

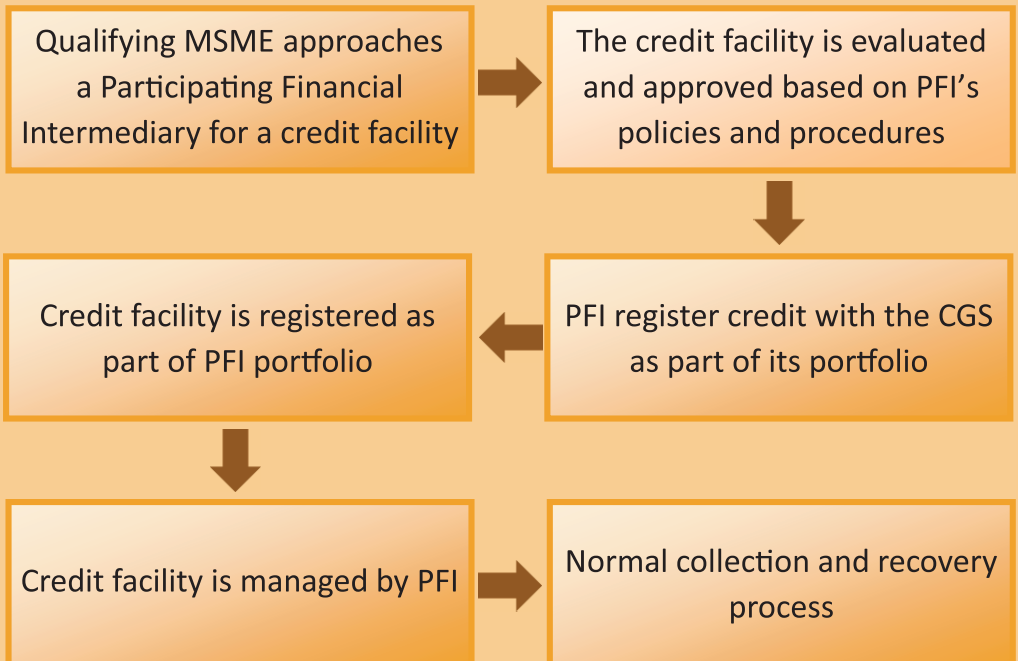


REPUBLIC OF KENYA  
THE NATIONAL TREASURY & ECONOMIC PLANNING

## CREDIT GUARANTEE SCHEME

### HOW TO ACCESS CGS PRODUCT

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**Promoting Access to Quality and Affordable  
Credit to MSMEs**

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## About CGS

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The National Treasury established the Credit Guarantee Scheme (CGS) on 8<sup>th</sup> December, 2020, to support MSMEs to access quality and affordable credit. CGS is anchored on the Public Finance Management (Amendment) (No.2) Act, 2020 and the Credit Guarantee Scheme Regulations, 2020.

CGS is currently being delivered through a risk sharing agreement between the Government and 7 participating banks. This provides an incentive for the banks to offer better credit terms to qualifying MSMEs. The seven banks are Absa Bank, Cooperative Bank of Kenya, Credit Bank, Diamond Trust Bank, KCB Bank, NCBA Bank and Stanbic Bank. The banks act as the intermediaries in provision of credit to MSMEs based on a pre-agreed eligibility criteria. Lending is done by the banks with due diligence in line with The Central Bank of Kenya Prudential Guidelines.

Currently, the maximum loan amount under the Scheme is KShs. 5 million. Borrowers can repay the loan up to 3 years and may also benefit from a grace period up to 5 months. Borrowers benefitting from the scheme receive discounted interest rate based on the banks evaluation of the MSMEs risk profile and the guarantee. In case of default on a guaranteed facility, CGS may pay up to a maximum of 50% of the outstanding principal amount.

### VISION

**To be a world class credit guarantor for the growth of MSMEs.**

### MISSION

**To enhance MSMEs access to finance through innovations and partnerships in provision of credit guarantees for sustainable growth.**

### SNAPSHOT OF CGS BENEFICIARIES SO FAR:

- MSMEs in 46 Counties and 12 economic Sectors
- Micro-sized Enterprises
- Small-sized Enterprises
- Medium-sized Enterprises
- Enterprises owned by Women
- Enterprises owned by Youth
- Enterprises owned by PWDS
- 73% new borrowers
- 92% of the portfolio performing well
- Supported credit worth KShs. 5.83 Billion as at 31 July 2023

# Frequently Asked Questions

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## 1. What is a Credit Guarantee Scheme (CGS)?

A Credit guarantee scheme is a mechanism where a third party, who is the guarantor, pledges to repay part or the entire loan amount to the lender in case the borrower defaults. The Scheme as established in Kenya is to stimulate the national economy by encouraging additional lending to MSMEs and to promote partnership between GoK and Participating Financial Intermediary (PFIs) with respect to MSME lending.

## 2. What is the role of CGS?

The role of CGS is to assist Micro, Small and Medium-sized Enterprises (MSMEs) to gain access to credit, and to complement the Government's efforts in promoting and developing business sectors which are key in stimulating the economy.

## 3. What are the benefits of the Credit Guarantee Scheme?

- Improve access to credit
- Mobilization of capital for MSMEs
- Improve the credit market
- Integration of MSMEs to the formal financial market
- Relaxation of some loan requirements
- Encourage favorable interest rates.

## 4. How does CGS help MSMEs?

- CGS cushions the MSMEs by providing part guarantee coverage for qualifying credit facilities.
- CGS encourages participating financial intermediaries to reach out to more MSMEs in the economy.
- CGS supports participating financial intermediaries to accord flexible repayment period MSMEs.
- CGS supports banks to provide credit to MSMEs at affordable interest rates.

## 5. How do I qualify for a CGS credit facility? You can qualify for a CGS credit facility if your enterprise is:

- (a)** a Micro, Small or Medium enterprise;
  - (b)** registered as a business or company under the relevant laws;
  - (c)** registered by a county government and holds a valid business permit or trade license;
  - (d)** registered taxpayer and is in compliance with the relevant tax laws;
  - (e)** borrowing for business purposes, including working capital requirements of the enterprises; acquisition of assets; or rebuilding businesses affected by natural disasters or other financial crises
  - (f)** credit worthy;
  - (g)** doing business in Kenya;
  - (h)** not part of any group or any enterprise which would otherwise not be eligible for credit guarantee under the law; and
  - (i)** not involved in any of the prohibited activities.
- Women, Youth and Persons living with Disability are encouraged to apply.*

## 6. How much credit can I apply for, under the CGS? The maximum amount you can apply for under CGS is up to KShs. 5 million.

## 7. How do I apply for a CGS credit facility?

You can apply for a business credit facility from any of the participating financial intermediaries branch network. Upon appraisal, the intermediary will make a decision if your business qualifies to be placed under the CGS.

## Frequently Asked Questions

### 8. Which financial intermediaries are participating in the CGS?

The financial intermediaries participating in the CGS are the following commercial banks:

(i) Absa Bank (ii) Credit Bank (iii) Diamond Trust Bank (iv) KCB Bank (v) NCBA Bank (vi) Stanbic Bank (vii) The Cooperative Bank

**9. Are other financial intermediaries going to join the CGS?** Yes. Other financial intermediaries are anticipated to join the CGS in the next phase.

**10. Does the CGS have collateral requirements?** Collateral requirements are as per the participating financial intermediaries' collateral policy. Borrowers may negotiate with the banks to be considered for a reduced collateral requirement under the CGS.

**11. Can I borrow for personal consumption under the CGS?** The credit facility under the CGS is intended for business purposes only.

**12. Is the CGS facility a grant?** The CGS facility is not a grant, it is similar to a credit facility from a financial intermediary and has to be repaid.

**13. How many times can I access the facility?** Two facilities under the Scheme cannot run concurrently. However, borrowers may borrow again after they have completed repaying the existing loan.

### 14. Are there any consequences if a borrower uses the money for other purposes other than business?

Yes, if the borrower: Willfully applies the funds to any other purpose other than the purpose for which the credit was approved; after securing the loan, knowingly destroys or misappropriates any security given; knowingly gives false information; or willfully destroys any assets used as collateral by a participating financial intermediary, *is liable on conviction, to a term of imprisonment not exceeding five years or to a fine not exceeding Ksh. 10 Million or to both.*

## CGS Objectives

### National Economy

Improve and stimulate the national economy by encouraging additional lending to MSMEs and strengthening skills and capabilities of proprietors of MSMEs.

### Financing of MSMEs

Facilitate the financing of MSMEs, increasing investment opportunities for MSMEs by partially guaranteeing credit advanced to the enterprise.

### Business Environment

Create a conducive business environment and promote partnerships between the government and financial intermediaries with respect to credit guarantees for MSMEs and other related activities.