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# PRESS RELEASE

## For Immediate Release

**Small businesses want the government to expedite the implementation of the Micro and Small Enterprise fund (MSE fund) as provided in the Micro and Small Enterprise Act 2012.**

*The MSE Act 2012 was passed into law in December 2012 after 10 years of advocacy and multi-stakeholder consultations. It faces hurdles in its implementation and has registered slow progress especially in the view of major actors, to ensure it achieves its intended purpose - promotion and development of MSEs*

**Nairobi, Kenya, 30<sup>th</sup> September 2015** – Kenya’s informal sector largely comprising of workers in Micro and Small Enterprises (MSEs), employs millions of adult Kenyans. In an effort to promote, develop and regulate the sector, the Micro and Small Enterprise Act 2012 embodies the needs of small businesses. According to the Institute of Economic Affairs and KENASVIT while reviewing the state of the MSE Act 2012, the law is yet to be fully implemented. Small business owners want the government to expedite the implementation of the Act and more importantly set up the MSE fund as provided for in Section 51 of the Act.

According to the MSE Act 2012, the MSE fund will be accessed through small business associations already registered with the MSE Authority. The associations will then disburse the funds as loans, invoice discounting, guarantee for access to credit from other financial institutions, or given as a micro-finance product for the benefit of their members. The MSE fund is aimed at financing the promotion and development of MSEs, provide affordable and accessible credit to MSEs and financing research, development, innovation and transfer of technology.

According the Economic Survey 2015 issued by the government, the largest creator of employment in Kenya is the informal sector and most MSEs are this category making it the primary driver of employment growth. The informal sector and MSEs constituted 82.7% of total employment in 2014.

“MSEs contribute 18% of the Gross Domestic Product (GDP) and provide 82% of all jobs created annually. These businesses also consume and pay for public funded services through licenses and taxes. Small business are therefore central to economic growth and cannot be ignored”, says Kwache Anthony, National Chairperson - KENASVIT.

Since the mid 1980s, MSEs in both the formal and informal sectors have been the major drivers in job creation, although the formal sector has not grown commensurately with the growth in population of Kenyans reaching working age. Thus, following extensive advocacy and consultative multi-stakeholder meetings, the Micro and Small Enterprise Act 2012 was passed in December 2012. The law provides for the promotion and development and regulation of micro and small enterprises and the establishment of the Micro and Small Enterprises Authority.

The status of the implementation of the MSE Act 2012 is lagging with major aspects of it not fully implemented or not implemented at all. Thus, the research carried out by the IEA was to ascertain the extent to which the primary objectives of the law have been implemented.

Section 3 of the law elaborates upon the objectives to include; the provision of an enabling business environment, inspiring an entrepreneurial culture and facilitate formalization, promotion and representative organizations and upgrading of the informal and micro and small enterprises (MSEs).

Section 51 of the MSE Act 2012, requires the formation of a specific fund, the Micro and Small Enterprises (MSEs) Fund. An examination of the budget estimates for the financial year that commenced July 1, 2015 confirms that for the third consecutive year, parliament has not allocated funding for the MSE development fund as required by law.

“Many MSEs are unable to receive funding for business activities from other funds that have been established because there is broad knowledge that a dedicated fund is available under Section 51 of the Micro and Small Enterprises Act 2012. The delay in establishment of the MSE fund is a violation of the law and an impediment to the growth of the sector,” says Kwache Anthony, National Chairperson - KENASVIT

A priority of the registered groups of MSEs is to bring the issue to parliament and the executive’s attention to ensure the fund is approved in the next financial year 2015/2016. While the full office and staff of the secretariat has been made operational, “KENASVIT is concerned that the fund has not been established because parliament did not authorize appropriation of funds to facilitate the formation of the MSE fund. For that reason, we believe both arms of government responsible for planning and authorizing for funds may be violating the provisions of the Act,” says Kwame Owino, CEO – IEA Kenya

Apart from the MSE fund not being established, other actors that need to be strengthened to ensure full implementation of the MSE Act 2012 include appointing the registrar of Micro and Small enterprises, establishing the micro and small enterprises tribunal, confirming the chief executive officer of the Micro and Small Enterprise Authority, registration of individual traders and tracking performance of the MSE Authority.

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### **About the Policy Brief: State of Implementation of the Micro and Small Enterprises Act 2012**

The purpose of the policy brief is to situate the Micro and Small Enterprises (MSE) sector and its contributions to Kenya’s economy. Secondly, the brief provides a status update on the implementation of the law and policy related to the MSE sector generally but specifically to the MSE Act 2012. Thirdly, the brief reviews the status of implementation and provides policy and legal prescriptions for full implementation of the MSE Act 2012 in addition to other policies that would facilitate growth for the sector.

### **About KENASVIT**

KENASVIT is the umbrella association for small businesses in manufacturing, trade and agribusiness and service sector. The association has 15,000 members in 16 counties. KENASVIT exists to promote the growth of small businesses in Kenya, to increase livelihoods and participate

in national development, through collective action, promotion of entrepreneurship, practice of responsible management and provision of voice for the marginalized in society.

### **About IEA Kenya**

The Institute of Economic Affairs (IEA Kenya) is a think-tank that provides a platform for informed discussions in order to influence public policy in Kenya. We seek to promote pluralism of ideas through open, active and informed debate on public policy issues. We undertake research and conduct public education on key economic and topical issues in public affairs in Kenya and the region, and utilize the outcomes of the research for policy dialogue and to influence policy making.

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