



Unlocking Kenya's Macro-economic Potential: Strategic Growth *Opportunities for Davis & Shirtliff in the Bottom-Up Economic Model*

Executive Brief

21st September, 2024.

It's never happened in history that every region in the world could affect every other region simultaneously. The Roman empire and the Chinese empire didn't know much about each other and had no means of interacting. Now we have every continent able to reach every other.

Former US Secretary of State ~ Henry Kissinger



The Global Reset

Second World War

- Japan vs Germany/Europe/ US

Establishment of a structure to prevent recurrence of a world war

- Bretton Wood Conference Institutions (1944)
- Dollar as a reserve currency
- UN General Assembly (1945)
- NATO (1949)
- Cold War (1947-1991)

Formation of trade treaties

- European Union (1993)
- Trans-Atlantic Partnership (2013)
- Trans-Pacific Partnership (2005-2016)

Trends of the Global Reset

External environment (then)

Political

Economic

Social

Technological

Environment

Legal

• Strengths

• Weaknesses

• Opportunities

• Threats

...

External environment (now) 7Ds

Dollar Effect

Deglobalization and Decentralization

Decarbonization and Energy

Digitization & Technology

Destabilization of Geopolitical Order

Debt

Demographics

Africa Opportunity

A coordinated & Integrated Africa is a Relevant Africa;

Africa's % of Global GDP	2.8%
Africa's % of Global Trade	3.0%
Africa's % of Global Passenger Traffic	2.4%
Africa's % of Global Manufacturing	2.8%
Africa's % of Global Energy Consumption	3.4%
Africa's % of Global Food Supply	8 %

Africa's % of Global Population	17%
Africa's % of Global Land Mass	20%
Africa's % of Global Arable Land	65%
Africa's % of Global Renewable Fresh Water	10%
Africa's % of Global Natural Resources (Minerals)	30%

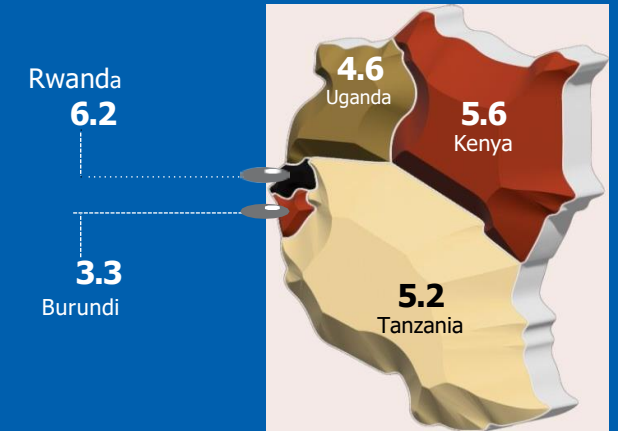
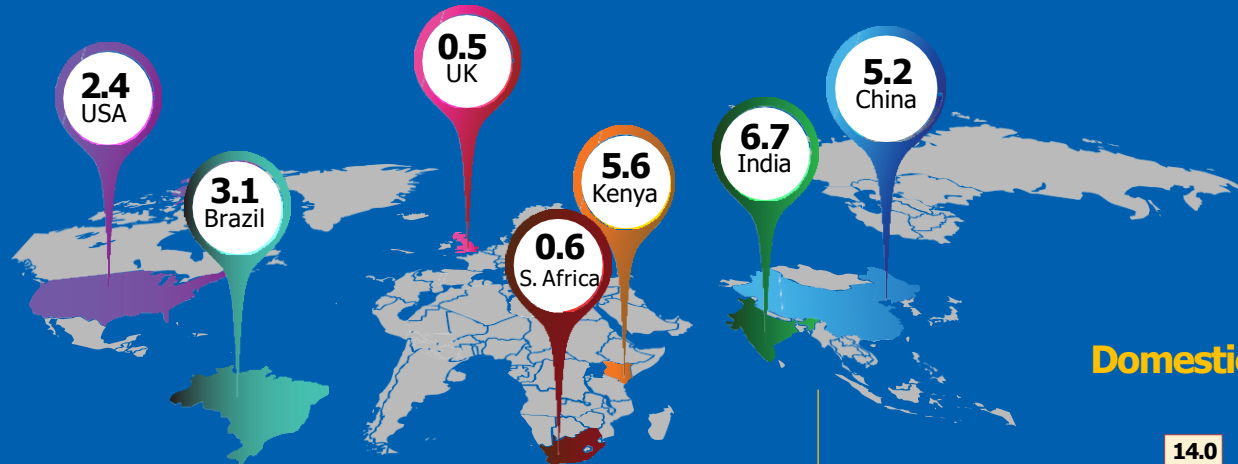


Economic Survey 2024

01 International Scene

World real GDP slowed to 3.1% in 2023 compared to 3.5% in 2022. The slowdown was more pronounced across advanced economies than in Emerging Markets and Developing Economies (EMDEs).

Real GDP Growth Rates of Selected Economies in 2023 (%)

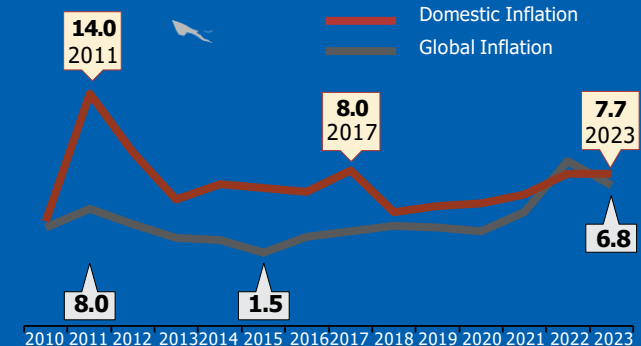


Real GDP Growth Rates of EAC Countries (2023(%))

Key World Economic Indicators (%)

	2021	2022	2023	2024
World Real GDP Growth	6.3	3.5	3.1	3.1
World Inflation	4.7	8.7	6.8	5.8
World Trade Growth	10.9	5.2	0.4	3.3
World Unemployment Rate	6.1	5.3	5.1	5.2

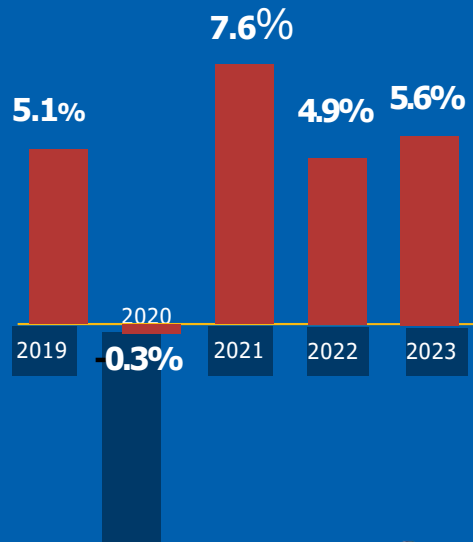
Domestic versus Global inflation 2010 - 2023 (%)



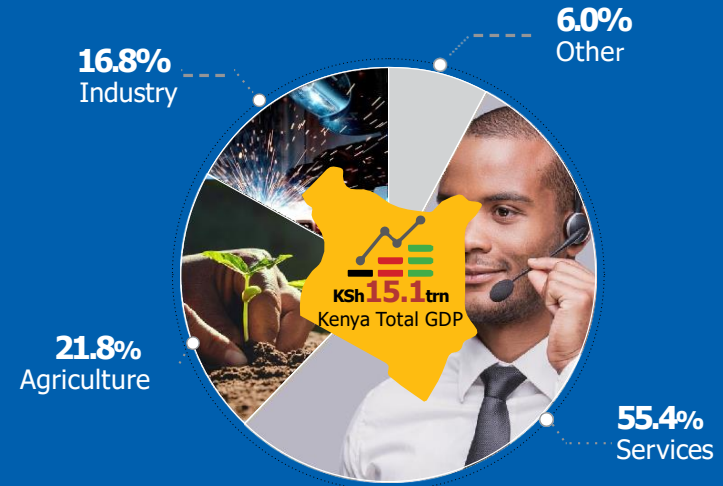
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02 Economic Performance

GDP Growth Rates 2019 - 2023 (%)



Share of GDP by Economic Sector (2023)



Key Macro-economic Indicators (%)

Indicator	Unit	2019	2020	2021	2022	2023
Inflation	%	5.2	5.4	6.1	7.7	7.7
Current Account as a percentage of GDP	%	-5.2	-3.7	-5.1	-5.1	-4.0
CBR Rate	%	8.50	7.00	7.00	8.75	12.5
KSh/USD Forex Rate	KSh	101.99	106.47	109.65	117.87	139.85



\$2,097
GDP Per Capita,
2023



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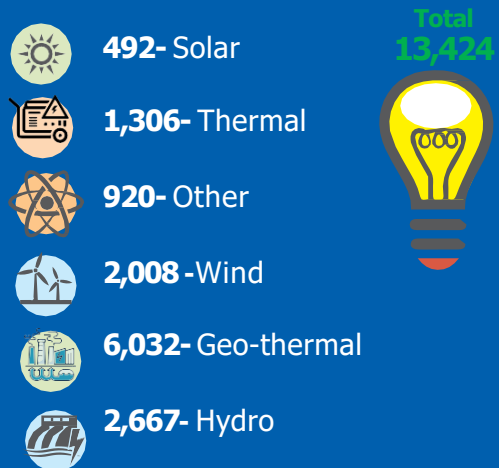
03 Energy Sector

Energy Use* (Terra Joules – 2023)

INDICATOR	UNIT
Households	2,551,398
Electricity, Gas, Steam and Air Conditioning Supply	41,480
Manufacturing	21,225
Transport and Storage	7,895
Agriculture	1,970
Construction	642

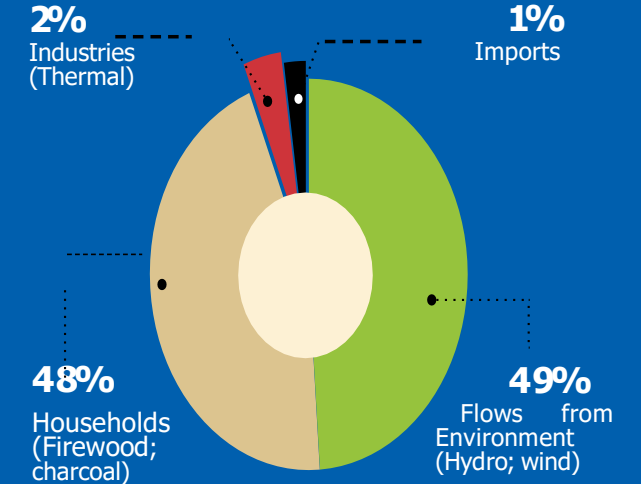
Note: 1 Terra Joule = 277,778 Kilowatt hour

Electricity Generation by Source (Gigawatt Hours – 2023)

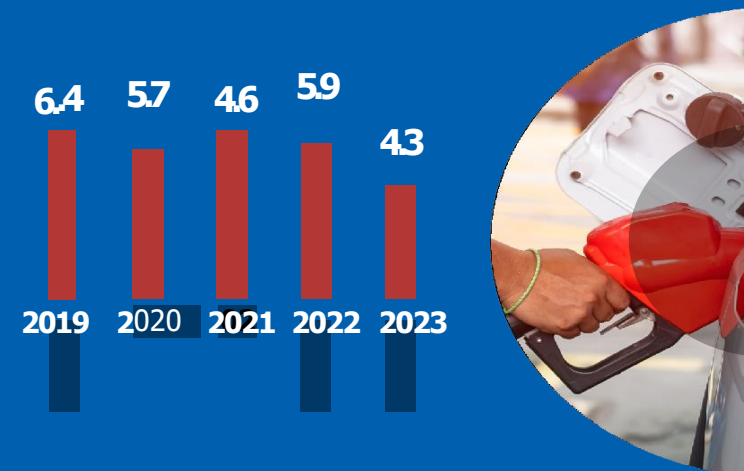


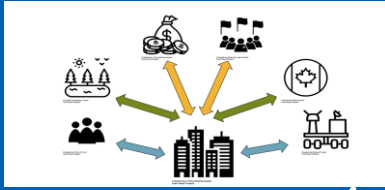
Energy Supply (%)

In 2023, a total of 2.7 million Terra Joules was supplied with 49.4 per cent being extracted from the environment while 1.0 % were imported mainly in the form of petroleum fuels.

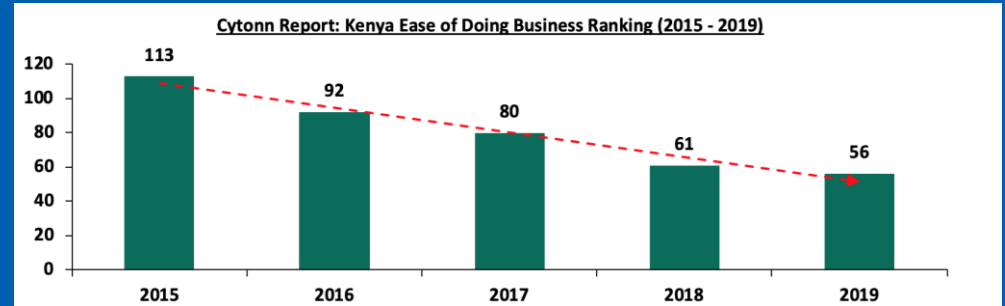


Imports of Petroleum Products (Million Tonnes)

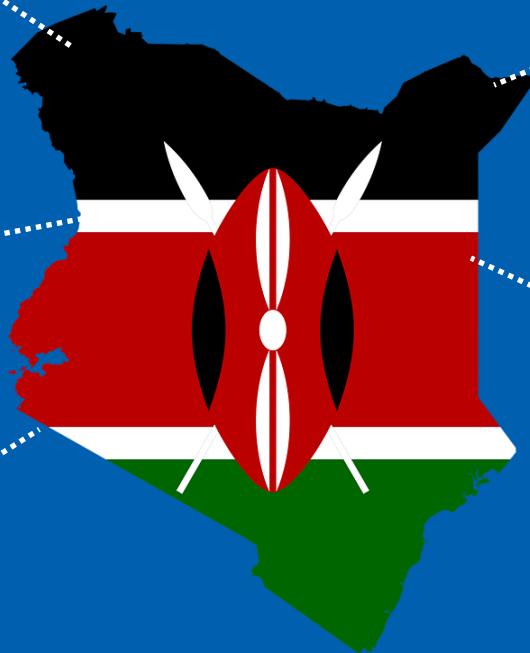




Kenya is classified as a lower-middle income economy with a GDP Per Capita of \$ approximately \$1,813.76 as of 2023



Kenya is ranked 56th out of 190 economies in the 2020 World Bank's Ease of Doing Business Report Index. According to the Index Kenya is the 3rd most competitive economy in Africa after Mauritius and Rwanda



Around 84% of the population have access electricity



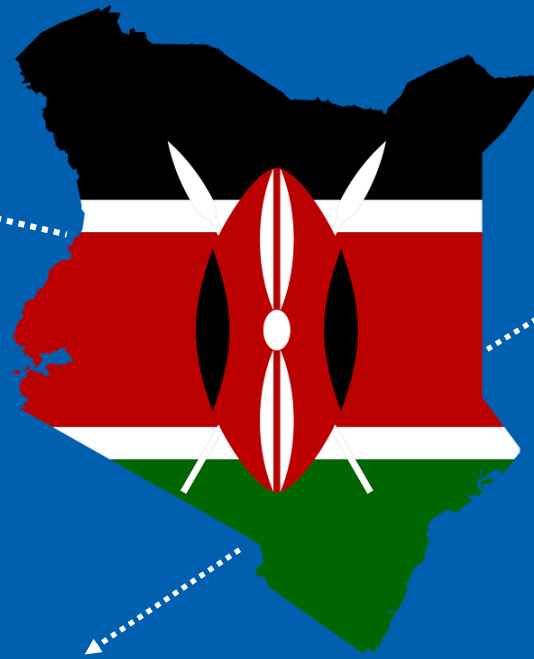
Approximately 32% of Kenyan population is urbanized but only 1 out of 10 Kenyans live in the capital, Nairobi



As of July 2024, approximately 70% of web traffic in Kenya occurred via mobile devices, indicating a significant reliance on mobile internet for connectivity



The government received about Ksh 2.407 trillion in FY 2023/24

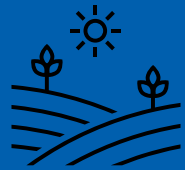


GDP growth has remained steady in recent years at an \approx rate of 5-6% annually (It was 5.6% in 2023 according to KNBS)

Kenya National development plan, vision 2030 has identified 7 priority sectors with high potential of spurring the country's economic growth and development. These sectors are:



Tourism



Agriculture,
Livestock &
Fisheries



Trade



Manufacturing



BPO



Financial
Services

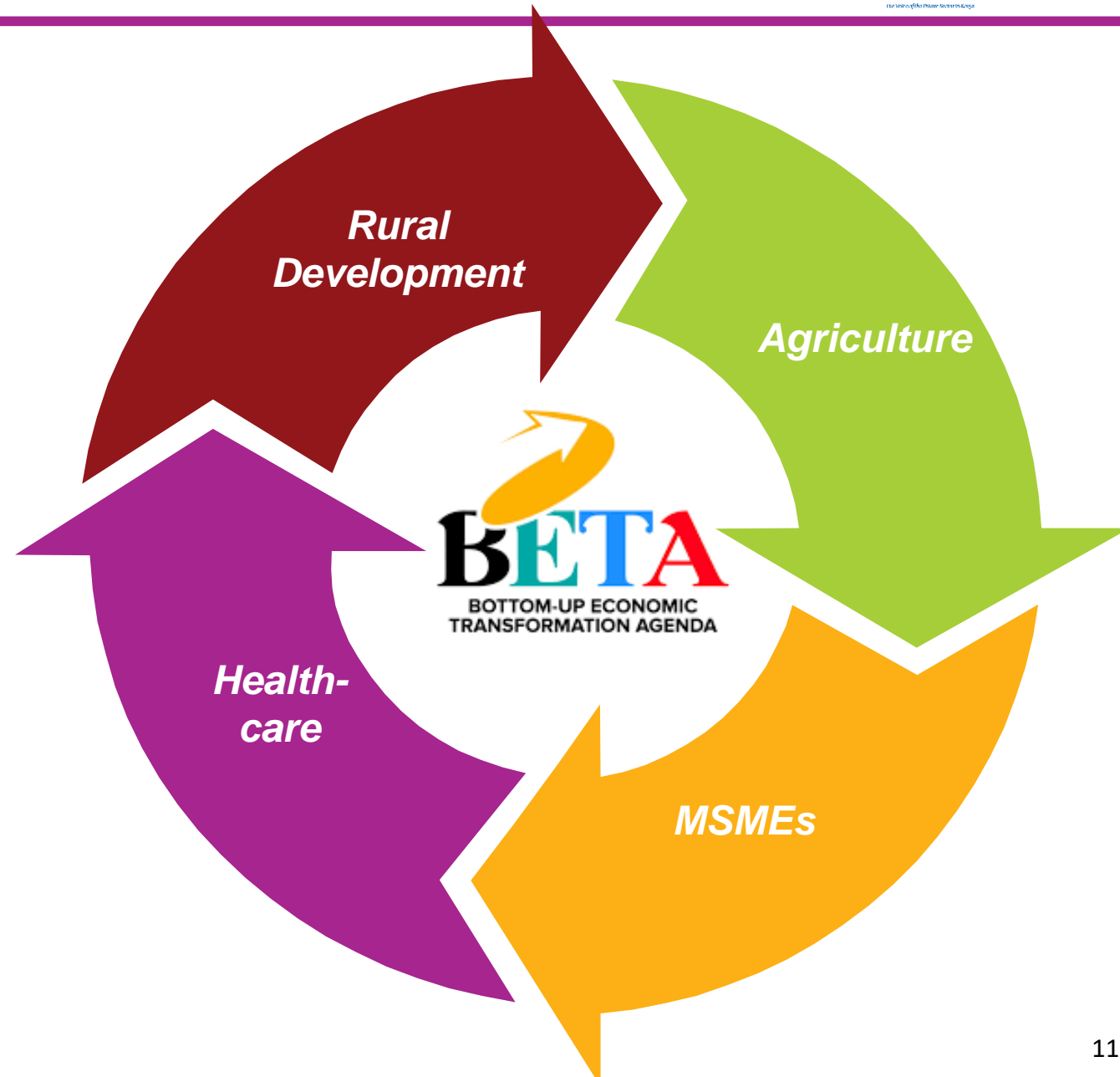


Oil & Other
Minerals

The Bottom-Up Economic Transformation Agenda (BETA) aims to empower MSMEs, rural economies, and increase financial inclusion

Context

- **Core Pillars of BETA:** The Bottom-Up Economic Transformation Agenda (BETA) emphasizes rural development, healthcare, affordable housing, and boosting MSMEs. Agriculture and informal sector growth are key areas, with MSMEs accounting for 98% of all businesses.
- **Financial Inclusion:** Over 80% of Kenya's adults have access to financial services, primarily due to mobile money innovations like M-Pesa, enabling the government to push for financial inclusivity.
- **SME Support:** MSMEs are central to job creation, accounting for over 40% of GDP and providing 75% of employment.



Kenya's leadership in renewable energy presents significant opportunities, with climate-smart investments expected to attract USD 1 Billion by 2030

	Description	Relevance for Davis & Shirtliff
<p><i>The climate challenge</i></p>	<ul style="list-style-type: none"> Kenya remains vulnerable to climate change, with 40% of the population lacking access to clean water, and agriculture being affected by unpredictable weather patterns. 	<ul style="list-style-type: none"> As 40% of Kenyans lack access to clean water, D&S can play a vital role in providing solar-powered water pumps, irrigation systems, and water treatment solutions.
<p><i>Investment in renewable energy</i></p>	<ul style="list-style-type: none"> Kenya is a leader in renewable energy, with over 90% of its electricity generated from renewable sources supported by gov policy targeting 30% reduction in carbon emissions by 2030 The government aims to increase renewable energy investment to USD 1 Billion by 2030. 	<ul style="list-style-type: none"> D&S, with its expertise in solar energy, is well-positioned to capitalize on Kenya's growing investment in renewable energy especially the off-grid solar solutions.
<p><i>Green economy opportunity</i></p>	<ul style="list-style-type: none"> The AfDB estimates that climate-smart agriculture and renewable energy solutions could contribute an additional USD 500 Million in investments by 2025. 	<ul style="list-style-type: none"> With the push for climate-smart agriculture and green energy solutions, D&S can lead in providing sustainable technologies that align with Kenya's green growth agenda.

With the digital economy projected to contribute USD 10 Billion by 2025, Kenya's leaders should align with megatrends like digitalization & sustainability

Key Global Megatrends

- The digital economy, urbanization, and sustainability are shaping the global business landscape.
- Kenya's digital economy is projected to contribute USD 10 Billion to GDP by 2025.
- The future of business in Kenya lies in integrating sustainability into operations. The focus on renewable energy and climate resilience will drive competitive advantage.

Leadership Imperative

- Leaders must integrate sustainability into core strategies to drive future growth and invest in green technologies, IoT, and digital solutions to remain competitive.
- Investing in digital solutions, particularly in fintech, e-commerce, and renewable energy, will position businesses for success.
- Foster a culture of innovation, prioritize green growth, and leverage public-private partnerships (PPPs) to capitalize on Kenya's evolving economic landscape.

Addressing water scarcity, with demand expected to exceed supply by 25% by 2030, requires innovative solutions like solar-powered water systems



Water scarcity

- Only 59% of Kenyans have access to clean drinking water, with demand expected to exceed supply by 25% by 2030.
- Climate change is exacerbating water scarcity, making investments in water infrastructure critical.

D&S role

- D&S is well-positioned to address these challenges through solar-powered water pumps and desalination systems.
- The company's expertise in water solutions aligns with the government's water access goals.

Kenya's transition towards a circular economy offers businesses cost-saving via recycling, sustainable practices, reducing operational costs by up to 20%.

Circular Economy Opportunities

Resource efficiency

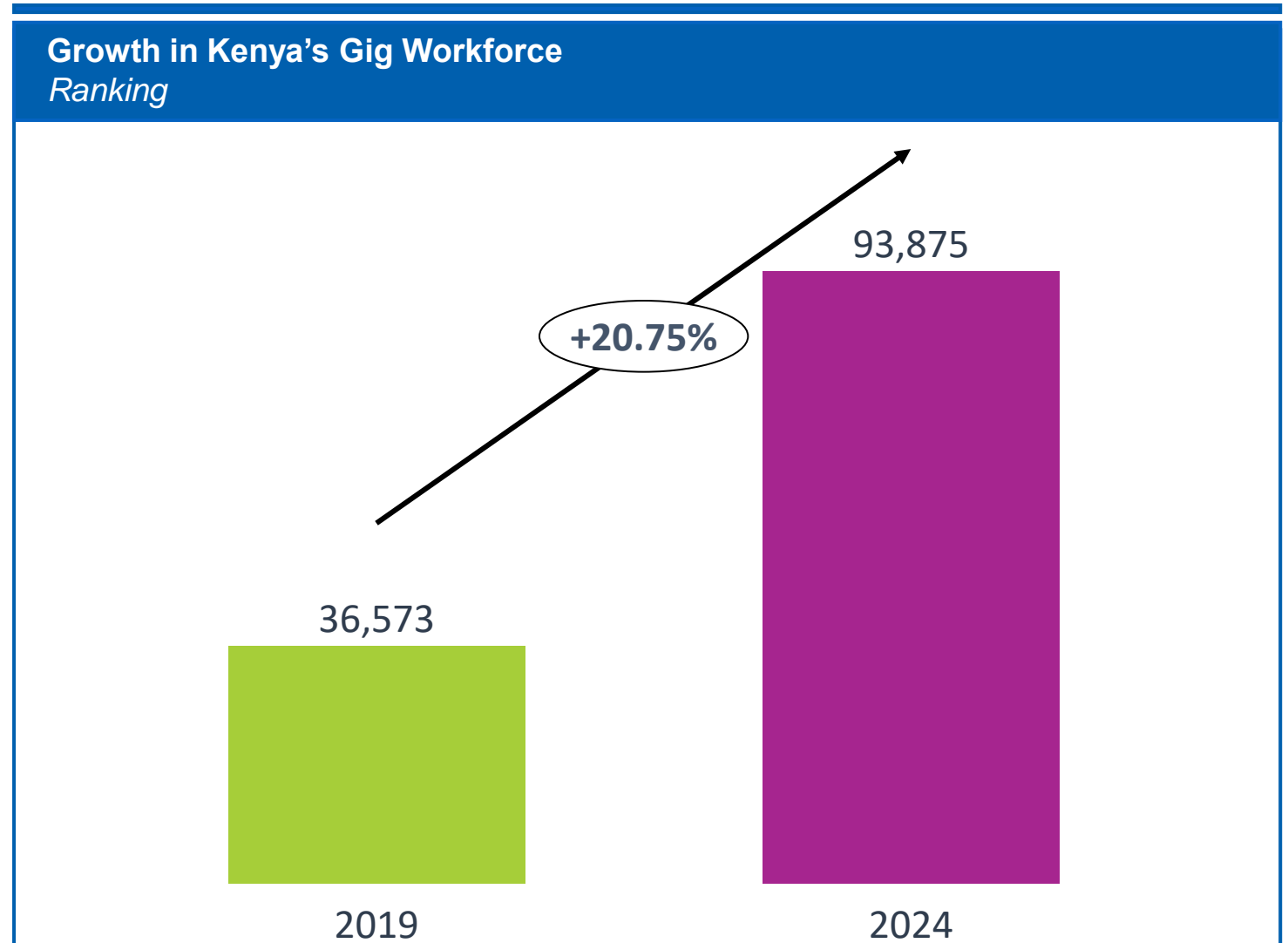
Relevance for D&S

- Kenya generates over 22,000 tons of waste daily, creating opportunities for businesses to invest in waste recycling and circular models.
- KEPSA's Sustainable Waste Management Bill encourages companies to adopt green practices.
- By adopting circular models, businesses can reduce operating costs by 15-20%, especially in manufacturing and packaging sectors.
- The transition towards a circular economy offers opportunities to develop and market sustainable water and energy solutions such as solar-powered systems and water recycling technologies.
- These technologies reduce waste and increase resource efficiency, aligning with Kenya's focus on green business practices and potentially lowering operational costs by up to 20%.

Kenya's digital economy is a high-growth sector, with a digital workforce of 2.4 million and key opportunities in IT outsourcing and fintech

Context

- **Digital Workforce:** Kenya's digital workforce has grown to 2.4 million, with sectors like e-commerce, IT outsourcing, and fintech driving the expansion. This growth is expected to continue at 20% annually, creating new opportunities for businesses.
- **D&S Innovation:** IoT-enabled solutions for water management and energy efficiency offer a way for D&S to lead in the smart infrastructure sector.



D&S can drive growth by capitalizing on renewable energy, smart water systems, and aligning with Kenya's macroeconomic goals under Vision 2030



- 1. Expand Renewable Energy Solutions:** Davis & Shirtliff should seize the growing market in solar and geothermal energy as Kenya aims for USD 1 billion in renewable energy investments by 2030, aligning with its leadership in off-grid and sustainable power solutions .
- 2. Address Water Scarcity with Climate-Smart Innovations:** With water demand projected to exceed supply by 25% by 2030, D&S must intensify its focus on solar-powered pumps and desalination systems to mitigate climate impacts and meet Kenya's water infrastructure needs .
- 3. Leverage Digital Transformation for Smart Solutions:** By embracing IoT-enabled technologies in water and energy management, D&S can capitalize on Kenya's digital economy growth, with 50-55% of jobs requiring digital skills by 2030, aligning with the National Digital Master Plan
- 4. Carbon Market Participation:** Establishing carbon markets as part of climate change mitigation strategies. D&S can develop projects that generate carbon credits, tapping into international carbon markets.
- 5. Innovative Financing Solutions:** Need for financing mechanisms to support climate adaptation. D&S can collaborate with financial institutions to create tailored financing options for sustainable technology investments



Dream big. Execute ruthlessly. Take risks. Challenge norms. Surround yourself with smarter people.

That's the blueprint for success.

Larry Ellison's





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