

REPUBLIC OF KENYA



THE NATIONAL ASSEMBLY  
PAPERS LAID

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TABLED BY:	Hon. Naomi Wago, CBS, MP (Deputy Majority Whip)
CLERK-AT-THE-TABLE:	Inzofu Mwale, HSC

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REPORT

OF

THE AUDITOR-GENERAL

ON

CREDIT GUARANTEE SCHEME

FOR THE YEAR ENDED  
30 JUNE, 2025

THE NATIONAL TREASURY



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**THE NATIONAL TREASURY  
CREDIT GUARANTEE SCHEME**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDING**

**30 JUNE, 2025**

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

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CREDIT GUARANTEE SCHEME  
Annual Report and Financial Statements for the year ended June 30, 2025

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**I. ACRONYMS, ABBREVIATIONS AND GLOSSARY OF TERMS****A: Acronyms and Abbreviations**

NT	National Treasury
CGS	Credit Guarantee Scheme
CBK	Central Bank of Kenya
ICPAK	Institute of Certified Public Accountants of Kenya
IPSAS	International Public Sector Accounting Standards
MSMEs	Micro, Small and Medium Enterprises
PFI	Participating Financial Intermediary
OAG	Office of the Auditor General
PROFIT	Programme for Rural Outreach in Financial Innovations and Technology
PFM	Public Finance Management
PSASB	Public Sector Accounting Standards Board
WB	World Bank
SAFER	Supporting Access to Finance and Enterprise Recovery
RK-FINFA	Rural Kenya Financial Inclusion Facility
M & E	Monitoring and Evaluation
OSHA	Occupational Safety and Health Act of 2007
KCB	Kenya Commercial Bank
COOP BANK	Cooperative Bank
DTB	Diamond Trust Bank
NCBA	National Commercial Bank of Africa
MDAs	Ministries, Departments and Agencies
IFAD	International Fund for Agricultural Development
FSD_K	Financial Sector Deepening Kenya
PwDs	Persons With Disability
FY	Financial Year

**B: Glossary of Terms**

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

**Comparative Year-** Means the prior year/previous period

**Scheme: -** Means the Credit Guarantee Scheme

## 2. KEY ENTITY INFORMATION AND MANAGEMENT

### (a) Background information

The Credit Guarantee Scheme (CGS) is anchored on the Public Finance Management (Amendment) Act (No. 2) 2020 and the Public Finance Management (Credit Guarantee Scheme) Regulations 2020.

The National Treasury executed bilateral credit guarantee agreements with seven Participating Financial Intermediaries (PFIs) for the implementation of the CGS. The PFIs include Absa Bank, The Cooperative Bank of Kenya, Credit Bank, Diamond Trust Bank, KCB Bank, NCBA Bank and Stanbic Bank. The role of the PFIs in the implementation framework involves appraisal of credit applications from eligible Micro, Small and Medium Enterprises (MSMEs), issuance of credit and management of credit accounts in line with prudent lending criteria anchored on the Central Bank of Kenya (CBK) Prudential Guidelines. The PFI credit appraisal is informed by the institutions' internal processes. Upon satisfaction of internal lending conditions, the MSMEs profile is then checked against the Scheme Qualifying Criteria which is shared with the PFI in the credit guarantee agreement.

Whereas the PFI's decision to advance credit is made based on internal lending criteria, the decision to book the facility under the CGS is based the Scheme Qualifying Criteria. The loan repayment and recovery processes for loans booked under the CGS proceeds guided by prudent lending procedures and the CGS is only called upon in case of default by the beneficiary MSME. A claim submitted by a PFI to the CGS is subjected to an objective validation process and only approved claims are paid. Payment of any individual validated claim is made on terms and conditions stipulated in the executed credit guarantee agreement between the National Treasury and the PFI.

### (b) Principal Activities

#### **Vision**

To be a world class credit guarantor for the growth of MSMEs

#### **Mission**

To Enhance MSMEs access to Finance through Innovations and Partnerships in Provision of Credit Guarantees

#### **Core Values**

1. Integrity
2. Accountability
3. Diligence
4. Resilience
5. Discipline
6. Professionalism
7. Team work

The CGS principal activities are as follows: -

- i. Improve and stimulate the national economy by encouraging additional lending to micro, small and medium enterprises, increasing investment opportunities for micro, small and medium enterprises and strengthening skills and capacities of proprietors of micro, small and medium enterprises;
- ii. Facilitate the financing of micro, small and medium enterprises by partially guaranteeing credit advanced to the enterprises; and
- iii. Create a conducive business environment and promote partnerships between the government and financial intermediaries with respect to credit guarantees for micro, small and medium enterprises and other related activities.

**(c) Key Management**

The Credit Guarantee Scheme is oversighted by a Steering Committee which seeks to ensure efficiency and effectiveness in delivering the mandate of the Scheme. The Steering Committee comprises of:

- i. Principal Secretary for the National Treasury (Chairperson)
- ii. Governor, Central Bank of Kenya;
- iii. Representative of the Principal Secretary, State Department for Industrialization;
- iv. Representative of the Attorney General; and
- v. Three independent members appointed by the Cabinet Secretary for the National Treasury and Planning.

**(d) Fiduciary Management**

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

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

No.	Designation	Name
1.	The Accounting Officer / Scheme Administrator	Dr. Chris Kiptoo
2.	Scheme Manager	Ronald Inyangala
3.	Head of Finance	Esther Kitonyi
4.	Head of Risk	Jackson Echoka
5.	Head Legal Counsel	Geoffery Momanyi
6.	Head Monitoring and Evaluation	Joseph Mburu
7.	Head Claims Management	Jackson Kiprono
8.	Secretary to the Steering Committee	Winnie Molonko

**(e) Fiduciary Oversight Arrangements**

The fiduciary function of the Scheme is delineated between the Scheme Steering Committee, the Scheme Administrator and the Scheme Secretariat. The National Treasury Audit Committee plays a fiduciary role on the Scheme. The Office of the Auditor General also provides a fiduciary role of the Scheme. The Scheme reports annually to the National Assembly in line with the enabling legal provision. Where applicable, the Scheme is subject to the fiduciary oversight of a Development Partner and or a Donor.

**(f) Entity Headquarters**

**The National Treasury**  
P.O. BOX 30007 – 00100  
Harambee Avenue  
Nairobi, Kenya

**(g) Entity Contacts**

Telephone: (254) 20 2252299  
E-mail: [ps@treasury.go.ke](mailto:ps@treasury.go.ke)

**(h) Entity Bankers**

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

**(i) Independent Auditors**

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

**(j) Principal Legal Adviser**

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

### 3. THE SCHEME STEERING COMMITTEE

The Scheme Steering Committee is composed of four members drawn from key government institutions and three independent members appointed by the Cabinet Secretary for the National Treasury and Economic Planning. The following was the key membership during the reporting period:

Dr. Chris K. Kiptoo, CBS  
The Principal Secretary



Dr. Chris Kiptoo is the Principal Secretary, National Treasury. He was appointed Principal Secretary by President William Samoei Ruto on 1st December 2022. Dr. Kiptoo is the immediate former Principal Secretary, Ministry of Environment and Forestry. Before that, he also served as a Principal Secretary at the State Department of Trade, Ministry of Industry, Trade & Cooperatives.

In his working career, Dr. Kiptoo has acquired a rich wealth of experience in economic policy analysis, mainly gained at the Central Bank of Kenya, Capital Market Authority and the International Monetary Fund, where he has served in various capacities. His expertise especially relates to the design and implementation of monetary policy; balance of payments and exchange rates; fiscal operations and policy; financial sector matters including capital markets; national accounts/real sector and macroeconomic accounting, and modelling and forecasting.

Additionally, Dr. Kiptoo has proven experience in environment and climate change policies, trade policy and regional integration, private sector development and advocacy, infrastructure development, institutional development of Government institutions and organizational management, all mainly gained at the Ministry of Environment and Forestry, State Department of Trade as well as Trade Mark East Africa. Noteworthy, he also has four years of experience in economic policy coordination gained while working at the then Office of the Prime Minister.

Dr. Chris Kiptoo holds a Doctor of Philosophy Degree (PhD) in Finance (International Macroeconomics Finance specialization) from the Nairobi University, as well as a Master of Science (Ag. Economics) and Bachelor of Science (Ag. Economics) degree from Egerton University. He is also an Accredited Fellow in Macroeconomic Management Macroeconomic & Financial Management Institute of Eastern & Southern Africa (MEFMI).

**Ms. Susan Mang'eni**

**PS State Department for Micro, Small and Medium Enterprises (MSMES)**



Susan Mang'eni is the Principal Secretary of the newly established State Department for Micro, Small and Medium Enterprises (MSMEs) Development under the Ministry of Cooperatives and MSMEs. 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, Susan 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 where she handled the assessment of the impact of the Constitution of Kenya 2010 on governance and public institutions. The findings were tabled to the National Assembly in 2016 to help shape the government policies and programmes.

In the Private Sector, Susan 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. PS Susan holds an MA in Entrepreneurship Development and a BA in Political Science and Public Administration both from the University of Nairobi. She is also an alumnus of the 2011 International Visitors Leadership Programme (IVLP) a US State department Exchange programme. She is a network member of the Mandela Institute for Development Studies (MINDS), the Women Democracy Network (WDN) and the Women Waging Peace International, among others.

Dr. Kamau Thugge, CBS  
Governor, Central Bank of Kenya



Dr. Kamau Thugge C.B.S., is the tenth Governor of the Central Bank of Kenya (CBK) and has been in office since June 19, 2023.

Dr. Thugge joined CBK after a long and distinguished career in the international and Kenyan public service. He worked in the International Monetary Fund (IMF) in both policymaking and non-policymaking departments. These include the Policy Review and Development Department and the Trade Policy Division.

In these roles, he helped to design the Highly Indebted Poor Countries Initiative (HIPC) as well as other policy initiatives. He also worked on various Article IV missions. He also served as Mission Chief to Botswana and Lesotho in the wake of the Global Financial Crisis.

Dr. Thugge has held various senior roles in Kenya, including as the Head of the Fiscal and Monetary Affairs Department at the National Treasury, as Economic Secretary and as Senior Economic Advisor. He also served as Principal Secretary at the National Treasury, and lately as Senior Advisor to the President and Head of Fiscal and Budget Affairs. He helped to design and implement various laws including the Public Finance Management Act, the Commission on Revenue Allocation Act, the Independent Officers (Appointment) Act, the Public Procurement and Disposal of Assets Act, and many more. In these roles, he also served on various boards including that of the Central Bank of Kenya, the Monetary Policy Advisory Committee (and later the Monetary Policy Committee), the Kenya Revenue Authority and the Capital Markets Authority.

The Governor holds a Bachelor's Degree from the Colorado College, and Master's and PhD Degrees in Economics from Johns Hopkins University in the United States.

**Ms. Sharon Irungu-Asiyo, HSC  
Representative, Attorney General**



Ms. Sharon Irungu-Asiyo, HSC is the representative of the Attorney General in the Steering Committee of the Credit Guarantee Scheme. She has a Bachelor of Laws (LLB) Degree and a Post-Graduate Diploma in Legal Studies from the Kenya School of Law. With fifteen years post-admission to the roll of advocates, Ms. Irungu-Asiyo has both private and public sector experience majoring in commercial and corporate law, international business and international financial transactions. As a public sector legal practitioner,

Ms. Irungu-Asiyo is currently based at the Government Transactions Division at the Office of the Attorney General where her primary duties entails drafting, vetting and reviewing Government Contracts, negotiating commercial and financial agreements on behalf of the Government and issuing advisory opinions on emerging issues and areas of law that have an impact on Government Contracts. As a member of the Steering Committee of the Credit Guarantee Scheme, Ms. Irungu-Asiyo provides strategic leadership on emerging issues of law that affect the implementation of the Credit Guarantee Scheme.

**Dr. Samuel Tiriongo  
Independent Member**



Dr. Tiriongo is the Director of Research and Policy at the Kenya Bankers Association, responsible for designing and executing the research agenda, and overseeing the Sustainable Finance Initiative (SFI) programme for the banking industry. He is an economist by profession, with over 17 years of experience, 13 of which as an economist at the Central Bank of Kenya. Dr. Tiriongo is the secretary of the Credit subcommittee of KBA.

He is also the PSC member at RK-FINFA, and a Board member at the Kent National Research Fund (NRF), where he chairs the Finance, HR and Admin Committee. He holds a PhD in Economics and is a practicing researcher, with proven record in conducting research on financial markets and macroeconomic policy. He has published widely in peer-

reviewed research outlets on financial market microstructure, economic responses to crises, monetary policy, and credit market analyses, among other areas.

**Ms. Juliana Migunde**  
Independent Member



Juliana Migunde was appointed as an independent member of the Steering Committee for the MSMEs Credit Guarantee Scheme on the 19th February, 2024 for a period of three years. Ms. Migunde brings on board wealth of experience and knowledge on Financial markets operations and services in Kenya and in the East African community (EAC) region.

Juliana has had an illustrious Banking career at the Central Bank of Kenya for over 30 years where she was privileged to work in Research, Currency and Financial Markets Departments. With over 20 years work experience in Financial markets, she has provided Leadership and oversight in key Treasury management functions that include Foreign Exchange Trading, investment management and monetary policy implementations.

Juliana has contributed immensely to post markets' liberalization transformation and growth in the Kenyan Financial markets; highlights of contributions include development of regulations, policies and guidelines that govern trading and investments in foreign Exchange and money markets with remarkable contributions to the development and implementations of two-way foreign exchange market and the establishment of the Central Bank Rate (CBR).

In the EAC region and as a member of the Financial Markets Subcommittee of the Monetary Affairs Committee, she participated in initiatives that were set to harmonize financial markets infrastructures, systems and practices to achieving international Best standards and Practices. Juliana also served as a member of the high level Task force that negotiated the East African monetary Union protocol where she provided expertise on financial markets related matters.

Juliana holds a Bachelor's degree in Economics from the University of Bombay, Diplomas in Business management from Kenya institute of management (KIM) and Business Data analysis from the UK professional academy. She has undertaken various Leadership and Management programs including Strategic Leadership and Management program from KIM, in addition to various work related courses. Juliana is a member of KIM professional body.

Mr. Christopher Aleke Dondo

Independent Member



Mr. Christopher Aleke Dondo is a Principal Consultant with Legacy Consulting limited (formerly Cascade Consulting). Prior to joining Legacy Consulting, he served as Managing director of K-Rep Development Agency for thirteen years.

In 2011, He was awarded the Outstanding Social Entrepreneur in Africa by the World Economic forum and The Schwab Foundation for Social Entrepreneurship for his work in promoting inclusive financial markets.

Mr. Dondo has served and continues to serve on the boards of organizations involved in development work. He is a member and Trustee of Kenya Community Development Foundation and K-REP group among others.

He holds a master's degree in economics from York University in Canada and a Bachelor's Degree in Economics from The University of Nairobi.

#### 4. INTERIM MANAGEMENT TEAM

The following staff have been appointed on an interim basis by the Cabinet Secretary in order to assist in the management of the Scheme.

Name	Qualification	Key Responsibility
<p><b>Mr. Ronald Inyangala, OGW</b></p> 	<p>Mr Ronald Inyangala is a Director in the department of Financial Sectoral Affairs at the National Treasury. He is currently the interim Scheme Manager of the Credit Guarantee Scheme for the Micro Small and Medium Enterprises (MSMEs). He is an innovative development economist and a public sector policy expert with 20+ years' experience. Previously, he worked with Ministry of East African Community on Regional &amp; Economic Integration matters and the Ministry of Trade in the area of business development and capacity building of MSMEs. Ronald holds an M.A. in International Development Studies (Comparative Development) from Hankuk University of Foreign Studies, Republic of South Korea, a Master of Business Administration from Moi University and a Bachelors degree -Mathematics and Economics from Egerton University. He is currently pursuing a Doctor of Philosophy in Development Studies at Jomo Kenyatta University of Agriculture and Technology. Skilled in planning, organizing and implementing economic development functions from conception to completion, including economic development programs, budgeting, cross departmental project management, regional integration programs and capacity development. He has pursued various leading-edge leadership and professional short courses including the Strategic Leadership Development Course (SLDP), the Global Leadership in Financial Supervision in Times of FinTech from Toronto centre, Canada, Financial Sector Regulatory Compliance Course from London Corporate Training-UK, Public Private Partnership Project Management and Implementation from The Institute for Public-Private Partnership (IP3) United States of America &amp; Certificate in Effective Negotiation Skills: Negotiation Techniques, Tools and Procedures from the Institute for Regional Integration and Development- Catholic University of Eastern Africa.</p>	<p>Strategic operations of the scheme and Team leadership</p>

CREDIT GUARANTEE SCHEME

Annual Report and Financial Statements for the year ended June 30, 2025

**CPA Esther Kitonyi**



Ms. Esther Kitonyi is a Senior Deputy Accountant General at the National Treasury, Financial and Sectoral Affairs department. She is currently the Head of Finance and Financial Reporting of the Credit Guarantee Scheme for the Micro Small and Medium Enterprises (MSMEs) a newly established Government programme aimed at facilitating the financing of micro, small and medium enterprises by partially guaranteeing credit advanced to the enterprises in Kenya. Previously, she participated in setting up of the Accounting Unit in the Ministry for Development of Northern Kenya, Arid and Semi-Arid Lands; as Head of Accounting Unit, set up the Accounting Units of the Interim Independent Boundaries Review Commission (IIBRC) and that of the National Police Service Commission. She has over 30 years' experience in the areas of Public Finance, Financial Accounting and Reporting and Strategic Management. Her wealth of experience has been gained through working in various roles with the National Treasury and other Ministries / State Departments. She has a Bachelor of Science degree in International Business Administration in Finance and Accounting from the United States International University (USIU) and is currently pursuing a Masters degree in Finance. She is a Certified Public Accountant of Kenya, CPA(K). She has also pursued various leadership and management courses including Strategic Leadership Development Program-(SLDP) and Senior Management Course -(SMC) programmes at the Kenya School of Government (KSG), and has also undertaken related professional training with the MEFMI.

Scheme financial technical adviser, and Financial Reporting

**Mr. Jackson Achoka**



Leading the Risk & Compliance function at Agricultural Finance Corporation (AFAC), Jackson is an agribusiness specialist with 30 years' experience working with farmers in the agricultural sector; AFC Project Manager for Risk Sharing Facility for Programme for Rural Outreach & Financial Innovations & Technologies(PROFIT); Experienced trainer on agriculture finance; Project Manager in a pilot implementation of an innovative Farmer Information Technology Network Enterprise System (FITNES) a loan for farmer registration and loan origination in AFC; Holds a Master of Science degree in Agricultural and Applied Economics from the University of Nairobi in collaboration with University of Pretoria.

Scheme risk management aspects

CREDIT GUARANTEE SCHEME

Annual Report and Financial Statements for the year ended June 30, 2025

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**CS Winnie Molonko**



Ms. Winnie is an Advocate of the High Court of Kenya with an accomplished legal and compliance career reflecting 18+ years' drafting and reviewing of organizational policies and procedures, providing legal support and advice to various organizations including currently National Treasury and Planning. She has undergone innovative training and development with extensive experience in drafting legal instruments including contracts and other legislative instruments, supporting Boards on Governance and other statutory compliance requirements and introduction of innovative products through legislative support.

She has previously worked as a State Counsel Office of the Attorney-General as a Parliamentary Counsel, Capital Markets Authority as a Senior Regulatory Officer and the Central Bank of Kenya, Legal Services Division. Winnie is a holder of a Masters Degree in Law, LLM,(UON), Degree in Law, (LLB, )Advocate of the High Court of Kenya, Certified Secretary and a member of the Law Society of Kenya and the Institute of Certified Secretaries.

Secretary to the Steering Committee

**Mr. Joseph Mburu**



Mr. Joseph Mburu is a Principal ICT Officer at the National Treasury and Economic Planning, in the Financial and Sectoral Affairs Department. Mr. Mburu has over fifteen years' experience in Information and communications technology (ICT). He is also an expert in project management, monitoring and evaluation.

Mburu has participated in projects including the Re-engineering of the Public Service Commission online recruitment system, e-briefcase repository and workflow system at the Ministry of East African Community (EAC), Decision Monitoring system at the Ministry of EAC, and Gender policy implementation and monitoring system at the Ministry of Energy. He has also undergone Senior Management Course (SMC) at the Kenya School of Government (KSG). He holds a Masters' degree in Information and Technology Management at Korea Advanced Institute of Science & Technology and a Bachelors' of Science (Physics) from University of Nairobi.

Scheme Monitoring and evaluation aspects

**Geoffrey Otungu Momanyi**



Mr. Momanyi is a Senior State Counsel at the National Treasury and Economic Planning. He has over 10 years' experience having worked as a Legal Counsel at Kisii County Assembly and Senior State Counsel at Advocates Complaints Commission.

Mr. Momanyi holds a Master's Degree in Public Management and Public Sector Reforms from Seoul National University, the Republic of South Korea, a Post Graduate Diploma in Law from Kenya School of Law, a Bachelor's Degree in Law (LLB) from University of Nairobi and is currently pursuing a Certified Secretary Course with KASNEB. He has also undertaken various leadership and technical trainings on governance, finance and diplomacy. He is interested in Commercial, Technology and International Law.

Scheme's Head  
of Legal

He is a transformative advocate and public policy practitioner with outstanding career in commercial law and public sector reforms. He advises the Ministry on legal and policy matters. He also serves as an Alternate Director to the Cabinet Secretary for the National treasury and Economic Planning at the Victim Protection Board.

**Jackson Kiprono**



Mr Jackson Kiprono is a Deputy Director in the Financial and Sectoral Affairs Department at the National Treasury. He is currently supporting implementation of Credit Guarantee Scheme aimed at supporting Micro Small and Medium Enterprises (MSMEs) access affordable credit; and coordinating implementation of Fourth MTP 2023-2027 Financial Services Sector interventions.

Head of  
Claims

He is an economist with expertise in macroeconomic policy, public policy, development planning, and budgeting spanning 18 years of experience. He has worked with State Department for Economic Planning coordinating formulation of Medium-Term Development Plans towards implementation of Kenya Vision 2030, and Kenya Institute of Public Policy Research and Analysis (KIPPRA) as head of Macroeconomic Department.

Jackson holds an M.A. in International Development Studies (IDS) from National Graduate Institute of Policy Studies (GRIPS), Tokyo – Japan; and a Bachelor Degree in Statistics from the University of Nairobi.

## 5. SCHEME ADMINISTRATOR'S STATEMENT


Micro, Small and Medium Enterprises (MSMEs) play critical roles in the world economy, however, most of the MSMEs, especially in developing countries, have difficulty in accessing credit. Credit guarantees have been used by governments to enable MSMEs access credit. Credit guarantees aim to redress situations where borrowers with an equal probability of default have an unequal probability of obtaining credit where they have insufficient collateral. As a result, credit guarantees act as a lever and stimulate financial institutions to channel more funds to micro, small and medium-sized enterprises.

The government of Kenya through the National Treasury established the Credit Guarantee Scheme (CGS) in December, 2020 with the main objective of achieving financial, social and economic additionality. Credit Guarantee is a key policy tool that the National Treasury intends to leverage in order to enhance access to finance for Micro, Small and Medium-sized Enterprises, while limiting the burden on public finances. The National Treasury is keen on ensuring that micro, small and medium-sized enterprises are adequately funded to enhance growth and sustainability of the sector.

This Financial Report outlines the financial performance of the Credit Guarantee Scheme established by the National Treasury to support Micro, Small and Medium-sized Enterprises access to credit. The financial report is prepared on the basis of data submitted by the PFIs through CBK as at 30th June 2025.

Since inception, CGS has directly enabled 4,315 MSMEs access credit of a cumulative value of KSh. 6,595,341,284. The MSMEs are distributed across 46 Counties and operate in twelve sectors of the economy. The CGS has so far achieved a leverage ratio of 2.4 from KSh.2.71 billion committed to PFIs. This indicates that every one shilling committed by the Government has unlocked private sector credit of KSh. 2.4 to MSMEs.

The National Treasury continues to monitor the performance of the Scheme in line with the intended objectives. Some of the areas for improvement include diversification of products, sensitization of the PFIs and collaboration with relevant the Ministries, Departments and Agencies (MDAs) and Development Partners (DPs). We will also work towards transitioning CGS to a more sustainable model in the coming financial year.



**Dr. Chris Kiptoo, CBS**  
**Principal Secretary / National Treasury**

## 6. SCHEME MANAGER'S STATEMENT

The National Treasury established a Credit Guarantee Scheme aimed at enhancing Micro, Small and Medium-sized enterprises (MSMEs) access to credit. The Credit Guarantee is being delivered through a risk sharing agreement between the Government and seven participating banks. The seven banks are KCB Bank, Cooperative Bank, Absa Bank, DTB Bank, NCBA Bank, Stanbic Bank and Credit Bank. The banks act as the intermediaries in provision of credit to qualifying MSMEs borrowers. Lending is done by the commercial banks with due diligence in line with the Central Bank of Kenya Prudential Guidelines. The participating banks were identified through a competitive procurement process, based on among other criteria, their ability to extend credit to many MSMEs from diverse regions and sectors.

The Scheme covers a portion of the potential default risk associated with MSMEs credit facilities by providing a guarantee to pay the banks 50% of the outstanding amount, subject to a maximum of 25% of the principal amount *pari-passu*, in case of default on qualifying credit facilities to MSMEs. Once a claim has been approved by the Scheme Administrator, the amount is payable in two tranches. This provides an incentive for the banks to continue to pursue recovery of the defaulted credit facilities. The participating financial intermediaries are required to submit monthly reports on all guaranteed credit facilities extended to MSMEs in the reporting period. These reports will be important for the Scheme to fulfil its reporting obligations to the Administrator and Parliament as envisaged in the Public Finance Management Act, 2012.

The CGS has an initial seed capital of KSh. 3 billion appropriated in the fiscal year 2020/21 for guaranteeing credit facilities extended to MSME borrowers. The government is committed to grow the capital through future allocations and investments. The participating commercial banks are expected to leverage this amount four times, implying that the current KSh.3 billion is expected to unlock at least KSh.12 billion in the short run as credit extended to MSMEs.

### Product description

Currently, there is one approved product for the CGS. Below are the characteristics of the approved product;

- a. Maximum loan amount under the scheme is KShs. 5 million
- b. Repayment period of up to 3 years
- c. Repayment grace period of up to 5 months

During the FY 2024/25, approximately KSh.308,239,994 was disbursed to 194 MSMEs under the CGS. This disbursement represents credit guarantee value of KSh.77,059,998 million advanced to eligible MSMEs in the financial year.

A total of 3,537 facilities have been fully repaid, representing credit amounting to KSh.5.3 billion. A guaranteed commitment of KSh.1.3 billion has been released for additional qualifying MSMEs. This is the unique advantage of credit guarantees since funds can be revolved among more beneficiaries, upon repayment, thereby increasing the impact in the economy.

Out of 778 active facilities, 328 were categorized as impaired (Watch, Substandard, Doubtful or Loss), compared to 469 out of 1,754 in FY 2023/24. The total outstanding principal for impaired facilities reduced to KSh.184,448,475 million with a corresponding CGS liability of KSh.71,902,289 million.

At the end of the reporting period, seven credit guarantees had been liquidated under the CGS. Further, appropriate provisioning had been made based on risk assessment of the portfolio for facilities under “Watch,” “Substandard” “Doubtful” and “Loss”.

The National Treasury is closely monitoring the performance of the Scheme and is keen on increasing the Guarantee utilization by onboarding additional participating financial institutions, adding more products; case in point R-CGS, improving the design of the product and diversification. This will enable more MSMEs to benefit from this Government intervention.



**Ronald Inyangala, OGW**  
**Scheme Manager/CGS**

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## 7. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR THE FINANCIAL YEAR 2024-2025

The Scheme concentrated on implementation of the Scheme activities in order to achieve its intended objectives. Among the main activities were to monitor the reports from the Participating Financial Institutions to check for compliance to the legal framework as they allocate the guarantees to the MSMEs. Further, the Scheme continued to build capacity to the PFIs staff in order to improve their efficiency. The Scheme has been reporting to the relevant authorities in line with the legal framework. The pillars of the Scheme include:

Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievements
<b>Pillar 1: Legal and operational framework for the Scheme</b>	To ensure compliance with the PFM Act CAP412 A and the CGS Regulations; and the Credit Guarantee Scheme Agreements with PFIs	Report on review of PFIs returns and letters to CBK  Design of the Rural Credit Guarantee Scheme (R-CGS).	Review of PFIs returns and raise concerns to PFIs;  Hold meetings with PFIs on compliance issues where applicable	Reviewed all PFI returns as at 30th June, 2025 and communicated feedback to the Banks.  Developed the Rural Credit Guarantee Scheme (R-CGS) Agreement with PFIs.  R- CGS Operations Manual
	To design a sustainable model for Credit Guarantees	Develop a legal framework for operationalization of the Kenya Credit Guarantee Company.	Developing of the Credit Guarantee Policy and amendments to the Central Bank of Kenya Act to operationalize the Kenya Credit Guarantee Company	The Cabinet considered and approved the Credit Guarantee Policy on 21 <sup>st</sup> January, 2025.  The National Assembly enacted the amendments to the Central Bank of Kenya Act which was accented to by H.E The President of the Republic

<b>Pillar 2:</b>	To facilitate the financing of MSMEs by partially guaranteeing credit advanced to the enterprises	No. of MSMEs accessing CGS;	Hold meetings with Key stakeholders to discuss possible actions for increase in uptake;	About 68% of the MSMEs accessing credit through the Scheme are for new borrowers, indicating in additionality by the Scheme.
<b>Improve access to credit by MSMEs advanced to the enterprises</b>		No of Counties benefiting from CGS.		46 counties have benefited from the guarantee out of the 47 counties
		No. of Women, Youth and Persons with Disabilities accessing the Guarantee	Prepare monthly reports to track the performance of CGS and implement possible recommendations	Held training engagements with the PFIs A breakfast meeting was held on 11th February, 2025 with all the 7 PFIs and other 14 more Banks attended where the R-CGS product was presented.
		No. of PFIs staff trained on CGS.	Train PFI staff on CGS product;	
		No. of meetings held with Key stakeholders.	Diversify and improve the design of the product.	A pre-bid conference was conducted on 21st May, 2025
	Stakeholders Engagement and awareness creation	No. of stakeholders' engagement forums held; Stakeholders engagement reports;	To engage the stakeholders based on their interests in supporting the Scheme	Engaged the Government and Private Sector on the status of CGS; The Scheme held meetings with the 7 PFIs; Held stakeholder meeting with DPs, MSMEs and banks.
		Number of Steering Committee meetings	To provide oversight to the CGS activities	The Steering Committee had 4 quarterly and 1 special meeting.
<b>Pillar 3</b>	To track the performance of the CGS on a monthly and quarterly basis	No. of reports on the status and performance of CGS	Analysing the monthly returns from PFIs;	Monthly, Quarterly and annual Performance reports prepared
<b>Reporting and Monitoring of the Scheme</b>				

Prepare the monthly and quarterly CGS performance reports

**Pillar 4:**  
**Stakeholder's engagement**

To mobilize resources to fund the Scheme

Stakeholders Matrix  
Stakeholders' engagement reports

To engage the stakeholders based on their interests

Engaged PFIs, SASRA, AMFI and Development Partners such as World bank, IFAD, KFW, FSD\_K among others on possible areas of support and collaboration in designing sector specific and targeted credit guarantee products.

**Pillar 5: Risk assessment of the portfolio**

To assess risk of the CGS portfolio periodically

Number of risk reports

To conduct a risk assessment from the monthly PFI returns

Monthly/quarterly/annual risk assessment reports prepared

To prepare monthly/quarterly risk assessment reports

## 8. CORPORATE GOVERNANCE STATEMENT

### A. Steering Committee

The oversight of the Credit Guarantee Scheme is vested on the Steering Committee.

The Committee consists of—

- (a) The Principal Secretary in the Ministry responsible for matters relating to finance, who shall be the chairperson, or the Principal Secretary's representative;
- (b) The Principal Secretary in the Ministry responsible for matters relating to micro, small and medium enterprises or the Principal Secretary's representative;
- (c) The Attorney-General or the Attorney-General's representative;
- (d) The Governor of the Central Bank of Kenya or the Governor's representative;
- (e) Three independent members, not being public officers, appointed by the Cabinet Secretary for a period not exceeding three years, renewable once, who shall comprise of—
  - (i) One person with experience in banking or finance;
  - (ii) One person with experience in insurance; and
  - (iii) One person with experience as an entrepreneur in a micro, small or medium enterprise.

The Steering Committee was fully constituted in April, 2021. The Committee meets quarterly or as and when necessary. The Committee held four meetings and one Special meeting during the financial year which were well attended. The attendance of meetings by the Steering Committee members is as shown in *appendix iv*.

The succession plan for the independent Board members will be managed during their tenure. The functions of the Steering Committee are—

- (a) Oversee the administration of the Scheme;
- (b) Advise the Cabinet Secretary generally on the administration of the Scheme;
- (c) Develop policy guidelines relating to guarantees by the Scheme;
- (d) Monitor the uptake of guarantees for credit facilities extended to micro, small and medium enterprises and make recommendations for improvement thereof;
- (e) Review applications for participation in the Scheme from institutions and advise the Cabinet Secretary on the suitability of the applicants to participate in the Scheme;
- (f) Advise the Cabinet Secretary on the designation of other entities as participating financial intermediaries;
- (g) Receive reports on the performance of the Scheme;

- (h) Review the criteria for the issuance of credit guarantees under the Scheme including guarantee fees, maximum loan sizes, guarantee coverage rates and credit standards defining eligible borrowers to be included in the scheme;
- (i) Monitor and evaluate the activities of the Scheme; and
- (j) Perform such other functions that, in the opinion of the Cabinet Secretary, shall promote the objects of the Scheme

#### **B. Administrator of the Scheme**

The control and supervision of the Scheme is vested in the Administrator of the Scheme who is the Principal Secretary for the National Treasury. The Administrator is mandated, amongst others, to;

- (i) Determine the maximum amounts of guarantees that the Scheme may extend to a participating financial intermediary;
- (ii) Cause to be kept books of accounts and other books and records in relation to the Scheme; and
- (iii) Enter into and sign agreements with financial intermediaries to offer guarantees.

#### **C. Other Governance Matters**

##### **Board charter**

Since the Scheme is a Unit within the National Treasury, the charter for the National Treasury applies for the Scheme. The Steering Committee is not a Board per se, however, good practice regarding procedure of meeting and oversight is adhered to.

##### **Conflict of interest**

A register of conflict of interest in place.

##### **Committee remuneration**

The Steering Committee remuneration is guided by the Salaries and Remuneration Commission circulars.

##### **Ethics and conduct**

Scheme members are state officers for all intents and purposes and therefore required to adhere to ethics and good conduct.

### **Governance audit**

Governance Audit is conducted by the internal audit department on the operations of the Scheme from time to time.

## 9. MANAGEMENT DISCUSSION AND ANALYSIS

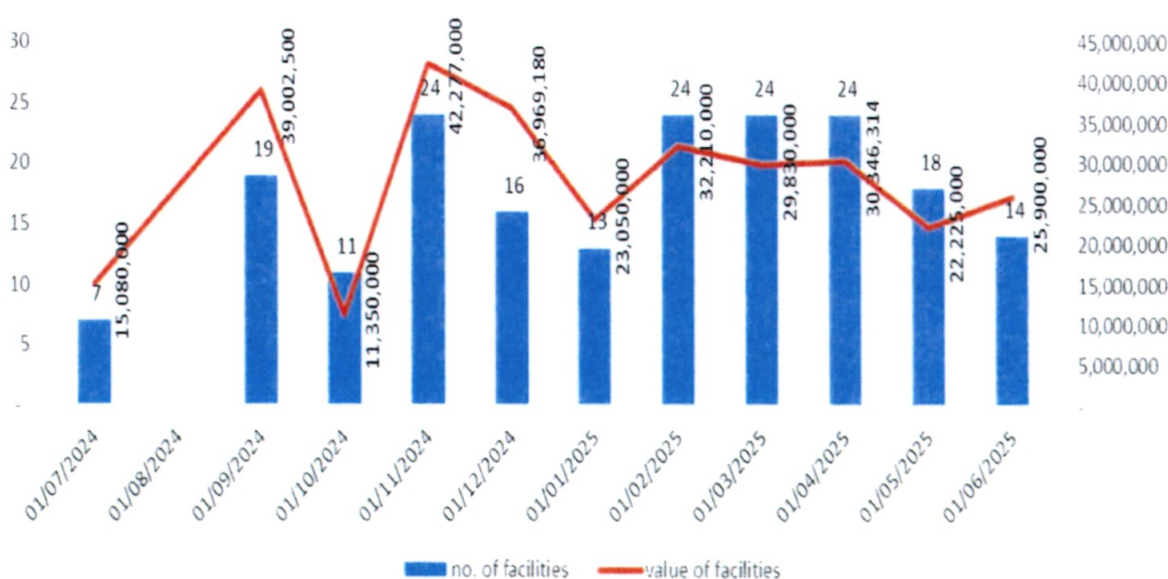
### Operational Performance

From inception to 30th June 2025, PFIs under CGS have disbursed a cumulative value of KSh. 6,595,341,284 to 4,315 MSMEs across 46 Counties, and 12 sectors of the economy as reported by the PFIs through the Central Bank of Kenya. As at 30th June 2025, utilization of guarantees stood at KSh.1,647,047,821 representing a cumulative utilization rate of 60.8%. New borrowers account for 2,912 of the beneficiaries representing 68% indicating that the CGS is enabling access to credit to otherwise excluded groups. Further, a total of 3,537 facilities amounting to KSh.5.3 billion have been fully repaid, releasing a guarantee value of KSh.1.3 billion. The outstanding credit guarantee is Ksh.332.7 million as at 30th June 2025. Beneficiaries of CGS guarantee have so far supported a minimum of 27,441 jobs.

#### a) Trend of number of guaranteed facilities

During the reporting period, KSh.308,239,994 was disbursed to 194 MSMEs under the CGS. This disbursement represents credit guarantee value of KSh.77,059,998 compared to KSh.133,952,920 utilized in the FY 2023/24. This reduced performance may be due to the fact that Scheme is expected to transition to legal entity. The legal entity is expected to resolve the stringent eligibility criteria of the current Scheme. The process of formation of this entity is at an advanced stage. The trend of number and value of facilities by month is shown below in Figure 1.

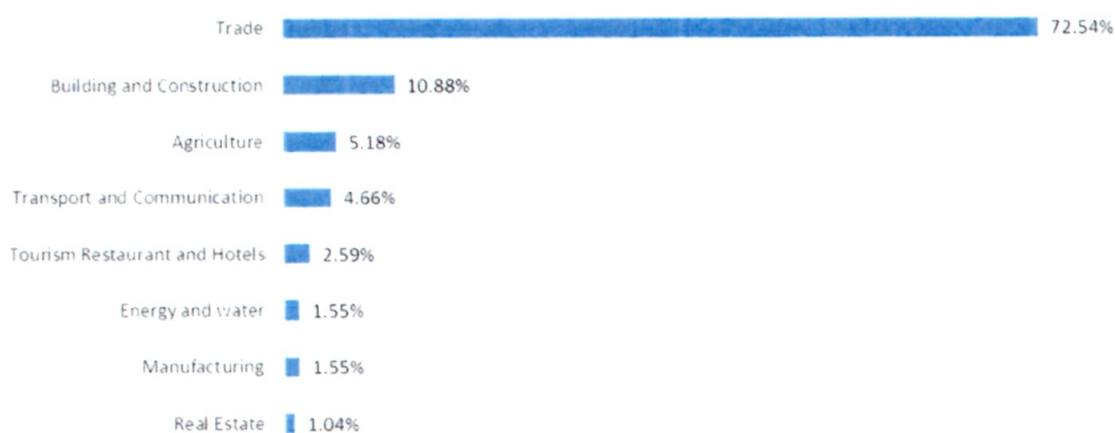
Figure 1: Trend of number and value of facilities by month in the FY 2024/25



### b) Allocation of credit guarantees by economic sector

The total facilities placed under the Scheme have been distributed across twelve (12) sectors of the economy. Trade Sector has a cumulative share of 73% of the facilities issued under CGS since inception, followed by Building and Construction 11% and Agriculture 5%. The share of credit guarantees by economy sector is illustrated in Figure 2.

Figure 2: Share of credit guarantees by economy sector in FY 2024/25



### c) Total value of credit guarantees disaggregated by Counties

Since inception the Scheme has benefited MSMEs across 46 Counties. During the reporting period, CGS recorded beneficiaries in 30 counties accounting for 64% of the total 47 counties in the country, with high concentration in Nairobi (83), Mombasa (18), and Kiambu (9). Mandera County is yet to record beneficiaries under the Scheme. This may be attributed to the fact that only one of the seven PFIs has presence in Mandera County. The National Treasury continues to engage with PFIs that have presence in northern counties, including Mandera, in order to increase uptake of facilities in those areas. The distribution of number and value of guaranteed facilities by county is shown in Figures 3 & 4 respectively.

Figure 3: Distribution of number of guaranteed facilities by county for FY 2023/24

CREDIT GUARANTEE SCHEME  
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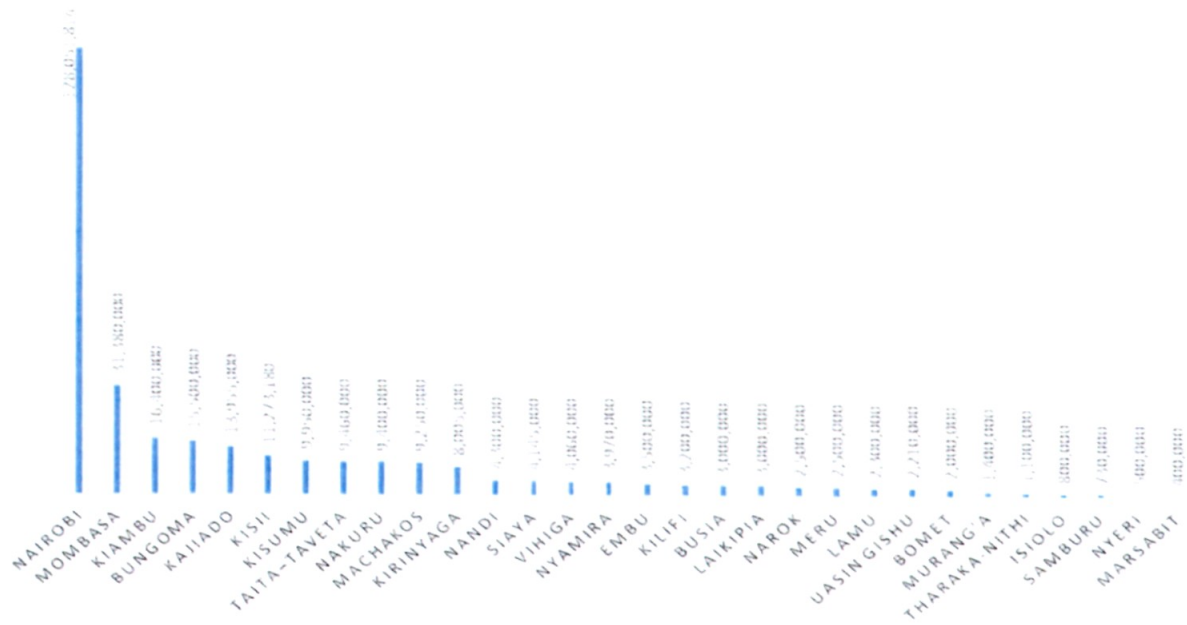
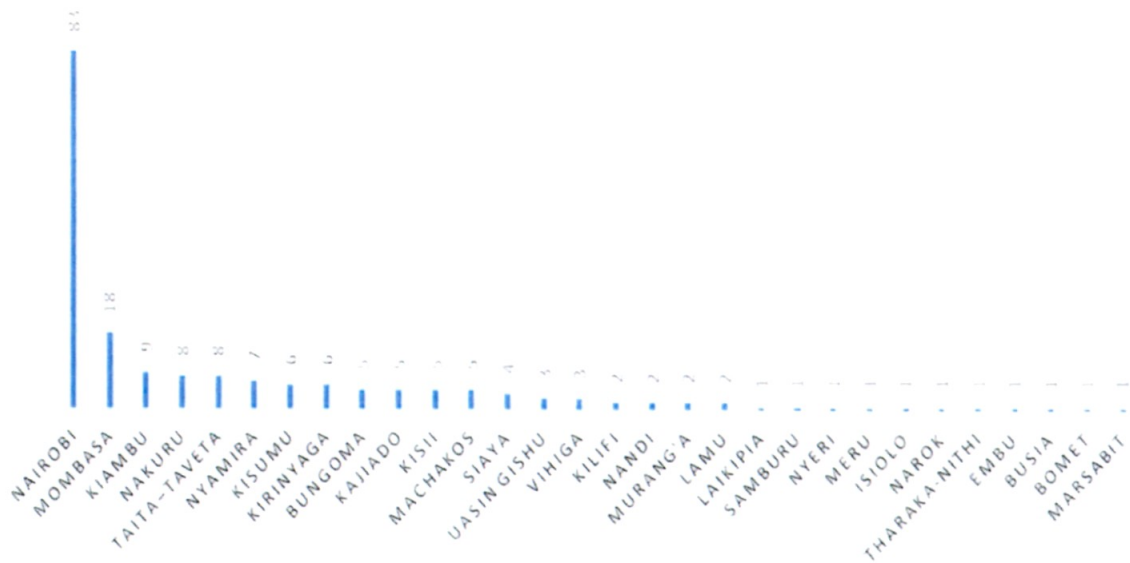


Figure 4: Distribution of value of guarantees by county for FY 2024/25



#### **d) Gender Mainstreaming**

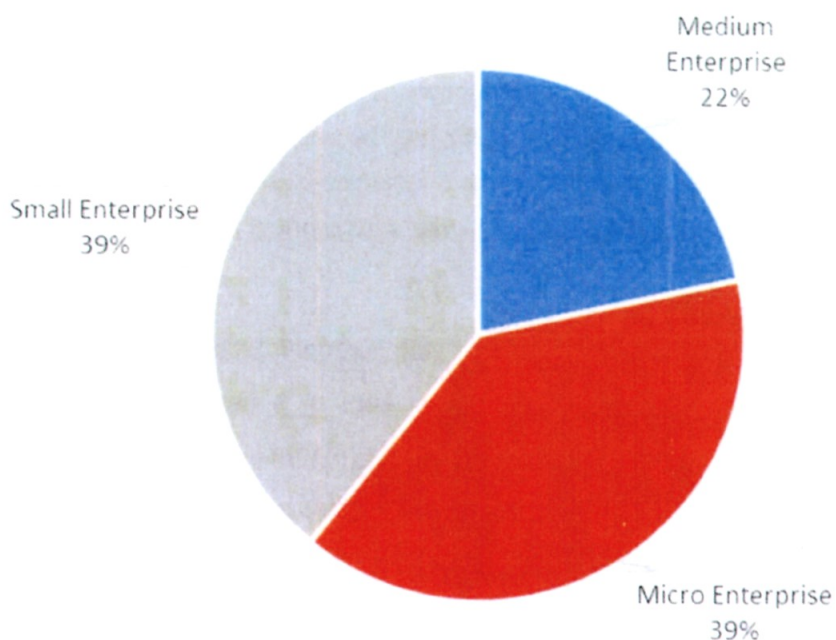
As at June 30<sup>th</sup> 2025, enterprises owned by women, youth and persons with disabilities (PWDs) had received 20.4% of the total number of guaranteed facilities that have been disbursed, with women beneficiaries receiving 13.7%, youth beneficiaries 6.4%, and PwDs 0.3%. During the reporting period, the enterprises owned by women, youth and PWDs received 11.5% of the total number of guaranteed facilities disbursed, with women beneficiaries receiving 11% and youth beneficiaries 0.5%. This may be attributed to informality of their businesses and the smaller volumes of credit facilities that this category borrows on average.

The National Treasury will continue working with PFIs, relevant stakeholders and MSME groups in order to increase the number of beneficiaries from this category to at least 30%. Further the National Treasury will continue with its efforts in collaboration with relevant Agencies to do capacity building with this category of beneficiaries.

#### **e) Share of beneficiaries of credit guarantees by enterprise size in FY 2024/25**

All the three sizes of enterprises (micro, small, and medium) have benefitted from CGS facilities as reported by the banks through CBK. During the reporting period, Micro enterprises received 39%, Small enterprises 39% while Medium enterprises received 22%. The application of the legal definition of micro, small and medium enterprises continue to be a challenge for CGS. For instance, an enterprise can be micro by one criterion and small by another. If the definition was administered in the strict sense, it would lock out many MSMEs. To cure this challenge, there are proposed legal amendments to the definition of Micro, Small and Medium Enterprises. The share of beneficiaries of credit guarantees by enterprise size is illustrated in Figure 6.

*Figure 6: Share of beneficiaries of credit guarantees by enterprise size in FY 2024/25*



**f) Risk assessment of the credit guarantees**

The Scheme uses the Central Bank of Kenya (CBK) risk classification of assets and provisioning outlined in the CBK Prudential Guidelines (CBK/PG/04). As at 30<sup>th</sup> June, 2025, the Scheme had 778 active facilities with a total outstanding guarantee amount of Ksh. 332.7 million. A total of 450 facilities were classified as “Normal” while 328 facilities were classified as “Watch,” or “Substandard”, or “Doubtful” or “Loss”. The 328 impaired facilities represent a total outstanding principal amount of KSh.184,448,475 and a potential liability of KSh.71,902,289. The summary analysis of impaired facilities is tabulated below.

**g) Summary of Impaired facilities as at June 30, 2025**

The Scheme maintains provision for expected credit loss on impaired facilities that may occasion a potential claim(s). The analysis of the impaired facilities and the proportionate provision is as tabulated below.

**Table 1: Summary of Impaired facilities as at 30<sup>th</sup> June 2025**

Loan Classification	Number of facilities	Outstanding Principal Amount (Kshs.)	Sum of CGS Liability (Kshs.)
Watch	30	10,607,276	4,362,040
Substandard	145	58,539,633	23,551,357
Doubtful	60	49,108,769	18,944,126
Loss	93	66,192,797	25,044,766
<b>Total</b>	<b>328</b>	<b>184,448,475</b>	<b>71,902,289</b>

The expected credit loss provision has reduced to Ksh.71,902,289 from Ksh 109,464,292 reported in the comparative period. This is attributed to repayment of some facilities that were previously impaired. The credit loss provision of Ksh.71,902,289 has the potential to dilute the CGS capital by 2.6%, an improvement from 3.6% recorded in the comparative period. However, this dilution is offset by investment income realized from the Scheme's investment activities.

#### **h) Investment of CGS Funds**

Section 29 (5) of the PFM Act, 2012 provides that "the National Treasury may invest, subject to any regulations that may be prescribed, any money kept in a bank account of the national government". Further, Section 5 (c) of the PFM (CGS) Regulations provides that the funds of the Scheme shall consist of among others, income from investments made by the Administrator for the purposes of the Scheme. During a special Steering Committee meeting held on 11<sup>th</sup> April, 2024 the Committee approved the CGS Investment Policy, and also directed for immediate investment of KShs. 2.8 billion funds not for immediate use in 91-day Treasury Bills. The National Treasury invested the KShs. 2.8 billion on 27<sup>th</sup> May 2024 to create investment income for the Scheme. Following maturity, the Scheme has been rolling over the investment for a 91-day period as guided by the Steering Committee from time to time, and the investment income as at 30<sup>th</sup> June, 2025 was Ksh.286,565,940. The income from investment offset the provision for expected credit loss expense and reduce dilution of the capital. Further, it may be used to settle approved claims and hence reduce pressure from the exchequer upon approval by the Scheme Administrator

#### **i) Value of credit guarantees liquidated as at June 30, 2025**

Since inception, the PFIs have submitted 105 requests for consideration by the National Treasury in line with the legal framework. The requests were reviewed, and the National Treasury made communication to the banks on the outcome of the review. A total of 14 claims have been paid the first tranche. The Scheme Administrator approved the settlement of the first tranche of 7 claims amounting to Ksh.1,322,005, which were paid during the reporting period. The Scheme continues to maintain appropriate provisions based on risk assessment of the portfolio for facilities under "Watch," "Substandard", "Doubtful" and "Loss".

## **SECTION B**

### **Entity's compliance with statutory requirements**

There were no major non compliances which may expose the Scheme to potential liabilities.

## SECTION C

### **Key projects and investment decisions the Scheme is planning/implementing**

During the period, there were no other projects to be implemented by the Scheme apart from providing guarantees to PFIs. However, National Treasury is planning to roll out the Rural Credit Guarantee Scheme (R-CGS) under the current Scheme to support PFIs lending to the Agricultural Sector.

In addition, to this end, the National Treasury prepared the constitutive documents for conversion of the Credit Guarantee Scheme into a Company, including the Credit Guarantee Policy and Amendments to the Central Bank of Kenya Act. The National Assembly passed the Amendments to the Central Bank of Kenya Act, which were subsequently assented to by H.E. The President of the Republic of Kenya. Further, on 21st January, 2025, the Cabinet approved the Credit Guarantee Policy and the establishment of the Kenya Credit Guarantee Company. The approval therefore, paves way for incorporation of the Kenya Credit Guarantee Company (KCGC), while the CBK Amendment Act 2024 provides for oversight and supervision of the Company by the Central Bank of Kenya.

Once incorporated, the Kenya Credit Guarantee Company will administer any outstanding portfolio of the current Credit Guarantee Scheme. This will be seamless and hence ensure there is no gap in supporting MSMEs under CGS.

## SECTION D

### **Major risks facing the entity**

#### **The Macroeconomic Shocks**

Kenya continues to face economic pressure due to the Global supply chain disruptions, especially the unrest in the Middle East which has led to surging energy costs and worsened business outcomes.

The Parliamentary approved of a minimum core capital of Ksh10 billion for commercial banks. The banks are supposed to meet this requirement progressively. Before the new requirement, the minimum core capital for banks was Ksh.1 billion. The banks are expected to have a minimum core capital of Ksh.3 billion by 31<sup>st</sup> December, 2025. This new move may occasion mergers in the banking industry. The National Treasury will continue to monitor this new development in the financial market.

### **Increase in Impaired facilities under the Scheme**

Most of the impaired facilities under CGS are classified as “Substandard”, “Doubtful” and “Loss” (298 out of 328 facilities). This implies that the MSMEs to whom those facilities were extended might be unable to repay the facilities and may thus occasion a claim under the Scheme. However, the Scheme maintains adequate provisions for the impaired facilities.

### **SECTION E**

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

The Scheme does not have material arrears in statutory of financial obligations.

### **SECTION F**

#### **The entity’s financial probity and serious governance issue**

The Scheme does not have any financial improbity reported by the Steering Committee and or external auditors.

## 10. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

The Scheme was established to transform lives of Kenyans through provision of incentives for financial institutions to extend quality and affordable credit to MSMEs for business growth and operational needs. This is the purpose and the driving force for the Scheme. The following is an outline of the Scheme policies and activities that promote sustainability.

### **i) Sustainability strategy and profile**

The current structure of Credit Guarantee Scheme is an interim arrangement which was focused mainly on supporting recovery of enterprises affected by the COVID-19 Pandemic in the short term. Initiatives are ongoing to transition the Scheme into a legal entity with both government and private ownership. The prospected design will include charging a guarantee premium on PFIs, managed investments including insurance options, term deposits and security investments to support the growth and sustainability of the Scheme.

### **ii) Environmental performance**

The Scheme is in the process of partnering with government climate finance related initiatives like onboarding of Rural Credit Guarantee Scheme (R-CGS). This and other identified initiatives will be mainstreamed with the implementing partners and will see enhancement in green products.

### **iii) Employee welfare**

The Scheme being a 100% government Scheme, is guided by the Human Resource Procedure Manual 2016, and other guidelines issued from time to time in the administration of the employee welfare. The NT ensures safety of staff and complies with Occupational Safety and Health Act of 2007, (OSHA.)

### **iv) Market place practices-**

The Scheme's role being a National Government initiative is to complement the financial market as detailed below:

#### **a. Responsible competition practice**

The Scheme endeavors to collaborate with the other institutions on ensuring that competition is not used in ways that are harmful to the economy.

**b. Responsible supply chain and supplier relations**

The Scheme is aligned to the National Government efforts of ensuring sustainable supply chain by implementing supply chain policies that protect the public interest.

**c. Responsible marketing and advertisement**

The Scheme aims at offering incentives through the credit guarantee and creating a business-friendly environment to enable MSMEs to thrive in their businesses.

**d. Product stewardship**

The credit guarantee is a product aimed at facilitating the financing of micro, small and medium enterprises.

**v) Corporate Social Responsibility**

The Scheme's sole mandate as a government function is on social responsibility. The Scheme exist to help government with financial outreach to otherwise market disadvantaged MSMEs.

## 11. REPORT OF THE SCHEME STEERING COMMITTEE

The Steering Committee Members submit their report together with the audited financial statements for the year ended June 30, 2025, which show the state of the Credit Guarantee Scheme affairs.

### Principal activities

The principal activities of the Scheme are:

- i. Improve and stimulate the national economy by encouraging additional lending to micro, small and medium enterprises, increasing investment opportunities for micro, small and medium enterprises and strengthening skills and capacities of proprietors of micro, small and medium enterprises;
- ii. Facilitate the financing of micro, small and medium enterprises by partially guaranteeing credit advanced to the enterprises; and
- iii. Create a conducive business environment and promote partnerships between the government and financial intermediaries with respect to credit guarantees for micro, small and medium enterprises and other related activities

### Results

The performance of CGS for the year ended June 30, 2025, are set out on page xx to xxxiv.

### Steering Committee Members

The key Steering Committee Members who served during the year are shown on pages vii to xii.

### Surplus remission

The Scheme as constituted is a market intervention by the government and therefore no surplus to the Exchequer is envisaged in the foreseeable future. The Scheme is expected to contribute to the Exchequer indirectly through broadening and the deepening of the financial outreach to the formal MSMEs.

### Auditors

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

By order of the Steering Committee

  
.....

**Winnie Molonko**

**Secretary to the Steering Committee**

## 12. STATEMENT OF CREDIT GUARANTEE SCHEME MANAGEMENT RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 require the Accounting Officer to prepare financial statements in respect of Credit Guarantee Scheme (CGS), which give a true and fair view of the state of affairs of CGS at the end of the financial year and the operating results of CGS for that year. The Accounting Officer is also required to ensure that the Scheme keeps proper accounting records which disclose with reasonable accuracy the financial position of CGS. The Accounting Officer is also responsible for safeguarding the assets of the Scheme.

The Accounting Officer and the Scheme Manager are responsible for the preparation and presentation of CGS financial statements, which give a true and fair view of the state of affairs of CGS as at the end of the financial year ended June 30, 2025. This responsibility includes: (i) Maintaining adequate financial management arrangements and ensuring that this 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 Scheme; (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) Safeguarding the assets of the entity; (v) Selecting and applying appropriate accounting policies; and (vi) Making accounting estimates that are reasonable in the circumstances.

The Accounting Officer and the Scheme Manager accept responsibility for CGS financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012. The Accounting Officer and the Scheme Manager are of the opinion that the Scheme's financial statements give a true and fair view of the state of CGS transactions during the financial year ended June 30, 2025, and of the CGS's financial position as at that date.

The Accounting Officer and the Scheme Manager further confirm the completeness of the accounting records maintained for the Scheme, which have been relied upon in the preparation of the CGS's financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Accounting Officer and the Scheme Manager to indicate that the Scheme will not remain a going concern for at least the next twelve months

CREDIT GUARANTEE SCHEME

Annual Report and Financial Statements for the year ended June 30, 2025

from the date of this statement. However, the National Treasury is in the process of transitioning the Scheme into a legal entity, which is proposed to be private sector led with a minority shareholding for the Government. The legal entity will administer the Scheme once established.

**Approval of the financial statements**

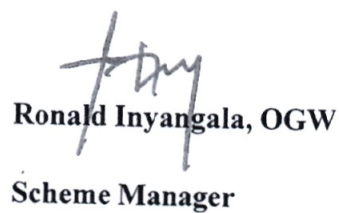
The Scheme's financial statements were approved by the Steering Committee on August, 14<sup>th</sup> 2025 and signed on its behalf by:



**Dr. Chris Kiptoo, CBS**

**Principal Secretary / National Treasury**

**Scheme Administrator**



**Ronald Inyangala, OGW**

**Scheme Manager**

# REPUBLIC OF KENYA



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NAIROBI

## **REPORT OF THE AUDITOR-GENERAL ON CREDIT GUARANTEE SCHEME FOR THE YEAR ENDED 30 JUNE, 2025 – THE NATIONAL TREASURY**

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### **PREAMBLE**

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

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

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

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

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

#### **Opinion**

I have audited the accompanying financial statements of Credit Guarantee Scheme set out on pages 1 to 31, which comprise of the statement of financial position as at 30 June, 2025 and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the

Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Credit Guarantee Scheme as at 30 June, 2025 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012.

### **Basis for Opinion**

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

### **Emphasis of Matter**

#### **Budget Control and Performance**

The statement of comparison of budget and actual amount actual amounts reflects final revenue budget and actual on a comparable basis of Kshs.5,500,000 and Kshs.1,300,000 respectively resulting in an underfunding of Kshs.4,200,000 or 76% of the budget. Similarly, the Scheme spent Kshs.1,300,000 against an approved budget of Kshs.5,500,000 resulting to an under expenditure of Kshs.4,200,000 or 76% of the budget.

The under-funding and under-expenditure affected the planned activities of the Scheme and may have impacted negatively on service delivery to the Public.

My opinion is not modified in respect of this matter.

### **Key Audit Matters**

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

### **Other Information**

Management is responsible for the Other Information set out on page v to xxxix which comprise of Key Entity Information and Management, The Scheme's Steering Committee, Interim Management Team, Scheme Administrator's Statement, Scheme Manager's Statement, Statement of Performance Against Predetermined Objectives, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Scheme Steering Committee and Statement of Credit Guarantee Scheme Management

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

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

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

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

### **Conclusion**

As required by Article 229(6) of the Constitution, based on the audit procedures performed, 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 3000 and ISSAI 4000. The standards require that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements comply in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

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

### **Conclusion**

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

### **Basis for Conclusion**

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

## **Responsibilities of the Management and the Steering Committee**

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

In preparing the financial statements, Management is responsible for assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management is aware of the intention to cease operations.

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

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

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

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

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards of Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an

effective way. In addition, I consider the entity's control environment in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015.

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

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

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


**Nairobi**


**05 December, 2025**


14. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30  
JUNE 2025

	Notes	2024-2025 Ksh.	2023-2024 Ksh.
<b>Revenue from non-Exchange transactions</b>			
Transfers from other government entities	6	-	29,700,000
<b>Revenue from Exchange transactions</b>		-	
Investment income	7	286,565,940	34,998,815
Risk Sharing Provision	11 (iv)	37,562,003	17,232,359
<b>Total revenue</b>		<b>324,127,943</b>	<b>81,931,174</b>
<b>Expenses</b>			
Transfers to other government entities	14	-	(29,700,000)
<b>Total Expenses</b>			<b>(29,700,000)</b>
<b>Net Surplus (Deficit) for the year</b>		<b>324,127,943</b>	<b>52,231,174</b>

The notes set out on pages 6 to 30 form an integral part of these financial statements. The Financial Statements set out on pages 1 to 5 were approved by the Steering Committee on 14<sup>th</sup> August, 2025 and signed on its behalf by:

  
**Dr. Chris Kiptoo, CBS**  
**Principal Secretary**  
**National Treasury**

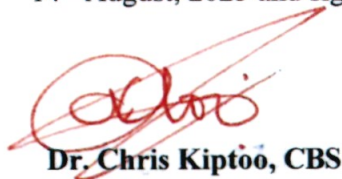
  
**Ronald Inyangala, OGW**  
**Scheme Manager**

  
**CPA Esther Kitonyi**  
**Head of Finance**  
**ICPAK M/No: 5133**

15. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2025

	Notes	Period as at June 30 2025	Audited Prior year
		Kshs	Kshs
<b>Assets</b>			
<i>Current assets</i>			
Cash and cash equivalents	10	548,416,673	258,906,353
Investment in Financial Assets (Short Term)	9	2,770,757,515	2,744,001,895
Receivables from Non-Exchange Transactions	15	-	29,700,000
<b>Total Assets</b>		<b>3,319,174,188</b>	<b>3,032,608,248</b>
<b>Liabilities</b>			
<i>Current liabilities</i>			
Risk sharing provision – Short Term	11 (i)	71,902,289	109,464,292
<b>Total Current Liabilities</b>		<b>71,902,289</b>	<b>109,464,292</b>
<i>Non-current liabilities</i>		-	-
<b>Total Non-Current Liabilities</b>		<b>-</b>	<b>-</b>
<b>Total Liabilities</b>		<b>71,902,289</b>	<b>109,464,292</b>
<b>Net Assets</b>		<b>3,247,271,900</b>	<b>2,923,143,956</b>
<b>Reserves</b>			
Capital fund		3,000,000,000	3,000,000,000
Accumulated Surplus (Deficit)		247,271,900	(76,856,044)
<b>Net Assets</b>		<b>3,247,271,900</b>	<b>2,923,143,956</b>

The Financial Statements set out on pages 1 to 5 were approved by the Steering Committee on 14<sup>th</sup> August, 2025 and signed on its behalf by:

  
Dr. Chris Kiptoo, CBS

Principal Secretary

National Treasury

  
Ronald Inyangala, OGW

Scheme Manager

  
CPA Esther Kitonyi

Head of Finance

ICPAK M/No: 5133

**16. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30  
JUNE 2025**

<b>Description</b>	<b>Capital fund</b>	<b>Retained earning</b>	<b>Total</b>
	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>
As at July 1 2023	3,000,000,000	(129,087,218)	2,870,912,782
Surplus/ deficit for the Quarter	-	52,231,174	52,231,174
<b>As at June 30, 2024</b>	<b>3,000,000,000</b>	<b>(76,856,044)</b>	<b>2,923,143,956</b>
As at July 1 2024	3,000,000,000	(76,856,044)	2,923,143,956
Surplus for the year	-	324,127,943	324,127,943
<b>As at June 30, 2025</b>	<b>3,000,000,000</b>	<b>247,271,900</b>	<b>3,247,271,899</b>

**Note:**

During the reporting period, the Scheme settled approved credit facilities amounting to Ksh.1,322,005 to the participating banks, thereby reducing the risk sharing provision. The movement in the provision for expected credit losses is explained in Note 11 (ii).

## 17. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2025

	Notes	2024-2025 Ksh.	2023-2024 Re-Stated Ksh.	Audited prior year
<b>Cash flows from operating activities</b>				
<b>Receipts</b>				
Transfers from other government entities	6	29,700,000	-	29,700,000
<b>Total Receipts</b>		<b>29,700,000</b>		<b>29,700,000</b>
<b>Payments</b>				
Transfers to other government entities	14	-	(29,700,000)	(29,700,000)
Liquidated credit facilities	13	-	(2,390,567)	(2,390,567)
<b>Total Payments</b>		<b>-</b>	<b>(32,090,567)</b>	<b>(32,090,567)</b>
Receivable from non-exchange transactions	15	-	-	(29,700,000)
<b>Net Cash flows from operating activities</b>			<b>(32,090,567)</b>	<b>(32,090,567)</b>
<b>Cash flows from Investing Activities</b>				
Purchase of T- bills	9	-	(2,709,003,080)	(2,709,003,080)
Interest income	7	259,810,320	-	-
<b>Net cash flows from Investing activities</b>		<b>259,810,320</b>	<b>(2,709,003,080)</b>	<b>(2,709,003,080)</b>
<b>Cash flows from Financing Activities</b>				
<b>Net Cash flow from Financing Activities</b>		<b>-</b>	<b>-</b>	<b>-</b>
<b>Net increase/(decrease) in cash and cash Equivalents</b>		<b>289,510,320</b>	<b>(2,741,093,647)</b>	<b>(2,741,093,647)</b>
<b>Cash and cash equivalents as at 1 July 2024</b>		<b>258,906,353</b>	<b>3,000,000,000</b>	<b>3,000,000,000</b>
<b>Cash and cash equivalents as at 30 June 2025</b>	10	<b>548,416,673</b>	<b>258,906,353</b>	<b>258,906,353</b>

The comparative figures for the previous financial year have been reconfigured to conform to the required changes in presentation from indirect to direct cash flow presentation.

18. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR  
THE YEAR ENDED 30 JUNE 2025

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilization
	Kshs million	Kshs million	Kshs million	Kshs million	Kshs million	
	a	B	C=(a+b)	D	e=(c-d)	f=d/c *100
<b>Revenue</b>						
Transfers from Other Governments entities Accrued Investment Income	27.3	21.8	5.5	1.3	4.2	76
<b>Total Income</b>	27.3	21.8	5.5	1.3	4.2	76
<b>Expenses</b>	27.3	21.8	5.5	1.3	4.2	76
<b>Total Expenditure</b>	27.3	21.8	5.5	1.3	4.2	76
<b>Accumulated Surplus for the period</b>	-	-	-	-		

**Notes**

- (i) Parliament appropriated KSh.3 billion in the FY 2020-2021. The funds are available for settlement of approved facilities. The balance is rolled over to the subsequent years to meet the Scheme's obligations as and when they may fall due. The Scheme was appropriated Ksh.27.3 million under the NT main recurrent budget for settlement of credit facilities that may crystalize during the reporting period. This was revised to ksh.5.5 million during Supplementary 111 budget.
- (ii) The Scheme paid the first tranche of 7 approved claims amounting to 1,322,005 to PFIs during the reporting period;
- (iii) The under absorption was occasioned by PFI requests totalling to Kshs.34.6 million that lacked the requisite documentation for processing;
- (iv) The Scheme is implemented by the Financial and Sectoral Affairs department of the National Treasury
- (v) The budget of the Scheme is appropriated, expended and reported under the National Treasury main Vote.

## 19. NOTES TO THE FINANCIAL STATEMENTS

### 1. General Information

Credit Guarantee Scheme is established by Public Finance Management (Amendment) (No. 2) Act 2020, and Public Finance Management (Credit Guarantee Scheme) Regulation, 2020 and derives its authority and accountability from the Act and Regulations. The Scheme is wholly owned by the Government of Kenya and is domiciled in Kenya.

The entity's principal activities are:

- i. improve and stimulate the national economy by encouraging additional lending to micro, small and medium enterprises, increasing investment opportunities for micro, small and medium enterprises and strengthening skills and capacities of proprietors of micro, small and medium enterprises;
- ii. facilitate the financing of micro, small and medium enterprises by partially guaranteeing credit advanced to the enterprises; and
- iii. create a conducive business environment and promote partnerships between the government and financial intermediaries with respect to credit guarantees for micro, small and medium enterprises and other related activities

### 2. Statement of Compliance and Basis of Preparation

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. 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 Credit Guarantee Scheme 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 as a separate note to these financial statements.

The financial statements have been prepared and presented in Kenya Shillings (Ksh), which is the functional and reporting currency of the Credit Guarantee Scheme.

The financial statements have been prepared in accordance with the PFM 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 interpretations in issue effective in the year ended 30 June 2025.**

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

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

Standard	Effective date and impact:
IPSAS 43: Leases	<b><i>Applicable 1<sup>st</sup> January 2025</i></b> The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity. The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities. The Scheme is housed at the National Treasury; therefore, this standard is currently not applicable
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 is not relevant currently. The position might change in the future, and the Scheme will report appropriately.
IPSAS 45: Property Plant and Equipment	<b><i>Applicable 1<sup>st</sup> January 2025</i></b> The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement. Heritage assets were previously excluded from the scope of IPSAS 17 in IPSAS 45, heritage assets that satisfy the definition of PPE shall be recognised as assets if they meet the criteria in the standard. IPSAS 45 has an additional application guidance for infrastructure assets, implementation guidance and illustrative examples. The standard has clarified existing principles e.g. valuation of land over or under the infrastructure assets, under- maintenance of assets and distinguishing significant parts of infrastructure assets. The standard does not apply to the Scheme currently
IPSAS 46: Measurement	<b><i>Applicable 1<sup>st</sup> January 2025</i></b> The objective of this standard was to improve measurement guidance across IPSAS by: i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used.

	<ul style="list-style-type: none"> <li>ii. Clarifying transaction costs guidance to enhance consistency across IPSAS.</li> <li>iii. Amending where appropriate guidance across IPSAS related to measurement recognition, subsequent measurement and measurement related disclosures.</li> </ul> <p>The standard also introduces a public sector specific measurement bases called the current operational value.</p> <p>The Scheme measures its financial assets and expected credit loss using IPSAS 41</p>
IPSAS 47: Revenue	<p><b>Applicable 1<sup>st</sup> January 2026</b></p> <p>This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non- exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.</p> <p>The Scheme currently uses IPSAS 9 and 23 in accounting for revenue, and will adopt this standard when it becomes effective</p>
IPSAS 48: Transfer Expenses	<p><b>Applicable 1<sup>st</sup> January 2026</b></p> <p>The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers.</p> <p>The Scheme will adopt the standard when it becomes applicable.</p>
IPSAS 49: Retirement Benefit Plans	<p><b>Applicable 1<sup>st</sup> January 2026</b></p> <p>The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan.</p> <p>The Scheme is currently under the National Treasury and the staff are remunerated by the NT. Once it transitions to a legal entity, it may then adopt the standard.</p>
IPSAS 50: Exploration For & Evaluation of Mineral Resources	<p><b>Applicable 1<sup>st</sup> January 2027</b></p> <p>The objective of this Standard is to specify the financial reporting for the exploration for and evaluation of mineral resources. The Standard requires:</p> <ul style="list-style-type: none"> <li>i. Limited improvements to existing accounting practices for exploration and evaluation expenditures.</li> <li>ii. Entities that recognize exploration and evaluation assets to assess such assets for impairment in accordance with this Standard and measure any impairment in accordance with IPSAS 26.</li> <li>iii. Disclosures that identify and explain the amounts in the entity's financial statements arising from the exploration for and evaluation of mineral resources and help users of those financial statements understand the amount, timing and certainty of future cash flows from any exploration and evaluation assets recognized.</li> </ul> <p>The standard is currently not relevant to the Scheme</p>

**iii. Early adoption of standards**

The Credit Guarantee Scheme early adopted the following standards in the financial statements: IPSAS 9, IPSAS, 23 IPSAS 41; IPSAS 30 and IPSAS 33 which are relevant to the Scheme in terms revenue measurement and expected credit loss provisions and contract guarantees.

#### 4. Summary of Significant Accounting Policies

##### a) Revenue Recognition

##### i. Revenue from non-exchange transactions

###### Taxes, Levies and fines

The Scheme recognizes revenues from taxes, levies, 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 Entity and the fair value of the asset can be measured reliably. Revenue from non-exchange transactions is accounted for in line with IPSAS 23.

###### 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 Entity and can be measured reliably. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, the amount is recorded in the statement of financial position and realised in the statement of financial performance over the useful life of the assets that has been acquired using such funds. Credit Guarantee Scheme recognizes grants when received or when the government has given a binding arrangement to transfer the funds. A schedule of the inter-entity transfer is given as appendix III.

##### ii. Revenue from exchange transactions

###### 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.

###### Sale of goods

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer, usually on delivery of the goods and when the amount of revenue can be measured reliably, and it is probable that the economic benefits or service potential associated with the transaction will flow to the Scheme.

### Interest income

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income each period. The Scheme has invested Ksh.2.8 billion being funds not for immediate use in short term government securities. This investment generated an income of Ksh.286,565,940 during the year as reported in the statement of performance.

### Dividends

Dividends or similar distributions must be recognized when the shareholder's or the Entity's right to receive payments is established.

### Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and included in revenue. The Scheme does not have any operating lease.

### Guarantee fee

The Scheme recognizes guarantee fees as revenue upon receipt of funds.

### Other income

The Scheme recognizes other income when the significant risks and rewards of ownership have been transferred to the buyer, usually on delivery of the goods and when the amount of revenue can be measured reliably, and it is probable that the economic benefits or service potential associated with the transaction will flow to the scheme.

## b) Budget Information

The original budget for the Current FY was approved by the National Assembly on June 2024. 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 Entity upon receiving the respective approvals in order to conclude the final budget. The Scheme recorded additional appropriations of nil on the 2025 budget following the governing body's approval.

The Scheme's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements are recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and

actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the basis difference, adjustments to amounts in financial statements are also made for difference in the formats and classification adopted for the presentation of the financial statements and the approved budget. The Scheme was appropriated a recurrent budget of Ksh.27.3 million under the National Treasury main vote, which was revised to Ksh.5.5 million during the Supplementary III budget. This budget is expended and reported under the same vote.

### Goods in kind

The Scheme recognizes goods in kind as assets when goods are received or there is a binding arrangement to receive the goods. If goods in kind are received without conditions attached, revenue is recognized immediately. If conditions are attached, a liability is recognized, which is reduced, and revenue recognized as conditions are satisfied. Goods in kind are measured at fair value at the date of acquisition. Where the donations are capital in nature, revenue shall be recognized over the useful life of the asset.

### Services in kind

The Scheme recognizes services in kind as revenue once consumed and a transaction of equal value is also recognized to reflect the consumption of these services in kind as an expense. In the event that the services in kind cannot be reliably measured they shall not be recognized as revenue but shall be disclosed by way of notes in the financial statements. Revenue from other fees and charges are measured at fair value and recognized on obtaining control of the asset 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 Scheme and can be measured reliably.

### c) Investment property

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property. Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition. Transfers are made to or from investment property only when there is a change in use. The Scheme does not hold any investment property.

#### d) Property, Plant and Equipment

All the 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, Credit Guarantee Scheme recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

#### e) Leases

Finance leases are leases that transfer substantially all of the risks and benefits incidental to ownership of the leased item to the entity. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The entity also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition. Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in surplus or deficit. An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the entity will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term. Operating lease are leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased item to the entity. Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term.

#### f) Intangible assets

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction shall be at their fair value at the date of the exchange. Following initial recognition, intangible assets shall be carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, shall not be capitalized but expensed in the statement of financial performance. The useful life of the intangible assets shall be assessed as either finite or indefinite. Intangible assets with an indefinite useful life are assessed for impairment at each reporting date.

### g) Financial instruments

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

#### a) Financial assets

##### Classification of financial assets

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

##### Subsequent measurement

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

##### Amortized cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, and that are not designated at fair value through surplus or deficit, are measured at amortized cost. A gain or loss on an instrument that is subsequently measured at amortized cost

and is not part of a hedging relationship is recognized in profit or loss when the asset is de-recognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

#### **Fair value through net assets/ equity**

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

#### **Held-to-maturity investments**

Held to maturity investments of the Scheme include government securities and fixed deposits. Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Scheme has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are 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. The losses arising from impairment are recognized in surplus or deficit.

#### **Trade and other receivables**

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

#### **Fair value through surplus or deficit**

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

#### **Impairment**

The Scheme assesses, on a forward-looking basis, the expected credit loss ('ECL') associated with its financial assets carried at fair value through net assets. The Scheme recognizes a loss allowance for such

losses at each reporting date. Critical estimates and significant judgments made by management in determining the expected credit loss (ECL) are set out in Note 5 (Impairment of financial assets and financial guarantee contracts).

## b) Financial liabilities

### Classification

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

#### a) Inventories

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions the cost of the inventory is its fair value at the date of acquisition. Costs incurred in bringing each product to its present location and conditions are accounted for, as follows:

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

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

#### b) Provisions

Provisions shall be recognized when the Scheme has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits or service potential that require to be settled and a reliable estimate can be made of the amount of the obligation. Where the Entity 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 Scheme's obligation is short term in nature, since the obligation may fall due at any time for settlement.

**c) Social Benefits**

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

**d) Contingent liabilities**

The Entity 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.

**e) Contingent assets**

The Scheme 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 Scheme 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 outflow 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.

**f) Nature and purpose of reserves**

Reserves are created and maintained in terms of specific requirements. The Scheme may from time to time establish a specific or general reserve fund to cater for current and future needs of the Scheme. The Credit Guarantee Scheme fund shall be managed as a separate reserve from other reserves.

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

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

**h) Employee benefits**

**Retirement benefit plans**

The Scheme does not provide retirement benefits for its employees and directors since it is operating as a Unit under the National Treasury.

#### **i) Foreign currency Transactions**

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

#### **j) Borrowing costs**

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

#### **k) Related parties**

The Scheme 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 Scheme or vice versa. Members of key management are regarded as related parties and comprise the Steering Committee, the Scheme Manager and senior managers.

#### **l) Service concession arrangements**

The Entity analyses all aspects of service concession arrangements that it enters in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the Entity 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 Entity also recognizes a corresponding liability, adjusted by a cash consideration paid or received. Currently, the Scheme does not have concessional arrangements.

#### **m) 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.

#### n) Comparative figures

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

#### o) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2025.

### 5. Significant judgments and sources of estimation uncertainty

The preparation of the Scheme's financial statements in conformity with IPSAS requires management to make judgments affected in future periods, 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

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

#### Useful lives and residual value

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

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

### Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 11. 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 material. The Scheme maintains provision for expected credit loss in line with CBK Prudential guidelines and IPSAS 41.

### Amortization of intangible assets

Amortization is the systematic write-off of initial cost of an intangible asset. The following rates are applied for the purposes of amortization of intangible assets: Computer software 20%

### Impairment of financial assets and financial guarantee contracts

The Scheme shall recognize a loss allowance on expected credit losses of the financial guarantee contracts in line with provisions of IPSAS 41 and the Prudential Guidelines from the Central Bank of Kenya. Information obtained from the PFIs on a regular basis will be reviewed and impairment losses assessed for each financial guarantee contract entered into by the Scheme. The Scheme assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets impaired. A financial asset or a group 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 initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

## 6. Transfers from Other Government entities

Transfers from Ministries, Departments and Agencies (MDAs)					
Name of the Entity	Amount recognized in Statement of Financial Performance	Amount deferred under deferred Income	Amount recognized in Capital Fund	Total Transfers 2024-25	Prior Year 2023-2024
	Ksh	Ksh	Ksh	Ksh	Ksh
National Treasury	29,700,000	-	-	-	29,700,000
<b>Total</b>	<b>29,700,000</b>	-	-	-	<b>29,700,000</b>

The Scheme received Ksh 3 billion in the FY 2020-2021 being Scheme Capitation and business start-up. During FY 2024/25, the Scheme received Ksh.29.7m from the National Treasury which accrued from the previous year. These funds had been paid to the Exchequer during FY 2023-24 to fund provision of a self-financing budget for the Scheme.

### 7. Interest Income received during the FY 2024-25

Description	June 30, 2025	June 30, 2024
	Kshs	Kshs
<b>Cash investments and fixed deposits</b>	-	-
Expected income from Treasury Bills	315,808,425	90,996,920
Interest from outstanding debtors	-	-
Total finance income	-	-
Interest Income earned as at 30 <sup>th</sup> June, 2025	286,565,940	34,998,815

The Scheme invested Ksh.2.8 billion in 91 days treasury bills from 27<sup>th</sup> May, 2024 as tabulated in note 12 below, which realized investment income of Ksh.259,810,320 during the period ended 30<sup>th</sup> June, 2025.

### 8. Analysis of Investment Income for the reporting period

INVESTMENT PERIOD	INTEREST
	KSH
1-July 2024- Aug 26th 2024	55,998,105
Aug 26th, 2024 - November 25th 2024	90,166,300
Nov 25th, 2024 -Feb 24th 2025	69,327,020
Feb 25th, 2025 - May 26th 2025	51,933,980
May 26th 2025 –June 30th 2025	19,140,535
<b>30 June 2025</b>	<b>286,565,940</b>

During the reporting period, the Scheme's Invested Ksh.2.8 billion in 91 days Government securities which was rolled over upon maturity. The investment income generated from this investment amounted to Ksh.286,565,940 as tabulated above.

### 9. Investments in financial assets

Description	June 30, 2025	June 30, 2024
	Kshs	Kshs
<b>a) Investment in Treasury bills</b>		
Financial institution		
CBK - Fair Value	2,770,757,515	2,744,001,895
<b>Total</b>	<b>2,770,757,515</b>	<b>2,744,001,895</b>
<b>Investment Face Value</b>		-
<b>T-Bill</b>	2,800,000,000	2,800,000,000
<b>Total</b>	<b>2,800,000,000</b>	<b>2,800,000,000</b>

The Scheme's investment is in short term (91 days) government securities. The asset is measured at Fair Value at Ksh.2,770,757,515, with a face value of Ksh.2,800,000,000. The fair value is the discounted securities price of Ksh.2,751,616,980 plus the realized investment income of Ksh.19,140,535 as at 30<sup>th</sup> June, 2024. The Investment was rolled over throughout the year upon maturity. The initial discounted price was Ksh.2,709,003,080.

#### 10. Cash and Cash Equivalents

<b>Analysis of the Cash and Cash Equivalents</b>			
<b>Financial Institution</b>	<b>Account number</b>	<b>2024-2025</b>	<b>2023-2024</b>
		<b>Ksh</b>	<b>Ksh</b>
<b>Current Account</b>			
Central Bank of Kenya	1000476858	548,416,673	258,906,353
<b>Total</b>		<b>548,416,673</b>	<b>258,906,353</b>

The Scheme received Ksh 3bn from the National Treasury on 06 July 2021, funded under the 2020/21 National budget appropriation. Part of this has been invested in short term Government securities. The cash and cash equivalents at the end of the year is as above.

#### 11. Risk sharing provision

The Scheme recognizes and maintains a provision on expected credit losses for the financial guarantee contracts in line with provisions of IPSAS 41 and the Central Bank of Kenya Prudential Guidelines. The Scheme's liability on each credit facility is 50:50 pari-passu on the outstanding principal amount, subject to a maximum of 25% of the initial principal amount of the credit facility. The provision is guided by the Steering Committee, to hold provisions for facilities categorized as "Watch", "Substandard", "Doubtful" and "Loss." CGS has recognized provision for expected credit loss of KSh. 71,902,289 as short term in the statement of financial position, since the obligation may fall due at any time for settlement. The additional provision during the reporting period was Ksh.25,026,372 as presented in the movement in provision for Expected Credit Loss in note 11 (ii) below.

i) Risk sharing provision/ Expected credit loss- Short Term

Description	June 30, 2025	June 30, 2024
	KShs	KShs
Absa Bank	9,869,981	41,825,122
The Cooperative Bank of Kenya	20,650,271	19,011,789
Credit Bank PLC	203,113	759,641
Diamond Trust Bank Kenya Limited	5,878,201	6,218,591
KCB Bank Kenya Limited	7,068,831	10,975,400
NCBA Bank Kenya PLC	17,053,810	21,657,841
Stanbic Bank Kenya Ltd	11,178,082	9,015,908
<b>Total</b>	<b>71,902,289</b>	<b>109,464,292</b>

ii) Movement in the Risk sharing provision/ECL (Amounts in Kshs.)

Description	Absa Bank	Cooperative Bank	Credit Bank PLC	Diamond Trust Bank Kenya Limited	KCB Bank Kenya Limited	NCBA Bank Kenya PLC	Stanbic Bank Kenya Ltd	Total
Opening provisions (A)	41,825,122	19,011,789	759,641	6,218,591	10,975,400	21,657,841	9,015,908	109,464,292
Released provisions	-34,705,437	-6,804,846	-759,641	981,615	-5,778,773	-14,885,698	686,409	-61,266,371
Provisions utilized	-	-	-	-1,322,005	-	-	-	-1,322,005
Additional provisions	2,750,296	8,443,327	203,113	-	1,872,204	10,281,667	1,475,765	25,026,372
Closing provision (B)	9,869,981	20,650,271	203,113	5,878,201	7,068,831	17,053,810	11,178,082	71,902,289

iii) Summary of opening Risk Sharing Provisions allocation

Description		Absa Bank	Cooperative Bank	Credit Bank PLC	Diamond Trust Bank Kenya Limited	KCB Bank Kenya Limited	NCBA Bank Kenya PLC	Stanbic Bank Kenya Ltd	Total
Opening Provisions S-term	KShs	41,825,122	19,011,789	759,641	6,218,591	10,975,400	21,657,841	9,015,908	109,464,292
Total Provision at the beginning	KShs	41,825,122	19,011,789	759,641	6,218,591	10,975,400	21,657,841	9,015,908	109,464,292

iv) Summary Allocation of Risk Sharing Provisions

Description	Kshs.
Opening Provisions	109,464,292
Closing provisions	-71,902,289
<b>Decrease in provision</b>	<b>37,562,003</b>

**Distributed as follows**

Decreased provision to P&L	37,562,003
Provisions paid out in the year	1,322,005
<b>Total change in provisions</b>	<b>38,884,008</b>

12. Analysis of Impaired facilities paid during the reporting period 2024-2025

Institution	Sum of Loan Amount Approved	Sum of Outstanding Principal Amount	Fully cleared Liability(A)	Partially paid Liability(B)	Total Cleared Liability(A+B)
Absa Bank Kenya PLC	114,224,472	19,778,740	32,071,739	2,633,698	34,705,437
The Co-operative Bank of Kenya Ltd	825,000	571,355	5,856,674	948,172	6,804,846
Credit Bank PLC	27,257,500	19,425,055	759,641	-	759,641
Diamond Trust Bank Kenya Limited	47,468,691	15,557,378	240,186	103,204	-981,615
KCB Bank Kenya Limited	87,832,634	42,621,675	3,641,561	2,137,212	5,778,773
NCBA Bank Kenya PLC	52,785,107	32,086,178	14,268,099	617,599	14,885,698
Stanbic Bank Kenya Ltd	119,412,250	54,408,094	3,372,935	-4,059,344	-686,409
<b>Total</b>	<b>449,805,654</b>	<b>184,448,474</b>	<b>60,210,836</b>	<b>2,380,540</b>	<b>61,266,371</b>

### 13. Liquidated credit facilities

No.	Name of Bank	Number of MSME credit facilities	Loan amount Ksh	Government's Liability Ksh	Claim Request Amount (1st Tranche) Ksh
<b>As at 30 June, 2025</b>					
1	NCBA Bank	7	12,300,000	2,644,009.5	1,322,005
	<b>TOTAL</b>	<b>7</b>	<b>12,300,000</b>	<b>2,644,009.5</b>	<b>1,322,005</b>
<b>As at 30 June, 2024</b>					
1	NCBA Bank	5	13,600,000	3,400,000	1,700,000
2	Diamond Trust Bank	2	7,844,000	1,520,814	690,567
	<b>TOTAL</b>	<b>7</b>	<b>21,444,000</b>	<b>4,920,814</b>	<b>2,390,567</b>

A Participating Financial Institution (PFI) may submit a claim for a defaulted facility under the Scheme, as outlined in the Contract Agreement and the attendant Regulations. During the financial year, the Scheme Administrator approved the payment of 7 claims tabulated above. The payment was made by the National Treasury, and therefore not reflected in the Scheme's cashflow statement.

### 14. Transfers to other government entities

<b>Transfers to Ministries, Departments and Agencies (MDAs)</b>			
Name of the Entity	Amount recognized in Statement of Financial Performance	Total Transfers 2024-25	Prior Year 2023-24
	Ksh	Ksh	Ksh
National Treasury		-	29,700,000
<b>Total</b>		-	<b>29,700,000</b>

The Scheme did not make any transfers during the reporting period.

### 15. Receivables from Non-Exchange Transactions

Description	June 30, 2025	June 30, 2024
	KShs.	KShs.
National Treasury	-	29,700,000
<b>Total</b>	<b>-</b>	<b>29,700,000</b>

During the FY 2024-25, the Scheme received Ksh 29,700,000 that was accrued from the National Treasury from the previous year. These funds had been paid to the Exchequer to fund provision of a self-financing budget for settlement. However, the amount had not been received by the end of the financial year.

### 16. Financial Risk Management

The Scheme activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The Scheme's overall risk management program focuses on unpredictability of changes in the business environment and seeks to minimize the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The Scheme does not hedge any risks and has in place policies to ensure that credit is only extended to customers in line with all PFIs due diligence and in line with CBK prudential guidelines. The Scheme's financial risk management objectives and policies are detailed below:

#### i. Credit risk

The Scheme has exposure to credit risk, which is the risk that a guaranteed or 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 other receivables. PFIs assesses the credit quality of each customer with all due diligence and in line with CBK prudential guidelines. Individual risk limits are set based on PFI internal or external assessment in accordance with limits set by the entity. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the Scheme's management based on prior experience and their assessment of the current economic environment.

#### Financial Risk Management

The carrying amount of financial assets recorded in the financial statements represent the Scheme's maximum exposure to credit risk without taking account of the value of any collateral obtained as follows;

Description	Total Amount	Performing	Impaired
	Kshs	Kshs	Kshs
<b>At 30 June 2025</b>			
Receivables from exchange transactions Investment in Short Term Securities	2,770,757,515	2,770,757,515	-
Bank Balance	548,416,673	548,416,673	-
Receivables from non-exchange transactions	-	-	-
<b>Total</b>	<b>3,319,174,188</b>	<b>3,319,174,188</b>	-
<b>At 30 June 2024</b>			
Receivables from exchange transactions	2,744,001,895	2,744,001,895	-
Receivables from non-exchange transactions	29,700,000	29,700,000	-
Bank Balance	258,906,353	258,906,353	-
<b>Total</b>	<b>3,032,608,248</b>	<b>3,032,608,248</b>	-

## ii. Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Scheme's Steering Committee Members, who have built an appropriate liquidity risk management framework for the management of the Scheme's short, medium and long-term funding and liquidity management requirements. The Scheme manages liquidity risk through continuous monitoring of forecasts and actual cash flows. The table below represents cash flows payable by the Scheme under non-derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

Description	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
<b>As at 30<sup>th</sup> June 2025</b>				
Provisions	-	4,362,040	67,540,249	71,902,289
<b>Total</b>	-	<b>4,362,040</b>	<b>67,540,249</b>	<b>71,902,289</b>
<b>As at 30<sup>th</sup> June 2024</b>				
Provisions	-	23,700,807	85,763,484	109,464,292
<b>Total</b>	-	<b>23,700,807</b>	<b>85,763,484</b>	<b>109,464,292</b>

### iii. Market risk

The Scheme has put in place an internal audit function to assist it in assessing the risk faced by the Entity 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 Scheme'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 optimizing the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

The Scheme has put in place an internal audit function to assist it in assessing the risk faced by the entity on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls. There has been no change to the Entity's exposure to market risks or the way it manages and measures the risk.

Description	2024-2025
	Kshs
<b>Financial assets</b>	
Cash and cash equivalents	548,416,673
Investment in Financial Assets (Short Term)	2,770,757,515
<b>Total financial assets</b>	<b>3,319,174,188</b>
<b>Financial liabilities</b>	
Other borrowed funds	-
Provision for expected credit loss	71,902,288.81
<b>Total financial liabilities</b>	<b>3,247,271,900</b>
<b>Book currency position</b>	

#### a) Foreign currency risk

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

#### b) Interest rate risk

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

#### Management of interest rate risk

The Scheme's fund is held in its account at the Central Bank of Kenya. When the Scheme will be a legal entity, the management will endeavor to bank with institutions that offer favorable interest rates to manage interest rate risk. Currently, the Scheme has invested funds not for immediate use in short-term government securities.

#### iv. Capital Risk Management

The objective of the Scheme's capital risk management is to safeguard its ability to continue as a going concern. The Entity capital structure comprises of the following funds which is all equity with zero gearing as tabulated below:

Description	2024-2025	2023-2024
	Kshs	Kshs
Revaluation Reserve	-	-
Retained Earnings	247,271,900	(76,856,044)
Capital Reserve	3,000,000,000	3,000,000,000
<b>Total Funds</b>	<b>3,247,271,900</b>	<b>2,923,143,956</b>
Total Borrowings	-	-
Less: Cash and Bank Balances	548,416,673	258,906,353
Net Debt/(Excess Cash and Cash Equivalents)	2,698,855,227	2,664,237,603
<b>Gearing</b>	-	-

### 17. Related Party Disclosures

#### Nature of related party relationships

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

### Government of Kenya

The Government of Kenya is the principal shareholder of the Scheme, holding 100% of the Scheme's equity interest.

### Other related parties include:

- i) The Parent Ministry
- ii) County Governments
- iii) Other MDAs
- iv) CBK
- v) Key management
- vi) Members of the Steering Committee

In the course of its operations the Scheme did not enter into transactions with related parties.

### 18. Contingent Liabilities

Description	2024-2025	2023-2024
	Kshs	Kshs
Total value of credit facilities approved under the Scheme	6,595,341,284	6,286,801,290
Total exposure to the Scheme	1,648,835,321	1,571,700,323
Expected Credit Loss- Risk sharing provision (Recognized in the statement of financial position)	-71,902,289	-109,464,292

### 19. Events after the Reporting Period

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

### 20. Ultimate and Holding Entity

The Scheme is a National Guarantee Scheme under the National Treasury.

### 21. Currency

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

20. APPENDICES

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.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe:

The Scheme had an unmodified audit report, and therefore no Audit issues to address.

  
**Ronald Inyangala, OGW**  
**Scheme Manager**

Date.....14/8/25.....

**APPENDIX II: PROJECTS IMPLEMENTED BY THE CREDIT GUARANTEE SCHEME**

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

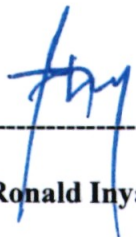
<b>Project title</b>	<b>Project Number</b>	<b>Donor</b>	<b>Period/ duration</b>	<b>Donor commitment</b>	<b>Separate donor reporting required as per the donor agreement (Yes/No)</b>	<b>Consolidated in these financial statements. (Yes/No)</b>


The Scheme is wholly owned and implemented by the Government of Kenya.

APPENDIX III: INTER-ENTITY TRANSFERS

Breakdown of Transfers from the National Treasury				
FY 2021/2022				
Development Grants				
		<b>Bank Statement Date</b>	<b>Amount (KSh)</b>	<b>Financial Year</b>
	Credit Guarantee Scheme – CBK Account	30.06.2021	3,000,000,000	FY2020/2021
		<b>Total</b>	<b>3,000,000,000</b>	

Name of the MDA/Donor Transferring the funds	Date received	Nature:	Total Amount KSh.	Where Recorded/recognized		FY 2024-2025
	(as per bank statement)			Statement of Financial Performance	Capital Fund Ksh.	Total Transfers during the Year Ksh.
The National Treasury			Nil			29,700,000
<b>Total</b>			Nil			<b>29,700,000</b>

  
 \_\_\_\_\_  
**Ronald Inyangala, OGW**  
**Scheme Manager**

  
 \_\_\_\_\_  
**CPA George K. Gichuru**  
**ICPAK No. 9262**




**APPENDIX IV: INTER-ENTITY CONFIRMATION LETTER**


**Name of Transferring entity - National Treasury**

**Name of Beneficiary entity - Credit Guarantee Scheme**

Confirmation of amounts received by Credit Guarantee Scheme as at 30 <sup>th</sup> June 2025					
Reference Number	Date Disbursed	Recurrent (A)	Development (B)	Total (C)=(A+B)	Remarks
FT2419017FVP	08/07/2024		29,700,000	29,700,000	
<b>Total</b>			<b>29,700,000</b>	<b>29,700,000</b>	

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

**Head of Accounts Department - Disbursing Entity:**  
 CPA George K. Gichuru Sign  Date 14/8/25

**Head of Accounts Department - Beneficiary Entity:**  
 CPA Esther Kitonyi Sign  Date 14/8/2025

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

Project Name	Project Description	Project Objectives	Project Activities	Quarter				Source of Funds	Implementing Partners
				Q1	Q2	Q3	Q4		

The Scheme did not have climate related expenditures during the year other than facilities issued by PFIs to the agricultural sector.

APPENDIX VI: REPORTING ON DISASTER MANAGEMENT EXPENDITURE

Column I	Column II	Column III	Column IV	Column V	Column VI	Column VII
Programme	Sub-programme	Disaster Type	Category of disaster related Activity that require expenditure reporting (response/recovery/mitigation/preparedness)	Expenditure item	Amount (Kshs.)	Comments

The Scheme was established as a disaster management program to help MSMEs recover from the effects of Covid-19 pandemic by di-risking access to credit.

CREDIT GUARANTEE SCHEME

Annual Report and Financial Statements for the year ended June 30, 2025

**APPENDIX VII: ATTENDANCE OF MEETINGS BY THE STEERING COMMITTEE MEMBERS**

S/No.	NAME	RESPONSIBILITY / OFFICE	ROLE ON APPOINTMENT	NUMBER OF MEETINGS HELD	TOTAL NUMBER OF MEETINGS ATTENDED
1	Dr. Chris K. Kiptoo, CBS	PS The National Treasury	Chairperson	4	4
2	MS. Susan Mang'eni	PS State Dept. for MSMEs	Member	4	4
3	Mr. Matu Mugo	Alt. to the Governor Central Bank of Kenya	Member	4	3
4	Ms. Sharon Irungu - Asiyo	Alt. to the Attorney General	Member	4	1
5	Dr. Samuel Tiriongo	Independent Member	Independent Member	4	3
6	Ms. Juliana Migunde	Independent Member	Independent Member	4	3
7	Mr. Christopher Aleke Dondo	Independent Member	Independent Member	4	4

**Note:**

The Steering Committee held four Committee meeting during the reporting period.