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements. Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts.

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

**26. Related Party Disclosure**

**Nature of related party relationships**

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

**Government of Kenya**

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

**Other Related Parties Include:**

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

**27. Events after the reporting period**

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

**28. Ultimate and Holding Entity**

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

**29. Currency**

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

APPENDIX I: Implementation Status of Auditor –General’s Recommendations

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

Issue / Observations from Auditor	Management comments	Status:	Timeframe:
<p>As reported previously, the property, plant and equipment balance of Kshs 923,826,055 as at 30 June 2021 excludes undetermined value of properties in 158 Constituency Industrial Development Centers. Further, some other non-current assets of undetermined value are held by the Authority for transfer to various Constituency Industrial Development Centers (CIDCs). Also, the management has not taken stock of all its land, buildings and other properties and valued them to establish their accounting treatment in the Authority’s books of account.</p>	<p>Management is in the process of valuing the 158 CIDC handed over by the Ministry in January 2015 in the 2022/23 financial period. With the revalued amounts, the authority will be in a good position to adjust the books and correctly state the figure for property, plant and equipment as required by International Public Sector Accounting Standards.</p>	<p>Not resolved.  Revaluation process on-going with National Lands Commission.</p>	<p>30<sup>th</sup> June 2024</p>

  
 .....  
 Director General / CEO

Date:

**APPENDIX II: Projects implemented by the Authority**

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

Project title	Project Number	Donor	Period/ duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
Kenya Youth Employment and Opportunities Project	IDA Credit No.5812-KE	World Bank	6 Years	Kshs 5.3 billion	Yes	Yes

**APPENDIX III: Status of Project Completion**

Project title	Total Project Cost	Total Expenditure to date	Completion % to date	Budget	Actual	Source of Funds
Kenya Youth Employment and Opportunities Project	Kshs 5.3 billion	Kshs 4.5 billion	92%	Kshs 5.3 billion	Kshs 5.3 billion	World Bank

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APPENDIX IV: Transfers from Other Government Entities

Name of MDA / Donor Transferring the funds	Date Received as per bank statement	Nature: Recurrent / Development / Others	Total Amount - KES	Where Recorded / Recognized					Total Transfers during the Year
				Statement of Financial Performance	Capital Fund	Deffered Income	Receivable	Others	
State Department for Trade	18-08-22	Recurrent	32,575,000.00	32,575,000.00					32,575,000.00
State Department for Trade	04-10-22	Recurrent	65,150,000.00	65,150,000.00					65,150,000.00
State Department for Trade	02-12-22	Recurrent	65,150,000.00	65,150,000.00					65,150,000.00
State Department for Trade	06-12-22	Recurrent	32,575,000.00	32,575,000.00					32,575,000.00
State Department for Trade	30-01-23	Recurrent	97,725,000.00	97,725,000.00					97,725,000.00
State Department for Trade	05-07-22	Development	65,000,000.00		65,000,000				65,000,000.00
State Department for Trade	19-10-22	Development	50,000,000.00		50,000,000				50,000,000.00
State Department for MSME	13-06-23		32,575,000.00	32,575,000.00					32,575,000.00
State Department for MSME	27-06-23		65,150,000.00	65,150,000.00					65,150,000.00
World Bank-IDA	08-07-22	Development Partners	64,028,176.05	64,028,176.05					64,028,176.05
World Bank-IDA	10-01-23	Development Partners	699,561,000.00	699,561,000					699,561,000.00
<b>Total</b>			<b>1,269,489,176.05</b>	<b>1,154,489,176.05</b>	<b>115,000,000.00</b>				<b>1,269,489,176.05</b>



#### APPENDIX VI: Reporting of Climate Relevant Expenditures

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

#### APPENDIX VII: Reporting on Disaster Management Expenditure

The Authority did not incur any disaster management expenditure during the period under review.

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APPENDIX VIII- ACCOUNTS PAYABLE

DOC NO.	NAME SUPPLIER	NATURE OF SERVICES	AMOUNT
<b>RECURRENT</b>			
<b>Staff Payables</b>			
	ZAMARA	Staff pension and gratuity 01.07.2019 to 30.06.2020	11,421,690.72
	ZAMARA/ Director Pensions	Seconded Staff Gratuity July -Dec 2020	2,997,947.00
	Staff costs	June Payroll deductions	15,188,072.30
	<b>Sub-Total</b>		<b>29,607,710.02</b>
<b>Trade Payables</b>			
	KIPPRA	Consultancy on National Strategy for Coordination and Hamonisation Framework -2019/20	1,575,373.00
	Kenya Development Corporation Ltd	Cummulative arrears 2021/2022-22/23	25,996,575.76
	Medical Claims Payable		100,000.00
	Trizwood Traders	Provision of Cleaning Services at MSEA Kariobangi Centre July 2021	158,300.00
	Edge Court	Provision of Cleaning Servies at MSEA HQ	274,300.00
	Security	Provision of Security services-HQ & Kariobangi COE	148,000.00
	CIC Insurance	Medical Insurance Cover	7,531,710.75
	OAG	Audit Fees July- June 2022	450,000.00
	Umuro WARIO & Associates	Proffessional fees-recruitment cost	840,000.00
	<b>Sub-Total</b>		<b>37,074,259.51</b>
	<b>TOTAL RECURRENT</b>		<b>66,681,969.53</b>

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APPENDIX IX- SCHEDULE OF PROVISION

NO.	LSO NO.	SUPPLIER NAME	CIDC/MSE WORKSITE	GROSS BALANCE AS AT 30TH JUNE 2023
1	1758633	NASO INVESTMENTS	WAJIR EAST	2,549,205
2	1758638	TAMATA SUPPLIERS	TIGANIA WEST	1,085,428
3	1758641	MOKS CONSTRUCTION	WEST POKOT CHAPARERIA	2,250,825
4	1758643	PROLITE AGENCIES LTD	KINANGO TOWN	2,086,970
5	1758670	CHELIN CONTRACTORS LTD	SIGOR WEST POKOT	1,060,600
6	1758672	TOP CHOICE SURVEILLANCE LTD	KARIOBANGI COE ELEC INSTALLATION	1,658,204
7	1758674	REVIVE CONSTRUCTION CO. LTD	KEHANCHA MIGORI	1,684,624
8	1758680	FINE WORK DEVELOPERS	IJARA GARISSA	1,934,122
9	1758716	COASTAL THRICE INVESTMENT	KALOLENI KILIFI	1,381,204
10	1758737	MACKABERI DISCOUNT SHOPS	MBITA HOMABAY	3,899,430
11			LARI, KIAMBU	2,820,520
	<b>2020/2021</b>			
12	22.12.2020	BYINAMU LIMITED	KERICHO	427,024
13	22.12.2020	TUND CONSTRUCTION LIMITED	KERICHO	994,981
14	22.12.2020	MUSCAL COMPANY LIMITED	KERICHO	14,385
15	22.12.2020	SAIRERA LIMITED	TRANSZOIA	2,223,450
16	22.01.2021	EQUIP AGENCIES	VARIOUS	5,000
17	27.01.2021	DADELWA VENTURES	NYERI	492,908
18	15.02.2021	ARSANGA CONSTRUCTION CO. LTD	KISUMU	462,078
19	26.02.2021	PELUCIER KENYA	NAROK	449,428
20	26.02.2021	MBIU AND MUMBUA HOLDINGS LTD	MACHAKOS	324,116
21	26.02.2021	PRONTO WORKS	KIRINYANGA	460,694
22	26.02.2021	CONTINENTAL RADIANT COMPANY	LAIKIPIA	435,257
23	19.04.2021	MARINE CONSTRUCTION LIMITED	VIHIGA	488,580
24	19.04.2021	WANTE CONSTRUCTION LIMITED	VIHIGA	669,800
25	19.04.2021	GETARE GETS JOINTS SUPPLIES	KISII	795,677
26	19.04.2021	COALAND ENGINEERING LTD	KAKAMEGA	257,980

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27	19.04.2021	JAYTTON ENTERPRISES LIMITED	KIRINYAGA	586,786
28	19.04.2021	MUZNA TRANSPORTERS AND DISTRIBUTERS LTD	TANA RIVER	1,972,809
29	21.04.2021	FAFEN ENETRPRISES LIMITED	KITUI	34,334
	<b>2021/2022</b>			
30	01.07.2021	DIAMOND NATURE LIMITED	VIHIGA	611,110
31	01.07.2021	MONGASUD GENERAL ENTERPRISES	SIAYA	2,454,552
32	01.07.2021	BARBOLA COMPANY LIMITED	NANDI	10,937
33	01.07.2021	SWEET TOUCH INDUSTRIES LIMITED	MIGORI	249,031
34	15.02.2022	POWA ENTERPRISES LTD	BUSIA	2,191,122
35	23.02.2022	PATTONY HOLDINGS LTD	THARAKA NITHI	258,756
36	01.03.2022	SHAWA SUPPLIER AND GEN CONTRACTORS	NAKURU	1,025,820
37	02.03.2022	BLOOMERG AFRICA LIMITED	WAJIR	2,401,600
38	06.04.2022	BLUE GRAIN INVESTMENTS	NAROK	8,500
39	16.05.2022	VIRGIN TRADING COMPANY LTD	NYANDARUA	183,600
40	01.07.2022	NEXLINK GLOBAL SUPPLIS LTD	KIRINYAGA	7,475
	<b>2022/2023</b>			
41	01.07.2022	NAWIA KENYA LIMITED	KUTUS CIDC	7,394
42	01.07.2022	REMBO MANAGAMENT LIMITED	MUHORONI CIDC	214,859
43	01.07.2022	SINEWAVE COMMUNICATION LTD	YATTA CIDC	527,000
44	23.09.2022	MACKLINE ENTERPRISE	MARAGUA CIDC	7,780
45	23.09.2022	VALYRICK PLUMBERS LIMITED	KANDARA CIDC	13,200
46	08.09.2022	LUGRACE HOLDINGS LTD	BONDENI WALL CHAAIN LINK	2,681,817
47	23.09.2022	ASFIA INVESTMENT LIMITED	MSAMBWENI,TAVETA,WUNDANYI,LUNGALUNGA & KIMANA	497,995
48	23.09.2022	EAST STAND TRADERS LTD	KISII.BOMACHOGE,URIRI,RONGO,NYATIKE,SUNA-KADIKA CIDCS	498,985
49	23.09.2022	GRAMPET LIMITED	WOTE,KYUSO,MWANGENI KEE & KIBWEZI CIDCS	365,000
	<b>Total</b>			<b>47,722,950</b>

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APPENDIX X- SCHEDULE OF RETENTION PAYABLE

NO.	FY	CONTRACTOR	CIDC/MSE WORKSITE	BALANCES AS AT 30th June,2023
1	2020/2021	Stirrup Commercial Ltd	Refurbishment Butula CIDC	231,771.00
2	2020/2021	Tund Construction Limited	Refurbishment Londiani CIDC	495,170.50
3	2020/2021	Cycon Limited	Refurbishment Mogotio CIDC	210,950.00
4	2020/2021	Mebrenk Ventures Limited	Refurbishment Kairi CIDC	492,908.00
5	2020/2021	Shevana Enterprises	Refurbishment Rongo CIDC	247,158.00
6	2020/2021	Arsanga Construction Co. Ltd	Refurbishment Butere CIDC	348,116.90
7	2020/2021	Mont Blanc	Refurbishment Kee CIDC	324,116.80
8	2020/2021	Pronto Works	Refurbishment Kianyaga CIDC	349,096.20
9	2020/2021	Morocom Kenya Ltd	Construction Baragoi CIDC new	251,537.76
10	2020/2021	Treva Enterprises Limited	Refurbishment Kariobangi COE	118,580.00
11	2020/2021	Marine Construction Limited	Renovation works Hamisi CIDC	143,800.00
12	2020/2021	Jakimo Infrastructure	Offices Kwavonza CIDC	48,467.00
13	2020/2021	Keroma Construction Limited	Mandera West CIDC Taliaba	317,778.70
14	2020/2021	ModernRivaz Investments Limited	Mandera East CIDC Mandera Town	257,979.60
15	2020/2021	IBSE General Construction Ltd	Construction Banisa CIDC New	191,290.13
16	2020/2021	Pattony Holdings Limited	Chuka Town Worksite	11,444.50
	<b>2021/2022</b>			
17	2021/2022	Diamond Nature Limited	Manyatta CIDC	114,210.00
18	2021/2022	Mongasud General Enterprises	Rarienda CIDC	242,966.50
19	2021/2022	Barasho Kenya Limited	Khwisero CIDC	165,875.36
20	2021/2022	Barbola Company Limited	Kabujoi CIDC	6,180.00
21	2021/2022	Hikmat Construction Ltd	New Mandera Central CIDC Eliwati	459,998.00
22	2021/2022	Sweet Touch Industries Limited	Uriri phase 1; Fencing & paving	249,031.30
23	2021/2022	Fasali Investment Ltd	Isiolo Jua kali sheds	251,833.00
24	2021/2022	Shawa Supplier and Gen Contractors	Miharati Market, Kipipiri	687,894.75
25	2021/2022	Powa Enterprises Ltd	Matayos CIDC	266,404.00
26	2021/2022	Mayford Investments	Lamu West CIDC	499,923.90

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27	2021/2022	Mestive Enterprises	Mwingi South CIDC	392,630.00
28	2021/2022	Erikim Ventures	Kirinyanga East CIDC	310,964.00
29	2021/2022	Hillylinks Construction Company	Nandi Hills CIDC Perimeter wall	243,013.00
	<b>2022/2023</b>			
30	01.07.2022	Nawia Kenya Limited	Kutus CIDC	474,151.00
31	01.07.2022	Rujum Construction Limited	Gatunga CIDC & Chuka Jua Kali	385,806.00
32	01.07.2022	Variance Techno Enterprises	Muranga town worksite	442,777.00
33	01.07.2022	Nyogam Investment Company Ltd	Kisumu Central CIDC	376,798.00
34	01.07.2022	Rembo Managment Limited	Muhoroni CIDC	408,233.00
35	01.07.2022	Centre Phones Ltd	Mwala CIDC in Machakos	148,723.00
36	01.07.2022	SineWave Communication Ltd	Yatta CIDC	147,142.00
37	01.07.2022	Malfana Construution	Machakos MSE site Juakali	251,065.00
38	01.07.2022	Malfana Construution	Machakos MSE site Juakali	391,265.00
39	23.09.2022	Mackline Enterprise	Maragua CIDC	391,532.00
40	23.09.2022	Valyrick Plumbers Limited	Kandara CIDC	403,860.00
41	08.09.2022	Lugrace Holdings Ltd	Bondeni Wall chaain link	108,585.00
42	08.09.2022	Mpofu Traders Ltd	Juakali Workshop & Marimanti CIDC	470,082.00
43	08.09.2022	Zakayo Investments Ltd	Shed Extension Embu Jua kali	491,977.00
44	08.09.2022	Malfana Construction Company	Machakos MSE Site Jua kali Nyayo	415,164.00
		<b>COLD STORAGE CONSTRUCTION WORKS RETENTION ANALYSIS</b>		
45	2019/2020	Jomaki Enterprises	Olkalau/Nyandarua Cold storage	5,062,760.16
46	2019/2020	Abbey Construction	Timau/Meru Cold storage	4,240,601.46
47	2019/2020	Skyvil Enterprises	Kiamokamo/Kisii Cold storage	5,200,867.65
48	2019/2020	Top Choice Survellance	Timau/Meru Cold storage	417,001.72
		<b>TOTAL</b>		<b>28,159,482.17</b>