



REPUBLIC OF KENYA

THE NATIONAL TREASURY & PLANNING

SPEECH BY THE CABINET SECRETARY FOR THE NATIONAL TREASURY & PLANNING, HON. (AMB.) UKUR YATANI, EGH, DURING THE AGREEMENT SIGNING CEREMONY FOR THE MSME-CREDIT GUARANTEE SCHEME AT NAIROBI SERENA HOTEL ON 8TH DECEMBER, 2020 AT 11.00 A.M.

The Attorney General, Hon. Kihara Kariuki;

**Cabinet Secretary, Ministry of Industrialization, Trade and Enterprise Development,
Ms. Betty Maina;**

The Solicitor General, Mr. Kennedy Ogeto;

Principal Secretary, State Department for Industrialization, Dr. Francis Owino;

Principal Secretary, The National Treasury, Dr. Julius Muia;

Governor, Central Bank of Kenya, Dr. Patrick Njoroge;

SME Advisor in the Office of the President, Mrs. Anne Mutahi;

Chairman, Kenya Bankers Association, Mr. Joshua Oigara;

CEOs of the Seven Participating Commercial Banks;

Distinguished Guests;

Ladies and Gentlemen;

Good morning/Afternoon.

1. It gives me great pleasure to join you this morning to officiate the credit guarantee scheme agreement signing ceremony between the Government and the participating banks. Today, marks a great milestone in the Government's endeavor in enhancing access to affordable credit by Micro, Small and Medium Enterprises (MSMEs). This is aimed at mitigating the adverse impacts of Covid-19 Pandemic on the business activities of the MSMEs and the economy at large. In earnest, let me take this

opportunity to appreciate all of you for finding time to be part of this historic journey of promoting and anchoring the SME in our mainstream economy.

2. **Ladies and Gentlemen**, MSMEs play a critical role in our country'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 and development.
3. Recognizing the critical role played by MSMEs in creating employment, the Government has made deliberate efforts to re-engineer the growth and development of these enterprises as part of the "**Big Four Agenda**", mainly focusing on manufacturing, increased food security and nutrition, universal health care and provision of affordable housing.
4. Further, Kenya's development blue print, Vision 2030, targets to create a vibrant and globally competitive financial sector that drives high-levels of savings to finance the country's investment needs. The Third Medium Term Plan (MTP III) recognizes the need to facilitate an increase in productive investment initiatives to eliminate barriers to lending and investment by MSMEs.
5. **Ladies and Gentlemen**, when the Covid-19 Pandemic hit our country, we witnessed the resilience and innovativeness of our MSMEs. The sector took the lead in manufacturing of hospital beds, face-masks, ventilators, automatic washing basins, not forgetting the attempt to develop various mobile applications for tracing contacts of coronavirus patients. This is a clear indication that if this sector is well nurtured and harnessed, it can make significant contributions to the livelihoods of many Kenyans.

6. However, the COVID-19 Pandemic has disproportionately impacted MSME businesses and lending institutions. 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.
7. **Ladies and Gentlemen**, the Government continues to implement various initiatives and reforms to address the access to credit challenge ranging from enactment of movable collateral reforms, credit information sharing mechanism as well establishment of Youth Enterprise Development Fund, Uwezo Fund and Women Enterprise Fund. These funds are currently undergoing various reforms in order to serve the beneficiaries better. Nonetheless, there still remains room for further innovative and complementary approaches to deliver support to our MSMEs in order to harness their full potential.
8. In view of the foregoing and for some time now, the Government has been considering Credit Guarantee Schemes as a long term innovative strategy of delivering credit to MSMEs. This is in line with best practice in other regions where credit guarantee schemes have been used successfully to improve access to credit by MSMEs.
9. In the 8-Point Stimulus Package, H.E The President directed an initial allocation of KSh.3 billion as seed capital for the inaugural Credit Guarantee Scheme towards MSMEs. Subsequently, the Cabinet considered and approved a total of KSh.10 billion to be availed over two financial years (2020/21 and 2021/22) towards the credit guarantee scheme. In this regard, I thank the National Assembly for appropriating the initial sum of KSh.3 billion for the credit guarantee scheme.
10. Following the presidential directive to establish the Credit Guarantee Scheme for MSMEs mid-last year, the National Treasury embarked on an all-inclusive process of fast-tracking it's operationalization. This entailed amending the Public Finance

Management Act, 2012 to provide for establishment of the CGS, that was followed by the gazettelement of the Public Finance Management (Credit Guarantee Scheme) Regulations, 2020 which provided the day to day operations of the Scheme. This additionally led to preparation of the operational manuals; appointment of the Steering Committee as well identification of the Financial Institutions through a competitive process.

We indeed appreciate the National Assembly for the expeditious enactment of the necessary legislations to anchor the CGS framework. I further, acknowledge the enormous support we received from the Office of the Attorney General, Ministry of Industrialization, Trade and Enterprise Development and the Central Bank of Kenya in shaping the final CGS product not forgetting the valuable contributions from the Kenya Bankers Association.

11. Credit Guarantee for MSMEs is a partnership between the Government and financial institutions, who act as the intermediaries in provision of finances to the MSME borrowers. The National Treasury used an open and objective process to identify seven (7) banks to implement the inaugural phase. We appreciate these banks for accepting to partner with the Government on this important arrangement. Given that this is only the beginning of the journey other banks/financial institutions will be brought on board including those commercial banks that have been serving the MSME sector but not in this initial phase. We look forward to closer collaboration and partnership with all including development partners, and all relevant government agencies in the course of time.
12. As I conclude, I thank our development partners who have supported in the process of establishment of the Credit Guarantee Scheme, including FSD Kenya, The World Bank, USAID, and AfD, among others. It's also important to remind ourselves, commercial banks and all other stakeholders that the success of the CGS is dependent on the dedication of all parties and I call on all to play their roles expected including avoiding moral hazards to make this scheme a success. Its also important

to note that, given the anxiety and long period of waiting by the MSMEs in accessing affordable financing the participating financial institutions are thus expected to to immediately embark on lending.

13. Finally, let me commend the team at the National Treasury that have worked tirelessly to make the CGS initiative becomes a reality.
14. **Ladies and Gentlemen**, it is now my distinguished pleasure and privilege to declare the MSMEs CGS Facility officially ready for implementation.

Asanteni Sana!!!!