



March  
2021

# Government of Kenya

Global Investor Call

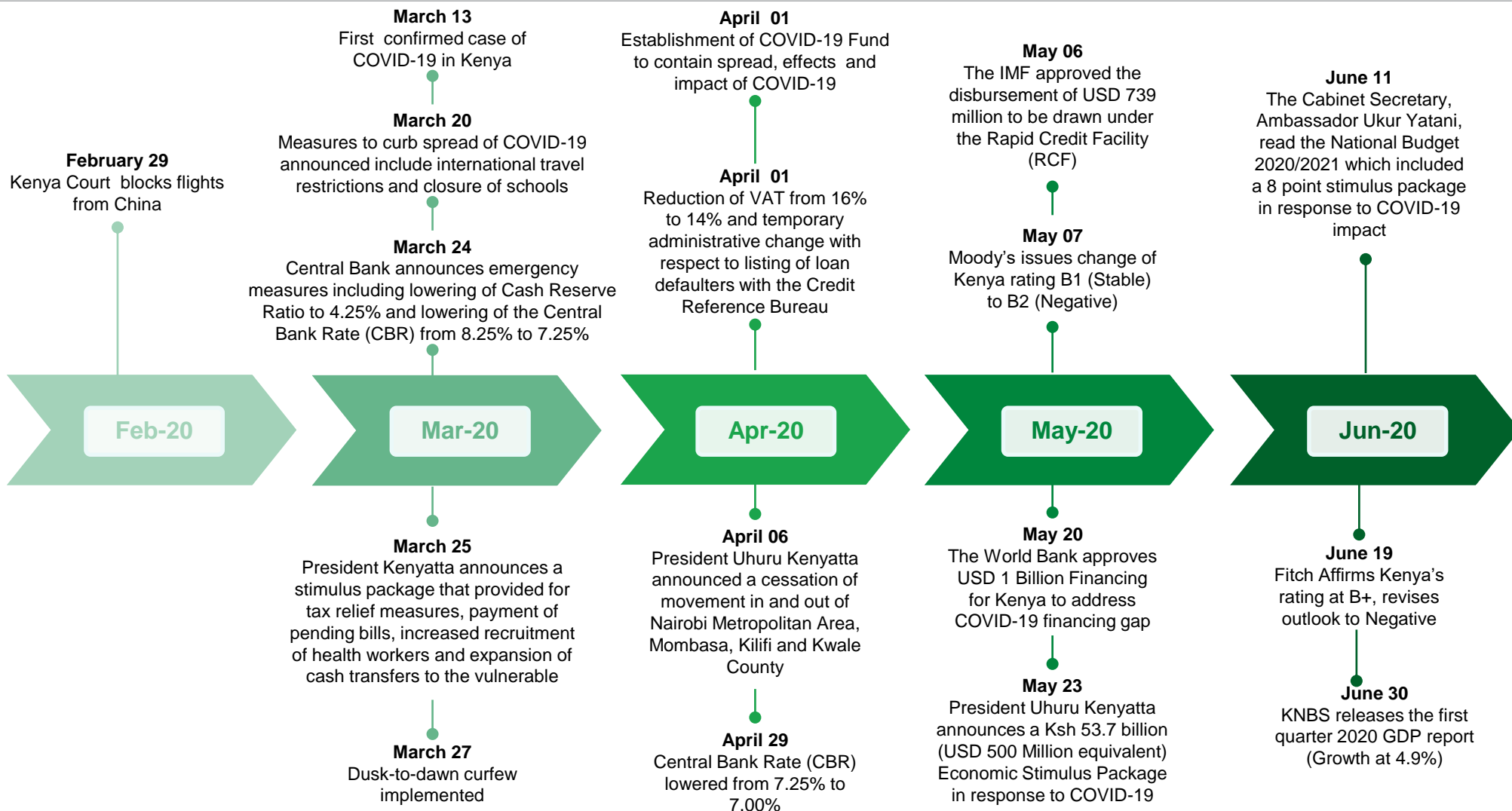
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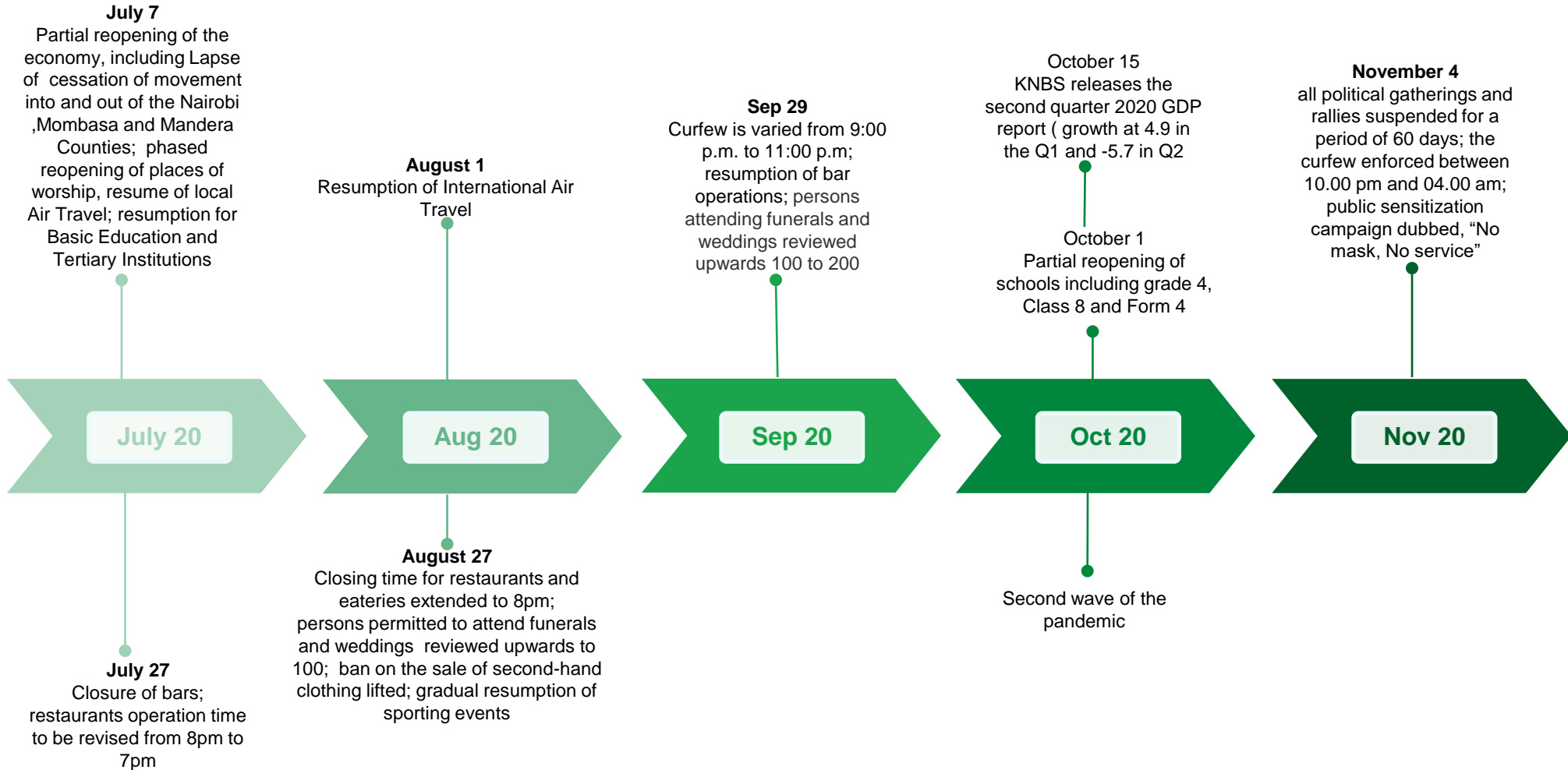
# Recent Developments

The Government and its agencies have implemented substantial supportive measures to support the economy and mitigate the impact of the unprecedented challenges that the COVID-19 crisis presents.



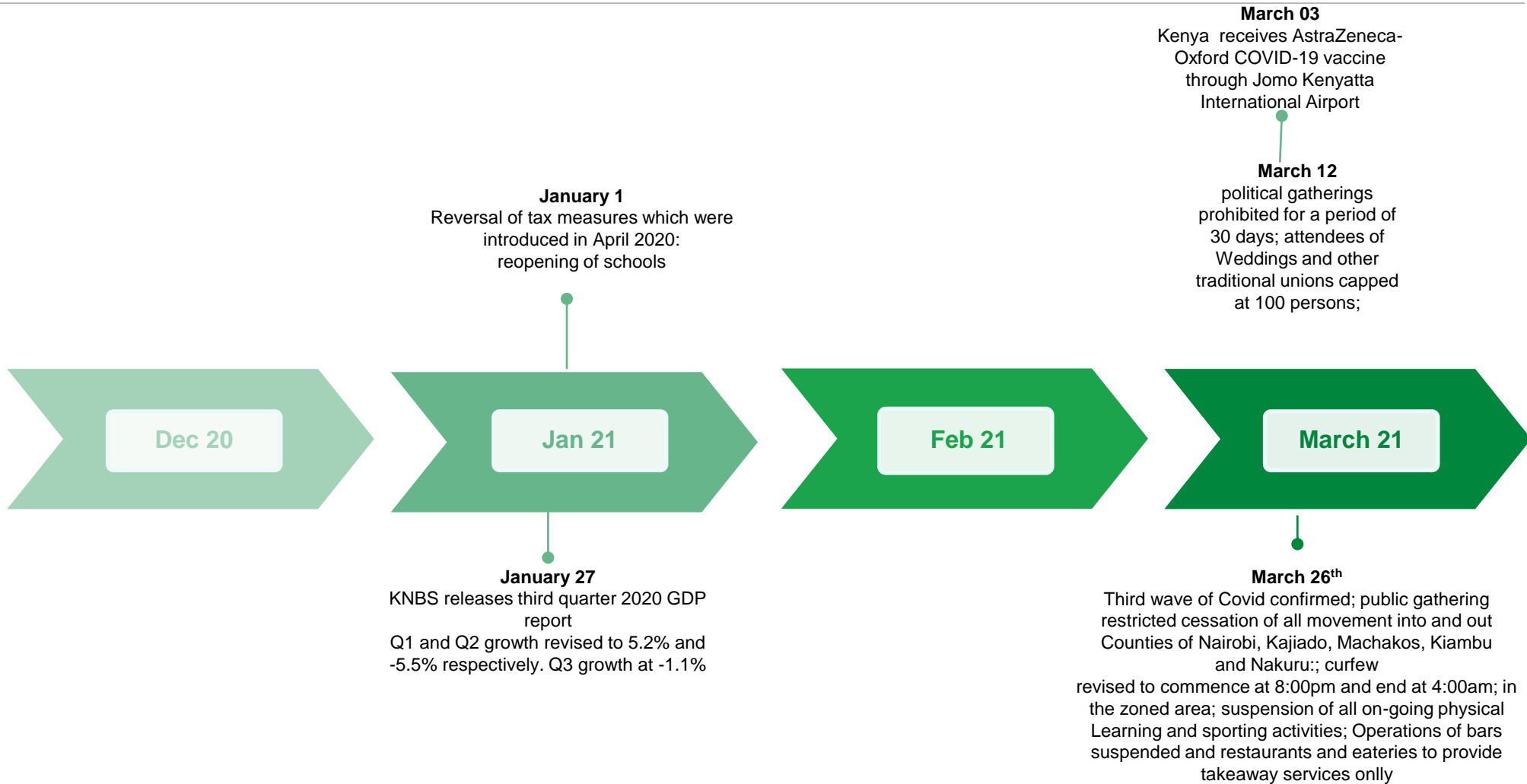
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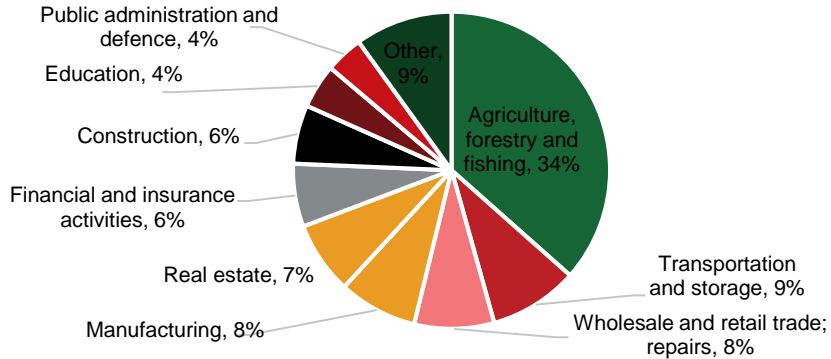
# 1. Macro Economic and Fiscal Position

# Economic performance

The economy demonstrated signs of recovery in the third quarter of 2020 following reopening of the economy, but the pickup is weak. Growth in 2020 was 5.2% in Q1, 5.5% in Q2 and 1.1% in Q3. Overall Growth for 2020 is estimated at 0.6%

## Economic Diversity underpinning Resilience

Share to GDP, %, 2019



Source: Kenya Economic Survey 2020

## Real GDP Growth by largest sectors: Agriculture supported 2020 growth

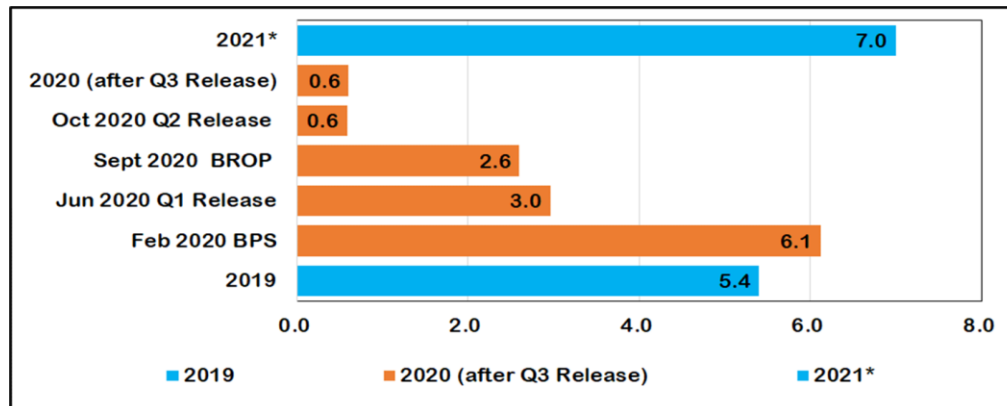
Real GDP Growth, %

Sectors	Sector Growth (%)						
	2019				2020		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Agriculture, Forestry and Fishing	4.0	2.0	5.0	3.6	5.8	7.3	6.3
Manufacturing	2.3	4.1	3.9	2.6	2.9	(3.9)	(3.2)
Construction	6.1	7.2	6.6	5.7	5.3	3.9	16.2
Wholesale and Retail trade	6.3	7.8	6.1	6.4	6.4	(7.0)	(2.5)
Accommodation and Restaurant	11.0	12.1	9.9	9.0	(9.3)	(83.2)	(57.9)
Transport and Storage	6.4	7.6	7.6	9.2	6.1	(11.4)	2.9
Real Estate	4.7	6.0	5.5	5.1	4.4	2.3	5.3
Education	4.3	6.0	6.0	5.5	5.3	(56.2)	(41.9)
Health	5.4	6.2	5.5	6.2	5.8	10.3	5.6

Data Source: Kenya Economic Survey 2020

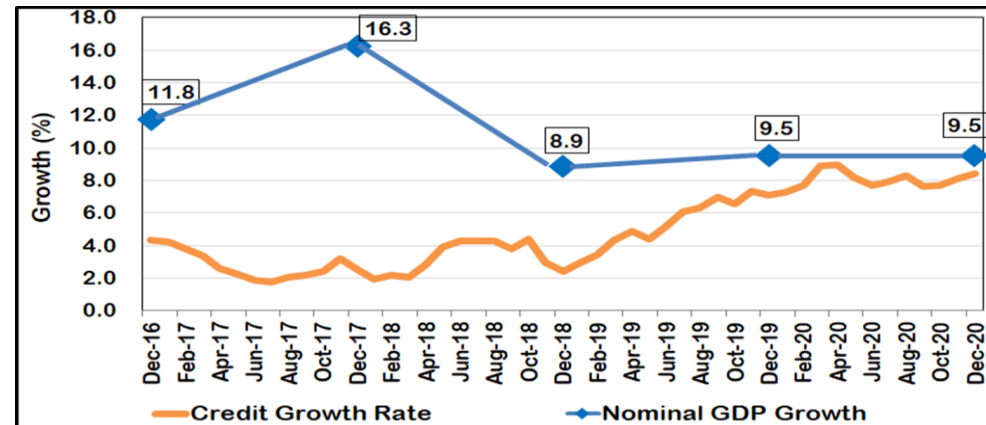
## Growth Revisions reflected uncertainty associated with the Pandemic

Real GDP Growth %



Source: National Treasury

## Credit to the Private sector remained strong despite COVID-19



Source: The National Treasury

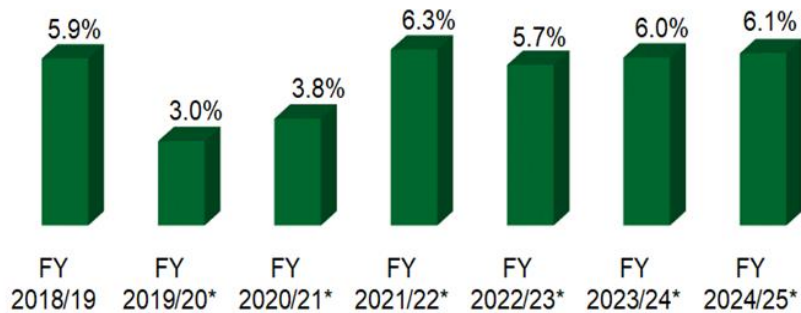


# Economic Outlook

Growth is projected to recover to 7.0% in 2021 reflecting reopening of the economy and the lower base of 2020 when most service sectors especially accommodation and restaurant, education as well transport services contracted with huge margins. .Macroeconomic stability will also support growth outlook

## Economy still on track for growth despite COVID-19

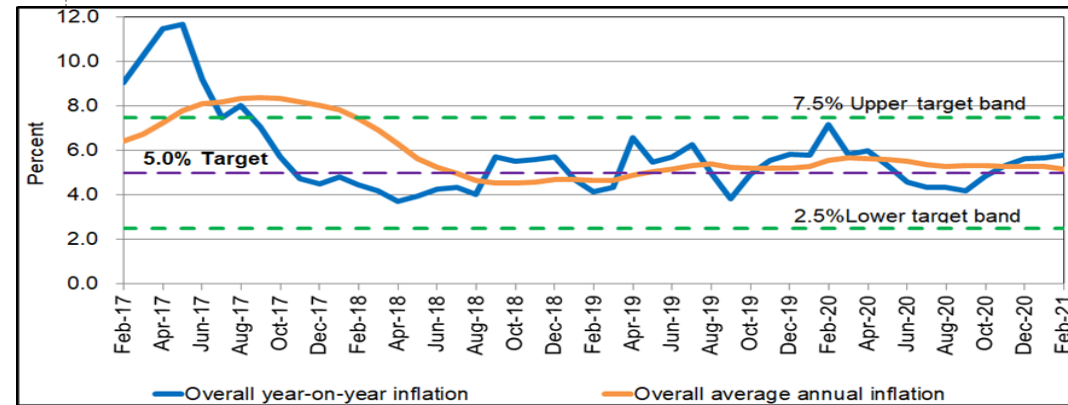
Real GDP Growth, %



Source: The National Treasury

## Inflation rate remained low, stable and within target.

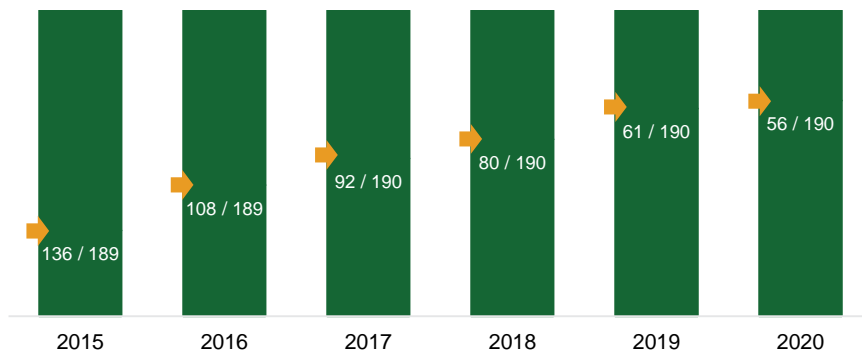
inflation rate was **5.8 percent** in February 2021 down from 7.2 percent in February 2020;



Data Source: Kenya National Bureau of Statistics

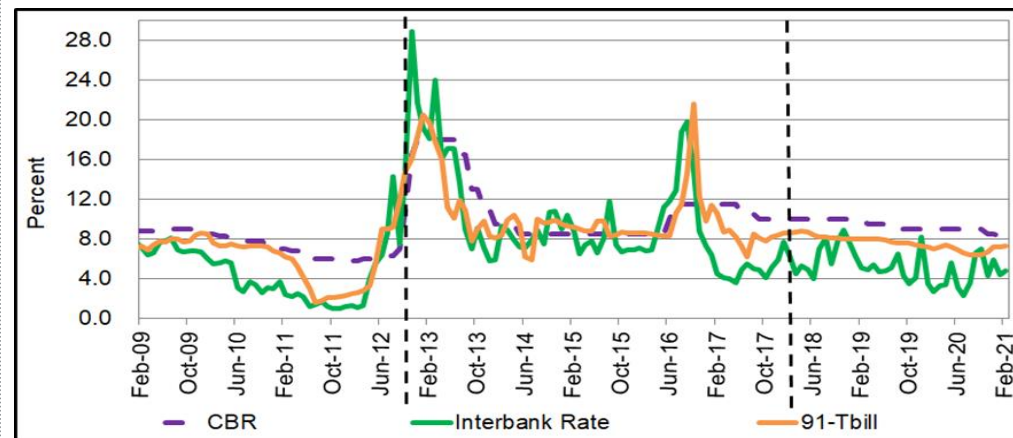
## Enabling business environment attracting Investments

Doing Business Ranking Overall Rank



Source: World Bank Doing Business Report

## Interest Rates have remained low and stable.



Source: Central Bank of Kenya





# Fiscal Policy Response to COVID-19

The Government is undertaking interventions to Cushion Kenyans and Businesses and Stimulate Economic Recovery following outbreak of Covid-19 Pandemic ([Building Back Better: Strategy For Resilient And Sustainable Economic Recovery](#))

## **Fiscal policy measures implemented in April 2020 to support people and businesses.**

- Reduced tax rates for both corporate and PAYE from 30% to 25% and VAT rate from 16% to 14%. Exempted from paying taxes persons earning Ksh 24,000 and below. Reduced turnover tax rate from 3% to 1%.
- In addition, the Government enhanced the cash transfer programme to cushion vulnerable Kenyans, particularly, the emerging urban vulnerable. Liquidity of the business sector was also enhanced through payment of VAT arrears and verified pending bills.

Although the fiscal measures were reversed effective 1st January, 2021, these measures coupled with the re-opening of the economy provided the much-needed relief to the economy and provided additional disposable incomes to the people and businesses.

## **Economic Stimulus Programme (ESP)**

The government is currently implementing the **Economic Stimulus Programme (ESP)** whose objective is to return the economy to the pre Covid-19 growth trajectory. This is through labour based activities in the areas of infrastructure, education, business liquidity, health, manufacturing, tourism, sanitation, food and agriculture.

- The ESP will boost demand for local goods and services, cushioning vulnerable Kenyans, securing household food security for the poor, and creating employment and incomes.

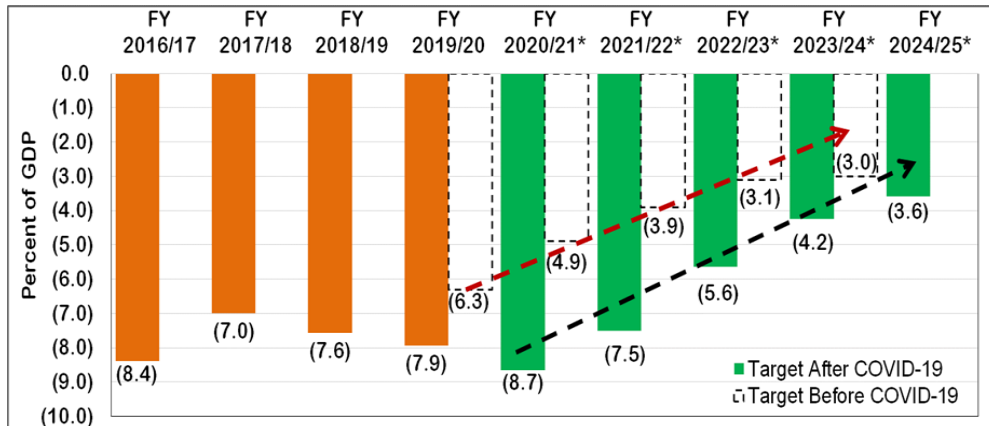
Great gains have been realized under the ESP Programme including: job creation for our youth under the “Kazi Mtaani” Programme; enhanced liquidity to support businesses through monetary measures that were introduced; and enhanced cash transfers to the vulnerable and the emerging urban vulnerable as a result of the Pandemic.



# Fiscal Overview

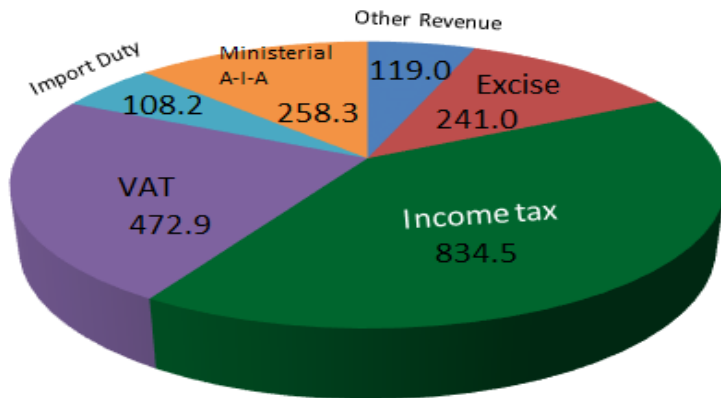
The Government has revised its plans for fiscal consolidation as it responds with measures to mitigate the impacts of the COVID-19 crisis, but well-targeted spending can support prospects for economic recovery

Due to the adverse effects of COVID-19, the government has revised its consolidation plan for the coming years in order to support and stimulate the economy.



Source: The National Treasury

**Budget Revenues:** Ksh Billion, FY2021-22 Budget

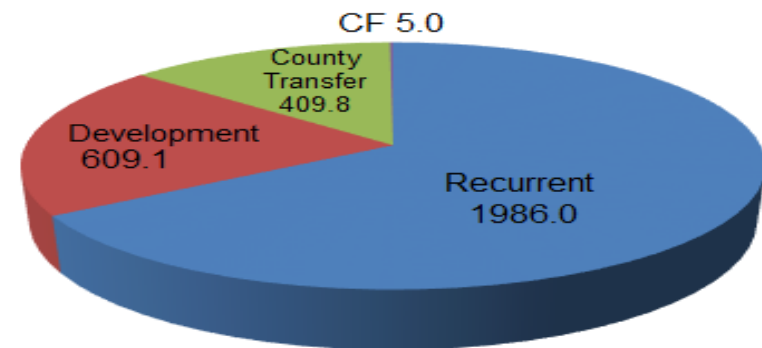


Source: National Treasury

FY 2020/21 Budget (Ksh Billion)	Printed Estimates	Revised Estimates
Revenues (Inc grants)	1949.5	1897.9
Expenditure	2790.6	2864.5
Fiscal Balance	(841.1)	(966.6)

Source: The National treasury

**Budget Expenditure:** Ksh Billion, FY2021-22 Budget



Source: The National treasury



# Funding The Fiscal Deficit

Kenya has access to adequate concessional financing and reserves buffer to finance both Fiscal and Balance of Payments gaps, while a robust domestic securities market provides further flexibility

## Funding Fiscal Gap

In USD Billions (Ksh/USD=110.6)	FY20 / 21 Budget	FY21 / 22 Projection	FY22 / 23 Projection
<b>Sources of Funding</b>	<b>11.4</b>	<b>9.5</b>	<b>9.1</b>
Semi concessional Loans	-	-	1.0
Project Loans	2.3	2.5	2.7
Commercial Financing	3.2	4.3	-
Program Support	1.6	1.2	1.2
Foreign Payments	3.2	5.5	2.5
Net Domestic Financing	4.9	6.0	4.6

## Sources of program support financing

In USD Billions	Amount	Status
<b>Sources</b>	<b>1.6</b>	
African Development Bank	0.1	Approved
International Monetary Fund	0.7	Approved
World Bank	0.7	Approved

## Key Comments

- ✓ Government is committed to implement the 2020 Medium Term Debt Strategy which recommends a shift towards concessional external borrowing and lengthening of maturity structure of the domestic debt. Use of concessional debt to fund fiscal deficits as use of commercial debt is scaled down
- ✓ The Debt and Borrowing Policy approved in early 2020 will guide management of public debt
- ✓ Kenyan Government will continue to contain growth in non-core recurrent spending and enhance efforts in revenue mobilisation to reduce the deficit
- ✓ The debt burden is projected to decline over the medium term in line with the fiscal consolidation plan under implementation.

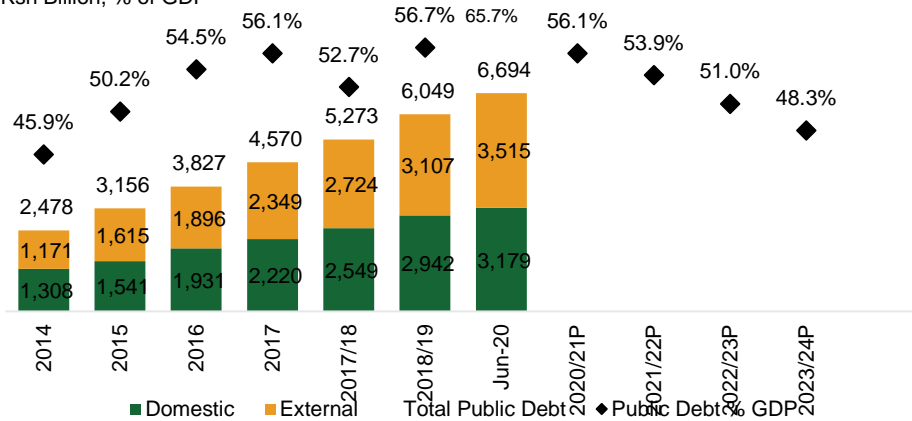


# Public Debt Profile

Kenya has demonstrated robust access to international capital markets, with deep and mature domestic capital markets providing further financial flexibility. The Government continues to implement broad plans for fiscal consolidation, albeit at a more measured pace due to the crisis, to stabilize debt metrics and target a reduction in debt to GDP levels.

## Public Debt

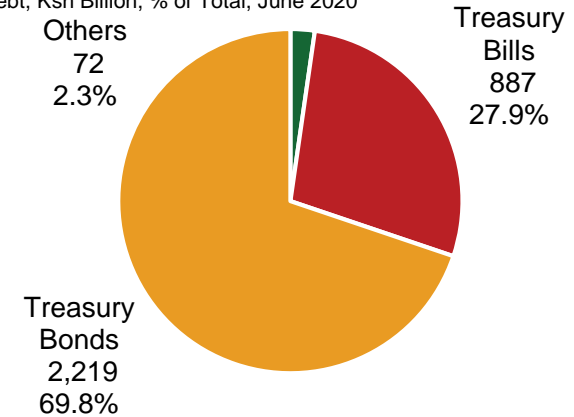
Ksh Billion, % of GDP



Source: 2020 Budget Policy, Central Bank of Kenya

## Domestic Public Debt by Instrument

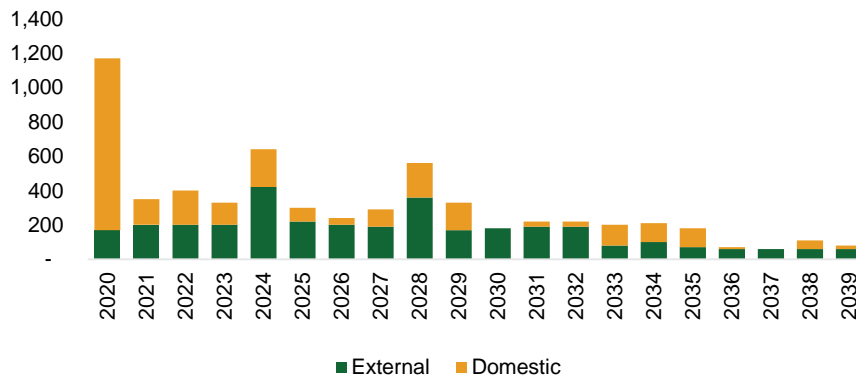
Domestic Public Debt, Ksh Billion, % of Total, June 2020



Source: Quarterly Economic and Budgetary Review, Third Quarter FY2019/20, 31 March 2020

## Debt Maturity Profile

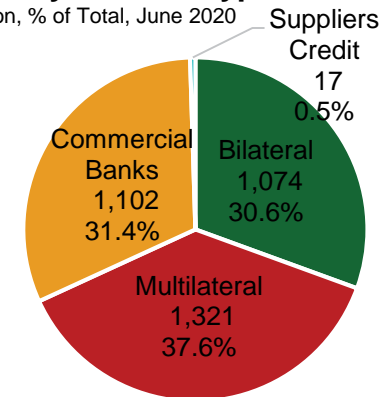
Ksh Billion, as of 31 December 2019



Source: National Treasury and Central Bank of Kenya

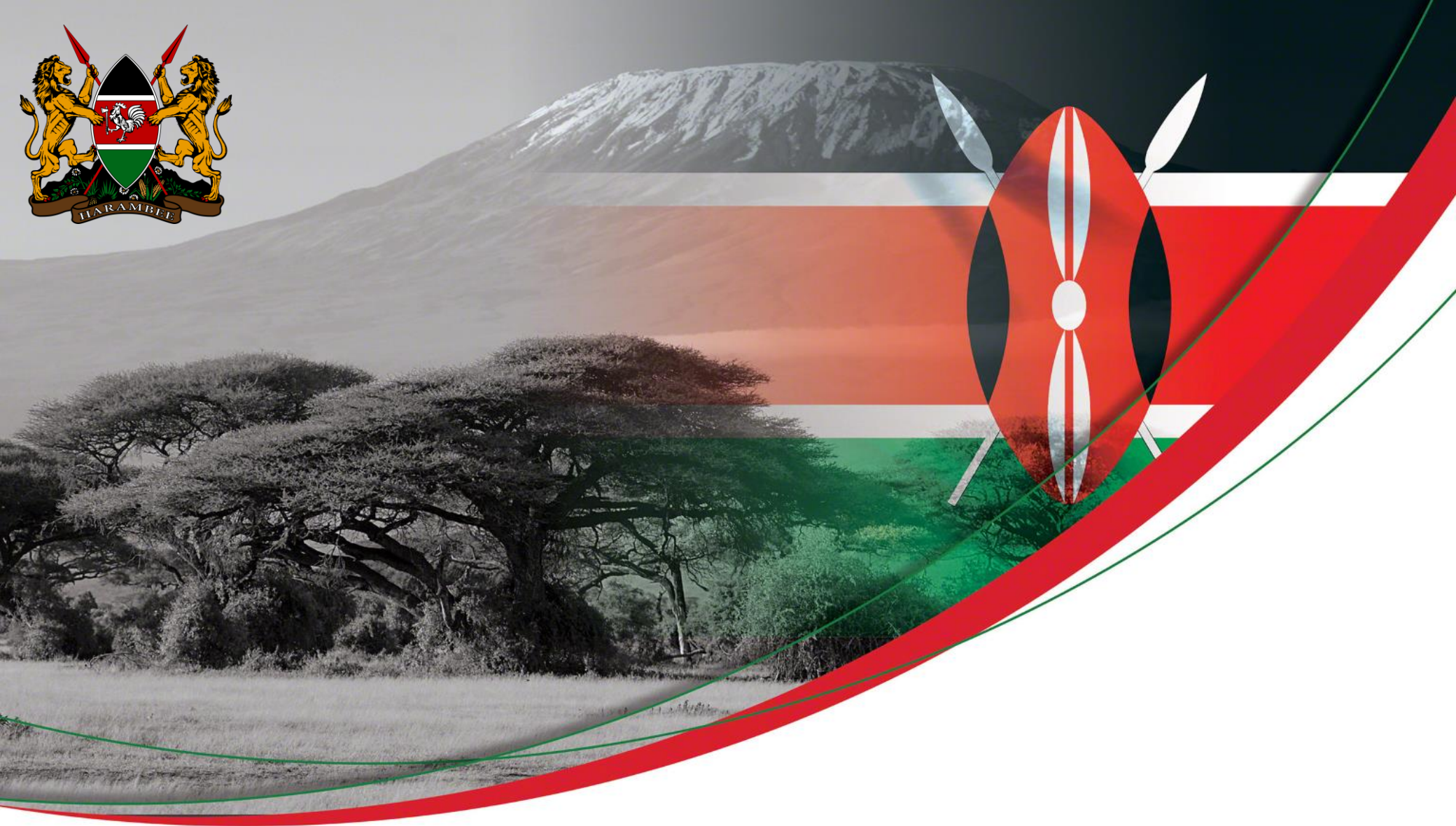
## External Public Debt by Creditor type

External Public Debt, Ksh Billion, % of Total, June 2020



Source: Quarterly Economic and Budgetary Review, Third Quarter FY2019/20, 31 March 2020





## 2. Monetary Policy & Interventions

# Monetary Policy Response

The Central Bank has taken swift and impactful policy action to support the economy, including rate reductions and loan term adjustments to increase flexibility and support credit challenges.

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- On March 24, the Central Bank:
  - lowered its policy rate by 100bps to 7.25%;
  - lowered banks' cash reserve ratio by 10bps to 4.25%
  - increased the maximum tenor of repurchase agreements from 28 to 91 days; and
  - announced flexibility to banks regarding loan classification and provisioning for loans that were performing on March 2, 2020, but were restructured due to the pandemic.
- The Central Bank has also encouraged banks to extend flexibility to borrowers' loan terms based on pandemic-related circumstances and encouraged the waiving or reducing of charges on mobile money transactions to disincentivise the use of cash
- On April 15, the central bank suspended the listing of negative credit information for borrowers whose loans became non-performing after April 1 for six months. A new minimum threshold of USD 10 was set for negative credit information submitted to credit reference bureaus
- On April 29, the central bank lowered its policy rate by 25bps to 7.0%. This rate has been maintained in 2021.



# Balance of Payments and International Reserves

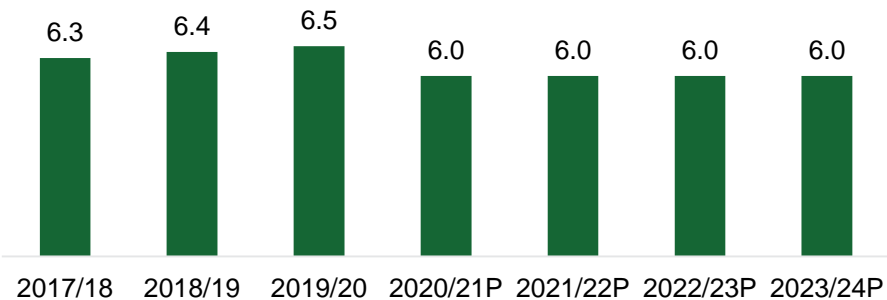
Foreign exchange reserves are expected to remain robust, covering six months of imports and four-to-five months of total Current Account payments

<b>Ksh Billion</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
<b>Overall Balance</b>	(10.9)	11.2	(104.9)	(107.3)	156.6
<b>Overall Balance (% of GDP)</b>	(0.2)	0.1	(1.2)	(1.1)	1.5
<b>Current Account</b>	(413.7)	(586.9)	(514.1)	(561.3)	(517.9)
Goods: exports	588.9	598.9	620.0	594.8	658.8
Goods: imports	1377.1	1650.4	1658.9	1676.7	1573.4
Services: credit	426.7	479.8	557.9	569.5	418.6
Services: debit	280.0	319.2	395.3	390.4	392.5
Net Primary and Secondary Income	227.8	304.0	362.3	341.5	370.6
<b>Capital Account</b>	21.0	19.0	26.7	21.0	14.2
<b>Financial Account</b>	(530.4)	(573.8)	(665.6)	(632.0)	(385.9)

Source: Central Bank of Kenya

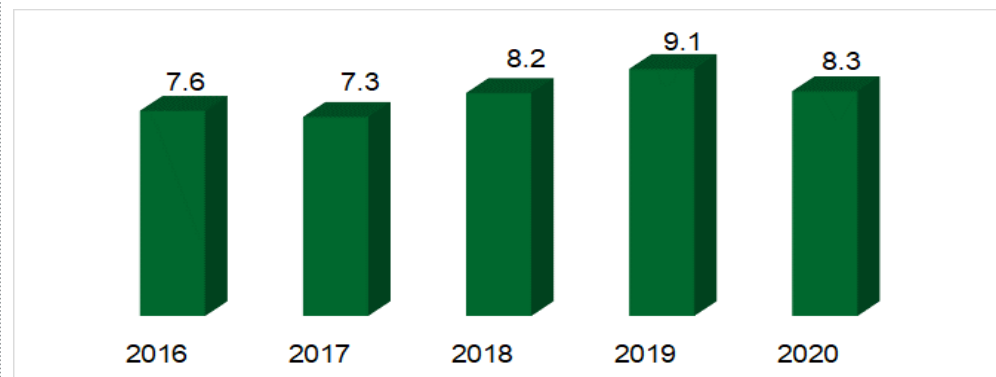
## Foreign Exchange Reserves

Months Import cover



Source: Central Bank of Kenya

## CBK Official Reserves, USD Billion



Source: Central Bank of Kenya

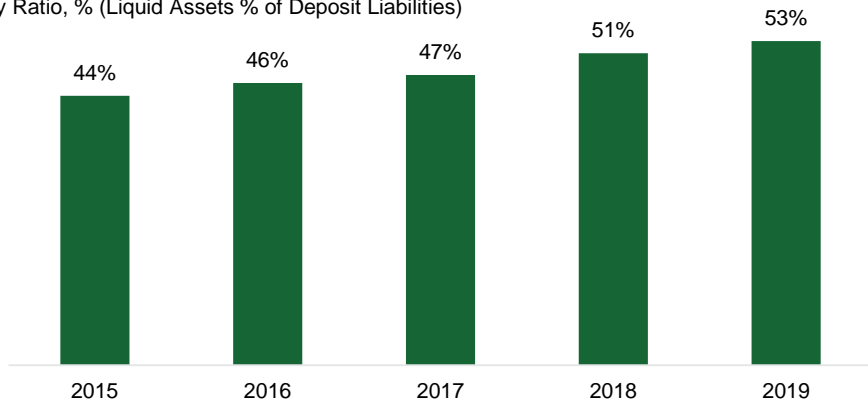


# Banking Sector

The financial services sector is established and mature with a well-capitalized banking sector, a strength that will support the economy both locally as well as regionally during the economic recovery post-crisis.

## Liquidity Ratio of Commercial Banks

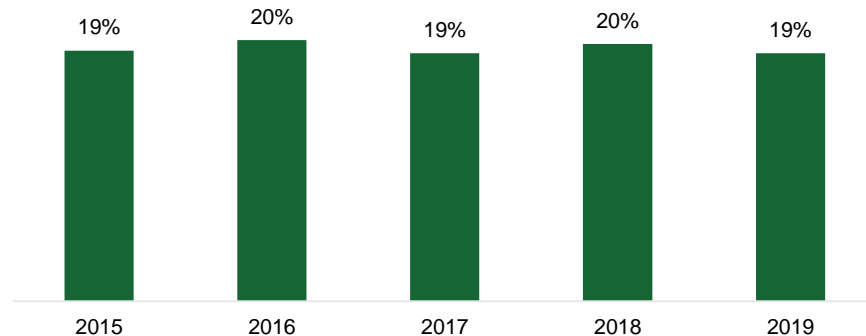
Liquidity Ratio, % (Liquid Assets % of Deposit Liabilities)



Source: Kenya Economic Survey 2020

## Commercial Bank's Capital Adequacy

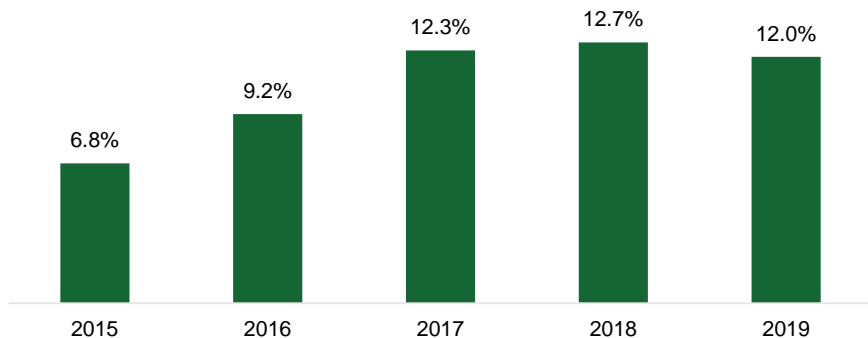
Capital Adequacy Ratio, %, (Total Capital / Total Risk Weighted Assets)



Source: Central Bank of Kenya

## Non-Performing Loans

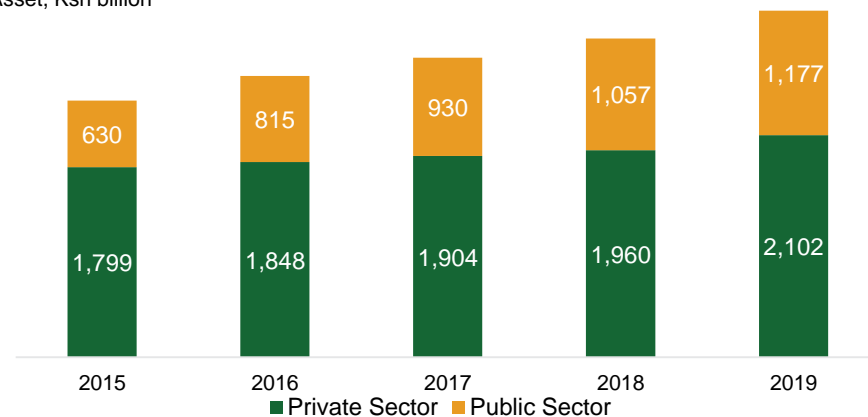
NPL ratio, % (Non-performing Loans % of Total Loans)



Source: Central Bank of Kenya

## Commercial Banks Assets are growing

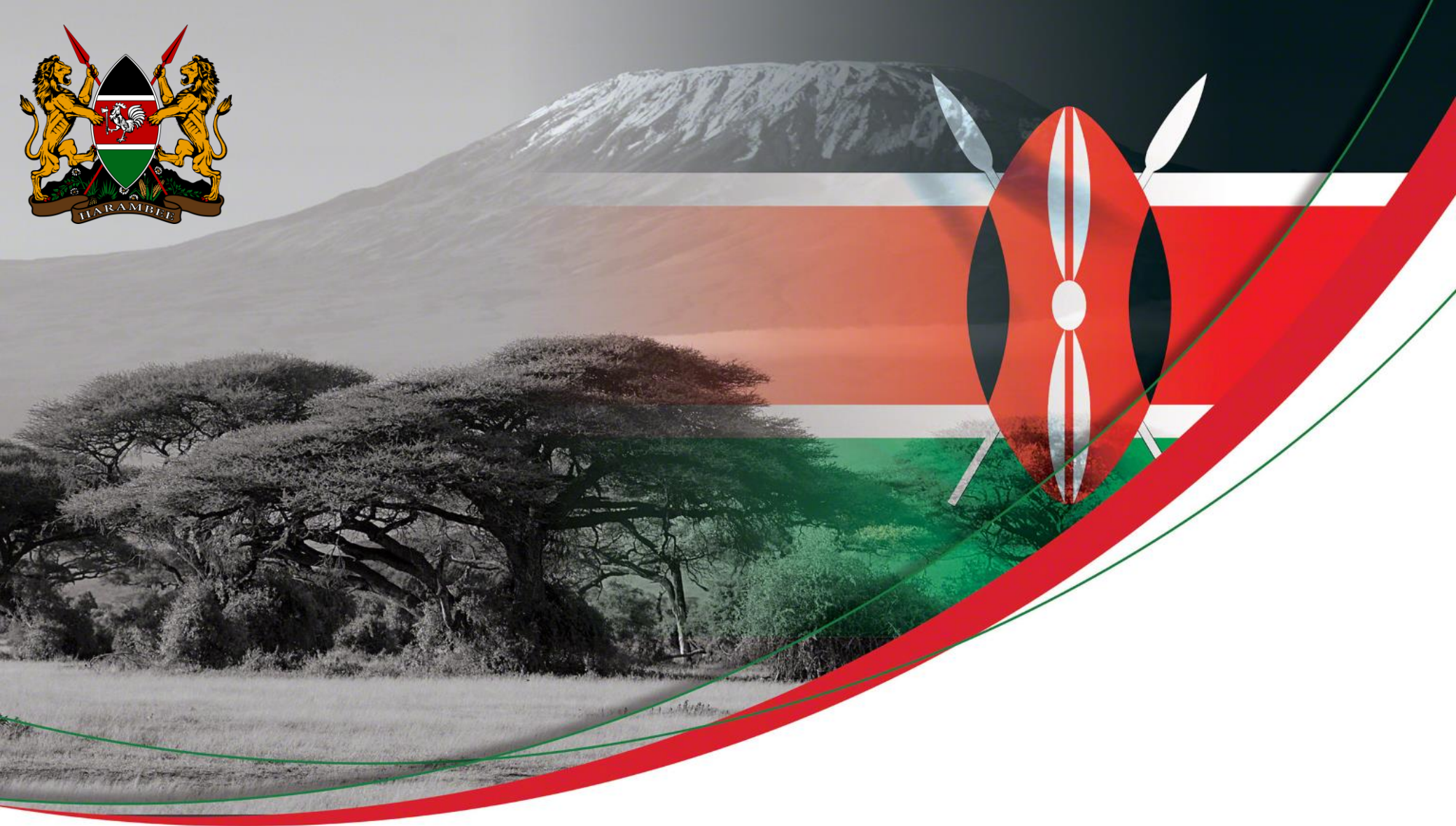
Total Asset, Ksh billion



Source: Kenya Economic Survey 2020

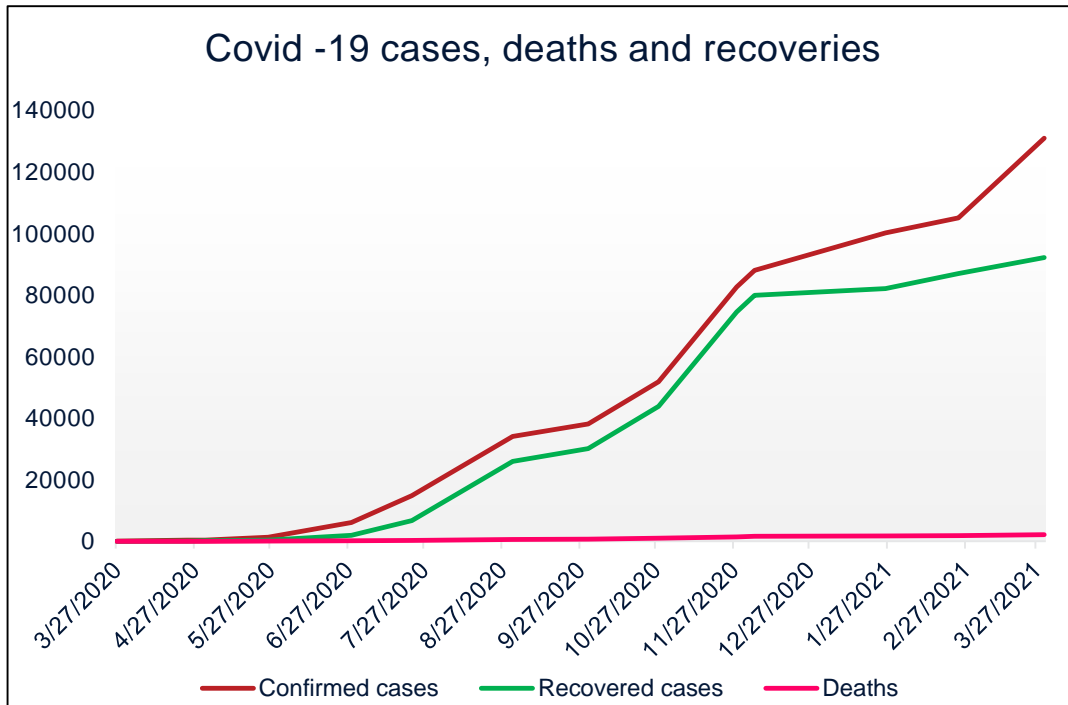







### **3. Post COVID-19 Recovery**

# Kenya's COVID-19 Status: 29<sup>th</sup> March 2021



  
**Confirmed Cases**  
 130,214  
**New Cases**  
 1,329

  
**Total Recoveries**  
 92,161  
**New Recoveries**  
 499

  
**Total Deaths**  
 2135  
**New Deaths**  
 18

## Government Measures

<b>Movement Restrictions</b>	A country-wide curfew is in place from 10:00 PM to 4:00 AM. Cessation of movement into and out of Nairobi, Kiambu, Machakos and Nakuru. (Curfew from 8:00PM to 4:00 AM)
<b>Social Distancing Measures</b>	Ban on all public and social gatherings Closing of all schools and learning institutions
<b>Public Health Measures</b>	Awareness campaigns Strengthening of the public health systems



# Post COVID - 19 Economic Recovery Strategy (ERS)

Building on the gains made under Economic Stimulus Program (ESP), the Government will implement the **Post Covid-19 Economic Recovery Strategy (ERS)** which will mitigate the adverse impact of the Pandemic on the economy and further re-position the economy on a steady and sustainable growth trajectory.

Successful implementation of the Post-Covid-19 ERS is predicated on faster implementation of policy, legal and institutional reforms that are necessary for effective implementation of the Strategy.

Some of the interventions under a Post Covid-19 Economic Recovery Strategy include:

- ❑ Foster a secure and conducive business environment by maintaining macroeconomic stability, enhancing security; improving business regulations;
- ❑ Fast track development of critical infrastructure so as to reduce the cost of doing business as well as promote competitiveness;
- ❑ Transform economic sectors for broad based sustainable economic growth;
- ❑ Improve access to education, strengthen health care systems and enhance cash transfers to support the vulnerable members of our society;
- ❑ Support youth, women and persons with disability to enable them actively contribute to the economic recovery agenda;
- ❑ Facilitate the County Governments in strengthening their systems to enhance service delivery; and
- ❑ Implement various structural reforms to enhance the efficiency of public service delivery-Governance, PFM reforms, financial sector reforms



# The “Big Four” Agenda

As part of Kenya’s Vision 2030, the government aims to focus on the “Big Four” development agenda to further strengthen the economy, progress industrialization and create jobs.

## The “Big Four “ Investment Plan is Anchored on Four Key Pillars

### Manufacturing

Growing the manufacturing sector’s share of GDP to 15% from 9% by 2022, thereby furthering growth, creating jobs and reducing poverty



- ✓ Textile/ apparel/ Cotton
- ✓ Leather
- ✓ Agro-processing
- ✓ Construction materials
- ✓ Oil, Mining & Gas
- ✓ Iron & Steel
- ✓ ICT
- ✓ Fish Processing

### Food Security

Focusing on food security and nutrition to all Kenyans by 2022 by expanding food supply, reducing prices and supporting value addition



- ✓ Dedicate 700,000 acres to increase maize, potato and rice production
- ✓ Expand irrigation schemes and additional water towers and protect rivers;
- ✓ Enhance crop and livestock insurance and protect farmers against climate-related risks;
- ✓ Lease government-owned idle agricultural land;
- ✓ Establish 1,000 SMEs focused on food processing to improve value addition

### Affordable Healthcare

Providing universal health coverage to all Kenyans



Priority initiatives of the National Hospital Insurance Fund (“HNIF”)

- ✓ Driving up HNIF uptake
- ✓ Enlist 100,000 Community Health Volunteers
- ✓ Align NHIF Act to UHC, Group Insurance, Multi-Tier Benefit Package
- ✓ Launch segregated Multi-Tiered Package
- ✓ Digitization of NHIF

### Affordable Housing

Providing at least 500,000 affordable new homes by 2022



- ✓ Preliminary project designs and budget for to 55 acres Mavoko, Portlands 1, Mariguini, Kibera B&C, Kiambiu, Old estates
- ✓ Offsite and access roads
- ✓ Public transport to identify sites



# Key Highlights

Prudent COVID-19 response measures implemented to support people and the economy

- Regarding the unprecedented challenge that COVID-19 represents, the government's support measures have been dynamic and multifaceted, with fiscal and monetary measures implemented to effectively support people, employment and the economy
- In addition to policy measures, the Government has taken targeted action, developing an eight-point plan focused on providing sector specific support to business recovery
- Additional government policy was implemented to address the health crisis directly through restricted movement, social distancing, and health care campaigns

Resilience and diversity supporting stability and growth in the economy

- Though the COVID-19 crisis is expected to drive a reduction in the expected real growth rate, Kenya continues to benefit from resilience through diversity in its economy, supported by prudent macroeconomic policy measures
- The Government continues to demonstrate its commitment to the "Big Four" to further strengthen the economy, through progressing industrialization and focus on job creation

Maturity and depth in the financial sector

- Kenya benefits from a well established financial services sector with a strong banking sector and relatively deep domestic capital markets (est. 25% of GDP) which mitigate the impact of the crisis and support economic recovery
- Further support and stability is demonstrated in relatively sound external reserves covering 4-5 months of current account payments

Continued progression toward fiscal consolidation

- While debt levels remain elevated as the country manages economic needs during these unprecedented times, the most recent budget incorporates continuing broad plans for fiscal consolidation, with expectations for deficit reduction in FY 2020
- Access to concessional external funding (est. two-thirds of external debt stock) contributing to manageable debt service costs as plans for fiscal consolidation continue

