



REPUBLIC OF KENYA

THE NATIONAL TREASURY & PLANNING

MEDIA BRIEF

AGREEMENT SIGNING CEREMONY FOR THE MSME-CREDIT GUARANTEE SCHEME AT NAIROBI SERENA HOTEL ON 8TH DECEMBER, 2020 AT 11.00 A.M.

1. The Government, through The National Treasury has today signed the credit guarantee scheme agreement with seven participating commercial banks. This paves way for the implementation of the third point of the 8-Point Economic Stimulus Package unveiled by H.E The President on enhancing access to credit to Micro, Small and Medium Enterprises (MSMEs) through a credit guarantee scheme.
2. In the 8-point stimulus package, an initial KSh.3 billion seed capital for the inaugural Credit Guarantee Scheme towards MSMEs was approved by The National Assembly. The Government intends to increase the seed capital to KSh. 10 billion in the medium term. Participating banks are expected to leverage this amount four fold in order to increase the funds available for lending to MSMEs.
3. MSMEs play a critical role in Kenya's economic development and employment creation. The Kenya National Bureau of Statistics (KNBS) indicates that there are over 7.4 million MSMEs in the country, which employ approximately 14.9 million Kenyans in various sectors of the economy and contribute approximately 40% of the GDP. In addition, the MSMEs cover a wide range of activities in almost all sectors of the economy and therefore are a major engine of inclusive economic growth.
4. However, the COVID-19 Pandemic has disproportionately impacted many MSME businesses. With reduced turnover and disruptions in the market and supply chains, many MSMEs were, and still are, unlikely to attract affordable and quality credit under the traditional arrangements. Interventions are therefore necessary to cushion the impact of COVID-19 on MSMEs.
5. Recognizing the critical role played by MSMEs in creating employment, the Government has made a deliberate effort to emphasize the growth and development of these enterprises as part of the **"Big Four Agenda"**, which

focuses on manufacturing, increased food security and nutrition, universal health care and provision of affordable housing.

6. In addition, The Third Medium Term Plan (MTP III) of Vision 2030 recognizes the need to facilitate an increase in productive investment initiatives to eliminate barriers to lending and investment by MSMEs.
7. The participating commercial banks will act as the intermediaries in provision of credit to the MSMEs borrowers. Lending will be done by the commercial banks with all the due diligence in line with The Central Bank of Kenya Prudential Guidelines. The Credit Guarantee Scheme aims to provide partial mitigation of default risks associated with lending to MSMEs.
8. This arrangement therefore intends to improve MSMEs access to credit for their operational and growth needs. As a result, the scheme will help stabilize the market from the shocks of the COVID-19 Pandemic and protect jobs created by MSMEs.

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