

**REMARKS BY HON. MWANGI KIUNJURI, CABINET SECRETARY - MINISTRY OF DEVOLUTION AND PLANNING, DURING THE LAUNCH OF THE 2016 MICRO, SMALL AND MEDIUM ENTERPRISES (MSME) SURVEY BASIC REPORT AT KICC 24TH OCTOBER, 2016**

Honourable Cabinet Secretary (ies),  
Principal Secretary (ies),  
KNBS Board Chairman,  
KNBS Director General,  
Representatives from IDS,  
Representatives from MSEA,  
Representatives of Development Partners,  
Representatives of various Ministries,  
Members of the Press,  
Distinguished Guests,

All Protocols observed,

**Good morning**

It is my pleasure to be with you here today as we launch the 2016 Micro, Small and Medium Establishments Survey (MSME) Basic report.

The Government of Kenya takes cognizance of the crucial role played by the Micro, Small and Medium Enterprises in the country's socio-economic development. Indeed, the sector provides one of the most important sources of employment, income generation and poverty alleviation. This is in addition to contributing significantly towards the realization of Kenya Vision 2030, amongst other development related goals.

Over the last five decades, the MSME sector has emerged as a highly vibrant and dynamic sector of Kenya's economy. Not only do MSMEs provide large employment opportunities at comparatively lower capital cost than large industries, but they also facilitate acceleration of industrialization of rural areas, thereby, reducing regional imbalances, assuring more equitable distribution of national income and wealth.

It is noteworthy that as ancillary units, MSMEs are complementary to large industries. They are often flexible thus effectively meet the market's needs. The sector has played a

catalytic role in entrepreneurial activities across the country cutting across urban and rural settings. The need for adequate knowledge of the MSME sector in the Country is therefore fundamental for economic recovery, poverty reduction initiatives and attainment of Kenya's status as an industrialised Nation.

The recognition of the MSME sector dates back to 1972, when the International Labour Organisation (ILO) conducted a study on employment and incomes in Kenya. Prior to execution of the 2016 MSME survey, there was very limited or outdated data to inform MSME policy formulation and implementation, with the last comprehensive study having been conducted in 1999. Since the structure and operations of MSMEs change considerably within a short time, the Government sanctioned the implementation of the 2016 MSME survey. The survey was designed to provide comprehensive data at national and county levels on the characteristics, operations, dynamics and evolving nature of micro, small, and medium-scale enterprises in Kenya.

**Ladies and Gentlemen,**

The 2016 MSME Basic report presents critical data points for MSMEs in Kenya. I am pleased to note that the report provides insightful and useful baseline data for systematic approach to reviewing policies and designing strategic interventions for the growth of this Sector at both levels of Government. In addition, this Report is an invaluable resource to our stakeholders, including development partners, financial institutions and the academia and research institutions.

**Ladies and Gentlemen**

The Report we are launching today has clearly shown the importance of the MSME sector in providing goods and services, creation of employment, generation of incomes, providing sources of livelihoods and in alleviation of poverty to majority of Kenyans. I note from the survey findings that the MSME sector has evolved to a highly vibrant and dynamic sector of the Kenyan economy over the last few decades, and currently contributes 28.5 per cent to the GDP, thereby contributing enormously towards the socio-economic development and transformation of the country. With over 7.4 million MSMEs, Kenya can be said to be rising in terms of its entrepreneurial culture and orientation.

## **Ladies and Gentlemen**

Despite all this, the sector, continues to experience many constraints that have inhibited the realization of its full potential, such as unfavourable operating environment. This has resulted in high mortality rate of MSMEs with about 2.2 million businesses being closed within the last five years. There is also a stunted growth trajectory where businesses hardly formalize their operations (especially micro enterprises) or rarely transit from micro to small, small to medium, or medium to large.

For the Government to realize vision 2030, especially with regard to creation of more jobs and boosting the economy, requisite measures have to be put in place to ensure safe working environment for the MSME operators. In particular, the government will strengthen its partnership with the private sector, promote higher-value added services, leverage on enhanced skills and expertise (local and global), strengthen coordination among various government entities dealing with MSMEs, promote fast adoption of the emerging technology, set quantifiable targets, and monitor progress of the MSME sector.

The common approach of extending credit to MSMEs in Kenya is based on collateral provided. This approach has limitations and is not feasible for most of the MSMEs as some start businesses with no tangible assets. The government will adopt new creative and innovative strategies focussing on the uniqueness and peculiarity of each business. Credit guarantee schemes is one of the approaches that will be considered.

## **Ladies and Gentlemen**

The role of government in the growth and development of the MSME sector is key and ranges from regulatory to policy formulation. Specific areas for government intervention include: policy development, business incubation, capacity building, and access to finance and markets. In this regard, the government will endeavour to provide steady and reliable services. Efforts to upgrade transport systems, provide affordable electricity, water, sewerage, security and telecommunications will be stepped up. Further, we will articulate favourable policies and champion initiatives that support the growth of MSMEs. These initiatives will include tax incentives, direct government interventions through financial institutions, credit guarantee schemes and other forms of subsidized financing. In addition, the government will facilitate establishment of

more business incubators for nurturing MSMEs. We will provide conducive environment with proper facilitation towards development of more suitable and appropriate technology for MSMEs. We will also support research aimed at advancing current innovative solutions to address the main constraints facing MSMEs.

My Ministry will lobby the County and national government assemblies to pass laws and regulations which will provide a conducive regulatory environment as well as establishing necessary support framework to MSMEs.

### **Ladies and Gentlemen**

The 2016 MSME survey was a massive data collection undertaking that would not have been possible without contribution of a number of organizations. In this regard, I recognise the role played by the Kenya National Bureau of Statistics, the Institute for Development Studies of the University of Nairobi (IDS-UON), the African Centre for Economic Growth (ACEG), Kenya Institute for Public Policy Research and Analysis (KIPPRA), Micro and Small Enterprises Authority (MSEA), KREP and other stakeholders undertook to carry out the 2016 MSME survey. This collaborative effort will lead to better understanding of the magnitude, dynamics, and various factors that can promote or hinder enterprises creation, growth and development in Kenya.

On behalf of the Government, I wish to extend sincere appreciation to the World Bank for financial assistance under the Programme for Results (PforR) facility. My sincere gratitude goes to programme leader Yohan Mistiaen and the entire World Bank country office in providing technical assistance and capacity building during the undertaking of this survey. The Government looks forward to continued support and collaboration from our development partners in our endeavour to achieve greater heights of National development.

With these few remarks, **Ladies and Gentlemen**, I officially launch the 2016 MSME Basic Report and call upon all stakeholders to make use of the survey findings to promote sustainable growth of the MSME sector.

**Thank You**