



**REPUBLIC OF KENYA
THE NATIONAL TREASURY AND PLANNING**

**IN THE MATTER OF PUBLIC PARTICIPATION ON THE DRAFT
REGULATORY IMPACT STATEMENT ON THE DRAFT PUBLIC FINANCE
MANAGEMENT (BIASHAR KENYA FUND) REGULATIONS, 2020**

**(1) The objectives of and reasons for the proposed Biashara Kenya Fund
Regulations are mainly the following:**

- (a) expand access of finances in promotion of women, youth and persons with disability enterprises or groups and micro, small and medium enterprises for economic growth towards the realization of the goals of Vision 2030;
- (b) provide loans to credible commercial banks, micro-finance institutions, registered non-governmental organisations involved in financing, and savings and credit co-operative organisations for on-lending to women, youth and persons with disability enterprises or groups and micro, small and medium enterprises;
- (c) provide loans, directly to women, youth and persons with disability enterprises or groups and micro, small and medium enterprises for entrepreneurship development;
- (d) attract and facilitate investment in micro, small and medium enterprises oriented infrastructure such as business, markets or business incubators that will be beneficial to youth, women, persons with disability enterprises or groups and micro, small and medium enterprises;

- (e) support women, youth and persons with disability enterprises or groups and micro, small and medium enterprises to develop linkages with large enterprises;
- (f) facilitate marketing of products and services of youth, women, persons with disability enterprises or groups and micro, small and medium enterprises in both domestic, regional and international markets;
- (g) facilitate mainstreaming of the interests of the women, youth and persons with disability enterprises or groups and micro, small and medium enterprises in bilateral and international trade, investment and agreements;
- (h) support capacity building of the beneficiaries of the Fund and their institutions through training, incubation, mentorship, start-up support and promotion of innovation and development of products;
- (i) facilitate periodic market surveys and data analysis to identify industry opportunities for women, youth, persons with disability enterprises or groups and micro, small and medium enterprises;
- (j) promote, develop and facilitate access to government procurement opportunities by women, youth and persons with disability enterprises or groups and micro, small and medium enterprises.

(2) The effect of the proposed Biashara Kenya Fund Regulations include the following:

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- (a) The implementation of the recommendations by the Presidential Taskforce on Parastatal Reforms of 2013. The Taskforce recommended merger of all Funds and initiatives for supporting, financing and developing SMEs, including the Micro and Small Enterprises Authority Fund, Youth Enterprise Development Fund (YEDF), Women Enterprise Fund (WEF) and the Uwezo Fund to form Biashara Kenya Fund. All these Funds have the same objective of developing Micro, Small and Medium Scale Enterprises, with a greater emphasis to those owned by youth, women and persons living with disabilities.
- (b) The Regulations establish one Fund to provide a one-stop shop for targeted groups looking for business loans from Government and improve effectiveness as well as eliminating duplication of efforts.
- (c) The Regulations charge an affordable and sustainable interest rate on loans and the effect of the charge will be to ensure growth and sustainability of the Fund.
- (d) The Regulations enable the Government of Kenya to enhance economic participation of youth, women, people living with disabilities, and Micro, Small and medium enterprise in creation of jobs and general economic development.

(3) Possible alternative and practicable means of achieving the foregoing objectives, including other regulatory as well as non-regulatory options:

- (a) An alternative to supporting, financing and developing SMEs is the use of fragmented approach where every segment of the targeted group is addressed separately. This is the approach the government has used over years and has yielded minimal results. Some of the challenges experienced include duplication of roles among the Funds, low uptake of the funds by the targeted groups, governance challenges and high repayment defaults. It is on this backdrop that the Presidential Taskforce on parastatal reforms recommended

merger of the Funds to establish one Fund. This is the best international practice and has been successful in countries such as South Korea.

(b) Therefore, the alternative option implies retention of the status quo with regard to the existing Funds.

(4) Assessment of the costs and benefits of the proposed Biashara Kenya Fund Regulations and of any other practicable means of achieving the same objectives;

(a) There are savings arising from this regulatory instrument on operations and maintenance of the three Funds being merged. The savings will be channeled towards increasing the Fund capital. The Regulations simply merge the existing Funds, respective objectives and products.

(b) Due to elimination of duplication of functions, efficiency is enhanced in the administration the Fund. The Fund will leverage on the branch networks and other products that were established by the various Funds, while avoiding duplication of functions and efforts.

(5) Any other matters specified by the guidelines;

Overall, the net impact of the proposed regulatory rule is positive on SMEs and the Kenya economic growth.

(6) Draft copy of the proposed statutory rule.

A draft copy of the Public Finance Management (Biashara Kenya Fund) Regulations, 2019 can be downloaded from www.treasury.go.ke

HON. (AMB) UKUR YATANI, EGH
CABINET SECRETARY/NATIONAL TREASURY & PLANNING