



# KEPSA Business Strategy (2023-2027)

Final Report  
May 13, 2023



## KEPSA'S MANDATE IN THE PREVIOUS STRATEGY: 2013 TO 2022

Mandate: To be the voice of the private sector in Kenya

Vision: To become a world class private sector apex body

Mission: To ensure year-on-year improvement in overall business environment of Kenya by working together with the Government and other stakeholders

## KEPSA'S ACHIEVEMENTS TO-DATE - SUMMARY

Enhanced Institutional  
Capacity

Effective Public Private  
Dialogues

Insightful Thought  
Leadership & Research

Establishment of KEPSA  
Foundation

Growth of Global  
Footprints through  
Strategic Economic  
Diplomacy &  
Networking

Economic Framework  
and Projects for  
Effective Covid-19  
Response

Growth of Membership  
and Increased SME  
Presence

Implementation of  
Socioeconomically  
impactful Projects

Mobilizing opinion for  
peaceful elections 2017  
& 2022

## OUTCOMES TO DATE 2013-2022

Fit-for-purpose reorganization (staffing, departments) capable of delivering KEPSA's mandate to date

Regular PPDs (presidential, cabinet committee, ministerial, judiciary, Parliament (national assembly, senate) held resulting in Kenya's rise from 136<sup>th</sup> (2015) to 56<sup>th</sup> (2020) rank in ease of doing business ranking.

Projects providing financial sustainability to KEPSA and significant socioeconomic and societal benefits — Examples: Mkenya Daima, Ajira, Sustainable Inclusive Business, Better Business Practice for Children, Toll-free Covid 19 business helpline, GBV, SME ECommerce Booster Program, SME Recovery & resilience Program, Flowers of Hope Initiative, Wezesha Youth Place Project, among others

Thought leadership and insights to complex public policy issues through seminal papers, CEO surveys, PPD presentations, and NBAs

KEPSA Economic Management Framework for Covid-19 Response

Private Sector Mobilization for PPEs and Vaccine Purchase

## SUMMARY OF KEY AREAS THAT HAVE WORKED WELL

1



**VOICE OF PRIVATE  
SECTOR**

2



**UNPARALLELED  
CONVENING POWER**

3



**MODEL PUBLIC  
PRIVATE DIALOGUES**

4



**THOUGHT LEADERSHIP**

5



**CAPACITY BUILDING –  
SMES**

6



**SECTOR BOARD  
FORMAT**

7



**IMPLEMENTATION OF  
SOCIO-ECONOMIC  
PROJECTS THROUGH  
KEPSA FOUNDATION**

8



**PARTICIPATION IN KEY  
NATIONAL AGENDA  
ISSUES E.G. EDUCATION,  
SECURITY, FINANCIAL  
INCLUSION, DIGITIZATION,  
ETC**

9



**INVOLVEMENT IN  
GENDER, YOUTH,  
CLIMATE CHANGE, ETC**

10



**STRATEGIC  
PARTNERSHIPS –  
LOCALLY, REGIONALLY,  
INTERNATIONALLY**

11



**BUSINESS LINKAGES FOR  
MEMBERS THROUGH  
INBOUND AND  
OUTBOUND TRADE  
MISSIONS**

12



**MOBILIZING PRIVATE  
SECTOR PARTICIPATION IN  
MITIGATION OF  
NATIONAL DISASTERS –  
COVID-19, NATIONAL  
DROUGHT MOBILIZATION,  
ETC**

## SUMMARY OF KEY AREAS THAT HAVE NOT WORKED WELL

Continued Public Perception of KEPSA as “big business” alliance despite 90% of members being SMEs

Quality of engagement - not prioritized & involvement in too many engagements

Insufficient opportunities for all staff to interact with leadership for mentorship e.g., staff-leadership retreats.

Office infrastructure and furniture & budget limitations -need overhauling.

Though Membership has increased, many have downgraded their membership categories – Need to review value proposition

Joy-riding of membership benefits. Need exclusivity of benefits based on membership category

Relationship between KEPSA and its BMO and Federation members – sectoral vs apex roles

Limited County engagement & presence

Huge untapped potential to attract MSMEs into joining membership and/or paying for products & services.

Communications – need for focused comms, especially on emails and Customer Relationship Management tools.

Inadequate policy research & analytical capacity, data mining, and archiving

Inadequate monetization of key KEPSA assets: data, business intelligence, networks, etc.

## GLOBALIZATION DECLINES – Emerging Trends 2020s to 2030s

- **Globalization Rethought:** Centrifugal forces are forcing rethinking globalization from trade integration, political and economic formations, and creating emerging competing formations globally and regionally
- **Multi-Polar Geo-politics:** Uncertain next decade, possibly multi-polar with US-West and China-Russia leading two competing poles with rest of world aligned in either camp, or more loosely in non-aligned groupings led possibly by India, Brazil and Indonesia.
- **Asian Century beckons:** Global economic weight will tilt towards Asia. By 2030, Asia will produce over 50% of global GDP as South & South-East Asia add to East Asia heft. Asia will continue to have the most people, combined with most global economic services and goods produced and consumed there. It will be the world's largest market, with four top ten economies – China, India, Japan and Indonesia.

## Global Emerging Trends #2

- **Emergence of new factory nations:** China's outsized presence could be progressively replaced by emergence of multiple global factory nations where manufacturing could be relocated, e.g., India, Vietnam, Indonesia, and hopefully in Africa (Kenya?) for specific industries.
- **Climate Change:** Likely to adversely affect Africa's rapidly growing population, especially in food and water security – with national, regional and global security as well as migration implications. Kenya highly vulnerable to facing emerging water and food security challenges as result of climate change.
- **Green Energy Future:** drive towards “green energy” and “green economies” pre-industrialization for Africa could be a new “poverty trap” or result in world's first green industrialization. Kenya is making early commitment in this direction.



## Global Emerging Trends #3

- **Demographics favor Africa:** Except for Africa, rest of world faces aging and diminishing working age populations (16-64 years old). Africa will grow and expand this cohort beyond 2060. For now, only South Asia will compete with Africa to 2040. The challenge will be how to deploy this potential asset productively toward African and global welfare.
- **Mass Movement of People:** the global institutions and infrastructure were built to facilitate movement of capital, goods, services and ideas – not people. But people are moving irreversibly, including Africans, that could draw scarce skilled labor and young secondary educated Africans to demographically declining markets.
- **Technology:** Global technology developments – how will they affect us. Already there is global connectivity through social media, fintech, and remote working apps revolutionized society creating all kinds of cyber communities and entities. What will next 5-10 years bring?

## Global Emerging Trends #4

- **Whither labour markets?** What will tech aided and produced goods and services do to labor markets in developing world? As aging workforces in developed world, East and South Asia (after 2040) trend towards labor-saving work opportunities, South Asia (to 2040) and Africa (to 2060 and beyond) that must find jobs for a more than doubled working age population at home and abroad.
- **Future of work ChatGPT!:** Generative Artificial Intelligence is emerging and disrupting key sectors such as education, and likely to affect many jobs and professions. Because of its expense only a few leading nations will develop and corner this emerging economic, social, and political force, possibly along multi-polar lines?
- **Disrupted & fragmented world:** social media, changing mores and norms, diffusion of all kinds of information freely, and communities anchored on technology platforms & spaces rather than traditional physical locations/boundaries.

## AFRICA EMERGING TRENDS

- **Economic integration & Africa Continental Free Trade Area:** biggest game changer but faces traditional “inward mindset” challenges. How to make it a reality when most trade in Africa is either regional or with other non-African partners is biggest challenge.
- **Demographic dilemma:** Africa’s population (median age 19) is the youngest and fastest growing in the world. For the next half century Africa will have the largest working age cohort that is likely the least skilled and the formally employed. With SSA average (24%) secondary completion vs 50% needed to be ready for industrialization – future is as bright as it is challenging.
- **Insecurity:** Africa’s largest countries – Nigeria, Ethiopia, and DRC, and many of the smaller ones are fragile with limited administrative and political control over their territory. Several have insurgencies, civil strife, lawlessness and inter-ethnic conflicts. Civil insecurity is a serious challenge for Africa.

## AFRICA EMERGING TRENDS #2

- **Internal Fragmentation:** Many communities/countries are facing social and political pressures from unprecedented changes arising from social media, tech exposure and use, movements of people, urbanization, westernization vs traditional mores, and lack of decent employment opportunities.
- **Youth, Gender, Women:** As the world's most youthful continent with increasingly better educated societies, with female achievement in education and workplace rising sharply, African societies face the opportunity to fully deploy women more productively, while ensuring the men's contribution is not diminished.
- **Climate change:** Unfairness of being. Although Africa produces the least carbon emissions, evidence seems to indicate it may suffer substantially in coming years from food and water insecurity as well as natural disaster from climate change with consequential economic, social, and political impacts.

## GREATER EASTERN AFRICA (Great Lakes, Nile Basin & Horn of Africa)#1

- **Political instability chronic:** Two largest countries and potentially huge markets, DRC and Ethiopia unstable as well as are South Sudan, Somalia and Burundi. The stable countries/markets are Uganda, Tanzania, Rwanda, Sudan, and Egypt.
- **From National to Regional Infrastructure build** in Ethiopia, Kenya, Tanzania, Uganda, Rwanda *could* significantly enhance national and regional trade & productivity in terms of transportation, energy, and communications.
- **Stop-go to full integration** – recent trade data shows every time the regional countries move from “stop-go” to “keep going” integration, there is a trade surge or boom. Lack of trust and political intrigues main cause of “stop-go” and won’t go away readily. (e.g., Kenya–Tanzania)
- **Shrinking exports crisis** – Out of **every ten** containers imported inland from the port of Mombasa, **eight** return empty. Only **two** have stuff Kenya & East Africa makes/produces for the rest of the world.
- **Declining agricultural productivity** – region faces multiple challenges of land, water, & fertilizer availability; seed suitability; crop and animal husbandry; external competition; and rapidly growing populations.

## GREATER EASTERN AFRICA (Great Lakes, Nile Basin & Horn of Africa) #2

- **Declining industrial productivity and competitiveness:** CHINA, but also poor & excessive regulation, costly infrastructure, “frictional costs”, deep seated “inwardness”, very small industrial investment base & culture.
- **Unpredictable policies:** Policy & priorities change unpredictably with transitions in leadership, at all levels (regional, national, and sub-national levels), making it difficult to get a sense of predictability and longer-term view, incentivizing transactional and profit-maximizing business mentality.
- **Sapping taxation:** Limited and shrinking reliable tax bases mean formal enterprises are taxed & regulated to exhaustion, so that those that have options exit to more amenable business environments or/countries. Maximizing revenue collection rather than robust support for revenue generation mindset prevails.
- **Consumption vs production mindset/culture:** the region is deeply embedded in a mass consumption mindset, which influences most of policies and regulation formulated and implemented. Importation biased policies harming local production efforts.

## EMERGING NATIONAL CONTEXT #1 (**Headwinds**)

1. **Exhausted economic model:** The Kenya economic development model built on smallholder agriculture, import substitution, small formal sector, large informal sector, agricultural exports, industrial exports to neighbors, and huge consumption of imports is exhausted after many iterations. It can only yield future marginal gains in employment creation, productivity, wealth creation and national prosperity.
2. **Shrinking formal private sector/industrial base:** the formal private sector is creating relatively less jobs each year as job entrants increase, manufacturing is contributing less to GDP, and while the informal sector keeps absorbing largest proportion of job seekers, it too is stretched to capacity. Informal sector's employment absorption is *not infinitely elastic*.
3. **Expansive public sector spending & wastage:** public sector employment continues to grow in both numbers and emoluments. Public spending and borrowing continues to grow. Greatest impact is on public sector spending where it is estimated 30% is wastage. This is a huge burden in a growing economy and key driver in the push for maximization of revenue collection.
4. **Unfavorable macro indicators:** Key indicators such as inflation, interest rates, exchange rates, national and personal indebtedness, and CPI indicate a consumption-oriented economy on living on credit with limited means of generating income to pay it off.

## EMERGING NATIONAL CONTEXT #2 (**Headwinds**)

5. **Confining business environment:** draining taxation and debilitating regulation and ad hoc policies favoring imports over local production severely impacting on the economy in multiple ways.
6. **National debt crisis:** High national debt, that is concerning to both local and international borrowers and constrains ability of government to invest. Dollar denominated debt burden worsened by sliding KES.
7. **Highly Indebted wananchi:** High personal debt among Kenyans, particularly at lower incomes, with nearly 50% of working people on CRB last year (2022)
8. **High-cost economy:** Kenya is a high-cost economy, with all costs being high. These include the cost of living, cost of production, cost of transportation, cost of energy, cost of regulations, cost of farm inputs, and taxation, and so on – all of which negatively impact on on global competitiveness and productivity of economic actors.
9. **Emerging political agitation:** against past elections and cost of living, if sustained could become headwind.



## EMERGING NATIONAL CONTEXT #3 (Tailwinds)

- 10. Top Human Capital Index Ranking:** Kenya has the highest HCI (0.54) ranking on continental Africa, only the island nations of Seychelles & Mauritius are higher. Do we know what to do with this endowment?
- 11. Top Venture Capital destination:** Kenya is one of the top venture capital destinations in Africa for startups. But we do not see similar investment in job creating enterprises? How do we attract FDI for export competitive industrial and agricultural enterprises?
- 12. Punching below weight:** Kenya punches below its weight. It potentially Africa's most readily deployable labor force with a median education of 11.6 years, with over 50% of 16-35 age group having completed secondary education, hard work ethic, innovative and problem solving, and English-speaking labour force.
- 13. Post Covid-19 impacts:** while the emergency caused costly closure to the economy, it also created benefits; growing confidence in self-sufficiency, widespread use of hybrid business across public and private sectors, digitization of most daily transactions. Regrettably, Kenya has lapsed back to mass importation of what it can clearly make.

## EMERGING NATIONAL CONTEXT #4 (Tailwinds)

- 14. Investment in green/clean energy:** Kenya's energy sources are mostly green – hydro, geothermal, wind and solar, with a quarter or less coming from oil & gas sources. These could be leveraged to take advantage of the emerging ESG driven investment trends.
- 15. Devolution:** Counties have the potential to emerge as new industrial, services, and agricultural growth centers, individually and collectively? Why are counties with favorable indicators not emerging as potential industrialization destinations?
- 16. Global Trade Trends:** Taking advantage of the “friend-trading” “friend-shoring” and “friend-trading” trend – opportunities for US firms in particular to consider shifting some types manufacturing to a competitive & friendly Kenya
- 17. Demographics:** Ready supply of young, able, progressively better educated, readily upskilled, adaptive, English speaking labor force for next two generations
- 18. Green industrialization:** If Kenya can generate sufficient energy for industrialization from renewable sources such as geothermal/hydro/wind/solar and may be natural gas as base – it may become a good destination to set up.

## EMERGING NATIONAL CONTEXT #5 (Tailwinds)

- 19. Future of work:** Kenyan worker is tech adept or can learn readily. Half of working age population has median schooling of 11 years, have strong work ethic, are readily upskilled, are literate in English, and are teachable & reliable workers.
- 20. Tripartite FTA & AFCTA:** This should be a top trade/exports business priority for Kenyan businesses, start where we can. Could develop a labor force capable of tech services and manufacturing, better placed than most other African countries. Identify potential goods manufacturing and services that can take advantage of Kenya's endowments listed earlier –
- 21. Infrastructure:** leverage the roads, railways, ports, etc;
- 22. SEZs:** Africa has the least used and successful SEZ for various reasons including location, logistics, policies, lack of clear direction, etc. Make use the SEZs that can succeed – Dongo Kundu, Konza, Naivasha and Lamu.

## NATIONAL GOVERNMENT ECONOMIC POLICY GOALS

- **Overall Goals:** Economic turnaround and inclusive growth
- **Sector Focus:** Increased investment in **five sectors**
  - Agriculture
  - Micro Small Medium Enterprise – MSME
  - Housing & Settlements
  - Healthcare
  - Digital Superhighway & Creative Industry
- **Maximize Revenue collection:** Expanded revenue base
- **Foreign earnings:** Increased forex earnings

## NATIONAL GOVERNMENT MEDIUM TERM PRIORITIES

- **Revenue Maximization:** Increased tax revenue through more efficient enforcement & collection increasing tax compliance from 70% to 90% (by 2030) through better collections from VAT through eTIMS, Corporate Tax, Customs & Excise, Integration with telcos, and expansion of tax net to include MSEs & MSMEs
- **National Debt:** Sustainable national debt management
- **Stable macro indicators :** inflation, cost of living, forex rate
- **Emerging priority 2023-24:** are drought mitigation efforts and KES/USD stabilization

## NATIONAL GOVERNMENT POLICY KEY ENABLERS

- **Infrastructure** - roads, electricity, petroleum & e-mobility
- **Manufacturing** – leather, building products, garments & textiles
- **Blue economy** – implementation of national strategy
- Services economy – financial services, tourism, aviation
- **Environment & Climate change** – 15 billion trees, bottom-up 3P (people, planet, profit) priority value chains, green finance, reduce GHG emissions
- **Emerging enabler Private Sector** – Structured collaboration and partnership with government by KEPSA and private sector to achieve the policy objectives.
- **Education & training**
- **Women agenda** – women led co-ops, chamas, table banking
- **Social protection** – universal social security system, 100% NHIF cover for senior citizens & PWDs
- **Sports, culture & arts**
- **Governance**
- **National security**

## **CRITERIA FOR RESOURCE ALLOCATION -2023/24**

- Economic Recovery Agenda priorities
- MTP IV Vision 2030 priorities
- Job creation and poverty reduction
- Cost effectiveness and sustainability
- Completion of ongoing projects with high impact on job creation, social security and poverty reduction
- Viable stalled projects and verified pending bills

## EMERGING INSTITUTIONAL CONTEXT – “The Cheese has moved”

1. **Essential partner:** From its formation in 2003 to date, KEPSA has been an *essential partner and instrumental implementor* in Kenya’s socioeconomic development and transformation from least developed country (LDC) to lower middle-income country status.
2. **Model public-private development partnership:** KEPSA has been *instrumental* in the policy formulation and successful *implementation* of successive national government development strategies from 2003 to 2022, demonstrated agility by adapting to successive administrations creating Africa’s most successful public-private partnership for national development between government and business.
3. **New Government:** With a new government and new economic agenda– KEPSA’s convening power challenged by new dynamics and the need to build new relationships,, adapt to changing engagement landscape and practices, quickly read the new engagement spaces and understand how the private sector can catalytically contribute to the emerging policy and program priorities and align these to KEPSA’s mandate
4. **Post-Covid Global Indicators Hiatus:** Doing Business & Global Competitiveness indices have been ceased (2020), the former probably permanently, the latter may be back since Davos happened this year. Challenge will be to either identify other international and reliable indices and devise credible internal to measure year to year progress.

## EMERGING INSTITUTIONAL CONTEXT – “The Cheese has moved #2”

5. **Navigate Crowded Convenor Space:** Direct contact by members (corporate & BMOs) and other private sector stakeholders with government have significantly diminished KEPSA’s Convening Power primacy. With multiple convenors and hybrid spaces, KEPSA must innovate to maintain Convening Power primacy.
6. **Reorient KEPSA’s roles:** towards the emerging economic paradigm proposed in Economic Recovery Agenda and MTP-IV Vision 2030 to achieve the mandate of continuously improving Kenya’s business environment and global competitiveness to *catalytic partner instead of instrumental partner* in the current dispensation.
7. **Apex Voice of private sector challenge:** Multiple “voices” challenging KEPSA’s “apex voice” mandate. KEPSA should focus only on apex “cross-cutting issues & matters” and engage with sectoral issues/matters when requested to do so by BMOs & government. There is a huge gap on thought leadership and catalytic analysis for cross-cutting and strategic issues facing economy & private sector, KEPSA can capture and secure this niche.
8. **Hybrid Presence:** Transition to fully digital enabled KEPSA top priority as Digital ***and*** physical in-person platforms, events, networks, activities, services – are the new paradigm for PPD & convening power.



## **EMERGING INSTITUTIONAL CONTEXT – “The Cheese has moved” #3**

### **9. Membership value proposition:**

- Members questioning value and exclusive benefits KEPSA membership brings in the emerging context of more diversified convening and advocacy engagement with government creating perception of eroded “apex voice” and convening power.
- Lack of clearly defined benefits & exclusions for different membership levels, changing membership profiles, and questions about the value of membership affecting perception of value proposition and benefits.
- Membership should confer benefits & exclusions commensurate with payments, so that member satisfaction and renewals at grows over next strategy period.

## **EMERGING INSTITUTIONAL CONTEXT – “The Cheese has moved” #4**

### **10. Governance & Institutional Structure Reform**

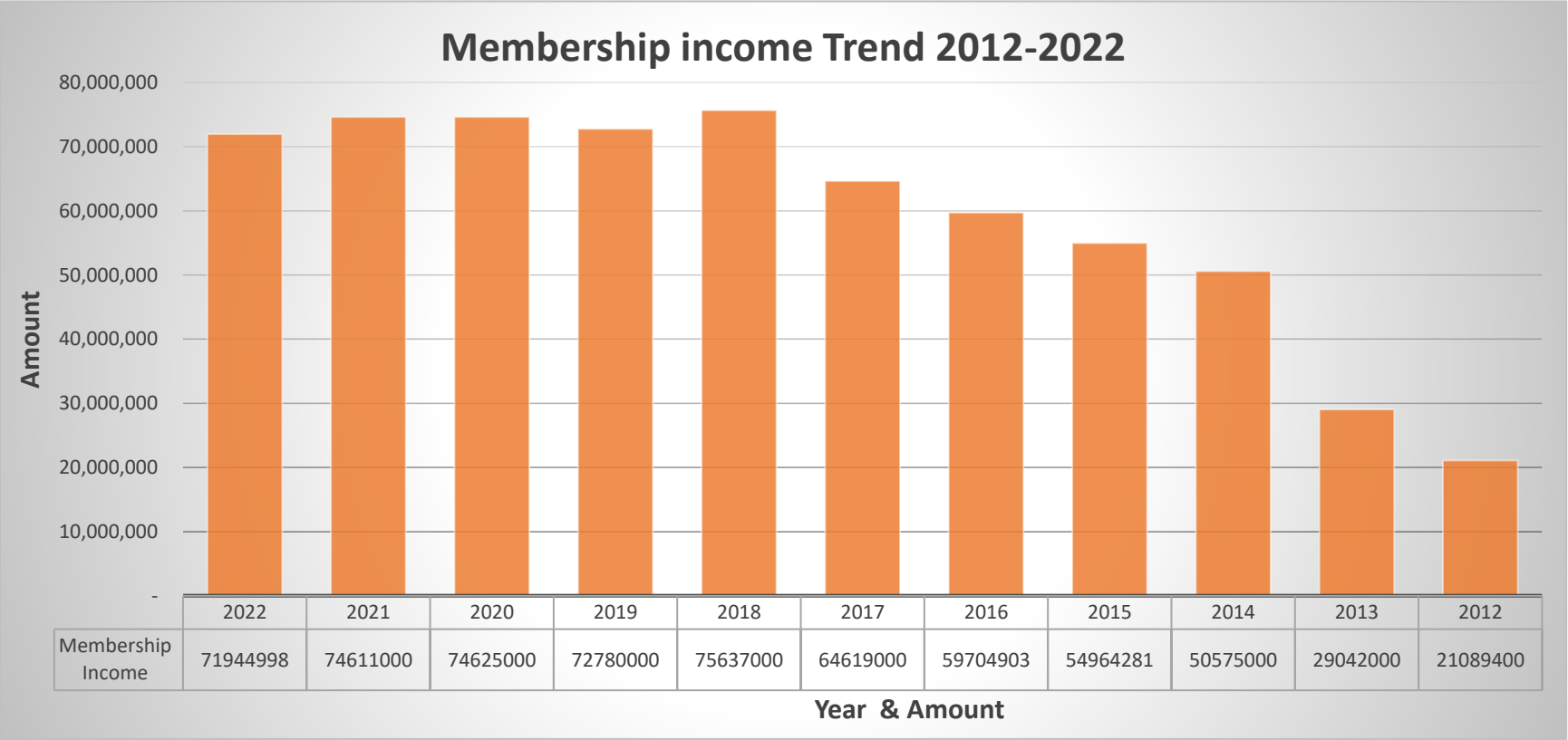
The governance system should continue to adapt and be fit for purpose with the new strategy. It needs urgent review and adaptation for the next 10-20 years. This will involve reviewing the following areas:

- Roles, responsibilities, and accountability between KEPSA and KEPSA Foundation
- Roles, responsibilities, reporting and accountability between KEPSA Board of Directors (BOD), KEPSA Foundation Trustees, KEPSA Advisors, KEPSA Governing Council
- Clarity on formal and informal roles played by KEPSA Trustees and Advisors
- Roles, responsibilities, and accountability between KEPSA Board of Directors & Management
- Roles and responsibilities between Senior Management and Junior Management to create an empowering and conducive working environment
- Structure, roles and responsibilities of Governing Council, and how it relates to the rest of KEPSA
- Formation, Structure, roles and functions of Sector Boards related to government and county structure
- Formation, incubation, and support by KEPSA staff and resources to federations and BMOs (SOPs?)
- Regularization of all the relevant documents after the rationalization is completed.

# EMERGING INSTITUTIONAL CONTEXT – “The Cheese has moved” #5

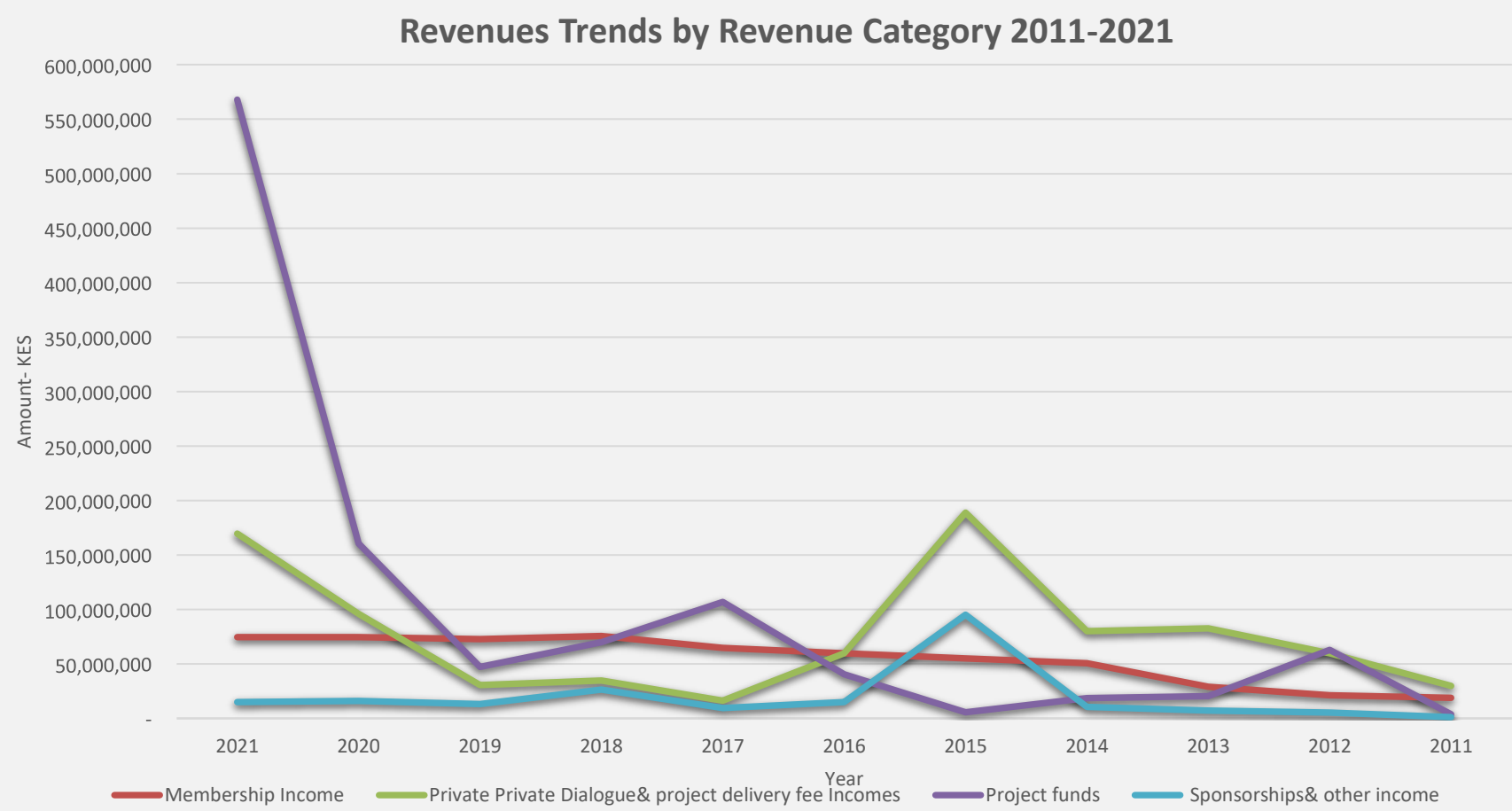
## 11. Membership income Trend 2012-2022

- While membership income has stagnated over the last five years, the membership numbers have increased as demographics of KEPSA’s membership has changed overtime into large numbers of SMEs and those in the higher premium categories downgrading to lower categories. Incidentally, this is also the global trend in similar business associations.



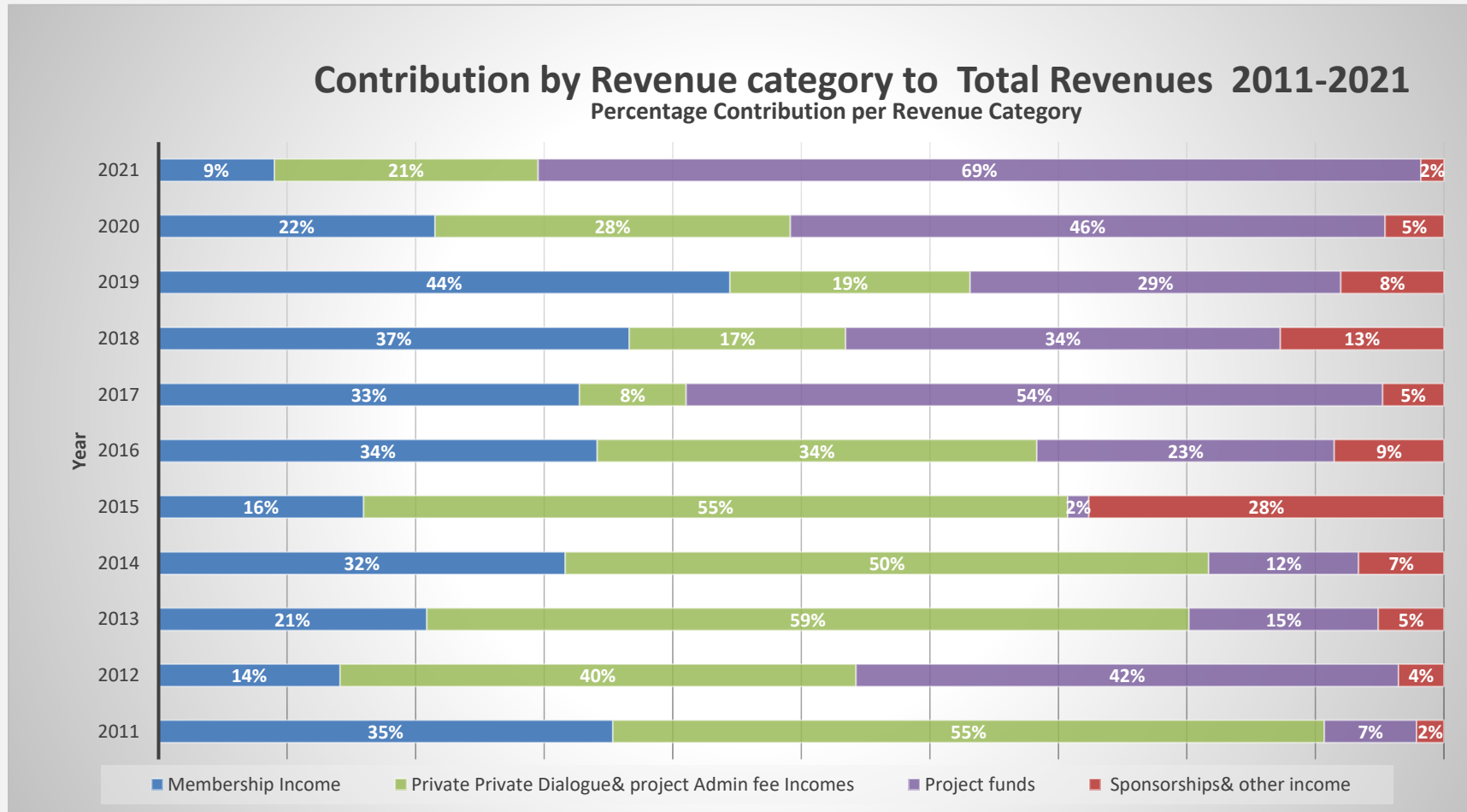
# EMERGING INSTITUTIONAL CONTEXT – “The Cheese has moved” #6

## 12. Revenue Trends by Revenue Category 2011-2021



## EMERGING INSTITUTIONAL CONTEXT – “The Cheese has moved” #7

### 13. Contribution by Revenue category to Total Revenues 2011-2021



## Emerging Institutional Context – “The Cheese has moved” #8

**14. Sustainable financing:** Is an existential challenge to KEPSA going forward.

- Current crucial sources of finance include membership subscriptions which have stagnated as demographics of business has changed to more SMEs and more BMOs, so most businesses are joining KEPSA through their primary BMOs and under SMEs category.
- Development partner grants for specific programs/pillars e.g. PPD are diminishing since Kenya became a low middle income economy, and Management has been more creative in developing projects that have aligned to the changing environment of grants. Projects have, therefore, become a major contributor to KEPSA's financial health.
- Acknowledge that going forward projects will continue to be valuable source of income, along with paid-for services offered by KEPSA, fees charged for events, and subscriptions.

## Emerging Institutional Context – “The Cheese has moved” #9

- 15. Fit-for-purpose team:** KEPSA needs staff establishment with strong analytical, presentation, project implementation and digital capabilities; capable of providing high quality paid-for services; efficient membership services with digital platforms for members to access events, business intelligence, networks, training.
- 16. Current establishment:** Current 30 regular staff and 17 project-based staff and 3 in Foundation, all with diversified training, skills, experience. This is a strong base, and needs to be skilled, exposed, added to by newly recruited staff, and oriented towards the next strategy implementation.
- 17. Global presence:** While KEPSA's presence beyond Nairobi, into Africa, US, UK, EU, China, India, UAE, and other key markets has been achieved through individual representatives and MOUs it has with similar organizations, KEPSA must now scale this experience by fully going global, including establishing presence with some of the organisations with whom it has MOUs and increase the number of regional representatives/ambassadors.

## KEPSA's Mandate: 2023 to 2027

**Mandate:** To be the voice of the private sector in Kenya

**Vision:** To sustain KEPSA's positioning as a World Class Private Sector Apex Body

**Mission:** To realize an Enabling Business Environment that delivers Kenya's Global Competitiveness



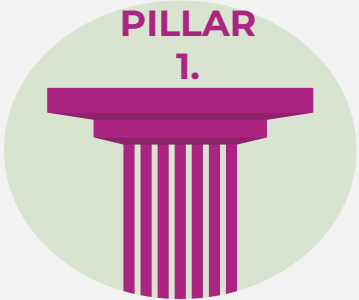
# KEPSA BUSINESS STRATEGY 2023-2027

**OVERARCHING GOAL:** Improved Kenya’s Global Competitiveness

**MISSION:** To realize an Enabling Business Environment that delivers Kenya’s Global Competitiveness by 2027

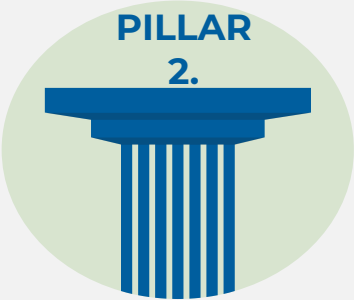
## THE 5 KEY EXPORT COMPETITIVENESS DRIVERS

**COST OF RAW MATERIALS | UTILITIES | PRODUCTIVITY | LOGISTICS | FINANCE**



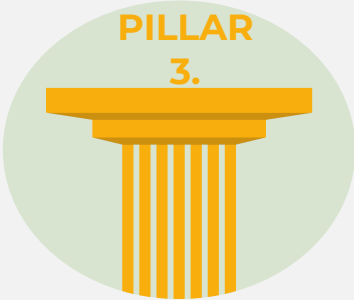
### **PUBLIC PRIVATE DIALOGUES**

PPDs with National, Sub-national, Multilateral, Bilateral, Regional & International institutions on improving business environment and global competitiveness



### **POLICY & THOUGHT LEADERSHIP**

On the 5 key export competitiveness drivers; White Paper on Export-oriented growth model; Data mining & analytics, archiving; Sectoral Analyses and Briefs



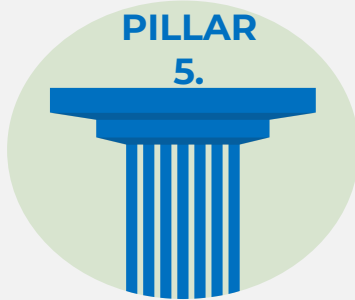
### **CONSULTANCY & TECHNICAL SERVICES**

Consulting; Member Trainings; Market & Investment Preparedness; Business & Market Intelligence; Project Profiling and Bankability; Business Ethics



### **MEMBERS' LOUNGE**

Membership Engagement, Deal Rooms & Linkages, Networking, Events, B2Bs, Exclusive Benefits, Membership Retention; Refresh Value Proposition; BMO Development



### **KEPSA GLOBAL/INTERNATIONAL**

Deepening Global presence and Economic Diplomacy in key market destinations in Africa, North America, Europe, Asia etc. Establishing Partnerships with regional, international & multilateral institutions and business apex bodies



### **PROGRAMS/ PROJECTS**

Implementation of private sector projects & programs. Development and maintenance of partnerships

**ENABLERS:** EFFECTIVE GOVERNANCE & VISIONARY LEADERSHIP | RESULTS-DRIVEN MANAGEMENT | MEMBERSHIP GROWTH & RETENTION | STRONG SECTOR BOARDS | TECHNOLOGY & INNOVATION DRIVEN | FINANCIAL SUSTAINABILITY

## STRATEGIC OBJECTIVES FOR 2023-2032

- **Strategic Objective #1: Trusted partner:** The Administration is still in formulating stages of the Economic Recovery Agenda (ERA). This is the time for the private sector, and its voice to build trust, be present and available as partners in implementing both the medium-term ERA and emerging national emergencies (e.g., drought mitigation).
- KEPSA should emphasize that it seeks to continue the most successful public sector-private sector collaboration and partnership in Africa. It is not accidental that since Kenya's public and private sectors started to work together in 2003, the country has one of Africa's most diversified economies, enjoyed good growth, has one of the best tax collection capabilities (70%), and has become a leading FDI destination in Africa. *KEPSA pursues collaborative partnership with government in implementing ERA 2023-27.*

## STRATEGIC OBJECTIVES #2

- **Strategic Objective #2: Enabler & Grower of National Cake:** KEPSA is the essential partner in mobilizing and supporting private sector investment and implementation in the **ERA's Five Sectors** and **Five Enablers** leading to job creation, incomes, and poverty reduction.
- The private sector is the essential revenue source, it is KEPSA constituencies that will be most affected by revenue collection efforts. *KEPSA to be an essential partner and implementor in the government's revenue mobilization by focusing efforts on generating more revenue from a dynamic, rapidly growing, thriving, profitable, employment and wealth creating private sector.*

## STRATEGIC OBJECTIVES #3

- **Strategic Objective #3: Thought Leader for 21<sup>st</sup> Century Kenya Economic Model:** KEPSA can assist the nation and government to acknowledge the current inward-looking consumption and revenue collection driven model is truly exhausted and cannot move the country forward or achieve results for the ERA
- To succeed, the ERA needs to shift in the medium-term towards a new outward oriented and productivity and revenue generation driven economic model. *In this regard, KEPSA convenes like minded partners within and outside KEPSA to initiate Thought Leadership on what a **21<sup>st</sup> century Kenya Economic Model** could look like.*

## STRATEGIC OBJECTIVE #4

- **Strategic Objective #4: From Inward to Outward Facing Kenya.**
- **Overarching goal: Adopt the “Kenya Global Competitiveness Agenda”** in which KEPSA partners with the government and key stakeholders in realizing a globally competitive business environment focused on global competitiveness
- *KEPSA as the “trusted thought leader” will partner with government and key stakeholders to navigate Kenya’s transition from an inward to outward looking country and economy.*
- The transition will focus towards building a strong export oriented and productive economy.

## KENYA'S GLOBAL COMPETITIVENESS AGENDA

### Overarching Goal:

- **“Improved Kenya’s Global Competitiveness”** in which KEPSA partners with government and key stakeholders in realizing an enabling business environment that delivers global competitiveness by 2027.

### Indicators:

- Due to the global hiatus of doing business and global competitiveness indicators, we propose a practical reliable measure of progress:
  - **Achieve a ratio 1:1 of stuffed outbound containers: inbound containers by 2027.** (currently, the ration is 2: 10)

## **KENYA GLOBAL COMPETITIVENESS AGENDA #2**

### **Achieving the Kenya Global Competitive Agenda:**

- Fundamental institutional, policy, regulatory, and national mindset changes that shift the five key export competitiveness drivers in the Kenyan economy towards being globally competitive. (These shall form the NBA-IV)
- Five Key Competitiveness Drivers
  1. Cost of Raw Materials
  2. Utilities
  3. Productivity
  4. Logistics
  5. Finance

## PURSUE FIVE KEY COMPETITIVENESS DRIVERS

1. **Cost of Raw Materials:** This is the cost of the materials taken at world price (border price parity). It offers no competitive disadvantages –except when administrative, taxes, and regulatory burden is added.
2. **Utilities (energy, water, telecoms):** efficiency of utility distributors, consistency and reliability of utility service provision. Institutional, policy and regulatory burden significantly impacts cost of service delivery by utility providers, particularly given the significant taxes and other regulatory charges that are added to unit costs.
3. **Productivity:** comparative wages and labour productivity (e.g compared to India, China, Vietnam, Bangladesh) that driven by national cost of living, national labour and wage policies, and other institutional, policy and regulatory burdens.
4. **Logistics:** inbound & outbound, national transportation network (roads, railways, ports, airports, marine) cost and efficiency, facilities for production e.g., special economic zones, industrial parks, export promotion zones, urban and peri-urban industrial areas and clusters, etc.
5. **Finance:** cost and tenor of business financing, export financing. The cost of financing – capex, opex, and trade facilities is critical to competitiveness.



## A FIT-FOR-PURPOSE KEPSA

- **KEPSA as “trusted third party”** that promotes growing understanding and confidence by government pursue consistent policies and regulations to realize the Kenya competitiveness agenda.
- **Over the next five years** support government in adopting outward orientation and implementing the difficult but necessary institutional, policy and regulatory changes with particular focus on five (5) competitiveness drivers.
- **Focuses on helping government and the country** harness the tailwinds to provide impetus for improved competitiveness, and how to mitigate the headwinds to improve the business environment.
- **KEPSA as the private sector’s enabler** in understanding and thriving as businesses of types and sizes in an export-oriented economy. Help businesses learn and adopt necessary cultures and practices that will make them thrive and prosper in global export markets for goods and services

## A FIT-FOR-PURPOSE KEPSA #2

- **Help business be ready** to compete in global export markets, find business partners, buyers, suppliers, find and keep clients & customers, gain access to market brokers, adopt standardized production techniques, fulfil customers orders exactly as ordered in terms of quality, quantity, timeliness, earn international trust by upholding and fulfilling contracts, and so on.
- **Catalyzes a “can do” and “outward looking”** national and private sector mindset that is determined to competitively produce goods and services for regional and global markets.
- **Builds sustained national and international support** for the Kenya Global Competitiveness Agenda through strategic communications with key stakeholders – national and international civil society, media, social media, academia, multilateral institutions, apex business bodies, among others.
- **Builds strong international profile and partnerships** to market Kenya as leading global exports producer and investment destination.

## A FIT-FOR-PURPOSE KEPSA (6 Pillars)

- **Pillar 1 Public-Private Dialogues:** Government, county, multilateral, bilateral, regional, and international advocacy and public private dialogues (PPDs) focused on ***5 key competitiveness drivers***
- **Pillar 2 Policy and Thought Leadership:** Competitiveness policy analysis, cross-cutting and high-level sectoral issues analysis & recommendations, Research, Data analytics, Data mining, archives
- **Pillar 3 Consultancy & Technical Services:** Market & investment preparedness, business & market intelligence, training for operational excellence, business ethics, strengthening businesses for exports, top market destination market & investment environment learning.
- **Pillar 4 Members' Lounge:** Membership Services, Membership Engagement, Deal Rooms & Linkages, Networking, Events, B2Bs, Exclusive Benefits, Membership Retention; Refresh Value Proposition; BMO Development
- **Pillar 5 KEPSA Global/International:** trade & investment diplomacy, partnerships with regional, international business apex bodies, global presence in key market destinations e.g US, UK, EU, Japan, China, India, UAE, etc
- **Pillar 6 Programs/Projects:** implementation of projects and programs, in-house, Foundation or in partnerships with external partners.

## A FIT-FOR-PURPOSE KEPSA (Enablers)

- **Effective Governance & Leadership:** Fit for purpose organizational leadership, roles, responsibilities, accountabilities – provide vision & oversight
- **Fit-for-purpose management & team:** i.e., right staffing, clear roles, staff specialization to attain domain knowledge & expertise, staff capacity building and resourcing, outstanding leadership and management, highly capable staff with industry and policy recognition,
- **Technology driven:** data and tech platform enabled operations, all services and analytics digitally based, use of AI, subscriptions to business analytics platforms and trade information e.g. Reuters
- **Sustainable Financing:** develop and secure sustainable financing mechanisms, different and growing income streams, analyze those declining and how turn that around, identify new ones. Develop membership subscriptions, paid for services, projects, programs, and grants as more secure sources.
- **Empowering and innovative culture:** There is need for continuous professional development and global exposure to staff to keep empowering staff to be more adaptive, agile, and to build an innovative organizational culture.
- **KEPSA Foundation:** Being a sustainable finance provider to KEPSA and an implementer of socioeconomic programs/projects.

## KEPSA PROPOSED FUNCTIONS

### 1. CEO's Office:

- Provide overall leadership in the management and visioning of KEPSA and entrenching KEPSA into global spaces (taking charge over tomorrow's business) while being supported by the COO in direct internal management (charged with today's business).
- National, regional and global advocacy and partnerships with governments, corporates, bilateral and multilateral institutions, regional and international business apex bodies, international trade & investment promotion in key markets.
- Representing KEPSA on key global issues e.g., youth, women, climate change, inequality and security.

### 2. Chief Operations Officer: finance, HR, admin, legal, digital services support- digitization of workplace & services provision to members and stakeholders.

### 3. Consultancy & Technical Services\*: Market & investment preparedness, business & market intelligence, training for operational excellence, business ethics, strengthening businesses for exports, top market destination market & investment environment learning, oversee implementation of projects and programs, in-house, Foundation or in partnerships with external partners. *\*paid for services (non-members pay premium)*

## KEPSA PROPOSED FUNCTIONS #2

4. **Global Presence:** International trade & investment promotion and diplomacy, partnerships with regional, international business apex bodies, global presence in key market destinations e.g., US, UK, EU, Japan, China, India, UAE, AU, among others; building up & strengthening regional apex business bodies (Rwanda, Uganda, Tanzania, Ethiopia, DRC)
5. **Members' Lounge** – Membership services, membership engagement, deal rooms, linkages & networking\*, events, exclusive benefits, marketing, business learning events\* (webinars/fireside chats)
6. **Communications** – member outreach, media, social media, external communications

## KEPSA FOUNDATION FUNCTIONS

- **Financial sustainability** – anchors KEPSA's projects/programs
- **Socioeconomic impact activities**
  - Women and leadership
  - Children
  - Community Projects
- **Knowledge Centre**
- **Governance** e.g., Mkenya Daima, MSF,

## KEPSA GOVERNANCE AND MANAGEMENT

- KEPSA has a Board of Directors with a Management Team led by the CEO.
- KEPSA also has a Foundation with membership comprised of leaders who have served elsewhere in KEPSA and want to keep serving.
- The Foundation is managed by an Executive Director, Administrator and social economic project team as its staff.
- The **Trustees** and KEPSA CEO are part of the Foundation as provided for in the Foundation Trust Deed. Every current KEPSA chair sits in the foundation as link to the board.
- There is an **Advisory Council** made up some of the long serving KEPSA leaders who support the Chair and CEO as the heartbeat of the institution on the political economy environment.
- KEPSA also has a **Board Nominating Committee** as per the M&A -this ensures that it avoid having elections that are damaging to a political economy organization and also avoid "in-breeding" of people bringing in friends.
- “Nomination Committee” shall comprise Past Chairpersons of the Board, two Past Directors of the Company with a **MANDATE** “To scan the business environment, the political economy and recommend policy makers, thinkers and leaders in different sectors for appointment to the KEPSA board by the members at the Annual General Meeting in accordance with Article 31(a).”



## KEPSA BOARD OF DIRECTORS ROLE

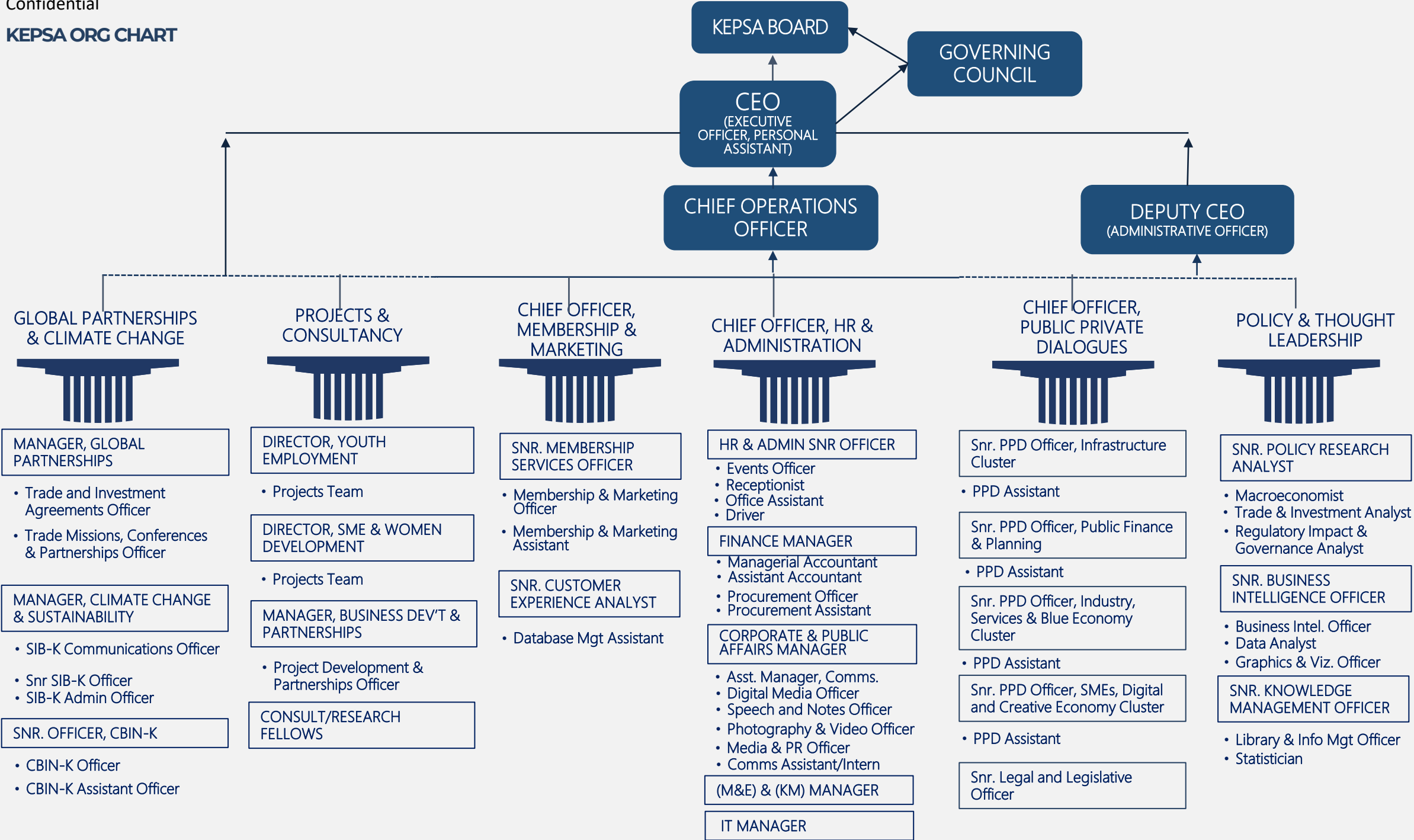
1. Provide oversight to KEPSA Simba Era Strategy as management implements the strategy
2. Provide leadership in the KEPSA NBA thematic areas and each to participate in the meetings of their relevant thematic area
3. Provide input into key documents that set the strategic direction of KEPSA in conjunction with management
4. Attend the KEPSA high level meetings e.g., Roundtables.
5. Actively be on the know of what is happening in the respective sector boards and Ministerial Stakeholder Forums (MSFs) and participate when available.
6. A director must be a leader in the market and own sector, own organization, has served in leadership roles e.g. major organizations boards and other areas.
7. Provide support to KEPSA Sector Boards and their activities including nominations of sector leaders.
8. Support management through engagement in board committees and sector boards through the sectors under their thematic areas.
9. The Board chair supports Board Committees through Board Committee Chairs and supports Management through the CEO.
10. Chair KEPSA Board Committees as the support to management – We currently have the following board committees: *PPD, Membership & Resource Mobilization; Finance and Audit; HR and Remuneration; PR, Communication, Research and Information Dissemination; and Governance and Leadership*

## KEPSA BOARD OF DIRECTORS ROLE -2

11. Task forces chaired by board members -The board can create ad hoc taskforces to meet a need in the business environment that the board should focus on.
12. Support KEPSA management in fundraising and membership recruitment efforts and any other effort that management may call upon the board for assistance.
13. Act as KEPSA Brand Ambassadors within and outside the country wherever they are conducting their daily business.
14. To serve KEPSA on the areas articulated in the TORs and not use the KEPSA brand and platforms for self-ambition but support management to achieve the KEPSA brand and vision like any other corporate board and company.
15. The board will be evaluated yearly by the Board Nominations Committee made up of KEPSA Founding board chairs and vice chairs.
16. Commitment to abide by the KEPSA Memorandum and Articles of Association and the Code of Ethics for Business. The Code is attached to be signed by all board members. <https://cutt.ly/xQFZEg8> and <https://cutt.ly/kQFZUyh>

### PLEASE NOTE:

- The KEPSA Memorandum and Articles of Association 39 (i) states that the office of the Director shall fall vacant if a Director having been properly served with notice fails to attend three consecutive meetings of the Board without apology or a proper explanation to the Board.
- Board TORs are reviewed by the board nominations committee every two years.



## 2023-2024 PRIORITIES (EXTERNAL)

### Kenya Global Competitiveness Agenda – Five Drivers

#### 2023-24

##### **#1. Bill of Materials:**

rationalize/remove any additional tariffs, NTBs to ensure border/import price parity with global competitors

**#4. Logistics:** harmonize/rationalize all policies, regulations & institutions dealing with SEZs, EPZs, and other export -oriented productions of goods & services. Operationalize Dongo Kundu SEZ in 2023.

#### 2023-27

**#5. Finance:** Create long term affordable financing institutions and instruments to accelerate & facilitate industrial and services sector development

**#2. Utilities:** Institutional, policy, regulatory reform for key utilities – energy, water

**#3. Productivity:** Review labour laws to encourage competitive wages and productivity growth.

# 2023-2024 PRIORITIES (EXTERNAL)

## Proposed KEPSA-GOK Economic Recovery Agenda 2023-2027

### 2023-24

- Expedited refund of outstanding tax credit
- Ease and transparency of tax payments
- Comprehensive review of national/county regulations affecting ERA's five sector and enablers, among others.
- Revitalized and efficient public service delivery at national/county

### 2023-2027

- Revocation of unnecessary, conflicting, impeding regulations
- Ease of tax payment and timely tax credit refunds
- Enactment of **enabling** legal and regulatory framework national/county for businesses
- Efficient public service delivery
- Increased revenue generation and profitability in private sector

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# **2023-2024 PRIORITIES (EXTERNAL)**

## **KEPSA-GOK Economic Recovery Agenda/ - Kenya Global Competitiveness Agenda 2023-2027**

### **Internal Measures**

- Reduce key infrastructure costs – e.g., energy, transportation,
- Reduce costs of inputs across all sectors, particularly in terms of taxes
- Adopt an “outward & global facing mindset”
- Facilitate “upskilling” Kenya labor force (tax credits to Private Sector, tech & modernized TVTs)
- Identify key competitive exports
- Incentivize investment in export by creating tax or other credits
- Identify countries seeking “friend trading.”

### **Outward Facing**

- Strategic govt-private sector global campaign promoting Kenya
- Facilitate B2B partnerships between US firms and local partners for competitive exports
- Set up Kenya Ex-Im Bank and key sector financing (e.g., construction, housing, agriculture, industrial, services, SME, tech, MSEs ): all rapidly industrialized countries have/had them.
- Prioritize Dongo Kundu, Konza, Naivasha and Lamu SEZs as initial key export industry hubs.

## **2023-2024 PRIORITIES (INTERNAL)**

### **Governance & Institutional Structure Reform**

The current institutional arrangements are increasingly unclear and in need of urgent rationalization and clarity on:

- Roles, responsibilities, and accountability between KEPSA and KEPSA Foundation
- Roles, responsibilities, reporting and accountability between KEPSA Board of Directors (BOD), KEPSA Foundation Trustees, KEPSA Advisors, KEPSA Governing Council
- Clarity on formal and informal roles played KEPSA Trustees and Advisors
- Roles, responsibilities, and accountability between KEPSA Board of Directors & Management

## **GOVERNANCE & INSTITUTIONAL STRUCTURE REFORM #2**

- Roles and responsibilities between Snr. Management and Jnr. Management to create empowering and conducive working environment
- Structure, roles and responsibilities of Governing Council, and how it relates to the rest of KEPSA
- Formation, Structure, roles and functions of Sector Boards with regard to government and county structure
- Formation, incubation, and support by KEPSA staff and resources to federations and BMOs (SOPs?)
- Regularization of all the relevant documents after the rationalization is completed.



## 2023-2024 PRIORITIES

### Management Restructuring

- **Fit-for-purpose team:** KEPSA needs staff establishment with strong project implementation and digital capabilities, staff capable of providing high quality paid-for services, and efficient digital platforms for members to access events, business intelligence, networks, training, etc – digitize as much as possible membership services.
- **Current establishment:** Current 30 regular staff and 17 project-based staff and 3 in Foundation, all with diversified training, skills, experience. This is a strong base that needs to be skilled, exposed, added to be newly recruited staff, and oriented towards the next strategy implementation.
- **Orientation to new dispensation:** The “outward orientation” and implementation of globally competitive agenda requires staff to gain deep knowledge and understanding of key market export requirements through intensive training and equipping of current staff members.

## 2023-2024 PRIORITIES

### Management Restructuring #2

- **Collaboration with key market destination institutions:** Key markets such as the US (e.g., USAID) could be approached to provide training to KEPSEA staff and members through webinars, continuous learning, exposure, and collaboration with key business bodies and national institutions.
- **Recruitment:** Some new functions such as data analytics, archiving, market intelligence, digital platform, and other technical services could be performed by qualified current staff or highly skilled individuals recruited competitively.
- **Competitive packages:** There is need to offer competitive packages to attract and retain excellent staff, noting that working for KEPSEA is highly attractive
- **Workplace culture and practices:** Review internal culture, working spaces, resources, and practices, to ensure staff are motivated to give their best, focus on what they are hired for, and provided with opportunity to grow professionally through exposure and continuous learning. This will reduce staff churn.

## 2023-2024 PRIORITIES

### Membership Value Proposition

#### Value proposition recalibration:

- **Distinct benefits:** Change membership to create better perception of value proposition & benefits. Create distinct benefits available at each subscription level, so that members paying highest levels have top priority and exclusive access and consideration in all instances compared to those paying lower subscriptions. A category of **Associate Members** will be considered once criteria are established.
- **Distinguish between paid up members and non-members.** Membership secures place at table, insight, business intelligence, access to contacts and networks exclusively members through digital and physical platforms locally, regionally and internationally. Non-members to pay significant premiums to enjoy any paid services and have no access to complimentary high-level events unless they fully pay.

## 2023-2024 PRIORITIES

### Sustainable Financing

**Sustainable financing:** Is an existential challenge to KEPSA going forward.

- Current crucial sources of finance include membership subscriptions which have stagnated, development partner grants for specific programs/pillars that are diminishing, and administration fees from project/programs implementation.
- Project/program implementation is however shared between KEPSA (main) and KEPSA Foundation (socioeconomic projects/programs); and between KEPSA (main) and Dalberg Implement.
- Acknowledge that going forward projects will continue to be valuable source of income, along with paid-for services offered by KEPSA, fees charged for events, and subscriptions.

## SUMMARY

- **KEPSA Global Competitiveness Agenda** for 2023 is a huge undertaking that will require focus and building of domain knowledge & expertise organizationally and within staff members, and development of excellent relationship and trust between:
  - KEPSA and Government,
  - KEPSA and BMO members,
  - KEPSA and Corporate & SME members
  - KEPSA members who are exporters and those who are importers, the latter must not feel left out but should gain from the agenda's implementation.
- **KEPSA's Governance and Institutional Reforms** are urgent and necessary to achieve the singleness of ownership, oversight, execution and accountability for Kenya Competitiveness Agenda by all internal stakeholders – governance, management, staff, and members.
- **KEPSA'S Financial Sustainability** needs urgent addressing, as the traditional sources are either stagnant or dwindling with the changing demographics of membership and focus of donor partners funding. The focus will need to be on identifying new sustainable income streams.

## SUMMARY #3

- **Technology platform development and operationalization** as the basis for all operations, services, member, stakeholder, partnership and global engagement is a top priority for KEPSA to maintain its leading position nationally, continentally and internationally.
- **2023 as Year of Strategic Engagement** with government and all key stakeholders to enable introduction, advocacy, validation and adoption of the Kenya Global Competitiveness Agenda

END



## GET IN TOUCH

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