

Empowering Kenya's MSMEs: *The SAFER Project Ignites Enterprise Recovery Through Access to Finance*

In the wake of unprecedented challenges brought about by the COVID-19 pandemic, Kenya's micro, small, and medium enterprises (MSMEs) have found themselves at the forefront of economic resilience and recovery. As the lifeblood of the nation's economy, MSMEs play a pivotal role in driving innovation, creating employment opportunities, and fostering inclusive growth.

A Kenya National Bureau of Statistics MSME Survey of 2016 identified 1.6 million MSMEs, of which 92% were microenterprises employing about 14.1 million people or 81% of MSME employment and 8% were Small enterprises. MSMEs represent the backbone of the Kenyan economy, contribute 34% to GDP, and make up 75% of formal establishments in Kenya – creating about 30% of jobs annually. As Kenya embarks on a journey towards revitalizing its economy post-pandemic, the SAFER project emerges as a strategic lifeline, propelling enterprises forward and unlocking the nation's untapped potential.

Recognizing the vital importance of supporting these enterprises during these challenging times, the National Treasury engaged the World Bank, in collaboration with the Kenya Development Corporation (KDC) to address market failures in access to finance by MSMEs under the auspice of the Government's Bottom Up Economic Transformation Agenda. This was through the launch of the Supporting Access to Finance and Enterprise Recovery (SAFER) project. This initiative represents a beacon of hope for Kenya's MSMEs, offering much-needed financial support and technical assistance to navigate the uncertainties of the post-pandemic landscape.

Kenya Development Corporation (KDC) has been identified as an Apex Financial Institution that will manage Component 1 which entails provision of liquidity support by wholesaling loans to regulated Participating Financial Institutions (PFIs) who are focused on lending to MSMEs in all sectors of the economy meeting the set criteria. The financial support will target viable MSMEs that were previously financed but are facing constraints in addition to those that are considered bankable but have not been able to access credit.

The funds will be channelled from National Treasury to KDC for on-lending to Participating Financial Institutions including Savings & Credit Cooperatives regulated by SACCO Societies Regulatory Authority, Micro Finance Banks regulated by CBK and Tier three Commercial Banks focusing on MSME lending who in turn will on-lend to MSMEs. The wholesale loans are from Kes 10 million to Kes 500 million repayable in 60 to 120 months inclusive of a moratorium of upto 12 months. Interested Participating Financial Institutions, and SACCOs that wish to apply can do so through Kenya Development Corporation website www.kdc.go.ke. The deadline for applications is on 30th April 2024.

At its core, the SAFER project embodies a profound commitment to fostering economic prosperity by addressing one of the most significant barriers hindering enterprise growth: access to finance. Historically, aspiring entrepreneurs and existing businesses alike have grappled with the formidable challenge of securing adequate capital to fuel their ambitions. This financial bottleneck not only stifles innovation and expansion but also perpetuates a cycle of stagnation, particularly in developing economies.

Through targeted interventions such as capacity building, technical assistance, and customized financial products, the SAFER project equips entrepreneurs with the tools and knowledge necessary to navigate the complexities of the modern business environment successfully. By fostering a culture of entrepreneurship and equipping individuals with the skills to thrive in a competitive market, the initiative lays the groundwork for long-term economic resilience and prosperity.

Looking ahead, the success of the SAFER project hinges not only on financial investments but also on a steadfast commitment to nurturing a culture of entrepreneurship, innovation, and inclusivity. As Kenya embarks on the next phase of its development journey, let us seize this opportunity to harness the momentum generated by the SAFER project and chart a course towards a more prosperous, equitable, and sustainable future for generations to come.