



**REPORT ON
THE 1ST AND 2ND PRESIDENTIAL ECONOMIC ROUNDTABLE WITH KEPSA
ON TOURISM AND LABOUR, MANUFACTURING,
ICT, FINANCIAL SERVICES AND AGRICULTURE SECTORS, HELD ON 12TH
AND 25TH MARCH 2024, AT STATE HOUSE.**



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Tourism and Labour Sector



BOTTLENECKS	RESOLUTION	ACTIONS	ACTION BY	TIMELINES
<p>1.Trade by Beach boys at the Beach</p>	<ul style="list-style-type: none"> Engage the private sector in working on policy and administrative guidelines on having organized trading activities in beaches for purposes of boosting the sector business. The desired outcome is to have organized trade along Kenyan beaches to address harassments by beach boys and beach traders 		<p>Ministry of Tourism and Wildlife Ministry of Trade, Investment and Industry</p>	
<p>2.Keeping parks as premium product.</p> <p>3.MPesa payments need to be allowed directly to pay bill 222222 without having to log in to ECITIZEN.</p>	<ul style="list-style-type: none"> Work with the private sector to set minimum conditions for licensing the Park Operators KWS will provide a unique reference/account number at the gate for payment tracking purposes. 		<p>Ministry of Tourism and Wildlife Ministry of Trade, Investment and Industry</p>	
<p>4.Allow Turkish Airline to access Mombasa and Eastern Europe</p> <p>5. Application was for 4 flights per week (not including or combined with Istanbul-Nairobi-Istanbul daily flights)</p> <p>6. Qatar Airways application for direct flights Doha-Mombasa-Doha.</p> <p>7.Consideration for waving Electronic Travel Authorization (eTA) for key destinations to protect our market share.</p> <p>8.Pending bills The tourism sector has many pending bills from the services offered to Government.</p>	<ul style="list-style-type: none"> Meet with Ministry of Road Transport to work on the modalities It was resolved that eTA intentions are good and should be maintained. Further, it was resolved that there is need to work with the Immigration Department to reduce the number of steps and questions in the application form in order to shorten the process of application for efficiency purposes. Verification of pending bills is on-going. 	<p>Out of bills verified by the pending bills committee treasury has allocated KES 110BN in this years budget</p>	<p>Ministry of Roads and Transport Ministry of Trade, Investment and Industry</p> <p>Ministry of Interior and Coordination of National Government Ministry of Trade, Investment and Industry National Treasury</p>	

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Manufacturing



BOTTLENECKS	RESOLUTION	ACTIONS	ACTION BY	TIMELINES
<p>1.Unpredictable tax regime due to frequent changes in tax policy</p>	<ul style="list-style-type: none"> The National Taxation Policy to be adopted to provide predictability to Kenya’s tax system. Implement a unified tax ledger and a single tax remittance date to enhance tax administration and reduce administrative costs for businesses. Manufacturers to submit a proposal on the exemption or zero rating of Plant and Machinery under tariff codes 84 and 85 from value-added tax for consideration by the Office of the President and the Kenya Revenue Authority to provide a report on the impact on revenue of the proposal if exempted or zero rated. 	<ul style="list-style-type: none"> National Tax Policy will be ready by June 2024 	<p>The National Treasury</p> <p>Ministry of Trade, Investment and Industry</p> <p>Office of the President</p> <p>Kenya Revenue Authority</p>	<p>JUNE 2024</p>
<p>2.Distribution fees and branding fees across counties</p>	<ul style="list-style-type: none"> An engagement between the President and the Council of Governors (COG) to be held to discuss standardizing and centralizing across counties fees, levies, and charges including distribution, branding fees, cess, and others. Set up a one payment point for County fees, levies, and charges through the central government that does hinder the ease of doing business. The National Government to agree on a sharing formula with the counties. Set up a One Stop National Digital Regulatory platform to provide access to regulatory information required by businesses and to provide visibility of National and County Regulatory requirements in the country. Private Sector to consolidate its feedback on the County Licensing (Uniform Procedures) Bill, 2022 which seeks to establish uniform standards for County licensing. 	<ul style="list-style-type: none"> Private Sector to consolidate its feedback on the County Licensing (Uniform Procedures) Bill, 2022 which seeks to establish uniform standards for County licensing 	<p>Private sector</p>	<p>2 weeks</p>

BOTTLENECKS	RESOLUTION	ACTIONS	ACTION BY	TIMELINES
<p>3.Hinderance in installation of other power source for industry</p>	<ul style="list-style-type: none"> Review the approval process for manufacturers who seek to generate more than 1 megawatt of power to simplify the process and include timelines for the approval process.. 	<ul style="list-style-type: none"> Simplifying night time tariff and streamlining the approval process for renewable energy projects over 1MW 	<ul style="list-style-type: none"> Ministry of Energy Ministry of Trade, Investment and Industry 	
<p>4.Low uptake of time of use tariff due to stringent conditions set</p>	<ul style="list-style-type: none"> Review the time of use tariff requirements to remove any pre conditions made on manufacturers to ensure higher uptake and lower the cost of power. 		<ul style="list-style-type: none"> Ministry of Energy Ministry of Trade, Investment and Industry 	
<p>5.High cost of credit and capital</p>	<ul style="list-style-type: none"> Increase funding to Kenya Development Corporation to support manufacturers and SMEs as well as explore expansion of similar government financing structures. 		<ul style="list-style-type: none"> The National Treasury Ministry of Trade, Investment and Industry 	

BOTTLENECKS	RESOLUTION	ACTIONS	ACTION BY	TIMELINES
6.VAT refunds	<ul style="list-style-type: none"> • Reduce the payment period for VAT refunds from six to three months to support cashflows for exporters and businesses. • Facilitate an offset system for VAT refunds across all tax regimes. • Establish a revolving fund for VAT refunds to ensure sustainable payments. • Zero rating of inputs for manufacturers of pharmaceutical and agriculture sectors to ensure manufacturers are competitive and increase exports. 	<p>Proposal from private sector on a fairer tax structure that could support local assembly and manufacture of Devices/Machinery. Outlining what to tax, at what rate, how does it help from import to assembly to departure. Price point for the customers to buy devices</p> <p>KRA to provide tax numbers on plant and machinery to advise the President on the impact of Tax removal on devices</p>	<ul style="list-style-type: none"> • The National Treasury • Ministry of Trade, Industry and Investments • Kenya Revenue Authority 	<p>2 weeks</p> <p>2 Weeks</p>

BOTTLENECKS	RESOLUTION	ACTIONS	ACTION BY	TIMELINES
<p>7.Securing the bilateral / multilateral trade agreements mainly for Africa Growth and Opportunity Act (AGOA)</p>	<ul style="list-style-type: none"> • The Government to engage the United States of America Government to fast-track the renewal of the AGOA. • Follow up on pending trade agreements to provide market access for businesses such as the bilateral agreement with Ethiopia and the Tripartite Free Trade Agreement. 		<ul style="list-style-type: none"> • Ministry of Trade, Investment and Industry • Ministry of foreign affairs 	
<p>8. Raw materials and Intermediate Products used in manufacturing</p>	<ul style="list-style-type: none"> • Align the domestic tax structure on raw materials, intermediate products, and inputs (eg. excise tax and import fees & levies) to encourage local manufacturing by lowering the cost of production in line with best practices adopted under the EAC Common External Tariff (CET) structure. • Packaging used of for essential goods in particular the white kraft paper to be exempted from tax to lower the cost of the product and the required changes to be incorporated in Finance Bill, 2024 • Manufacturers to provide a proposal to ensure competitiveness in key value chains and company-specific incentives for manufacturers with new investment in sectors such as steel, cement, and paper. 		<ul style="list-style-type: none"> • Ministry of Trade, Investment and Industry • National Treasury • KAM 	

BOTTLENECKS	RESOLUTION	ACTIONS	ACTION BY	TIMELINES
<p>9.Zero-rate packaging material mainly the craft paper used for packaging of food stuff.</p> <p>10. Agriculture for Industry</p>	<ul style="list-style-type: none"> • It was resolved that this proposal will be incorporated in Finance Bill, 2024. • It was resolved that manufacturers support offtake crops such as sunflower, pyrethrum, potato, tomato, and rice. • It was resolved to Identify investors for six (6) ginneries to support cotton processing. • It was resolved that concerted efforts between the Government and the Edible Oil industry be made to ensure edible oil processing is done with local raw materials including sunflower and other sources. • It was resolved that the County Aggregation and Industrial Park (CAIPs) be fast-tracked to support aggregation in the agriculture sector by farmers. 	<p>It was resolved that this proposal will be incorporated in Finance Bill, 2024</p>	<ul style="list-style-type: none"> • The National Treasury • Ministry of Trade, Investment and Industry • Ministry of Trade, Investment, and Industry • Council of Governors (COG) • KAM • Ministry of Trade, Investment, and Industry 	<p>JUNE 2024</p>

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ICT



WHAT HAS WORKED SO FAR?

- The Kenya Kwanza administration has identified ICT as a prime mover in acceleration of the Bottom-up Economic Transformation Agenda (BETA).
- The Administration is committed to digital transformation and delivery of services to citizens and businesses in an efficient and effective manner.
- The anchor of the BETA is a five-point plan that includes **Food Security, Jobs and Economic Empowerment, Health, Housing, and Social Protection.**
- The Government has shown its commitment to enhancing last mile connectivity, and to promoting Kenya as an investment destination for ICT as the African regional tech hub on a global stage.

A. OPPORTUNITY: POSITIONING KENYA AS A REGIONAL AND GLOBAL ICT HUB

- Policy
- Skills
- Infrastructure

BOTTLENECKS	PROPOSED INTERVENTIONS	IMPACT	RESOLUTIONS	ACTION BY	TIMELINE
<ul style="list-style-type: none"> • Tax policies for the sector prone to disruptions in implementation ETIMs • Lack of clarity on Data protection laws and regulation harmonization across the EAC Region. 	<ul style="list-style-type: none"> • Need for policies to promote upscaling of start ups survival and success rate with a pipeline of growth funding towards an eventual goal of listing on the NSE. • Active participation in all regional discussions on cross border digital policy harmonization (AU, AfCFTA etc.) 	<ul style="list-style-type: none"> • More tech jobs • Create strong regional ICT companies based in Kenya • More inward FDI (infrastructure & financing, renewable energy) into Kenya. • Africa looking to Kenya as a leader in ICT driven by world leading payments and data platforms. 	<ul style="list-style-type: none"> • Ministry of trade, Ministry of MSEs to accelerate on the start up bill and work on where it should be domicile • Ministry of Trade working on the final AFCFTA Protocol Framework • Ministry of EAC to WORK with EAC secretariat in Arusha to align data residency rules and data protection to make them more efficient • KRA to work with the private sector and to sensitize MSEs on Etims trough the member association. 	<ul style="list-style-type: none"> • Ministry of Trade, Investment and Industry • Ministry of Trade, Investment and Industry • Ministry of EAC • Kenya Revenue Authority 	<ul style="list-style-type: none"> • Two weeks • Ongoing • Ongoing • A Month

B. OPPORTUNITY: ICT AS AN ENABLER AND CATALYST TOWARDS ECONOMIC GROWTH: GOVERNMENT HAS A STRATEGIC AGENDA (BETA) FOR DEVELOPMENT OF- INFRASTRUCTURE ACROSS THE COUNTRY, DIGITAL GOVERNMENT SERVICES AND BENEFITS OF THESE SERVICES BY ALL KENYANS, DIGITAL SKILLS AND CREATING GLOBAL OPPORTUNITIES

BOTTLENECKS	PROPOSED INTERVENTIONS	IMPACT	RESOLUTIONS	ACTION BY	TIMELINES
<p>Energy</p> <ul style="list-style-type: none"> High energy costs – lack of an ICT specific tariff. High ICT power users unable to directly contract power offtake from IPPs. <p>4. Taxes/Duplicity of roles between County & National Governments</p> <ul style="list-style-type: none"> Counties overstepping their roles in overseeing ICT build. Lack of efficiency and at times repetitive taxes for one service. Wayleave across counties for the same aerial route or shared trench. 	<ul style="list-style-type: none"> Recognition of the Communications Authority as the only license issuing authority for ICT infrastructure deployments. “Power Wheeling” arrangements allowed by regulation to facilitate competition by power producers to serve ICT companies. The recognition of infrastructure sharing best practices that allow other utilities to share and facilitate the quick deployment of ICT. Counties to adopt such guidelines. 	<ul style="list-style-type: none"> Encourage a stable environment for investors in all kinds of digital infrastructure including connectivity, data centres, cloud, digital services. Shaping the Kenya Digital Stack that will Scale Digitization through a well-thought-out Architecture for Kenya Stack and Key enablers. Economic opportunities in e-commerce. Job creation Creation of digital societies 	<ul style="list-style-type: none"> Ministry of Energy to work with all other players in the energy sector including Kenya power to check for opportunities to create a Special tariff for Telco industry. Private sector to give proposal on levies and fees on the County licensing uniform procedure bill 2022. Central way of charging through the bill. CA/COG to harmonize yearly/monthly fees and report in a month with agreements and actions 	<ul style="list-style-type: none"> Ministry of Energy Private sector CA/COG 	<ul style="list-style-type: none"> A Month Two weeks A month

C. OPPORTUNITY: ADVANCING GOVERNMENT INITIATIVE FOR UNIVERSAL BROADBAND BASED ON 100,000 KM OF FIBRE AND 25,000 HOTSPOTS ACROSS THE COUNTRY

BOTTLENECKS	PROPOSED INTERVENTIONS	IMPACT	RESOLUTIONS	ACTION BY	TIMELINE
<ul style="list-style-type: none"> • ICT infrastructure such as Fibre and towers are not classified as critical infrastructure such as power lines and water resources. 	<ul style="list-style-type: none"> • Protection of critical infrastructure will attract more investors in cloud, data centres, creating more FDI opportunities. 	<ul style="list-style-type: none"> • Deliver Universal broadband to Kenya. • Create local ISPs encouraging investment and expansion of digital jobs/gig economy • Provision of broadband and internet connectivity in schools across the country to support the delivery of a digital Kenya. 	<ul style="list-style-type: none"> • Ministry or Housing and roads to work with Ministry of ICT to revise the building code and the road code to include ICT • Ministry or Housing to Engage with Ministry of Interior to end Vandalism ICT structures and declare such acts as acts of terrorism • KPLC has been consulted to help with the rollout of fiber optics through their already set up infrastructure 	<ul style="list-style-type: none"> • Ministry of Housing • Ministry of ICT • Ministry of Housing • Ministry of Interior • KPLC 	<ul style="list-style-type: none"> • Two weeks • On going • Ongoing

D. OPPORTUNITY: ADDRESSING HIGH COST OF ICT DEVICES AND PROMOTING LOCAL ASSEMBLY

BOTTLENECKS	PROPOSED INTERVENTIONS	IMPACT	RESOLUTIONS	ACTION BY	TIMELINE
<ul style="list-style-type: none"> • Long Import delays on components for assembly, ICT gadgets etc • High Taxes on All Gadgets - Approx 60% • VAT Refunds on high capital expenditure items such as machines for electronics assembly. 	<ul style="list-style-type: none"> • Remove some of the taxes and levies on ICT devices to reduce the overall tax burden of 60% of every device cost. • Policies to reduce illicit trade of imported ICT related hardware including mobile phones. • Policies to encourage the export of locally exported devices with less barriers and levies by KEBS etc. • KRA to streamline processes of inspections, clearing and handling of all imported components and devices. 	<ul style="list-style-type: none"> • Deepening Digital Inclusion through the Affordable Smart Devices, ubiquitous access, and ICT Capacity across the country. • Possibility to grow local manufacturing of ICT equipment value chain to create jobs and high value companies. • Further possibility to incubate locally designed products, through tech transfer and local innovation (e.g. smart water meters being made in Kenya) 	<ul style="list-style-type: none"> • Communication Authority to provide information on how far Implementation of device Management is at. • Proposal from private sector on a fairer tax structure that could support local assembly and manufacture of Devices. Outlining what to tax, at what rate, how does it help from import to assembly to departure. Price point for the customers to buy devices • KRA to provide tax numbers on plant and machinery to advise the President on the impact of Tax removal on devices • Industry to provide a proposal on outcomes that will be achieved on removal of tax on plant and machinery and give justification 	<ul style="list-style-type: none"> • Communication Authority • Private Sector • Kenya Revenue Authority • MITI 	<ul style="list-style-type: none"> • Brief by 26/3/24 by CA. • Two weeks • A week • Two weeks

G. OPPORTUNITY: TO GROW MSMES IN THE GIG AND CREATIVE ECONOMIC SECTORS THROUGH DIGITALIZATION

BOTTLENECKS	PROPOSED INTERVENTIONS	IMPACT	RESOLUTIONS	ACTION BY	TIMELINE
<ul style="list-style-type: none"> • High costs of access to technology hardware, computers, laptops, gadgets and software for reskilling and development. • Lack of fit for purpose curriculum of ICT courses at many well-established tertiary institutions. 	<ul style="list-style-type: none"> • To Showcase the growing trend via partnerships between Private Sector Tech Training institutes • Private sector partnerships with high tech institutions such as the new Open University and KAIST at Konza Technopolis. • Government to consider underwriting “Income Share Scholarships” as was done by Nigeria 	<ul style="list-style-type: none"> • Digital jobs has created employment for many young people and are enabling youth to generate incomes. • ICT for export – tech talent being exported to other countries and offer support services through our well-educated youth to companies across the globe via BPO models (call centers). 	<ul style="list-style-type: none"> • Ministry of Education to work to work with ICT to ensure alignment of skill set being taught for export of services. Rework the recommendations of the skill set tabling next week. • The skill taskforce set by MOE to be expanded to include, KMTC and Universities to broaden the recommendations 	<ul style="list-style-type: none"> • Ministry of Education • Ministry of ICT • Ministry of education 	<ul style="list-style-type: none"> • Next week • On going

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FINANCIAL SERVICES (BANKING)



WHAT HAS WORKED SO FAR?

- a) Better engagement with CBK, Treasury and Banks.
- b) **Great positioning of Kenya as an investment destination.**
- c) Eurobond cloud lifted bolstering investor confidence.
- d) **Private sector credit growth at 13.9%.**
- e) Leadership in Climate matters - climate finance, green energy, hosting ACS 2023 and Kenya's role at COP28.
- f) **Food security (fertilizer funding).**
- g) Hustler Fund, aided in de-risking of individuals and MSMEs.
- h) **Risk based pricing.**
- i) G2G intervention.

A.OPPORTUNITY: CREDIT MARKET DEVELOPMENT INTERVENTIONS

BOTTLENECKS	PROPOSED INTERVENTIONS	IMPACT	RESOLUTIONS	ACTION BY	TIMELINE
<ul style="list-style-type: none"> Increase in NPLs arising from the pending bills with banks left to carry the burden. Manufacturing, driving NPLs (currently at 30% of industry NPLs and 17% for manufacturing). <p>Liquidity Crunch:</p> <ul style="list-style-type: none"> Fiscal indiscipline:43% of national government spend is on salaries Kes.65billion held up in bank land transactions. Outstanding court cases, withholding capital from the economy. Kes.600billion held up in commercial bank litigation. 	<ul style="list-style-type: none"> Provide clarity and schedule for settlement of the pending bills; to relieve banks from the NPLs burden. Scale up Credit Guarantee for the sector. National government spend on salaries to be reduced to 30% Solve the risk of liquidity to move the country from being categorized under solvency risk Enhance efficiency and prioritize commercial land transactions on Ardhisasa at land registries. Expedite the resolution of commercial banks cases held up in court and withholding capital from the economy. 	<p>Enhanced credit to private sector.</p> <p>Increased credit flow to SMEs with guarantees of over 50% from current 25%.</p>	<ul style="list-style-type: none"> Out of bills verified by the pending bills committee treasury has allocated KES 110BN in this years budget Governments commits to reduce salary spent to 35% within three years KEPSA to propose two members to join the executive team to put a case together to unlock court case backlogs 	<ul style="list-style-type: none"> NT Private sector 	<ul style="list-style-type: none"> Within three years A WEEK

B. OPPORTUNITY: SUSTAINING MARKET LIQUIDITY SUPPORT

BOTTLENECKS	PROPOSED INTERVENTIONS	IMPACT	RESOLUTIONS	ACTION BY	TIMELINE
<p>To review the Treasury Single Account, implementation that would adversely affect banks' liquidity, stability of the industry and tax contribution.</p>	<p>To review the Treasury Single Account whole implementation would adversely affect banks liquidity.</p>	<p>Increased liquidity in the market.</p>	<p>This is to be reviewed by treasury.</p>	<p>NT</p>	
<p>Government crowding out private sector from credit. Private Sector can not be competitive if it's getting credit above 12% interest</p>	<p>Support Private sector Credit Growth to Grow at 4 times the expected growth of the economy. Government requested to reduce interest on bonds and T-Bills to allow credit availability to Private sector below 14%</p>	<p>Increased liquidity in the market.</p>	<p>Government commits to borrow less and reduce fiscal deficit of the country to 3.5% of GDP from 4.9% in the June Budget and eventually to a balanced budget</p>	<p>NT</p>	<p>June 2024</p>
<p>Up take of PPPS has been hampered by lengthy ,inflexible, expensive and inefficient processes and procedures</p>	<p>Map out outstanding issues under the PPP law and processes and propose amendments to ignite their uptake</p>		<p>Requested Private sector(Banks) to test PPPs On two dams one in Galana the other Isiolo where government committed 30% to derisk the projects. The banks reiterated their support for PPPs provided they are at lower interest rates. In addition the government has also put in the PPP pipeline transmission lines and leasing for take up by the private sector</p>	<p>Private sector</p>	<p>A month</p>

C.OPPORTUNITY : DEEPENING FINANCIAL MARKETS

BOTTLENECKS	PROPOSED INTERVENTIONS	IMPACT	RESOLUTIONS	ACTION BY	TIMELINE
<ul style="list-style-type: none"> New policies in environment and climate leading to unpredictability in business strategies. Inadequate policy and Fiscal interventions to support green finance and green bonds. 	<ul style="list-style-type: none"> To firm up the Fiscal policy and regulatory interventions to support green finance and green bonds. Policy stability and clarity on environment and climate related to ease cost of doing business and spur green financing. 	<ul style="list-style-type: none"> Attract green investment in the country and create employment opportunities. 	<ul style="list-style-type: none"> President noted that Kenya had provided leadership on AGII, Climate change and E mobility. He requested the private sector to provide suggestions on how to take this opportunities forward 	<p>Private Sector</p>	<p>Two weeks</p>

BOTTLENECKS	PROPOSED INTERVENTIONS	IMPACT	RESOLUTIONS	ACTION BY	TIMELINE
<ul style="list-style-type: none"> Government has not facilitated private sector to operate secondary bond exchange as envisioned in the financial market reforms. The licensing and approval processes not fast-tracked by Government agencies making Kenya unattractive destination for investment. 	<ul style="list-style-type: none"> To fast-track secondary bond exchange access and integration to the Central Securities Depository (CSD) system. The licensing and approval processes be fast-tracked by various Government agencies to make Kenya an attractive investment destination. 	<ul style="list-style-type: none"> Revival of Kenya’s corporate bond market to enable businesses access alternative capital. Efficiency in the domestic market and ultimately catalyze operationalization of Nairobi International Financial Centre. 	<ul style="list-style-type: none"> Activate corporate Bonds Private sector to hold conversations with Treasury on mechanisms to make NIFC (Nairobi International Financial Centre.) attractive and competitive as well as where it should be located. President committed to be the chief marketer of NIFC within the African Economy 	<ul style="list-style-type: none"> NT Private sector NT 	<ul style="list-style-type: none"> A month 2 weeks

D.OPPORUNITIES: SUSTAINING COLLABORATION BETWEEN GOVERNMENT AND THE FINANCIAL ECO SYSTEM TO HAVE THE COUNTRY WHITELISTED

BOTTLENECKS	PROPOSED INTERVENTIONS	IMPACT	RESOLUTIONS	ACTION BY	TIMELINE
<ul style="list-style-type: none"> Inadequate collaboration with state agencies in matters AML(ANTI MONEY LAUNDERING)/CFT.Banks and private sector players were removed from the National Taskforce on AML/CFT last year leading to disjointed compliance. 	<ul style="list-style-type: none"> Reinstate banks and private sector players to the National Taskforce on AML/CFT to drive the country's whitelisting. 	<p>Lower the cost of funds to banks and cost of credit to customers. Fast-track the whitelisting of Country to attract investment.</p> <p>Kenyan citizens and businesses have started to appear on the OFAC list with adverse consequences to banks and the country</p>	<ul style="list-style-type: none"> It was resolved that the Private Sector(Bank CEOs and other players)be reinstate into the National Task Force Immediately 	<ul style="list-style-type: none"> NT 	<ul style="list-style-type: none"> Immediate

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WHAT HAS WORKED SO FAR?

The Government has brought notable and appreciated support in several areas including;

- a. Four Presidential visits to the NSE – highlighting your priority of the Exchange as a barometer of the economy.
- b. Resuscitate discussions on Privatization and listings.
- c. Encouragement of retail investors
- d. Access to the Presidential Council on Economic Affairs (PCEA) and the Ministry of Investment, Trade and Industry
- e. Strengthening the currency and ensuring availability.

Continued Support to grow momentum

These activities have been instrumental in getting the Exchange to strengthen. We request continued support as we implement the proposed items, even as the Government balances resources.

FINANCIAL SERVICES (EQUITIES)

A.OPPORTUNITY: TO FOSTER A ROBUST AND VIBRANT CAPITAL MARKET ECOSYSTEM: BUILDING SUPPLY-SIDE CONFIDENCE IN THE NSE

BOTTLENECKS	PROPOSED INTERVENTIONS	IMPACT	RESOLUTIONS	ACTION BY	TIMELINE
<ul style="list-style-type: none"> • Business & Industry needs affordable long-term financing to remain competitive. • This financing globally follows the pecking order theory • <i>(Internally generated funds / Commercial Banks / Capital Markets)</i> • Building this competitive advantage places our industries at par globally to compete. • Private Equity funded Kenyan businesses exit out of Country rather than on the Exchange. 	<ul style="list-style-type: none"> • Biannual “Capital Markets Potential listers, Presidential Breakfast” • Bring the same highlight of HE’s attention to potential listers. • Establish HE’s attention on the investment pipeline, general sentiment and drive the message. • Tax regime can support the sector issue, without materially affecting collections. • Attendees for the breakfast should be chosen based on the health of their tax returns. • Private Equity and other investors interested in Kenya should be invited. • Investment Banking arrangers and sector players should be invited for practical discussion • Tax rebates on listers in the market (Not seen to materially affect collections) 	<ul style="list-style-type: none"> • Businesses & sector players will see practical success, Government priority and social proof and establish their roadmaps. • Examples are The Linzi Sukuk (National Defence Project) a KES 3B – to develop 3,069 residential units for KDF. • A bank looking to raise KES 7.5B Exchange Traded Fund. 	<ul style="list-style-type: none"> • President expressed support and recommitted to a list of privatizations starting with Kenya Pipeline Company a bit of KenGen. The Privatization Act was passed into law, although listings held back due to court cases, the Government is committed to the process. • Structure a National Dialogue on Listings. Capital markets Breakfast is an excellent idea, for practical discussions and understanding why listings are not taking place. • Industry to meet with Presidential Council of Economic Advisors to discuss tax rebates and related matters. PCEA had indicated that the tax rebates shall not negatively affect Government collections. 	<ul style="list-style-type: none"> • Presidential Council of Economic Advisors • KASIB 	<ul style="list-style-type: none"> • 2 WEEKS • INCONSIDERATION • 2 WEEKS

B.OPPORTUNITY: TO FOSTER A ROBUST AND VIBRANT CAPITAL MARKET ECOSYSTEM: BUILDING DEMAND-SIDE CONFIDENCE IN THE NSE

BOTTLENECKS	PROPOSED INTERVENTIONS	IMPACT	RESOLUTIONS	ACTION BY	TIMELINE
<ul style="list-style-type: none"> • Lack of foreign investment, diaspora portfolio investment. • Lack of local savings and investment culture. 	<ul style="list-style-type: none"> • NSE to remain as the primary listing authority (Equities or Bonds) to consolidate the growing confidence. • One “Market Stimulating” privatization IPO. NSE as the primary lister (Equities or Bonds) & AELP 	<ul style="list-style-type: none"> • AELP encouraging the young public (the hustler) to find opportunities through a structured Exchange rather than crypto etc. Noting that the hustler does not have experience with the NSE due to the drought of IPOs. • Establishing Kenya as an investment destination with African investors • All to support financing of industry through capital markets and stimulating savings 	<ul style="list-style-type: none"> • It was agreed that Government has many State Owned Entities ripe for both Initial Public Offers and secondary listings and that the first should be large one. He committed Kenya Pipeline Corporation (KPC) to the list. • Industry to meet with Presidential Council of Economic Advisors to work on a list on privatization IPO 	<ul style="list-style-type: none"> • Presidential Council of Economic Advisors • KASIB 	<ul style="list-style-type: none"> • A Month • 2 WEEKS

C.OPPORTUNITY: LOCKING REAL ESTATE INVESTMENT TRUSTS (REITS) AND AFFORDABLE HOUSING

BOTTLENECKS	PROPOSED INTERVENTIONS	IMPACT	RESOLUTIONS	ACTION BY	TIMELINE
<ul style="list-style-type: none"> • Issuers unable to list in the unfavourable tax regime. • (Stamp Duty Act and Income Tax Act) • Creating a Real Estate Investment Trust attracts stamp duty and capital gains tax. It is punitive. Little or no taxes were collected in 2023 on account of REITs. 	<ul style="list-style-type: none"> • Kenya National REIT - Exemption of Stamp Duty and CGT, on property transferring to a REIT (it is in the National Tax Policy). 	<ul style="list-style-type: none"> • Support affordable housing program. • Large potential REIT issuers. • Two Green Bonds issued by a local private developer have raised in excess of KES 6.3B through REITs for construction of university accommodation being oversubscribed by 146% 	<ul style="list-style-type: none"> • HE the President observed that this is fairly clear and doesn't see why we shouldn't do this. Industry to meet with Presidential Council of Economic Advisors to work out its implementation. 	<ul style="list-style-type: none"> • Presidential Council of Economic Advisors • KASIB 	<ul style="list-style-type: none"> • 2 WEEKS

D.OPPORTUNITY: GENERAL INCREASED INVESTMENT IN THE ECONOMY (FOREIGN AND DOMESTIC)

BOTTLENECKS	PROPOSED INTERVENTIONS	IMPACT	RESOLUTIONS	ACTION BY	TIMELINE
<ul style="list-style-type: none"> • The Deal book – identifying investment opportunities. Lack of visibility into bankable opportunities in Government’s path. • Lack of real competition in Pension Funds investment. • Pension Funds Optimization – equities investments floor - 25%. 	<ul style="list-style-type: none"> • Access to Government investment discussions. • Government support and alignment - By allowing KASIB to second 2 representatives from the investment bank community to accompany the Government delegations in each official visit (at our own cost). • Amendment to Pension Guidelines. To set a 25% equity investment floor which creates real service based competition. 	<ul style="list-style-type: none"> • Industry support structures for Government projects. • Immediate and sustainable upsurge in trading activity at the NSE. • Sustainable trading builds issuer confidence. 	<ul style="list-style-type: none"> • Establishment of investment floors for investment in different asset classes but we first need to run it through the Presidential Council of Economic Advisors. • Increase the number of Double Taxation Agreements. The private sector to propose countries to be brought on board. • On Pension Funds, provide the Indian Case on how they are handling pensions. 	<ul style="list-style-type: none"> • Presidential Council of Economic Advisors • KASIB 	<ul style="list-style-type: none"> • 2 WEEKS

E.OPPORUNITY: REDUCING COUNTY’S FINANCIAL DEPENDENCE ON NATIONAL GOVERNMENT

BOTTLENECKS	PROPOSED INTERVENTIONS	IMPACT	RESOLUTIONS	ACTION BY	TIMELINE
<ul style="list-style-type: none"> • Insufficient own-source revenue. • 14 years after the new constitution, County Governments continue to struggle with own-source revenue and financing development agendas, depending heavily on national Government’s equitable share disbursements. • Lack of development budget. • Insufficient fiscal discipline e.g. pending bills. 	<ul style="list-style-type: none"> • Amend Public Finance Management Act - In the same way National Government has loans as a first charge on the consolidated fund • PFMA should state a mandatory first charge on County budgets, to be County Bills and Interest payments. • In the PFMA, county Government borrowing requires National Government guarantee and approval. This should be amended to include any other approved guarantor, enabling the investment. • Pensions Act - The Act currently has a provision requiring funds to investment in national Government securities like bonds. We propose to create a new provision specific for County Government Securities that ensures investment without Competing with National Government. • We need to see the Municipal bonds of the past return. 	<ul style="list-style-type: none"> • Reduced dependence on Central Government. • Rehabilitating, expanding water / health services AT SCALE • Affordable long-term investment. 	<ul style="list-style-type: none"> • Industry to meet with the Presidential Council of Economic Advisors. 	<ul style="list-style-type: none"> • Presidential Council of Economic Advisors • KASIB 	<ul style="list-style-type: none"> • 2 WEEKS

6

AGRICULTURE (TEA)



Government Intervention that has been favorable:

Security intervention to preserve investments in the sector in May, 2023 when there was unrest in tea growing areas West of the Rift

Reinstatement of the Tea Board of Kenya through the Tea Act 2020: the Board should serve as a focal point to consolidate and address industry issues and to drive industry growth

Fertilizer subsidy: supported production in 2023/2024 when the cost of fertilizer rose rapidly

A.OPPORTUNITY: ALLOWING MARKET FORCES AT PLAY TO CLEAR THE BACKLOG OF 5MILLION KILOS OF UNSOLD TEAS AT THE AUCTION

BOTTLENECKS	PROPOSED INTERVENTIONS	IMPACT	RESOLUTIONS	ACTION BY	TIMELINE
<ul style="list-style-type: none"> Unfriendly regulatory intervention of stipulating a minimum price and banning direct sales as an avenue for tea marketing through the Tea Act 2020 	<ul style="list-style-type: none"> National Tea Policy to redirect tea production trends in the Country Capacitation of the Tea sector through empowering the TBK with resources for market expansion Overall supportive environment that incorporates stakeholder inputs into the process of policy and legal intervention 	<ul style="list-style-type: none"> Sustaining livelihoods of the over 5million Kenyans directly and indirectly reliant on the sector; including preserving the Country's foreign exchange earnings; tax paying capacity of the sector; employment and rural investments by the sector 	<ul style="list-style-type: none"> Ministry of Agriculture to work with treasury to look at any interventions that can work without affecting the countries revenue 	<p>Ministry of Agriculture NT</p>	<ul style="list-style-type: none"> A week

B.OPPORTUNITY: EMERGING OPPORTUNITIES IN THE AFRICA CONTINENTAL FREE TRADE AREA AND OTHER GLOBAL MARKET

BOTTLENECKS	PROPOSED INTERVENTIONS	IMPACT	RESOLUTIONS	ACTION BY	TIMELINE
<ul style="list-style-type: none"> High import duty levied on tea by these markets Capacitation of the sector to discover the routes to market on the continent through market survey and dissemination of information of the critical opportunities 	<ul style="list-style-type: none"> Reciprocal arrangements with China, Canada ,Turkey and India, Iran for Kenya to access these markets Regional partnership for logistical investment to ease market access and open up the supply chain to markets on the continent 	<ul style="list-style-type: none"> Disposal of current accumulated high volumes of tea produced to consumers in these markets With opening up of markets and strategic negotiations for local investment in value addition, there will be job creation and income enhancement on all fronts 	<ul style="list-style-type: none"> The President committed to engage the leader of strategic export countries. H.E. the President will have bilateral talks in strategic countries to open trade for our products. Ministry of Agriculture advised they are already having talks with Chinese investors on matters tea. 	<ul style="list-style-type: none"> Ministry of Agriculture 	<ul style="list-style-type: none"> On going

7

AGRICULTURE (FLORICULTURE)



WHAT HAS WORKED SO FAR?

The floriculture industry holds immense untapped potential.

Floriculture currently generates Kshs. 110 Billion annually; and employs 200,000 Kenyans directly in farms and additional 1 Million people in the supply of goods and services. The goal should be to double up the sector in Kenya from the current 4,000 Ha to 8,000 Ha by 2035. For every additional hectare, 20 jobs are created directly and approx. Kshs. 25 Million revenue. Together, through strategic measures, collaborative efforts with the government, and targeted support, unprecedented growth can be unlocked. And this, in turn, will establish Kenya as a true global leader in the flourishing world of flowers. The future growth of the Kenyan flower industry will be driven principally by non-rose products.

The combination of high altitude and its location on the equator gives Kenya a global advantage for the production and export of floriculture products.

'Kenya holds distinct and unique advantages for flower farming due to its equatorial location and areas of high altitude, which create a consistent and stable climate throughout the year,' This unique climate, combined with an abundance of skilled labour, good quality soil, and water, means that flowers can be supplied to the global market all year round.

The industry needs significant government support to help make this growth happen.

Economic Partnership Agreements (EPAs) with both the EU and the UK are positive and welcomed developments.

A.OPPORTUNITY: MORE INVESTMENTS IN KENYA'S FLORICULTURE

BOTTLENECKS	PROPOSED INTERVENTIONS	IMPACT	RESOLUTIONS	ACTION BY	TIMELINE
<ul style="list-style-type: none"> Delayed refunds 	<ul style="list-style-type: none"> Offset against other tax liabilities Facilitate the transition of existing horticultural exporters operating outside EPZ to exempt them from value-added tax (VAT) payments since they do not have any other taxes to offset with other taxes. 	<ul style="list-style-type: none"> Impact the industry's working capital and it's ability to reinvest and grow. 	<ul style="list-style-type: none"> Ministry of Trade to work together with National Treasury 	<ul style="list-style-type: none"> MITI NT 	<ul style="list-style-type: none"> Report one month
<ul style="list-style-type: none"> Farm Work Allowance at 50 per cent 	<ul style="list-style-type: none"> Reinstating the Farm Works allowance back to 100% from its current rate of 50%. 	<ul style="list-style-type: none"> This will stimulate the sector to grow. At 100%, companies will be incentivized to reinvest and expand, leading to economic and, by default, increased tax revenue. 	<ul style="list-style-type: none"> Ministry of Trade to look at ways they can work around retaining the Farm work allowance without affecting the revenues of the Country 	<ul style="list-style-type: none"> MITI 	<ul style="list-style-type: none"> Report one month
<ul style="list-style-type: none"> Cess is paid to Horticultural Crops Development (HCD) at the point of export, but County governments are insistent that cess should also be paid at the County level. 	<ul style="list-style-type: none"> Prohibit Counties from collection of CESS on export commodities/HCD to share CESS with counties. 	<ul style="list-style-type: none"> Removal of double taxation on the sub-sector. 	<ul style="list-style-type: none"> Private sector to give proposal on levies and fees on the County licensing uniform procedure bill 2022.Central way of charging through the bill. 	<ul style="list-style-type: none"> Private Sector 	<ul style="list-style-type: none"> 2 weeks
<ul style="list-style-type: none"> Mombasa port clearance period has increased from 4 to 10 days and Boarder point delays of 2 			<ul style="list-style-type: none"> Organize a meeting to discuss port efficiencies and road blocs issues where key agencies such as KPA would be present. 		

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AGRICULTURE (COFFEE)



The Coffee Reforms made it mandatory that the farmers open US Dollar Accounts. This is a success and the farmers earned from the exchange rates. The farmers are now able to get competitive interest rates once their coffee is sold.

A.OPPORTUNITY: SUSTAINABLE COFFEE PRODUCTION: MILLING, VALUE ADDITION AND MARKET LINKAGES.

BOTTLENECKS	PROPOSED INTERVENTIONS	IMPACT	RESOLUTIONS	ACTION BY	TIMELINES
Milling: Some farmers unable to mill due to capacity of current mills	Grant leased mills Commercial Milling Licenses	High-Quality Certified Coffee Beans will command premium prices in the market.	Ministry of Agriculture to incentives millers on matters value Addition	Ministry Of Agriculture	Report one month
	Lease Certified mills to interested farmers	By leasing mills and improving traceability, we can prevent buyers from turning to other origins for their coffee.			
The Coffee Research Institute current capacity of 4 million seedlings per year falls far short of the industry's demand of 10 million.	The Coffee Research Institute (CRI) to partner with farmer cooperatives and private sector to set up more nurseries	The demand of 10 million coffee seedlings per year would be met	<ul style="list-style-type: none"> Ministry of Agriculture to work on this issue 	<ul style="list-style-type: none"> Ministry of Agriculture 	Report one month
Since half 50% of Kenya's coffee exports go to the EU, there's a significant risk of losing this market after October 30th, 2024, if EUDR compliance issues aren't addressed.	Govt should urgently conduct a comprehensive mapping of Kenyan forests, highlighting the forested area from the year 2020 when the EUDR regulations came into effect, showing that no forests have been cleared to grow coffee.	If not addressed, these challenges could lead to lost markets, job losses, and decreased livelihoods for coffee producers.	<ul style="list-style-type: none"> Ministry of Forestry to ensure there is a comprehensive map out. 	<ul style="list-style-type: none"> Ministry of Forestry 	Report one month

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AGRICULTURE (Livestock and Fisheries)



WHAT HAS WORKED SO FAR?

- a) Increased meat production that meets both domestic and export demand.
- b) Better quality assurance measures across the value chain as well as Updated residue monitoring plans to comply with CODEX standards, which will not only enhance the quality of products but also facilitate access to international markets beyond Africa.
- c) Leveraging the African Continental Free Trade Area (AfCFTA) has helped expand market access within the continent, tapping into growing demand for high-quality red meat products.
- d) Packaging and value-addition of products to cater to evolving consumer preferences and increase competitiveness in global markets for red meat.
- e) Adherence to Halal standards in all stages of production, from rearing to slaughter, to maintain market access to Muslim-majority countries.

A.OPPORTUNITY: INCREASING MEAT PRODUCTION FOR BOTH DOMESTIC AND EXPORT DEMAND.

BOTTLENECKS	PROPOSED INTERVENTIONS	IMPACT	RESOLUTIONS	ACTION BY	TIMELINE
<ul style="list-style-type: none"> Land use planning (arid and semi arid sub division is leading to depletion of rangeland resources) High cost of animal feeds Animal health (porous border, inadequate vaccine, GMP) Poor quality breed (carcass weight of 110kg for cattle, 14 kg for shoats and 299 kg for camel) 	<ul style="list-style-type: none"> Land spatial planning and fast tracking of community land registration Zero rating of animal feed ingredients Increasing vaccination cover for livestock to reduce use of antibiotics Introduction of breed improvement (improve carcass weight 150kg, 20kg and 330kg for cattle, shoats and camels respectively) programs and semen distribution Fast tracking of establishment of feedlots under the public private partnership Adoption of value addition to increase foreign Exchange earnings 	<ul style="list-style-type: none"> Reduce recurrent death of livestock approx. \$ 52 M yearly and carbon emission hence claim of carbon credit potential to double or triple to 350 Billion Potential to Increase leather industry to KES 7.5 Billion 	<ul style="list-style-type: none"> Private sector to propose the duration of import duty waivers on yellow maize to lower the cost of animal feeds 	<ul style="list-style-type: none"> Private sector 	<ul style="list-style-type: none"> 2 Weeks



GET IN TOUCH

Please contact Carole Kariuki,
KEPSA CEO
at ckariuki@kepsa.or.ke and
ceos@kepsa.or.ke

Or Victor Ogalo,
KEPSA Deputy CEO at
vogalo@kepsa.or.ke