



PRESS RELEASE

FOR IMMEDIATE RELEASE

UK Invests USD \$5.2 million in USD \$240 million SME Listed Fund Sponsored by FSD Africa Targeting Institutional Investors

Tuesday 5 November - The British High Commission Nairobi has announced USD \$5.2 million fund (KSH 667 million) to support Micro, Small to Medium Enterprises (SMEs) in Kenya, in another example of the UK being a long-term partner providing long-term investment solutions that deliver growth and jobs.

The 'Listed SME Debt Fund', sponsored by FSD Africa, aims to mobilise up-to USD \$300 million (KSH 38.85 billion) of sustainable finance to provide affordable credit to Micro, Small and Medium Sized enterprises. Of this amount the funds targets to raise USD \$240 million from domestic institutional investors and the rest from foreign investors. The fund will support at least 10,000 MSMEs; 50,000 households; create, protect and support over 89,000 jobs; and improve access to basic services for over 200,000 people.

The fund is not specific to a sector, so will meet the needs of Kenyan business owners ranging from fundis to financiers to farmers, by lowering the cost of borrowing money. The fund will be listed and managed in Kenya. It aims to provide an attractive investment opportunity for Kenyan investors, by de-risking investments in MSMEs, whilst still offering attractive returns.

Currently, SMEs in Kenya face interest rates of up to 40% - making it hard for businesses to grow and create jobs. It will also encourage pension funds to invest in sectors that support the flow of goods, services and labor in Kenya.

The first close is targeting USD \$100 million. Kenyan institutional investors including pension funds have assets under management in excess of USD \$30 billion and despite regulatory approval allowing investment of up to 30% in alternative assets, many are yet to take advantage of this window. The SME listed fund provides with a new asset class, helping diversify and stabilise their portfolio. This aligns with FSD Africa's mission to deepen and diversify capital markets through innovation.

SMEs are crucial to Kenya's economic growth – they account for 98% of businesses¹ and about 24% of Kenya's gross domestic product². Beyond their economic impact, SMEs also serve as vital engines of employment generation, particularly for marginalized

¹ <https://sdgs.un.org/sites/default/files/2022-03>

² <http://parliament.go.ke/sites/default/files/2020-10/Sessional>



groups such as youth, women, and persons with disabilities, accounting for 14 million (30%) of jobs.

The announcement was made at a major pan-African Capital Markets conference organized by FSD Africa – a specialist development finance institution fully funded by the UK Government.

British High Commissioner to Kenya, Neil Wigan, said:

“We must lower the cost of borrowing for Kenyans. This fund further bolsters the UK’s financial toolkit in Kenya which has supported long-term job creation and economic growth over many years, and it will deliver for all the hardworking hustlers of this country - especially women, young people and persons with disabilities - who are often pushed right to the margins of the Kenyan economy. The UK’s economic relationship with Kenya is the cornerstone of the UK-Kenya strategic partnership – and we look forward to delivering this together.”

Mark Napier, CEO, FSD Africa, said:

“The SME sector holds tremendous potential for Kenya’s socio-economic transformation, comprising approximately 98% of all businesses and creating a significant number of jobs. FSD Africa is thrilled to launch this innovative fund dedicated to supporting small and medium enterprises in Kenya. This fund will provide affordable credit to businesses which have, historically, faced challenges in accessing financing. Moreover, the fund will offer MSMEs a route to growth across borders and support in local employment rates and the growth of the Kenyan economy.”

NOTES TO EDITORS

The UK-Kenya Strategic Partnership

The UK-Kenya strategic partnership joint statement can be found here.

How does the Listed SME Debt Fund work?

The ‘Listed SME Debt Fund’ aims to mobilise finance from local pension funds and channeling it to SMEs through both direct and intermediated structures (e.g. micro-finance institutions and digital lenders). This will have a direct impact on the businesses which receive finance and encourage market systems change by encouraging pension funds to invest in Kenya’s real economy sectors. It complements other UK programmes which could both generate pipeline for and provide complementary financing to businesses benefitting from the fund.

About FSD Africa

FSD Africa is a specialist development agency established in 2012 by the UK Government working to make finance work for Africa’s future. We work on the ground in over 30 African



countries to mobilise “green plus” finance that will power economic and social development while delivering environmental gains and building Africa’s resilience. We work on policy and regulatory reform, capacity strengthening and improving financial infrastructure, and addressing systemic challenges in Africa’s financial markets to spark large-scale and long-term change. For more information, visit: www.fsdafrica.org

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