



Inspiring a New Era



**ANNUAL
REPORT &
FINANCIAL
STATEMENT
2014 - 2015**



CONTENTS

Table of Contents

Overview	03
• About KEPSA	
• Introduction to KEPSA Public Private Dialogue and Engagements	
Governing Council	04
Board of Directors	06
Notice of AGM	08
Message from the Chairman	09
CEO's Report	12
KEPSA secretariat	15
Report on KEPSA Public Private Dialogue Engagements	21
Establishment of the KEPSA Foundation	32
Overview of KEPSA Programs and Projects	33
• Program/Project Summaries	33
• Upcoming Projects	37
• Kenya Youth Empowerment Project (KYEP) Report	38
Human Resources Update	43
Financial Statements	44
• Corporate information	45
• Report of the Board	46
• Statement of Board Responsibilities	47
• Report of the Independent Auditor	48
• Statement of Income and Expenditure	49
• Statement of Financial Position	50
• Statement of Changes in Fund Balances	51
• Statement of Cash Flow	52
• Notes	53
• Schedule of Operating Expenditure	58
Membership List	59



OVERVIEW

Overview

About KEPSA

The Kenya Private Sector Alliance (KEPSA) is the apex body of the private sector in Kenya with a membership of over 100,000 members through companies and Business Member organizations. KEPSA coordinates the private sector's engagement on Public-Private sector dialogue and seeks to contribute to pro-growth laws and policies that support the economy. The primary Mission of KEPSA is to "ensure year-on-year improvement in the overall business environment of Kenya by working together with the Government and other stakeholders".

The Established Public Private Dialogue Platforms

Presidential Roundtable (PRT) – an engagement with the Head of State on issues of national importance affecting the economy as well as those issues that require his direct intervention as Head of State. Implementation of the PRT resolutions and commitments are cascaded down to the respective implementing Ministries and other arms of government.

Ministerial Stakeholders Forums (MSFs) – Platform that brings together respective Ministries and KEPSA Sector Boards on quarterly basis (or as frequently as may be agreed) to address sector specific priority issues relating to policy, administrative and operational issues affecting them.

Speaker's Roundtable (SRT) – An annual engagement platform with the National Assembly and the Senate. The SRT facilitates joint review of legislative matters involving respective parliamentary Departmental Committees and the Private Sector.

Council of Governors Forum – a partnership with Governors that meets annually. The forum provides a platform of dialogue and stocktaking on devolution besides establishing mechanisms for better interaction and coordination between the Private Sector and Council of Governors.

Attorney General's Forum – a partnership between the Private Sector and the office of the Attorney General and Department of Justice

geared towards review of bills under consideration by the Attorney General before publication and presentation to parliament.

Chief Justice Forum – forum aimed at improving the Commercial Justice process in a manner that ensures efficient resolution of Commercial and Industrial Relations Disputes as well as discuss other ways the Judiciary can facilitate an enabling business environment.

Platforms with selected state agencies – KEPSA meets with state agencies and departments e.g. Immigration, Kenya Revenue Authority (KRA), National Police Service Commission, Kenya Police Service, KPLC, ERC etc on specific business issues that require resolution by the respective departments.

Development Partners' Roundtable – this is an engagement that provides an opportunity for the private sector to inform and partner on the development agenda and priorities for the country's national development and private sector development.

Regional Ministerial Forum – a new engagement with the Council of Ministers aimed at highlighting the issues to be forwarded to the Heads of State Summit. The platform will offer an opportunity for the participation of the private sector in the formulation of regional policy.

Governing Council



MR. ROB WILLIAMS
Chair - Education, Science
& Technology



MR. WALTER OOKOK
Chair - Health



ENG. J. M. MATU
Chair - Infrastructure &
Transport (Infrastructure)



MR. EDWINS MUKABANAH
Chair - Infrastructure &
Transport (Transport)



MR. MUCAI KUNYIHA
Chair - Land, Housing
& Urban Devt. (Land)



MR. WAWERU GATHECHA
Chair - Land, Housing
& Urban Devt. (Housing)



MR. J. S. VOHRA
Chair - Tourism



MR. JAS BEDI
Chair - Trade, Investments
& Economic Diplomacy



MR. SAMUEL MATANO
Chair - Security



MR. ISAAC AWUONDO
Chair - Public Finance

G COUNCIL

Governing Council



MS. FELICITY N. BIRIRI
Chair - Gender & Social
Development



MR. FRANCIS NGOKONYO
Chair - Governance & Ethics



ENG. ERASTUS MWONGERA
Chair - Labour



MR. SURESH PATEL
Chair - Environment &
Natural Resources



MS. CATHERINE SITATO MAGELO
Chair - MSE



MR. TOM OMARIBA
Chair - ICT



ENG. JULIUS RIUNGU
Chair - Energy



MR. TONNIE MELLO
Chair - Youth, Sports and Culture

PROF. KABURU M'RIBU, PHD
Chair - Agriculture, Livestock
& Fisheries

Board of Directors



MR. VIMAL SHAH
Chair



DR. LAILA MACHARIA
Vice Chair



ENG. ERASTUS MWONGERA
Director



MS. GLORIA NDEKEI
Director



ENG. PATRICK OBATH
Director



MS. RITA KAVASHE
Director



MR. ADAM JILLO
Director



MR. MUHOHO KENYATTA
Director

Board of Directors



MR. JAPH OLENDE
Director



MR. CHRISTOPHER WILSON
Director



MR. RICHARD MUTETI
Director



MR. JEREMY AWORI
Director



MR. NICK NESBITT
Director



MR. KIPRONO KITTONY
Director



MS. IRENE WANYOIKE
Director



MR. POLYCARP IGATHE
Director

AGM NOTICE

Notice of AGM 2015

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Kenya Private Sector Alliance Limited will be held on the 7th of May, 2015 at the Sarova Panafric at 4p.m. when the following will be transacted namely:

AGENDA

1. CONSTITUTION OF MEETING

To read the notice convening the meeting and determine if a quorum is present.

2. ORDINARY BUSINESS

a) Report of the Board of Directors.

To receive and consider the Report of the Board of Directors for the year ended 2014. (Resolution 1).

b) Report of the Auditors

Read the Auditors Report on the Financial Statements for the year ended 2014.

c) Report and Financial Statements for the years ended 2014

To receive and consider the Financial Statements for the year ended 2014 together with the Auditor's Report thereon (Resolution 2).

d) Appointment of Directors

(i) In accordance with Article 41(a) of the Company's Articles of Association, at least one-third of the directors shall retire. The Nomination Committee of the Board shall recommend names for appointment at the Annual General Meeting. (Resolution 3).

e) Appointment of Auditors

To appoint Auditors for the Company until the conclusion of the next Annual General Meeting (Resolution 4).

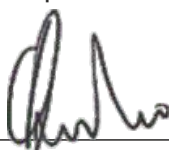
f) To authorise the directors to fix the remuneration of the auditors (Resolution 5).

3. ANY OTHER BUSINESS

To transact any other business that may be legally transacted at an Annual General Meeting.

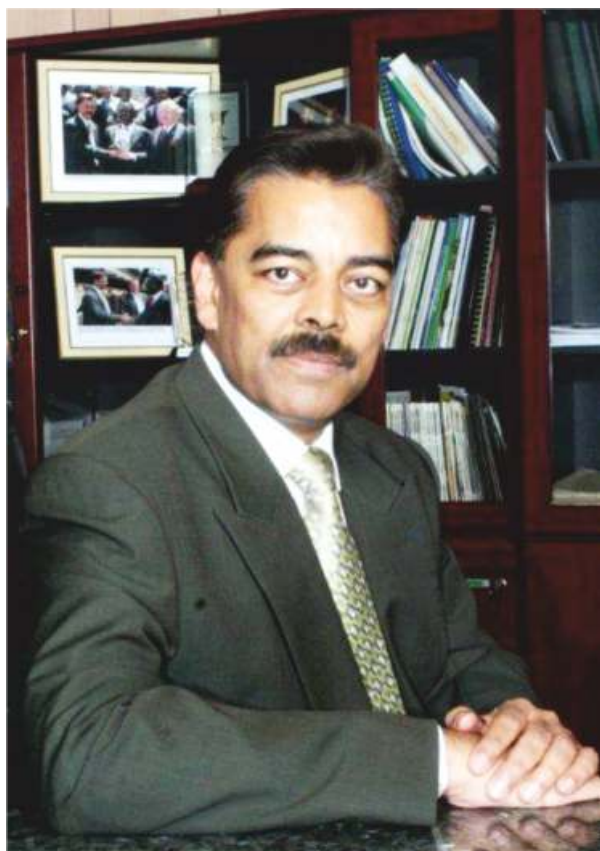
DATED at Nairobi this 15th day of April 2015.

By order of the Board:



SECRETARY

Message from the Chairman



Kenya's economy continues to attract global attention due to various initiatives by both government and the private sector. Various global institutions including the World Bank, Bloomberg and the Brookings institute project that Kenya's economy is set to grow by over six percent in 2015. This expected growth rate is underpinned by initiatives instituted and implemented in 2014. The Kenya Private Sector Alliance continues to play a crucial role in driving the policy reform agenda geared towards improving the overall business environment. We continue to drive this agenda through our engagements and partnerships with the Executive, Legislative and Judicial arms of government, County governments, government agencies and development partners.

KEPSA's consultative advocacy guide is inbuilt into a five-year National Business Agenda (NBA) comprising strategic business advocacy issues which informs business consultation with other

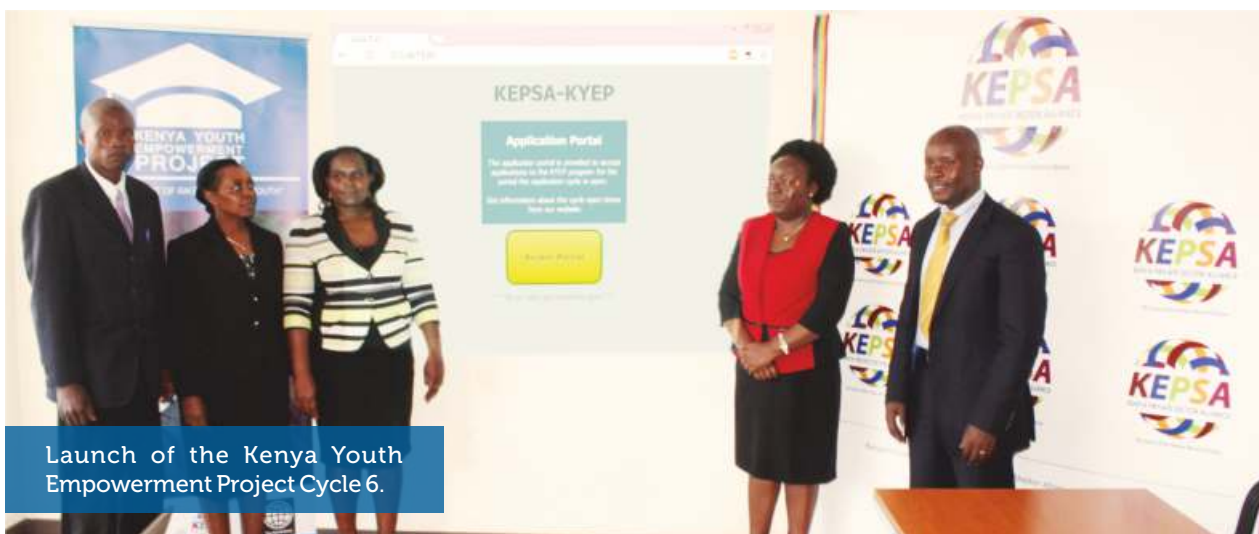
stakeholders to address strategic and cross-cutting issues aimed at improving the business environment and the economy. The present NBA is constructed into five broad thematic areas of:

1. Improving Governance and the Business Regulatory Environment;
2. Upgrading Security;
3. Infrastructure Development;
4. Enhancing Trade & Investment; and
5. Promoting Human Capital Development & Entrepreneurship

Last year, we developed and operationalized a new business strategy to facilitate KEPSA's work towards steering the country on the road to improved performance that will see the country's ranking on the Ease of Doing Business Index move from the current position of 129 to 50 and below in the next five years. Both the KEPSA strategy and National Business Agenda II implementation framework are in sync.

On improving governance and business regulatory environment, KEPSA has provided input on various bills, namely: National Police Service Commission Amendment (Bill) 2013; National Police Service (Amendment) Bill 2014; Public Procurement and Disposal Act 2013; EMCA (Amendment) Bill; Climate Change Bill; Water Bill; Mining Bill and Private Security Industry Regulations Bill; Companies Bill; Insolvency Bill; Business Registration Services Bill; among others to ensure that all laws are business friendly.

Through our advocacy work, the Mombasa Community Port Charter was launched. The charter has established a single command and authority centre thereby reducing the time taken to clear goods at the port of Mombasa from three days to five days and reduced weighbridges from seven to four (Mariakani, Mlolongo, Gilgil and Malaba) among others.



Launch of the Kenya Youth Empowerment Project Cycle 6.

On employment creation, KEPSA has successfully concluded five Cycles and is currently on with Cycle six of the Kenya Youth Empowerment Project (KYEP). Through KYEP, KEPSA contributes to national wealth creation, job creation, government revenue for financing essential public services, and the goods and services required to improve people's quality of life. Results from past cycles show the project is impacting on the lives of the youth with formal jobs' employment rate of 38 per cent.

On infrastructure development, KEPSA has supported improved transport facilities and services initiatives. In particular, KEPSA through the Private Sector Railway's Consortium (PSRC) negotiated for the inclusion of the local business Community in the Standard Gauge Railway line project as part of the government's 30% local content requirement on all major projects. Though a lot more needs to be done to achieve a higher threshold for local participation, the cement industry has been granted 100% access to the project and local manufacturers are now working towards meeting their quota. Negotiations are ongoing for other sectors to gain full access to this historic project which is the largest project of its kind in the region.

Towards upgrading security, KEPSA not only sits on the board of the police reforms implementation committee that monitors and appraises the pace of reforms and operational preparedness, we are also at the forefront in

supporting the enactment of Private Security Industry Bill, Community Policing Policy, Construction of forensics laboratory and the enactment of National Coroners Bill which all aim at reducing cost and revenue losses to businesses due to insecurity.

KEPSA in collaboration with the government continues to work on enhancing the business environment in Kenya by pursuing bold economic and business reforms. Accordingly, we improved in the 2015 Doing Business Report from position 137 to 136 out of 189 economies surveyed globally. Likewise, Kenya's competitiveness index is now rated at 3.9 out of 7.0 (2014- 2015), making it the sixth most competitive economy in Sub-Saharan Africa (after Mauritius, South Africa, Rwanda, Botswana, and Namibia).

Like other international bodies such as Bloomberg, (2015); Fortune, (2015); UNCTAD, WIR, (2014) and Brookings (2014) which recognize Kenya as the 3rd fastest growing economy in the world; the favoured business hub; and one of the seven top investment destinations to watch in the emerging markets, we the voice of the private sector note that Kenya is today ranked as a middle income country with a Gross Domestic Product in excess of US\$55 billion and the fourth largest economy in Sub-Saharan Africa.

Recent discoveries of commercial quantities of oil and natural gas are an added advantage with



higher prospects for Kenya's economic growth. Prudent economic policies have helped the country to anchor the conditions for strong and stable growth thereby keeping inflation within target, improving the business environment and the country's competitiveness.

In 2015, we shall continue pushing more in the same trajectory given the strategic commitments we have undertaken at the highest level of our public private dialogue –that is the Presidential Roundtable with the private sector –to implement bold economic policies, maintain sound economic management and loop in the private sector participation heavily in the form of Public-Private partnerships (PPPs).

The country's positive economy presents business people with various investment opportunities that private sector can focus on. For example:

- i) Development of local content and capacity in Oil and Gas sector through training institutions as well as the development of support services for the sector.
- ii) Exploiting PPPs in Vision 2030 flagship projects such as special economic zones at county level.
- iii) Encouraging formation of partnerships between local private sector and multinationals in mining through the local ownership component.

- iv) Promoting new opportunities for local businesses in energy sub-sector, mainly in geothermal energy to provide cheaper power and growth of independent power producers.

In conclusion I wish to thank all of you for the support accorded to KEPSA in 2014. Your support has afforded us the ability to develop a wider engagement platform that is more results oriented. That said, the impending challenge is on how to expand our capabilities to do more in order to make Kenya the investment destination of choice for both local and foreign investors.

Let us work together as a team as we pursue our strategic focus this year. That is the pursuit of an enabling business environment for private sector growth, increased private sector's contribution to national wealth and employment creation for improved Kenya's global competitiveness.

As always, I welcome stakeholder feedback to help us further achieve these important objectives.

Thank you

Vimal Shah, CBS

Chairman

KEPSA

CEO's Report



I am pleased to report that 2014 was another successful year for the company during which, we delivered significantly on the country's economic growth by mobilising various stakeholders to effect public policy reforms geared towards boosting business, investment, and job creation.

KEPSA's total income grew by 24.5% from KES 161 million in 2013 to KES 200.5 million in 2014 while our surplus funds increased from KES 44.9 million to 59.4 million during the period under review. The growth was largely driven by a 41.6% increase in membership subscriptions which contributed KES 50.6 million in 2014 up from KES 29.5 million in 2013. KEPSA welcomed 57 new members in 2014 while 13 members we reinstated into the KEPSA family increasing our paid up membership to 181 members in 2014 compared to 111 paid up members in 2013.

Nonetheless, we understand that the current revenue streams: projects, membership recruitment and grants from development partners are not sustainable. Thus, we have established KEPSA foundation which is already registered and will be launched during this our

tenth Annual General Meeting. The foundation will implement social projects that affect national development and benefit KEPSA as an additional source of income.

KEPSA's continued to focus on improving the overall business environment through its Public Private Dialogue engagement mechanisms geared towards making Kenya the preferred investment destination on the continent. In this regard KEPSA held three Presidential Roundtables in 2014, at total of 30 Ministerial Stakeholders Forums (MSFs) were held with 15 out of the 18 Ministries while two Speakers Roundtables were held with the National Assembly and the Senate. KEPSA engaged the County governments through the Council of Governors' Forum. Meetings were also held with various state agencies including the Attorney General, the Chief Justice, the Department of immigrations and KRA. We also engaged development partners through the Development Partners Roundtable chaired by His Excellency the Deputy President. A detailed report on each of these engagements is provided for in this annual report.





VAT refunds

Following our engagement with various levels of government the Private Sector secured payment of VAT refunds amounting to KES 29 billion shillings. The National Treasury has since embarked on the payment of the refunds. The first tranche of KES 9.3 billion was to be paid out to three categories:

1. Those claimants with no debt where the payable amount is KES. 2.3 billion- This amount will be paid immediately.
2. Those with debts, but have a positive balance. The amount payable to this category is KES. 4.7 billion, but have a debt of KES. 2 billion. The net payable is KES 2.7 billion. The debt will be reconciled by KRA and any payable amount paid immediately.
3. Those claimants where the debt is more than what is payable to them. The amount payable to this category is KES. 2.7 billion, but the debt amounts to KES 11 billion. The debt will be reconciled with a view to having the claimants settle their debts with KRA.

This is a positive indication that our efforts are bearing fruit.

The Kenya Report 2014

The main impediment for investors seeking to set up shop in Kenya has been the lack of information and statistics on the local economy. Towards this

end, KEPSA and KenInvest partnered with the Oxford Business Group to create 'The Report Kenya 2014' which is a detailed investment guide for the country. The report was launched during the first Kenya International Investment Conference (KIICO). The report offers an in-depth look at Kenya's investment climate highlighting key sectors and bankable projects under vision 2030 that will attract Foreign Direct Investment. Through this partnership we hope to close the wide information gap in various sectors of the economy creating an economic prospectus for the country.

Regional integration

The East African Region is the largest market for locally manufactured goods and services. Towards this end we must continue to pursue greater access to the region through the elimination of trade barriers while at the same time seeking the full realization of the East African integration process. With this in mind KEPSA as the focal point for the East African Business Council (EABC) will be seeking in participation in the EAC Heads of state summit where the private sector will now be recognized as an equal partner in the integration process. In addition to this, KEPSA is developing a new engagement forum dubbed the Regional Ministerial Stakeholder's forum through which the private sector will participate in the formulation of regional integration policies by engaging directly with ministers from all EAC member states.

In conclusion I would like to thank you our members for your continued support and partnership in the development and implementation of our strategic objectives geared towards improving the business environment. I also take this opportunity to thank the outgoing KEPSA Governing Council for your strategic leadership and welcome the newly elected Governing Council under whose guidance and leadership we hope to further KEPSA's agenda. I would also like to thank the Board of Directors for their leadership and guidance as we continue to inspire a new era in public private dialogue and engagement.

Finally I would like to thank the KEPSA secretariat for their tireless efforts in driving KEPSA's agenda. I welcome on board all new staff and managers in various departments as KEPSA continues to expand its capacity to meet the needs of our members geared towards improving the overall business environment for the country.



CAROLE KARIUKI HSC, MBS
Chief Executive Officer
Kenya Private Sector Alliance

KEPSA Secretariat 2015



CAROLE KARIUKI HSC, MBS
Chief Executive Officer



APHLYNE AGINA
Human Resources & Admin Manager



ESTHER MUIGAI
Executive Assistant
Office of the CEO



PASCALINA KAGUNDA
Membership Development
Manager



EHUD GACHUGU
KYEP Director



VICTOR OGALO
Manager, Policy Research
& Analysis



LILY CHEBET MUREI
Manager, Projects & Results
Management



HENRY GITHAIGA
Media Relations &
Communication Manager





CAROLINE ANAMPIU
Finance Manager



ANTHONY WERU
Senior PPD Officer
Trade & Investment



ALEX NENE
Project Assistant Nairobi
KYEP



ALICE NJUGUNA
Procurement Officer
KYEP



BEATRICE MUNDIA
Public-Private Dialogue
(Sector Boards) Officer



BRENDA NYAMBURA
Trade & Investment Officer



BRIAN MWANJILA
Business Environment
Reform Analyst



CAROLYNE NKIROTE
Communication &
Media Relations Officer



CHRIS SHIMBA OCHIENG
Policy & Research Analyst



CYNTHIA KEMBENE
Accounts & Admin Officer - KYEP



DANIEL THAMAINI
Communication &
Publications Officer



DAVYLINE BUSURU
Policy & Research Assistant



DOREEN DIKI
Assistant Internship Officer - KYEP



ERIC NYAMIOBO
Project Officer Kisumu - KYEP



EUNICE MBULUI
Training Officer - KYEP



FAITH NGIGE
Public-Private Dialogue
(Devolution) Officer



FRANCIS NJIRI
Accountant



GICHINGA NDIRANGU
Legal Advisor



HARRISON NGATIA NDIRANGU
Internal Audit Officer - KYEP



JOSEPHINE OTIENO
Monitoring & Evaluation
Officer – KYEP



JUDY CHEGE - NDUNG'U
Internship Officer - KYEP



KATULE ANN
Project Officer Mombasa – KYEP



KENNEDY SAENYI OKUMU
Monitoring & Evaluation Officer



LAUREEN WESONGA
Public-Private Dialogue
(Sector Boards) Officer



LINDAH CHEROP
Assistant Project Officer
Kisumu - KYEP



LYDIA MOCHA
HR & Admin Assistant



MICHAEL MUTISYA
Data Officer - KYEP



MIRIAM OTIENO
Assistant Project Officer
Mombasa – KYEP



ROBERT MUNENE
Office Assistant



SOPHIE WAMALWA
Executive Secretary



SUSAN NG'ANG'A
Public-Private Dialogue Assistant



TIMOTHY ODONGO
Marketing & Membership
Services Officer





Kenya

(please write name of company),

osen, we shall endeavour to do

20

the requirements as set out in the

Report on KEPSA PPD Engagements

KEPSA engages government through various platforms. During the 2014-15 year, the following engagement mechanisms were realized

The Presidential Roundtable

In 2014, three Presidential Roundtables were held in February, June and December. The first PRT was held on 14th February 2014 and the second one, which was a follow up to the first PRT, was convened on June 6, 2014. The areas for discussion at the 2nd PRT were:

1. A progress report on the implementation of recommendations of the first Presidential Roundtable:

1. The National Business Agenda II
 - 2.1 Infrastructure Development
 - 2.2 Security Improvement
 - 2.3 Natural Resources Management

2. Doing Business in Kenya –Bridging the Competitive Gap

- 2.4 Paying Taxes
- 2.5 Energy – Getting Electricity
- 2.6 Land – Registering a Property
- 2.7 Regional Integration- Trading Across Borders
- 2.8 Enforcing Contracts and Resolving Commercial Disputes
- 2.9 Starting a Business

3. Emerging Issues

- 3.1 Conclusion of Economic Partnership Agreements with EU and export promotion
- 3.2 Strengthening Economic Diplomacy
- 3.3 Strengthening Public-Private Dialogue (PPD) and service delivery efficiency

The 3rd PRT was held in December 2014 and covered the following areas:

1. Doing Business Indexes –Doing Business in Kenya
2. One key sector issue with greatest impact to the economy

Resolutions of the 3rd PRT held in December 2014

1. The National Treasury to facilitate payment of VAT Refunds by end of March 2015.
2. Local content to be factored in the construction of Standard Gauge Railway (SGR).
3. By June 2016, KRA will upgrade the Simba System to incorporate new modules for the implementation of the Single Window System and Single Customs Territory
4. The ICT ministry, Energy & Petroleum and Transport & Infrastructure ministry to form a task force to formulate Critical Infrastructure Bill. KEPSA to nominate two representatives to the Committee
5. Amendment of the Kenya Information and Communication Act to allow private sector representation in the Universal Service Fund Advisory Council (USAC)
6. Implementation of the Annuity Financing Model to facilitate the construction of 10,000KM road network by the Ministry of Transport and Infrastructure.



7. Treasury to enforce Public Procurement Regulation on 30% local content for the Youth, Women and People With Disability (PWD) through Access to Government Procurement Opportunities (AGPO) programme
8. Ministry of Lands, Housing and Urban Development to review the National Construction Act, 2013 to reduce the 0.5% Construction levy to a Service Charge

The 4th PRT was held in April 2015 and covered the following three thematic areas;

1. Improving Governance and Business Regulatory Environment
2. Enhancing Trade and Investment
3. Promoting Human Capital Development and Entrepreneurship

Resolutions of the 4th PRT

- a) Three Bills (Evictions and Resettlement Bill, Physical Planning Bill and Community Land Bill) would be ready for submission to Cabinet within 14 days after stakeholder input.
- b) The National Land Policy, Land Registration Act, National Land Commission Act, and Land Act to be reviewed and finalized within the next 30 days.

- c) The Land Information Management System infrastructure is already being piloted in Nairobi and Mombasa. A designed programme will be submitted to Treasury by 30th June 2015 to facilitate roll-out in other land registries nationwide so as to put them on the digital platform.
- d) Export market diversification-Need to strengthen the export strategy and develop an adequate follow-up mechanisms for economic diplomacy to facilitate entry into new markets and tap into trade and investment opportunities signed or negotiated during the various trade and investment missions.
- e) Trade competitiveness-Need to mainstream the regime on fees and charges as well as address the issue of VAT on inputs and IDF fees on raw materials to make Kenya a more competitive producer and manufacturer. Specific discussions will take place during the pre-budget hearings and before submission of the next Finance Bill.
- f) Strengthening of Regulations on counterfeit and illicit trade including investigative capacity of the mandated agencies. Expansion of the mandate of the Anti-Counterfeit Agency to deal with counterfeits, illicit and contraband goods. The Private Sector was encouraged to re-look at the structure of the Agency, assess its gaps and suggest solutions for consideration by government.
- g) Redefinition of the "Buy-Kenya Build-Kenya Policy" to focus on preferential procurement of locally manufactured products and not products supplied by Kenyans. This will support the growth of local SMEs, promote locally-manufactured goods and boost job creation.

- h) Non-Tariff Trade Barriers (NTBs)-Kenya to adopt a more robust and aggressive strategy in conducting trade negotiations on NTBs within the East African Community to advance the interests of Kenyan businesses and protect jobs.
- i) Business regulation- the Companies and Insolvency Bills have already received approval from the Legal Affairs Committee of the National Assembly. The two Bills are to be submitted for debate and eventual enactment. The contentious issues in various sections of the Business Registration Services Bill were being reviewed by the AG and will be submitted to Parliament.
- j) Tourism- Efforts are underway to rebrand Kenya. The Ministry of East African Affairs, Commerce and Tourism had embarked on a PR initiative to address the issues such as travel advisories that hurt the sector. A retreat with all stakeholders is to be organized by the Ministry to plan on tourism rejuvenation.
- k) Need to develop an SME maturity programme/model to support 'Enterprise Kenya' and enable innovation around National Projects. Treasury to set aside KES 1B from the Youth Fund to aid in business start-up development and building Kenyan content.
- l) Establish an inter-ministerial mechanism on "Enterprise Kenya" bringing together the Ministries of ICT; Industrialization; Education; Treasury; Devolution and Planning; EAC Affairs, Commerce and Tourism; Foreign Affairs and International Trade.
- m) The Private Sector to provide feedback on the uptake of the Youth Fund, its challenges and successes informing the level of uptake.
- n) The Education Standards and Quality Assurance Council to set out the requisite skills and monitor adherence of institutions to the outlined quality assurance guidelines.
- o) Recommendations of the National Manpower Survey to be implemented to address the concerns on skills mismatch and labour productivity in order to improve the employability of our labour.
- p) The ICT Ministry to report on progress of Enterprise Kenya in the next PRT.
- q) The Ministry of Industrialisation and Enterprise Development (MoIED) to finalise development of the proposed bill to support financing and start-up companies to grow to large companies.



The Speaker's Roundtable

The Kenya Private Sector Alliance (KEPSA) and the Kenya National Assembly convened at the Leisure Lodge, Diani, on February 7, 2014 under the aegis of the Speaker's Roundtable. The Speaker's Roundtable is one of the mechanisms through which the Private Sector interacts with the legislative arm of government to review upcoming bills. It provides a forum to strengthen ways of working between KEPSA and Parliamentary Departmental Committees on bills relevant to the Private Sector.

The last Speaker's Roundtable deliberated on the framework for continued engagement to ensure that the legislative process provided an enabling environment for the Private Sector. It took into account the fact that the Kenya Private Sector Alliance (KEPSA) and the Kenya National Assembly had maintained partnership on legislative issues since 2009.

The Roundtable acknowledged that the partnership between the National Assembly and KEPSA had served to enrich the quality of debate on various bills. The involvement of KEPSA in



Senator Naisula Lesuuda following proceedings during the Senate Speaker's Roundtable

providing input on various bills was an important element of public participation.

It was agreed to follow-up on the implementation of issues agreed upon at the retreat. Interaction between the National Assembly and KEPSA sector boards was important in addressing legislation on specific sectoral issues of interest and concern to the Private Sector. The Roundtable reviewed the status and issues arising from various bills touching on the following sectors: ICT, tourism, health, finance, land, security, transport, infrastructure, energy and agriculture.

The Council of Governors Roundtable

The consultative meeting between the Kenya Private Sector Alliance (KEPSA) and the Council of Governors convened at the start of the 1st Annual Devolution Conference held at the Leisure Lodge Resort, Diani, on April 2, 2014.

The consultative meeting reviewed the progress achieved during the first year of devolved government and deliberated on the challenges and opportunities for Private Sector investment and engagement in the Counties. It provided opportunity to look at the investment climate in the counties and identify areas in which the business and investment climate could be improved.

The Roundtable also provided a platform of dialogue and stocktaking on devolution as a

whole besides establishing mechanisms for better interaction and coordination between the Private Sector and Council of Governors. There was broad consensus on the need to bridge understanding between County Governments and the Private Sector through synergies that supported investment and development initiatives in the Counties.

The Roundtable, while acknowledging the inherent differences between the counties, considered the need for standardization and harmonization of levies. This would ensure that Finance Acts passed by respective County Assemblies, allowing them to impose various levies, did not impede business or run counter to the constitution.

It was agreed to develop a framework on public participation that would facilitate effective inclusion of the Private Sector in the development and formulation of legislation and policies that impact on business in the counties.

To enhance the competitiveness of counties as destinations for investment, the roundtable considered the need to guide ranking of counties in terms of systems and procedures for investment and business. Attention would also focus on tapping into the knowledge and expertise of the Private Sector to spur economic development and job creation in the counties. Potential areas for such collaboration included energy, value addition, health security, ICT and human resources and capacity strengthening.

Ministerial Stakeholders' Forums

ENERGY AND PETROLEUM

- i) Energy policy has been developed and is awaiting cabinet approval.
- ii) Draft Energy Bill developed
- iii) Draft Net Metering Regulations currently under review
- iv) Installation of 23 new sub-stations to reduce number and duration of power outages
- v) Revision of the fuel margin for oil marketers
- vi) Progress: 280MW of geothermal power has been injected into the national grid.
- vii) Fuel cost charge (FCC) on power bills reduced from 7.22 in July 2014 to 2.51 Ksh/KWh in March 2015.

NATIONAL TREASURY

- i) KRA will by June 2016 have upgraded the Simba System to incorporate the new module for the implementation of the Single Window System and the Single Customs Territory
- ii) The National Treasury to facilitate the full payment of VAT refunds by the first quarter of 2015
- iii) Draft Public Procurement and Asset Disposal (PPAD) Bill is before parliament, with regulations awaiting publication in the Kenya Gazette.
- iv) Draft Excise Tax amendment bill ready, income tax amendment bill to be drafted and completed later in 2015



Members of the Private Sector meet with National Treasury CS. Henry Rotich



INFORMATION, COMMUNICATION AND TECHNOLOGY (ICT)

- i) Critical Infrastructure Bill Taskforce has been set up and names of members published in the Kenya Gazette. Target is for Bill to be published, debated and enacted before the reading of the Supplementary budget 2015/2016
- ii) Data Protection Bill and Access to Information Bill have been approved by cabinet and are awaiting debate in the national assembly
- iii) Ongoing discussions between the Director of Public Prosecutions (DPP) office and ICT Ministry on development of Cyber Crime legal framework

HEALTH

- i) VAT on medical raw materials removed and amendment signed by the President, reducing the cost of accessing healthcare

EAC COMMERCE AND TOURISM

- i) Draft EAC trade policy being developed and Bill on legally binding mechanisms for Non-Tariff Barriers forwarded to East Africa Legislative Assembly (EALA)
- ii) Approval of EAC Rules of Origin, published in the Kenya Gazette and the rules are ready for implementation
- iii) Tourism Recovery Task Force, set up to reverse Kenya's declining tourism markets, is finalizing its report.

TRANSPORT AND INFRASTRUCTURE DEVELOPMENT

- i) Local cement manufacturers granted 100% access to the SGR Project; with the exception of the 6000 Tonnes previously imported.
- ii) Compliance to legal notice No:#1/14 of 2013 and National Construction Authorities (NCA) Regulation on local component still not being adhered by all Government agencies and parastatals
- iii) All Kenya Rural Roads Authority (KeRRA), Kenya Urban Roads Authority (KURA) pending contractors Bill have been cleared. The Kenya National Highways Authority (KeNHA) Bills yet to be settled
- iv) Draft Annuity Fund Regulations developed. Construction of 10,000km road network through Annuity programme has commenced; two bids have been qualified for construction of the first 650 KM

ENVIRONMENT, WATER AND MINERAL RESOURCES

- i) Environmental Management and Coordination Act (EMCA) Amendment awaiting presidential assent
- ii) Climate Change Bill awaiting Presidential Assent
- iii) Harmonize levies by (Water Resources Management Authority) WRMA and National Environment Management Authority (NEMA): Process of harmonization has already begun and now pending Gazette notice

AGRICULTURE, LIVESTOCK AND FISHERIES

- i) COMESA safeguards have been extended for one year insulating local sugar industries but envisaged measures to protect the industry are yet to be put in place
- ii) Proposals to review taxation in the agricultural sector has been forwarded to the National Treasury for consideration in the FY 2015/16 Budget formulation
- iii) Privatization of fertilizer importation and process of constructing a fertilizer factory underway.

SPORTS, CULTURE & ARTS

- i) Anti-doping agency established
- ii) Sports Act 2013 developed and implementation commenced
- iii) Music policy developed to regulate management of music
- iv) A Film policy and draft Film Bill developed
- v) Culture policy 2007 is being aligned to the 2010 constitution and a Draft Culture Bill being developed.

INDUSTRIALIZATION AND ENTERPRISE DEVELOPMENT

- i) Five industrial zones have been identified between Nairobi and Mombasa. The Industrial Parks and zones are to be both privately and government owned
- ii) Establishment of Special Economic Zones to address Low export diversification and over-reliance on primary produce for exports. The Special Economic Zones Bill has gone through first reading in parliament
- iii) Draft 'Buy Kenya Build Kenya' Policy has been developed and aspects of local content incorporated in the Public Procurement while the Asset Disposal Bill is currently before parliament.



Industrialization and Enterprise Development Ministerial Stakeholder Forum held on 25th February 2015



Kenya Power Managing Director, Dr. Ben Chumo addresses Energy Sector stakeholders during the KPLC-KEPSA Power Purchase Agreement Retreat

EDUCATION SCIENCE AND TECHNOLOGY

- i) Education Standard and Quality Assurance Council was launched in November
- ii) Permanent Working Group on Technical Industrial Vocational Training has been constituted to increase investment in TVET institutions
- iii) An Innovation Working Group is being constituted to match education curriculum with employers' needs
- iv) The final draft of the Alternative Provision of Basic Education and Training (APBET) policy on informal schools is awaiting approval by the CS and publication in the Kenya Gazette
- v) Ministry has sent out regulations to informal schools outlining regulations and processes on registration of candidates in informal schools

DEVOLUTION & PLANNING

- i) An additional 18 'Huduma' Centres have been opened and are now offering 35 decentralized services to Kenyans from 23 counties.
- ii) A Status report with a workable formula to attain the 2/3rd gender rule by August 2015, has been prepared by the working group of relevant stakeholders and was submitted to the Attorney General on 17th February, 2015

Other engagements held with State Agencies

KEPSA also engaged with the following Agencies

- a) Kenya Revenue Authority (KRA) on taxation issues;
- b) Energy Regulatory Commission and Kenya Power Company on energy matters focusing on affordability, availability and reliability of energy as well as the development of structured feed in tariffs through the development of an all-inclusive Power Purchase Agreement
- c) Director of Immigration, Inspector General of Police and National Police Service Commission on immigration and security matters

Regional Integration and International Trade

KEPSA participated in various regional integration and international forums. These include:

- 1) East Africa Business Council Kenya Chapter CEOs Forum with EAC Secretary General
- 2) Northern Corridor Infrastructure Summit
- 3) EAC /WTO Trade Facilitation Agreement Workshop
- 4) US-Africa Summit
- 5) Kenya International Investment Conference (KIICO)

A Review Of Kepsa Legislative Engagements In 2014

Introduction

In 2014, KEPSA reviewed and submitted recommendations for amendment to various bills besides engaging in consultations with various stakeholders on legislative issues. The primary aim in these interactions was to ensure that the legislative framework supported an enabling environment for business. The engagements also aimed at ensuring that legislative processes benefitted from the knowledge and insight of the Private sector. KEPSA was engaged in the following legislative initiatives:

The Community Land Bill

KEPSA prepared observations on the Community land Bill which is one of the laws required under the new Constitution as part of land reforms. The bill has been developed to give effect to Article 63 (5) of the Constitution to:

- Provide for the recognition, protection, management and administration of community land;
- Establish and define the powers of Community Land Boards and management committees; and,
- Provide for the powers of county governments in relation to unregistered community land.

The bill seeks to articulate a clear framework on the administration of community land and regulate access to such land. It also recognizes and protects customary rights to land and acknowledges community interests in land ownership.

It is expected that this Bill will provide the necessary social and economic incentives for productive use of land as a resource and factor of production. KEPSA has recognized the Community Land Bill as setting out important benchmarks granted that the predominant focus of Kenya's legislation has been on protecting private land rights with a weak framework governing productive utilization of public land.

The Companies Act

The review of the Companies Act has gained momentum with an aim of aligning the legislation to the specific demands of the 21st century. The Companies Act is the overarching law regulating public and private companies in Kenya. It covers issues such as incorporation and registration; appointment of directors; conduct of meetings and passing of resolutions; winding up of companies amongst others.

KEPSA analysed the proposed Companies Act and made recommendations on these sections. The Bill has been published and is under review by the Committee on Trade, Finance and Planning before its presentation for the second reading.

Central Bank of Kenya (Amendment) Bill

KEPSA participated in a stakeholders' consultative meeting on the Central Bank of Kenya Bill. The bill seeks to replace the existing Central Bank Act and provide a framework for implementation of the monetary policy to ensure financial stability and a stable macro-economic environment. Amendments to the CBK Act were necessitated by the enactment of the new Constitution which created safeguards for the CBK.

The Bill creates spells out the specific functions of the Central Bank of Kenya which include monetary policy; licensing of financial institutions; issuing and managing currency; and, serving as a banker to the national treasury. KEPSA made recommendations for amendment in the areas of monetary policy, governance and organization of the CBK. Debate on the bill is pending after its publication.



Private Security Industry Regulation Bill 2014

The National Assembly published the Private Security Industry Regulation Bill 2014 to establish a framework for cooperation between Private Security Service providers and national security agencies. Once enacted into law, the bill will regulate the registration of Private Security firms and make it a mandatory requirement to seek registration with the Authority created under the Act before offering security services.

KEPSA submitted recommendations to the Parliamentary Departmental Committee on Security and Administration of Justice on areas of possible amendments. The recommendations focused on enabling private security firms play an effective and complimentary role in supporting the work of the police. The bill has been presented to the National Assembly and awaits enactment once stakeholder participation is finalized.

Environmental Management and Coordination Act (Amendment) Bill

KEPSA appeared before the Parliamentary Departmental Committee on Environment and Natural Resources and presented proposed amendments to the Environmental Management and Coordination Act (Amendment) Bill. The submission addressed the need to ensure that the bill was aligned to the provisions of the Constitution as they relate to environmental matters under Chapter 5; ensuring good governance in the institutional framework established in the environmental sector; securing a viable and predictable investment climate; and, keeping up with best practice in the area of environmental law and policy formulation.

The amendments proposed by KEPSA addressed the need for a legal framework that would safeguard local and foreign investment by ensuring the regulation is not unduly burdensome on business. The bill awaits enactment once it goes through the third reading.

Water Bill

A further submission was made to the Parliamentary Departmental Committee on Environment and Natural Resources on proposed amendments to the Water Bill. The Water Bill 2014 seeks to amend the Water Act 2002 to align it to the provisions of the new constitution and recognize the role of devolved government in the management of water resources. The Bill is anchored on the draft National Water Policy 2013 which recognizes access to water as a fundamental element of national development. The Water Bill awaits the third reading before enactment into law.

The Public Procurement and Asset Disposal Bill

Following consultation with members, KEPSA submitted suggested amendments to the Public Procurement and Asset Disposal Bill. The bill seeks to implement article 227 of the constitution. It was due to have come into effect within the first four years following the promulgation of the new constitution in August 2010.

The bill, coming at a time of significant reforms in public financial management, recognizes the critical and strategic role played by the government in managing public resources through procurement for public works and services under contracts and tenders awarded by various public entities.

KEPSA submitted suggested amendments covering affirmative interventions for locally produced goods and services; the role of the Public Procurement

Oversight Authority, governance framework created under the bill and the complaints mechanism amongst others. The bill has been published and awaits stakeholder review after its second reading

Regional legislative engagements

In view of the growing role of the East African Community (EAC) in regulating regional trade, KEPSA has reviewed and made recommendation on various laws that impact on the EAC.

A key demand placed on the EAC Partner States arising from the ratification of the Common Market Protocol is the need to align national legislation to the provisions of the Protocol and in line with Article 47.

As a result, and following the ratification of the Protocol, EAC Partner States were required to review national legislation and policies to give effect to the implementation of the Protocol. Among the laws that required review to be aligned to the provisions of the Protocol were those dealing with Companies, Insolvency, Partnerships, Business Names Registration, Immigration, Labour and Employment.

KEPSA submitted comments on amendments proposed by the Department of East African Affairs on reviewing Kenya's legislation to align to provisions of the East Africa

KEPSA proposed amendments to the Investment Promotion Act (CAP 6 of 2004) to facilitate investment by treating both local and "foreign" investors in the same manner. Investors from the EAC Partner States will enjoy a range of investment incentives with clear certainty since there is no further distinction between "local" and "foreign" investors.

KEPSA also proposed amendments to the **Foreign Investment Promotion Act** to take into account the admission of both Rwanda and Burundi to the EAC and accords them the same rights and obligations under the EAC Treaty enjoyed by the original three Partner States of Kenya, Uganda and United Republic of Tanzania.

The effect of this proposed amendment is to grant the citizens of the Partner States similar rights which means that such citizens will not require special protection for their investments since the Protocol provides for the free movement of capital and the right of establishment in any of the EAC Partner States.

Amendments were also proposed to the **Bills of Exchange Act (CAP 27)** to reflect the composition of the EAC in its totality as constituted by the 5 Partner states

of Republic of Kenya, Republic of Uganda, Republic of Rwanda, Republic of Burundi and the United Republic of Tanzania. This amendment will mean that bills of exchange drawn in any of the EAC Partner States will be treated as Inland Bills in Kenya.

In respect of the **Export Processing Zones Act (CAP 517)**, KEPSA recommended dispensing with the requirement a Company registered in any of the EAC Partner States would still require registration in Kenya under the Companies Act.

This proposed amendment aimed at facilitating the operations of companies registered in the Partner States to operate without the burden of parallel registration under the Companies Act. This will enhance the attractiveness of investment in the Export Processing Zones in the region. The EAC is now reviewing a legislative framework that will harmonize operations of company registries and support the implementation of the proposed amendments.

Legislative engagements with institutions

Among the institutions that KEPSA engaged with in 2014 on legislative issues was the judiciary through the Judiciary Training Institute. KEPSA addressed a forum of judges drawn from the High Court and the Court of Appeal on speedy dispute resolution.

KEPSA emphasized the role of the judiciary in enhancing investor confidence through decisions based on sound reasoning and which established certainty and predictability in the interpretation and enforcement of contracts.

KEPSA observed that “business confidence can only be established under an environment which is clear, certain, fair and impartial. This would in turn attract investors certain that the judicial process, including the enforcement of contracts, is one that secures a stable and predictable environment for business enterprise”.

The judges, who had invited KEPSA to share an external perspective on the emerging jurisprudence in the resolution of commercial disputes, were challenged to develop a clear and predictable jurisprudence since investors always factored in risks arising from the manner of resolving disputes and enforcing contracts. “Uncertainty over the enforcement of rights can be a disincentive and an important consideration in determining the location of investments”, warned KEPSA.

Engagement with Attorney General's Office

KEPSA also submitted views to the Office of the Attorney General and Department of Justice on foreign equity participation in key sectors of the economy. KEPSA highlighted the need for reforms to reflect the essence of a truly liberalized economic environment that facilitated participation by both local and foreign investors.

KEPSA examined possible areas of legislative reform on existing requirements for equity participation where caveats exist on foreign equity participation. The legislation reviewed covered: mining, aviation, insurance, telecommunications and land ownership.



Retreat on Special Economic Zones Bill 2015 convened jointly by KEPSA and the Parliamentary Departmental Committee on Trade, Finance and Planning held from 9th -11th April 2015 in Mombasa.

Establishment of the KEPSA Foundation



As part of its long-term sustainability strategy recommended in the new Business Strategy, KEPSA embarked on a process leading to development of a KEPSA Foundation; the Board of 10 Trustees has been formally constituted with Chairman Dennis Awori, Vice Chair Ach. Lee Karuri, Treasurer Eng. Patrick Obath and Secretary Carole Kariuki (KEPSA CEO). The focus and mandate of the KEPSA Foundation will be to offer KEPSA's sustainability of funds that will be used to fund KEPSA's core activities. Secondly, the Foundation will engage and devote its resources to social programmes and activities that focus on youth empowerment, peace and national cohesion alongside Corporate Social Responsibility through social interventions in support of the national development agenda. In this regard the Kenya Youth Employment Project (KYEP) and Mkenya Daima will be handed over to the Foundation. In view of the strong social imprint informing the work of the Foundation, it is considered necessary to establish means of raising and mobilizing resources in support of the Foundation's mandate.

FOUNDATION TRUSTEES

Amb. Dennis Awori

Eng. Patrick Obath

Ms. Carole Kariuki

Dr. Manu Chandaria

Dr. Joe Wanjui

Ms. Gloria Ndekei

Mr. Bill Lay

Mr. Polycarp Igathe

Mr. Arun Devani

Arch. Lee Karuri

Overview of KEPSA Programs & Projects

1.0 Program/Project Summaries

KEPSA's current and new projects are designed to support the implementation of NBA II whose aim is to harness the power of the private sector to drive Kenya's competitiveness and economic growth.

TITLE	GOAL/OBJECTIVE	FOCUS/PROGRESS
Enhancing Private Sector participation in Governance Reforms II	To strengthen the private sector's ability to engage with the government in policymaking at the national and county level	-Development of National Business Agenda II (NBAlI), advocacy issues for the next five years ((2013-2018) , Public- Private Dialogue engagements and Communication Strategy
Business Sector Programme Support (BSPSII) Phase Two	Create employment in micro, small and medium sized enterprises (SMEs), especially for young women and men	<p>-Provide funding to five national level partners covering three major components namely:</p> <ul style="list-style-type: none"> (i) improvement of the business environment, (ii) increased market access for MSMEs and (iii) innovations and piloting of green energy. <p>The program has offered support to business membership organisations (BMOs) to advocate for business environment related reforms in Kenya and more broadly in the East Africa region.</p> <p>The programme has offered support to SMEs to enable them develop targeted value-chains geared towards the improving competitiveness and access to markets.</p> <p>The programme has incentivized and enabled businesses to exploit market opportunities in new climate change technologies through related finance.</p>





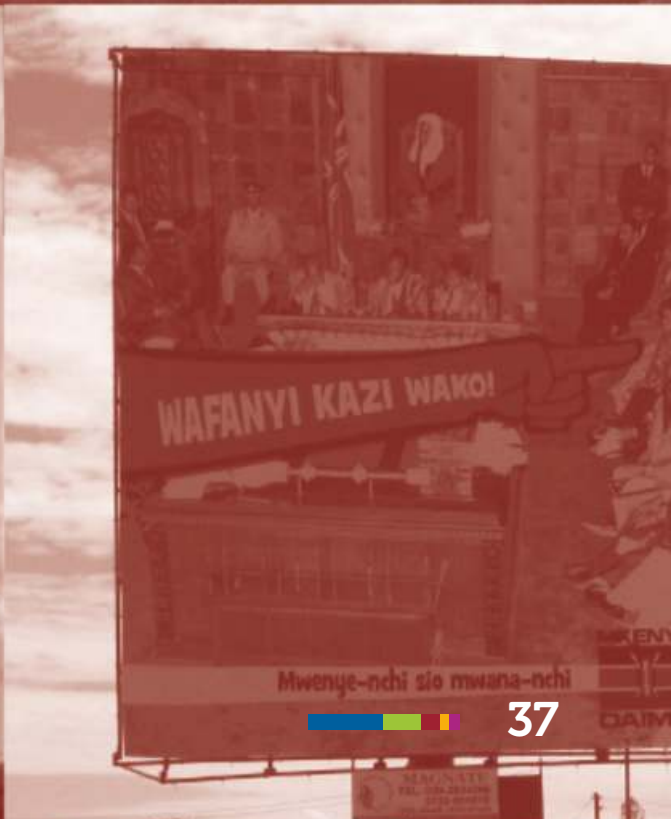
TITLE	GOAL/OBJECTIVE	FOCUS/PROGRESS
Improving Business Environment and Market Access to enhance Kenyan Trade	<p>Improving the business environment and market access to enhance Kenyan trade</p>	<p>The program builds up on the initial phase where specific studies were undertaken identify obstacles that hinder private sector efforts in advocating for reforms that create an enabling business environment. These challenges include:</p> <ul style="list-style-type: none"> I. low awareness amongst KEPSA members of the national policy environment, EAC policies and processes; II. constrained staff and technical capacity; and III. inadequate research and analytical capacity to back up its advocacy campaigns. <p>The project encompasses three advocacy components namely;</p> <ul style="list-style-type: none"> a) address logistical constraints in the Port of Mombasa and Northern Corridor; b) catalyse policy reforms and legislation to improve the domestic business environment and c) increase the influence of KEPSA on domestication of various EAC protocols to further Kenya's trade interests in the region. <p>In addition to these, the project also seeks to strengthen KEPSA's institutional capacity by ensuring it has appropriate tools and effective staff to strengthen its advocacy and delivery of results.</p>
Economic Empowerment Programme <i>(Inclusive and sustainable growth Component)</i>	<p>Policies promoting a business environment conducive of Micro and Small Enterprise (MSE) sector development and the economic inclusion of youth and women have been formulated and implemented Public-Private collaboration enhanced</p>	<p>The programme is aimed at supporting the government in achieving MTPII priorities related to inclusive and equitable growth of the country. KEPSA is expected to implement activities that support institutionalization of public-private dialogue (PPD), by spearheading the development of PPD Policy, fostering inclusive business agenda in Kenya, with a particular focus on linking established, large companies with micro companies/small holders and fostering development and piloting of selected, innovative and inclusive business initiatives.</p>



TITLE	GOAL/OBJECTIVE	FOCUS/PROGRESS
Institutional Strengthening and Policy Research Programme	Strengthen KEPSA's Institutional capacity to effectively advocate for private sector issues	<p>The project aims to provide institutional strengthening support to boost KEPSA's financial sustainability, organisational and delivery capability to effectively deliver on its mandate.</p> <p>The project is implemented in two phases:</p> <p>Phase I: Design (inception)</p> <p>Focuses on rapid support and business strategy with action plan and TORs to draw up and agree on the road map to deliver agreed outcomes. It involves outlining the immediate actions and steps to be undertaken to roll out the activities and reform measures required support the review and implementation of recommendations from key strategy documents.</p> <p>Phase II: Implementation of the Action Plan</p> <p>Roll out of the agreed activities including supporting KEPSA grow its financial sustainability using own-capacity and revenue base, strengthening organisational capacity and delivering and revamping structures to facilitate effective delivery of the programme including Development and implementation of the Balanced Score Card to track the implementation of KEPSA Business strategy.</p>

PROJECT TITLE	GOAL/OBJECTIVE	FOCUS/PROGRESS
My Kenya Campaign (Mkenya Daima)	Foster peaceful coexistence and peace for economic growth and prosperity for the country.	<p>Mkenya Daima campaign was spearheaded by the KEPSA and the steering team was made up of business leaders, civil society, religious leaders, NCIC, Vision 2030 and the media. It drew lessons from Kenyans-for-Kenya initiative and business involvement in the 2008 national accord negotiation.</p> <p>The ultimate aim of Mkenya Daima campaign was to;</p> <ul style="list-style-type: none"> Contribute to building a foundation for a better Kenya in line with the New Constitution and our aspirations as a nation. Have country with leaders of integrity who would work to improve the quality of life enjoyed by ordinary citizens everywhere in the country; Have a Kenya that has responsible and actively engaged citizens who would themselves rise up to the challenge of improving their own lives as well as hold leaders and institutions to account; and Have a Kenya that provides a conducive environment for business and for every stakeholder and citizens to realize their highest aspirations. <p>The project was implemented in phases and sought to promote peace before, during and after the general elections and extension granted to deal with emerging issues that can destabilise peace being experiences/enjoyed.</p>

& PROJECTS





Kenya Youth Empowerment Project (KYEP) Report

Introduction

Since the project inception, a number of improvement as well as innovations have been made in the project. Specifically, the training curriculum has over the cycles been enhanced to improve the chances of the youth participating in the programme in securing employment. In particular, Interview skills clinics for the formal group was introduced, Market place during Life Skills Training and Mentorship Sessions throughout the Trainings was also introduced. All these innovations are meant to improve employability skills among the interns participating in the program. Workplace extension was positively welcomed by both the interns and employers who had earlier provided the suggestion to prolong the Internship duration during the previous cycles Beneficiary Assessment. The intermediate outcome of this extension will be established once the ongoing cycle 5 Tracer Survey is concluded.

Following a technical assessment of KYEP carried out by the World Bank and the Government of Kenya in January 2014, it resolved that Sector Specific Training components of the program be dropped due to their low impact on youth employability. To compensate for this, an additional 5 days of Advanced Life Skills Training and an extension of Work Place experience by one month from the initial three months to four months in cycle 5 and 6 were provided to the interns. The advanced Life Skills Training aimed at helping youth to effectively transition from Training to Workplace as well as to provide further skills to help them increase chances of securing employment. The one month extension was meant to ensure the Interns master the skills of trade in their various placement sectors.

A total of 19,532 (an average 45% female) youth have successfully completed Life Skills Training. Additionally, a total of 8,293 youth have completed the six month Training and Internship program from cycle 1-5. Currently, cycle 6 is ongoing with a total of 6,515 having concluded Training. Project core objective is to ensure that at least 50% of the interns completing the programme are employed or self-employed six months after internship completion. Internal post programme completion tracer surveys have continued to reveal positive intermediate project outcome as evidenced from the average of 85% of the Interns who have either secured employment or

gone for further skills development within 6 months after Internship completion between cycle 1 and 4. Specifically, 76% secured employment and 9% in further skills development.

Besides, the project has continued to be received positively by both the Beneficiaries and other Stake holders in the project as evidenced by both the Cycle 2 Impact Evaluation as well as cycle 4 Beneficiary Assessment undertaken by independent external consultants. From the recently concluded cycle 4 Beneficiary Assessment, preliminary findings revealed that the programme is considered appropriately designed and implemented. The Life skills Training element has continued to be rated highly satisfactory by all the interns in the three implementation locations (Nairobi, Mombasa and Kisumu). Over 80% of both the completed and dropout interns rated the programme as very good or excellent. With the continuous improvement in the programme, there has been notable increase in satisfaction levels by both the Project Employers and beneficiaries with the Training and Internship Programme. This is evidenced by the general increase in satisfaction levels among the employers by 20% between cycle 1 and cycle 4, from 64% in cycle 1 to 84% in cycle 4. Conversely, the satisfaction levels increased by 7% from 79% in cycle 1 to 86% in cycle 4 that is among the interns.

Cycle 5 Summary Report

In cycle 5, a total of 19,225 applications were received, out of which 13,258 were eligible and 5,600 (50% female) youth randomly selected to participate in the project. This is a clear indication of the demand of the project among the youth. A total of 4,935 youth successfully completed Life Skills Training and 3,172(52% F) beneficiaries successfully completed cycle 5, six- month Training and Internship program. The table below provides a summary of the Trainings undertaken.

Table 1: Cycle 5 Training & Internship Programme Participation

TRAINING	DURATION	NAIROBI	MOMBASA	KISUMU	TOTALS
Life Skills Training	2 weeks	2604 (1268F)	1377 (697F)	954 (486F)	4935
Core Business Skills Training	3-5 weeks	2287 (1123F)	1198 (601F)	887 (450F)	4372
Entrepreneurship Skills Training	2 weeks	1641 (815F)	1029 (507F)	664 (323F)	3334
Advanced Life Skills Training	5 days	1974 (993F)	1083 (538F)	817 (414F)	3874
Internship (Workplace)	4 months	1448 (769F)	955 (482F)	769 (394F)	3172

Currently, the program is carrying out a tracer survey to establish intern's status post program completion to ascertain their engagement and establish whether the programme has in the short term impacted in their lives in any way.

Cycle 6 Summary Report (Ongoing)

In cycle 6, a total of 25,490 applications were received, out of which 15,977 were eligible and 8,400 (50% female) youth randomly selected to participate in the project. Thereafter, a total of 6,515 (48%F) cycle 6 interns successfully completed Life Skills Training. Table 2 below provides the summary of the Trainings undertaken have benefitted from. Cycle 6 beneficiaries started their Work Place Experience on 13th April 2015 scheduled to run for a period of 4 months.

Table 2: Cycle 6 Training Participation

TRAINING	DURATION	NAIROBI	MOMBASA	KISUMU	TOTALS
Life Skills Training	2 weeks	2924 (1346F)	1677 (754F)	1930 (1082F)	6531
Core Business Skills Training	3-5 weeks	2447 (1129F)	1375 (642F)	1664 (910F)	5486
Entrepreneurship Skills Training	2 weeks	1226 (558F)	1027 (464F)	1396 (772F)	3649

Project Impact Evaluation Study Findings

An impact evaluation was conducted for KYEP during the 2nd cycle of the implementation. The study has now been finalized and the following are the key findings of the study;

KYEP contributed to help Kenyan youth find jobs in a cost effective manner. The program has been successful in placing youth in paid jobs and contributed to an increase of 5.6 percent in employment among male participants and 6.6 percent among female participants. Positive effects are also found on wage earnings, especially among females and among older males: wages increased by about KES 5,000 among males and by KES 7,500 for females. With a total unit cost of KES 97,000 per beneficiary and an estimated KES 6,768 monthly gain for males and KES 9,623 monthly gain for females, the benefits of the program exceed the costs for both males and females. This implies that it will take about 14 months for program benefits for male youth to

offset the costs of the program and only 10 months for female youth.

KYEP unit costs compare favorably to similar programs implemented in other developing countries for which information is available.

The total cost per beneficiary is about KES 84,000 (USD 1,000) excluding administrative costs and about KES 97,000 (USD 1,150) including administrative costs. The unit cost – not adjusted for inflation - is aligned with similar programs such as **Jovenes en Accion** in Colombia which cost about USD 750 per person in 2005.

Employment effects are mainly driven by the formal sector (wage employment), especially among male youth. The increase in wage employment among males assigned to internships also translates to a significant increase in the number of hours worked per week. Higher employment outcomes are associated with interns in firms operating in the finance, energy and tourism sectors.

To make life skill training effective in promoting employability, it needs to be combined with technical and on-the job training. While impact evaluation results show that two weeks of Life Skills Training alone are not enough to promote employment and self-employment, it proved successful in building confidence and better communication and behavior at the workplace when combined with internships. Qualitative evidence supports an enthusiastic positive feedback on the utility and relevance of this component of the class based training (compared to the technical Sector Specific and Core Business Training).

The impacts discussed in this study refer to the implementation of KYEP in urban settings only; challenges in the rural settings and higher institutional capacity need to be considered to scale up KYEP nationwide. Given the challenges linked to rural settings, including the limited supply of training institutions, lack of wage jobs in rural areas and higher presence of the informal sector, program design and implementation need to be adjusted to further emphasize the Jua Kali apprenticeship model of the program.

Easing access to capital and linking beneficiaries to business development services would be recommended to improve self-

employment. In urban settings, the program helped address the self-employment constraints only partially by building the basic business skills. While overall no effects were found on the probability of starting up a new business, being self-employed or working for a family business, impacts on self-employment or employment in family enterprise are significant for lower educated youth (primary and secondary drop-outs).

Conclusion

Clearly, besides addressing unemployment, policy interventions should focus on the issues of job quality and youth inactivity. In terms of policy interventions, the demarcation of the related challenges is vital, since what might work in reducing unemployment may not address poor quality jobs or inactivity. Although the government and other stakeholders tend to put more focus on unemployment, there should be sustained effort and policies to address labor market related challenges that encompass remedies for “inactivity” and “poor quality jobs” as well. This is because inactivity and poor quality jobs actually affect a larger share of youth relative to those openly unemployed.



The Kenya Youth Empowerment Project team present a gift to Optiven Limited CEO Mr. George Wachiuri, a KEPSA-KYEP employer for being crowned top SME in 2014



Strengthening Kepsa Through Staff Capacity Building

During the period we recruited a total of seven new staff members to enable the reorganization of the KEPSA Secretariat in line with the expansion recommended in the KEPSA 2014-2018 Business Strategy in order to strengthen its thought leadership and public private dialogue capacity. The positions filled were; Manager, Projects and Results Management; Manager, Media Relations and Communications; Public Private Dialogue Officer (Sector Boards); Public Private Dialogue Officer (Devolution); Trade and Investment officer; and Communications and Publications officer.

The Secretariat is now organised into three Directorates: Policy, Research and Advocacy; Operations; and Media, Marketing and Communication each supported by respective Departmental Managers.

Staff induction and team building workshop

The KEPSA Secretariat team attended an induction and team building workshop at the Lukenya Getaway on 19th and 20th February, 2015



The KEPSA Secretariat team attempts a team building challenge during the workshop at Lukenya Getaway

Development of a Balanced Scorecard System for supporting implementation of KEPSA's Business Strategy

The KEPSA Secretariat attended a two day Balanced Score Card Training on 13th and 14th April, 2015 at Strathmore Business School.



Celebrating staff achievements and rewarding the excellent performance



KEPSA staff cut a cake to celebrate all their birthdays at Lukenya Getaway

Building staff capacity by organizing investment talks for staff



Optiven Limited Founder CEO, Mr. George Wachiuri gives an investment talk to the KEPSA staff

The background of the slide features a close-up, angled view of a calculator and a pen resting on a document. The calculator is white with dark grey buttons, showing a '+' button and a '=' button. The document contains financial data, including numbers like 2700, -139.00, -144, -434, -356, -688, and 2706.00. A silver pen is positioned diagonally across the document. The entire image is overlaid with a semi-transparent purple filter.

Financial Report For the year ended 31st December 2014

Company Information

Board of directors

Mr. Vimal Shah - Chairman
Dr. Laila Macharia - Vice Chairman
Eng. Patrick E.O. Obath
Mr. Japh Olende
Mr. Nick Nesbitt
Ms. Rita Kavashe
Ms. Gloria Ndekei
Mr. Adam Jillo
Mr. Christopher Wilson
Eng. Erastus Kabutu Mwongera
Mr. Kiprono Kittony
Mr. Muhoho Kenyatta
Mr. Jeremy Awori
Mr. Polycarp Igathe
Mr. Richard Muteti
Ms. Irene Nyoike

Company secretary

Anastacia Kioko Mululu
Archer and Wilcock Advocates
Elgeyo Marakwet close
P.O. Box 10201 - 00400
Nairobi,
Kenya.

Registered office

L.R. No.209/8592/1
5th Floor, Shelter Afrique Building
Mamlaka Road
P.O. Box 3556 - 00100
Nairobi,
Kenya.

Independent auditor

RSM Ashvir
Certified Public Accountants
1st Floor, Pacis Centre, Slip Road,
Off Waiyaki Way, Westlands
P.O. Box 44 - 00606
Nairobi,
Kenya.

Principal bankers

NIC Bank Ltd.
City Centre Branch.

Kenya Commercial Bank Ltd.
Kipande House Branch

FINANCIAL

Report of the Directors

The directors submit their report together with the audited financial statements for the year ended 31st December 2014, which disclose the state of affairs of the company.

Incorporation

The company is incorporated in Kenya under the Kenyan Companies Act as a company limited by guarantee, and is domiciled in Kenya. The address of the registered office is set out on page 1.

Principal activities

The organization seeks to bring together the private sector representative organizations to enable them to speak with one voice so as to influence public policy formulation. Through constructive dialogue KEPSA engages the government in the formulation and implementation of pro-growth policies that maximize

Results

The net surplus from general operations of Shs 18,324,623 (2013: Shs 22,985,460) has been transferred to the general fund, while the surplus of projects funds received over the amount spent on the project of Shs 41,050,669 (2013: Shs 21,927,781) has been carried forward as projects fund balance.

Directorate

The directors who held office during the year and to the date of this report are set out on page 1.

Auditor

The company's auditor, RSM Ashvir, has expressed its willingness to continue in office in accordance with the Section 159 (2) of the Kenyan Companies Act.

By order of the board



Chairman, KEPSA Board

Nairobi 18TH APRIL 2015

Statement of Directors' Responsibilities

The Kenyan Companies Act requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company as at the end of the financial year and of its surplus or deficit for that year. It also requires the directors to ensure that the company maintains proper accounting records that disclose, with reasonable accuracy, the financial position of the company. The directors are also responsible for safeguarding the assets of the company.

The directors accept responsibility for the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error. They also accept responsibility for:

- i) designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements;
- ii) selecting and applying appropriate accounting policies; and
- iii) making accounting estimates and judgements that are reasonable in the circumstances.

The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the company as at 31st December 2014 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standard for Small and Medium-sized Entities and the requirements of the Kenyan Companies Act.

Nothing has come to the attention of the directors to indicate that the company will not remain a going concern for at least twelve months from the date of this statement.

Approved by the board of directors on 18TH APRIL 2015 and signed on its behalf by:



Chairman, KEPSA Board



Director

FINANCIAL

Report of the Independent Auditor



REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF KENYA PRIVATE SECTOR ALLIANCE

Report on the financial statements

We have audited the accompanying financial statements of Kenya Private Sector Alliance, set out on pages 5 to 13 which comprise the balance sheet as at 31st December 2014, and the profit and loss account, statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and

Directors' responsibility for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards for Small and Medium-sized Entities and the requirements of the Kenyan Companies Act, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion the accompanying financial statements give a true and fair view of the state of financial affairs of the company as at 31st December 2014 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards for Small and Medium-sized Entities and the Kenyan Companies Act.

Report on other legal requirements

As required by the Kenyan Companies Act we report to you, based on our audit, that:

- i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
- ii) in our opinion proper books of account have been kept by the company, so far as appears from our examination of
- iii) the company's balance sheet and profit and loss account are in agreement with the books of account.

The engagement partner responsible for the audit resulting in this independent auditor's report was FCPA Ashif Kassam, Practising Certificate No. 1126.

RSM Ashvir

**Certified Public Accountants
Nairobi**

24th April 2015

170/2015

STATEMENT

Statement of Income and Expenditure


	Note	General fund		Program funds		Total	
		2014 Shs	2013 Shs	2014 Shs	2013 Shs	2014 Shs	2013 Shs
Project funds	4	-	-	139,679,218	124,990,264	139,679,218	124,990,264
Depreciation met through capital grants	8	946,269	1,302,697	-	-	946,269	1,302,697
Membership subscriptions		50,575,000	29,042,193	-	-	50,575,000	29,042,193
Other income	5	9,241,377	5,808,910	-	-	9,241,377	5,808,910
Total income		60,762,646	36,153,800	139,679,218	124,990,264	200,441,864	161,144,064
Administrative expenses		-30,878,615	-6,649,501	-32,364,117	-44,229,850	-63,242,732	-50,879,351
Establishment expenses		-11,559,408	-6,518,839	-34,050	-2,744,125	-11,593,458	-9,262,964
Project costs		-	-	-66,230,382	-56,088,508	-66,230,382	-56,088,508
Surplus for the year		18,324,623	22,985,460	41,050,669	21,927,781	59,375,292	44,913,241

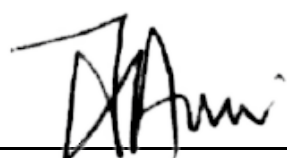
FINANCIAL

Statement of Financial Position

		2014	2013
	Note	Shs	Shs
FUND BALANCES			
General fund		53,118,739	34,794,116
Project fund		84,918,935	43,868,266
		<u>138,037,674</u>	<u>78,662,382</u>
Non-current liabilities			
Capital grant	8	<u>11,415,284</u>	<u>6,729,169</u>
		<u>149,452,958</u>	<u>85,391,551</u>
REPRESENTED BY			
Non-current assets			
Property, plant and equipment	6	9,248,665	9,100,480
Intangible asset	7	<u>4,884,826</u>	<u>2,839,361</u>
		<u>14,133,491</u>	<u>11,939,841</u>
Current assets			
Trade and other receivables	9	18,204,730	12,230,143
Cash at bank and in hand	10	<u>130,650,078</u>	<u>74,384,901</u>
		<u>148,854,808</u>	<u>86,615,044</u>
Current liabilities			
Trade and other payables	11	<u>13,535,341</u>	<u>13,163,334</u>
Net current assets		<u>135,319,467</u>	<u>73,451,710</u>
		<u>149,452,958</u>	<u>85,391,551</u>

The financial statements on pages 49 to 57 were authorised for issue by the board of directors on 18TH APRIL 2015 and were signed on its behalf by:


Chairman, KEPSA Board


Director

Statement of Changes in Fund Balances

	General Funds Shs	Projects Funds Shs	Total Shs
At 1st January 2013	11,808,656	21,940,485	33,749,141
Surplus for the year	22,985,460	21,927,781	44,913,241
At 31st December 2013	34,794,116	43,868,266	78,662,382
At 1st January 2014	34,794,116	43,868,266	78,662,382
Surplus for the year	18,324,623	41,050,669	59,375,292
At 31st December 2014	53,118,739	84,918,935	138,037,674

FINANCIAL

Statement of Cash Flows

	Note	2014 Shs	2013 Shs
Cash flows from operating activities			
Surplus for the year		59,375,292	44,913,241
Adjustments for:			
Depreciation of property, plant and equipment	6	1,974,456	1,370,932
Amortisation of intangible assets	7	1,115,639	680,423
Assets written-off	6	573,709	16,374
Interest income	5	-2,265,377	-1,987,555
Capital grant transfer to income statement	8	-946,269	-1,302,697
Changes in operating assets and liabilities			
(Increase) in trade and other receivables		-5,974,587	-5,582,346
Increase in trade and other payables		372,007	6,622,972
		54,224,870	44,731,344
Cash generated from operations			
Interest received	5	2,265,377	1,987,555
Net cash generated from operating activities		56,490,247	46,718,899
Cash flows from investing activities			
Purchase of property, plant and equipment	6	-2,696,350	-2,208,638
Purchase of intangible asset	7	-3,161,104	-1,412,000
Net cash used in investing activities		-5,857,454	-3,620,638
Cash flows from financing activities			
Capital grant	8	5,632,384	3,620,638
Net cash generated from financing activities		5,632,384	3,620,638
Net increase in cash and cash equivalents		56,265,177	46,718,899
Cash and cash equivalents at 1st January		74,384,901	27,666,002
Cash and cash equivalents at 31st December	10	130,650,078	74,384,901

STATEMENT

Notes

1. General information

Kenya Private Sector Alliance (a company limited by guarantee) is domiciled in Kenya where it is incorporated under the Kenyan Companies Act as a company limited by guarantee. The address of its registered office and principal place of business is L.R. No.209/8592/1, 5th Floor, Shelter Afrique Building, Mamlaka Road, P.O. Box 3556-00100, Nairobi, Kenya. The principal activity of the company is to bring together the private sector representative organizations to enable them to speak with one voice so as to influence public policy formulation. Through constructive dialogue KEPSA engages the government in the formulation and implementation of pro-growth policies that maximize competitiveness and create wealth.

2. Basis of preparation and summary of significant accounting policies

These financial statements have been prepared on a going concern basis and in compliance with the International Financial Reporting Standard for Small and Medium-sized Entities (IFRS for SMEs) issued by the International Accounting Standards Board. They are presented in Kenya Shillings (Shs). The measurement basis used is the historical cost basis except where otherwise stated in the accounting policies below.

Revenue recognition

Subscription income from the members is recognised when it is received.

Project funds from partners are recognised when received.

Interest income is recognised on a time proportion basis using the effective interest method.

Translation of foreign currencies

All transactions in foreign currencies are initially recorded in Kenya Shillings, using the spot rate at the date of the transaction. Foreign currency monetary items at the reporting date are translated using the closing rate. All exchange differences arising on settlement or translation are recognised in the income statement.

Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is charged so as to allocate the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The following annual rates are used for the depreciation of property, plant and equipment:

Computers, copiers and faxes	33.33 per cent
------------------------------	----------------

Furniture, fittings and equipment	12.5 per cent
-----------------------------------	---------------

If there is an indication that there has been a significant change in the useful life or residual value of an asset, the depreciation of that asset is revised prospectively to reflect the new expectations.

On disposal, the difference between the net disposal proceeds and the carrying amount of the item sold is recognised in the income statement.

2. Basis of preparation and summary of significant accounting policies (continued)

Intangible assets

Intangible assets comprise purchased computer software and are stated at cost less accumulated amortisation and any accumulated impairment losses. They are amortised over their estimated life of five years using the straight-line method. If there is an indication that there has been a significant change in amortisation rate, useful life or residual value of an intangible asset, the amortisation is revised prospectively to reflect the new expectations.

Financial assets

Trade and other receivables are initially recognised at the transaction price. The receivables do not bear interest. At the end of each reporting period, the carrying amounts of trade and other receivables are reviewed to determine whether there is any objective evidence that the amounts are not recoverable. If so, an impairment loss is recognised immediately in the income statement.

Impairment of non-financial assets

At each reporting date, property, plant and equipment and intangible assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset (or group of related assets) is estimated and compared with its carrying amount. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in the income statement.

If an impairment loss subsequently reverses, the carrying amount of the asset (or group of related assets) is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset (group of related assets) in prior years. A reversal of an impairment loss is recognised immediately in the income statement.

Financial liabilities

Financial liabilities are initially recognised at the transaction price (less transaction costs). Trade payables are obligations on the basis of normal credit terms and do not bear interest.

Leases

Rentals payable under operating leases are charged to income statement on a straight-line basis over the term of the relevant lease.

Cash and cash equivalents

Cash and cash equivalents include cash in hand and demand and term deposits, with maturities of three months or less from the date of acquisition, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, net of bank overdrafts. In the balance sheet, bank overdrafts are included as borrowings under current liabilities.

Capital grants

Grants relating to property, plant and equipment are credited to the capital grants in the year in which they are received. Annually, an amount equal to the depreciation charge is transferred to the accumulated fund.

Notes(contd)

2. Basis of preparation and summary of significant accounting policies (continued)

Post-employment benefit obligations

The company operates a defined contribution retirement benefits plan for its employees, the assets of which are held in a separate trustee administered scheme managed by an insurance company. A defined contribution plan is a plan under which the company pays fixed contributions into a separate fund, and has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current or prior periods. The company's contributions are charged to the income statement in the year to which they relate.

The company and the employees also contribute to the National Social Security Fund (NSSF), a national defined contribution scheme. Contributions are determined by local statute and the company's contributions are charged to profit or loss in the year to which they relate.

3. Judgements and key sources of estimation uncertainty

No significant judgements have had to be made by the directors in preparing these financial statements.

4. (i) Programs and Projects

	Outstanding as at 01.01.2014	Received during the year	Utilised during the year	Net balance as at 31.12.2014
National Corruption Prevention Pact	1,365,934	223,488	-1,683,394	-93,972
Community Empowerment to Access and Demand Justice	-1,047	-	-	-1,047
Business Sector Programme Support	-215,029	7,357,644	-6,972,347	170,268
Improving Business Environment and Market Access to Enhance Kenyan Trade	4,555,642	8,605,195	-10,019,814	3,141,023
Enhancing Private Sector Participation In Government Reform	1,292,092	2,224,416	-4,201,142	-684,634
Kenya Youth Empowerment Project	-	6,290,336	-6,290,336	-
National Business Agenda	348,438	-	-	348,438
Support for Better Business Practises for Children	-14,950	-	-	-14,950
Mkenya Daima Project	18,557,938	508,052	-12,347,954	6,718,036
Institutional Strengthening and Policy Support Programme	17,979,248	114,470,087	-57,113,562	75,335,773
	<u>43,868,266</u>	<u>139,679,218</u>	<u>-98,628,549</u>	<u>84,918,935</u>

4. (ii) Programs and Projects

	Outstanding as at 01.01.2013	Received during the year	Utilised during the year	Net balance as at 31.12.2013
National Corruption Prevention Pact	3,411,670	-	-2,045,736	1,365,934
Community Empowerment to Access and Demand Justice	1,343,110	2,107,613	-3,451,770	-1,047
Business Sector Programme Support	5,907,247	8,946,062	-15,068,338	-215,029
Improving Kenyan Trade Logistics and The Investment Climate	1,530,758	9,175,151	-6,150,267	4,555,642
Enhancing Private Sector Participation In Government Reform	1,005,433	4,855,440	-4,568,781	1,292,092
Kenya Youth Empowerment Project	-	2,081,520	-2,081,520	-
Management Services and Training	-	791,862	-791,862	-
National Business Agenda	256,017	1,716,790	-1,624,369	348,438
Kenya National Chamber of Commerce & Industry Rejuvenation	1,463,401	-	-1,463,401	-
Support for Better Business Practises for Children	2,182,482	-773,868	-1,423,564	-14,950
My Kenya Project (Mkenya Daima)	4,840,367	30,706,566	-16,988,995	18,557,938
Institutional Strengthening and Policy Support Programme	-	65,379,322	-47,400,074	17,979,248
Professional Women Empowered	-	3,806	-3,806	-
	<u>21,940,485</u>	<u>124,990,264</u>	<u>(103,062,483)</u>	<u>43,868,266</u>

FINANCIAL

Notes(contd)

		2014 Shs	2013 Shs
5. Other income			
Bank interest		2,265,377	1,987,555
Hire of boardroom facility		-	277,200
Events		700,000	1,407,600
Others		6,276,000	2,136,555
		<u>9,241,377</u>	<u>5,808,910</u>
		Furniture, fittings & equipment Shs	Computers, copiers & faxes Shs
			Total Shs
6. Property, plant and equipment			
Cost			
At start of year	13,247,664	2,653,321	15,900,985
Additions	1,020,122	1,676,228	2,696,350
Written off	(585,916)	-	(585,916)
	<u>13,681,870</u>	<u>4,329,549</u>	<u>18,011,419</u>
At end of year			
Accumulated depreciation and impairment			
At start of year	4,419,987	2,380,518	6,800,505
Annual depreciation	1,386,673	587,783	1,974,456
Less accumulated depreciation on assets written off	(12,207)	-	(12,207)
	<u>5,794,453</u>	<u>2,968,301</u>	<u>8,762,754</u>
At end of year			
Carrying amount			
At end of year	<u>7,887,417</u>	<u>1,361,248</u>	<u>9,248,665</u>
		2014 Shs	2013 Shs
7. Intangible assets - software			
Cost			
As at 1st January		3,734,184	2,322,184
Additions		3,161,104	1,412,000
		<u>6,895,288</u>	<u>3,734,184</u>
As at 31st December			
Accumulated amortisation			
As at 1st January		894,823	214,400
Amortisation		1,115,639	680,423
		<u>2,010,462</u>	<u>894,823</u>
As at 31st December			
Carrying amount			
As at 31st December		4,884,826	2,839,361

STATEMENT

Notes(contd)

	2014 Shs	2013 Shs
8. Capital grant		
As at start of the year	6,729,169	4,411,228
Additions : Property plant and equipment	5,632,384	3,620,638
Less: Depreciation for the year	<u>(946,269)</u>	<u>(1,302,697)</u>
	<u>11,415,284</u>	<u>6,729,169</u>

Capital grant represents an amount of Shs 5,038,960 and Shs 593,424 in respect of assets granted by DFID and TMEA respectively (2013: Shs 1,418,750 and Shs 2,201,888 granted by DANIDA and DFID) for the purchase of property, plant and equipment and intangible assets. Each year an amount equal to the depreciation or amortisation of these assets is transferred to operating income.

	2014 Shs	2013 Shs
9. Trade and other receivables		
Rent deposit	862,150	862,150
Prepayments	874,748	694,883
Other debtors	<u>16,467,832</u>	<u>10,673,110</u>
	<u>18,204,730</u>	<u>12,230,143</u>

10. Cash and cash equivalents

Cash at bank	130,636,140	74,381,441
Cash in hand	<u>13,938</u>	<u>3,460</u>
	<u>130,650,078</u>	<u>74,384,901</u>

11. Trade and other payables

Trade payables	1,112,432	8,805,627
Prepaid membership fee	11,637,833	3,894,972
Long service awards	<u>785,076</u>	<u>462,735</u>
	<u>13,535,341</u>	<u>13,163,334</u>

12. Taxation

No provision has been made for taxation. The Alliance has applied for a tax exemption from the Kenya Revenue Authority; the receipt of which is still pending.

In the opinion of the members, the Alliance is not liable to pay tax as its income consists of grants and membership subscriptions.

Schedule Of Operating Expenditure

1. ADMINISTRATIVE EXPENSES

Employment:

Salaries and wages	50,651,123	37,830,746
NSSF	161,064	32,400
Staff development	277,670	1,417,705
Staff recruitment	-	2,101,114
Staff provident fund	2,334,566	1,377,150
Staff medical	1,812,910	1,795,714
Staff welfare	699,803	198,583
Staff transport	3,311	21,500

Total employment costs

55,940,447 44,774,912

Other administration expenses:

Telephone and fax and postage	528,129	439,456
Parking	440,324	255,239
Internet	940,375	948,603
Printing, stationery and office supplies	975,546	2,151,601
Audit fees		
- Current year	348,000	400,000
- (Over) provision in prior year	-43,085	-
Office equipment and furniture maintenance	233,462	339,305
Legal and professional fees	30,238	117,123
Office cleaning	313,566	291,116
Bank charges	145,921	149,813
Net foreign exchange loss	-20,497	103,903
Discount allowed on membership	439,210	190,000
Meetings	1,196,222	718,280
Provision for bad debts	1,774,874	-

Total other administration expenses

7,302,285 6,104,439

Total administrative expenses

63,242,732 50,879,351

2. ESTABLISHMENT EXPENSES

Rent and rates	7,471,152	6,853,732
Insurance	149,868	285,559
Licences	35,000	20,000
Repairs and maintenance	273,634	35,944
Depreciation of property plant and equipment	1,974,456	1,370,932
Amortisation of intangible assets	1,115,639	680,423
Assets written-off	573,709	16,374

Total establishment expenses

11,593,458 9,262,964

3. PROGRAM & PROJECT COSTS

Advocacy & Private Public Dialogues (PPD's)	35,790,602	43,458,535
Sector meetings	1,183,282	177,311
Research and consultancy	16,057,754	11,283,096
Transport and travel	850,790	1,169,566
My Kenya Project	- 12,347,954	
	66,230,382	56,088,508

KEPSA Membership 2014 - 2015

KEPSA membership grew at an average of 5 members per month. Existing members responded positively on renewal of membership with over 60% paying during the first quarter of 2015. It is also noteworthy that a number of members who had lapsed in subscription payment in previous years renewed membership during this period. Here is the list of KEPSA BMO and Corporate Members.

1	Actis Africa Limited	34	Centum Investment Company Limited
2	Advantage Financial S.A	35	CFC Stanbic Bank
3	Africa Practice East Africa Limited	36	Clean Cookstoves Association of Kenya
4	African Banking Corporation Limited	37	Coca Cola East & Central Africa
5	Agri Experience	38	Cooperative Alliance of Kenya Ltd
6	Agricultural Employers' Association	39	Cooper-K Brands Limited
7	AIG Kenya Insurance Company Limited	40	Davis & Shirtliff Limited
8	Airtel Kenya Networks Limited	41	Deacons Kenya Limited
9	Akiira Geothermal Limited	42	Delegation of German Industry and Commerce of Kenya
10	American Chamber of Commerce of Kenya	43	E.A. Market Development Associates
11	Apec Consortium Limited	44	Eagle Africa Insurance Brokers Limited
12	Aquacultural Association of Kenya	45	East African Breweries Ltd
13	Architectural Association of Kenya	46	East African Cables Limited
14	Arrow Hawk Security Services Ltd	47	East African Tea Trade Association
15	Ascent Capital Advisory Services	48	Eastern Produce Kenya Limited
16	Association of Chartered Certified Accountants	49	Eastern Africa Association
17	Association of Consulting Engineers of Kenya	50	Eastern Africa Grain Council
18	Association of Gaming Operators-Kenya	51	Eastern Africa Network for Gender and Enterprise Development
19	Association of Insurance Brokers of Kenya	52	Engen Kenya Limited
20	Association of Kenya Insurers	53	English Press Limited
21	Association of Practitioners in Advertising	54	Eveready East Africa Limited
22	Avenue Group Limited	55	Express Communications Limited
23	Avery East Africa	56	Federation of Kenya Employers
24	Bamburi Cement Limited	57	Federation of Women entrepreneur Associations
25	BAT Kenya Limited	58	Fincom Technologies Limited
26	Becton Dickinson East Africa Limited	59	Freight Forwarders Kenya Limited
27	Bidco Oil Refineries Limited	60	Frontier Investment Management Limited
28	Bio Food Products Limited	61	Fusion Capital Limited
29	Biogas Holdings E.A. Limited,	62	Gapco Kenya Limited
30	Bollere Africa Logistics (K) Limited	63	GE East Africa Services Limited
31	British American Tobacco Limited	64	General Motors East Africa Limited
32	British Chambers of Commerce Kenya	65	Gertrude's Children's Hospital

66	Google Kenya Limited	104	Kenya Power & Lighting Company Limited
67	Haco Tiger Brands (E.A) Limited	105	Kenya Private Schools Association
68	Hewlett-Packard (E.A) Limited	106	Kenya Property Developers Association
69	Hospitality Systems Consultants Limited	107	Kenya Security Industry Association
70	House of Major Limited	108	Kenya Ships Agents Association
71	Housing Finance	109	Kenya Tea Development Agency Limited
72	Human Capital Synergies Africa Limited	110	Kenya Tea Growers Association
73	IBM East Africa Limited	111	Kenya Toner & Ink suppliers Limited
74	ikapamedia East Africa Limited	112	Kenya Tourism Federation
75	Institute of Certified Public Accountants of Kenya	113	Kenyatta International Convention Centre
76	Institute of Certified Public Secretaries of Kenya	114	Keroche Industries Limited
77	Institution of Engineers of Kenya	115	Kinangop Wind Park Limited
78	Interconsult Engineers Limited	116	KPMG Kenya
79	Interconsumer Products Limited	117	Lantech (Africa) Limited
80	iWay Africa Kenya Limited	118	Lee Construction Limited
81	Kaluworks Limited	119	Liaison Financial Services Limited
82	Kengas Link Limited	120	Liquid Telecommunications Kenya Limited
83	Kenwest Cables Limited	121	L'Oreal East Africa Limited
84	Kenya Agribusiness and Agroindustry Alliance	122	Mabati Rolling Mills Limited
85	Kenya Association of Air Operators	123	Maersk Kenya Limited
86	Kenya Association of Independent International Schools	124	Marketing & Social Research Association
87	Kenya Association of Manufacturers	125	Matatu Owners Association
88	Kenya Association of Tour Operators	126	Mckinsey & Company
89	Kenya Association of Travel Agents	127	Media Owners Association
90	Kenya Association of Women Business Owners	128	Micro & Small Enterprises Federation
91	Kenya Association of Women in Tourism	129	MTN Business (Kenya) Limited
92	Kenya Auto Bazaar Association	130	Mwongozo East Africa Limited
93	Kenya Bankers Association	131	Nairobi Bottlers Limited
94	Kenya Bus Service Management Limited	132	National Association of Private Universities in Kenya
95	Kenya Flower Council	133	National Potato Council of Kenya
96	Kenya Healthcare Federation	134	NIC Bank Limited
97	Kenya Institute of Supplies Management	135	Oakar Services Limited
98	Kenya IT & Outsourcing Services	136	Oil & Energy Services Limited
99	Kenya Kazi Services Limited	137	Oil & Gas Contractors Association of Kenya
100	Kenya Markets Trust	138	OI Pejeta Ranching Limited
101	Kenya Motor Industry Association	139	Optiven Limited
102	Kenya National Chamber of Commerce & Industry	140	Oracle Corporation
103	Kenya Oil & Gas Association	141	Organization of Women in International Trade

142	Outdoor Advertising Association (K)	173	Scion Real Building Limited
143	Oxford Business Group	174	Seven Seas Technologies Group
144	Oxford University Press (E.A.) Limited	175	SGS Kenya Limited
145	Pamoja Capital Limited	176	Shippers Council of Eastern Africa
146	PDM Kenya Limited	177	Simba Corporation Limited
147	Petroleum Institute of East Africa	178	Southern Sun Hotel
148	Pewin Cabs Limited	179	SP Advisory
149	Plateau Motors Limited	180	Steam Plant Limited
150	PriceWaterhouseCoopers Limited	181	Stima Sacco Society Limited
151	Prideinn Hotel and Investments Limited	182	Suraya Sales Limited
152	Prime Bank Limited	183	Tata Chemicals Magadi Limited
153	Procter & Gamble	184	Telecommunications Service Providers Association of Kenya
154	Protective Security Industry Association	185	The Chartered Institute of Arbitrators
155	Pyrethrum Growers Association	186	The CMC Motors Group Limited
156	Qalaa Holdings Limited	187	The Copy Cat Limited
157	R.K.Sangani	188	The Kenya Chamber of Mines Company
158	Resolution Health Limited	189	The Riara Group of Schools Limited
159	ResponsAbility Africa Limited	190	The Standard Group Limited
160	Retail Trade Association of Kenya	191	The Wrigley Company (E.A.) Limited
161	Roads & Civil Engineering Contractors Association	192	Thika Coffee Mills Limited
162	RSM Ashvir Consulting Limited	193	TNS RMS East Africa Limited
163	Safaricom Dealers Association	194	Toyota Kenya Limited
164	Safaricom Limited	195	Transcentury Limited
165	Sakura Corporation Limited	196	Twiga Chemical Industries Limited
166	Sameer Africa Limited	197	UAP Insurance Company Limited
167	SAP Africa Region (Pty) Limited	198	Ultravetis E.A. Limited
168	Saproplanet Limited	199	United Business Association
169	Sarova Hotels Limited	200	Verve K.O. Limited
170	Sasini Limited	201	Vestas Central Europe (CEU)
171	Scan Group Limited	202	Vivo Energy Kenya Limited
172	Scania East Africa Limited	203	Wide Vision Investors and Business

KENYA PRIVATE SECTOR ALLIANCE

5th Floor, Shelter Afrique Building, Mamlaka Rd | P.O. Box 3556-00100 Nairobi, Kenya

Office: +254 20 2730371/2/2727936 | Fax: +254 20 2730374 | Cell: +254 720 340949

www.kepsa.or.ke | info@kepsa.or.ke