



**Ubiquity
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NEWSLETTER

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Seven insurers in trouble over compensation delays

Feuds over delayed payments by insurance firms for car repairs have escalated to the competition watchdog, with garage owners latching onto a recently adopted legislation that seeks to assist firms with weaker bargaining power to push for a settlement.

Records show that in the financial year 2022/23, the Competition Authority (CAK) intervened on behalf of several motor repairers, forcing at least seven insurance companies to settle delayed payments.

The watchdog found the insurers in breach of Abuse of Buyer Power (ABP) rules by unjustifiably delaying payment. The ABP regulation became effective in 2018 following a crisis of non-payment of suppliers by supermarkets.

The insurance companies were forced to settle payments amounting to Sh24,075,773 million which they had unjustifiably delayed, according to the CAK.

According to CAK, there are 38 companies in the insurance market offering general insurance services against 168 motor vehicle garages registered under Kemra.

Cost of transport rises fastest on high fuel prices

The cost of transport has risen by the fastest rate among the 13 key categories of goods and services tracked for inflation over the last one year, driven by high fuel prices.

The latest inflation figures released by the Kenya National Bureau of Statistics (KNBS) show

transport costs went up by 9.7 percent in March on average compared to the same month last year.

This is way above the average inflation rate of 5.7 percent across all the 330 goods and services tracked by KNBS to measure the cost of living.

According to KNBS data, the price of kerosene has risen by 29 percent over the last year, while those of diesel and petrol have also gone up by 17.3 percent and 10.9 percent respectively.

Higher transport costs had a major impact on businesses as the cost of moving goods across the country sharply increased, forcing them to raise the prices of goods.

Foreigners sell Sh2.3 billion NSE stocks in three months

Foreign investors extended their exit from the Nairobi Securities Exchange (NSE) into the quarter to March this year, new market data shows, despite a gradual improvement in the performance of local equities.

The data shows that the foreigners' portfolio flows were negative across all three months with the highest selloff coming in March at Sh1.2 billion.

In January and February, the investors took out Sh106 million and Sh1 billion from the market, respectively.

The continued exits are despite tailwinds, including gains in the domestic exchange rate and improved investor sentiment on the sovereign, following the partial redemption of Kenya's debut \$ 2 billion (Sh264.85 billion) Eurobond.

For instance, investor wealth at the bourse has increased by Sh327 billion since January 2, 2024, while the Nairobi all-share index has marked a 22.7 percent jump to 113.09 from 92.11 points on December 29, 2023 points during the same period.

Liberty Kenya Holdings has been the unlikely leader of a market rally with its stock price climbing 48.5 percent to Sh5.48 as of March 28 compared to Sh3.69 on December 29.

Other top gainers have included Equity Group which has rallied by 40.1 percent to Sh47.15 in the same period and Co-operative Bank which has gained by 31.5 percent to Sh15.

Cash outside banks drop fastest in five years

Cash circulating outside banks dipped at the fastest rate since Kenya's demonetisation phase five years ago in January this year after it fell by Sh13.3 billion to stand at Sh268.8 billion.

Data from the Central Bank of Kenya (CBK) shows that this is the biggest fall in 52 months since September 2019 when it dropped by Sh28.4 billion at the height of the four-month demonetisation exercise that was undertaken between June 1 and September 30 of the same year.

The movement of cash in the form of notes and coins is used as an indicator of the country's economic activity among households and small businesses.

This January, the drop is further attributable to heightened aggression by the government to mop up currency from the economy through recurring floating of Treasury bills and bonds, at a time when the average commercial bank deposit rate hit 10.1 percent, marking the first double-digit return since January 2000.

January is also the month when the final round of taxes contained in the Finance Act 2023 took effect, among them the increase in advance rates for load vehicles such as trucks, lorries and pick-ups.

During the period, the amount of demand deposits—cash in banks that is available for withdrawal—rose marginally by Sh10.9 million to Sh1.67 trillion from Sh1.66 trillion in December last year.

Quasi-money in banks and non-banking financial institutions, including such money held in money markets accounts and short-term deposits, however, dropped slightly by Sh6.98 million from Sh1.91 trillion to Sh1.9 trillion, reinforcing the need for easily liquidated money.

Foreign currency deposits held in local banks increased during the month by the equivalent of Sh55 million to Sh1.6 trillion, coinciding with the 10.7 percent month-on-month growth in diaspora remittance inflows which hit \$412.4 million (Sh54.7 billion in current exchange rates) in January compared to \$372.6 million (Sh49.4 billion) in December 2023.

Lenders' forex trading earnings drop by Sh6bn

Earnings by listed banks from forex trading in the Kenyan market fell by Sh6 billion last year as margins—the difference between buy and sell rates—for hard currency narrowed on increased dollar availability.

According to data from financial statements touching on the local operations of the 10 listed commercial banks, total forex income in the year ended December dropped to Sh55.6 billion from the peak of Sh61.5 billion in 2022.

A majority of the listed commercial banks including KCB, Equity, NCBA, Co-operative Bank, Absa Bank Kenya and I&M Bank marked a drop in forex trading income.

StanChart Kenya, Stanbic, DTB and Housing Finance however bucked the trend by growing forex trading income in the same period.

NCBA which had the highest forex earnings in 2022 at Sh11.9 billion saw revenues from the currency trades tumble to Sh7.5 billion in 2023 while at Equity the earnings fell to Sh5.1 billion from Sh6.4 billion.

Competition watchdog edged out of dominance decisions

The Competition Authority of Kenya (CAK) and the Communications Authority of Kenya (CA) have renewed their turf wars over their respective roles in enforcing market dominance rules in a dispute that is likely to hurt the telecommunications industry.

In its annual report, the CAK notes that proposed telecommunications industry regulations do not acknowledge its role in the determination of market dominance.

This is despite changes by the ICT ministry to the Kenya Information and Communication (KICA) Regulations, 2023 which pushed up the threshold for abuse of dominance from 25 percent to 50 percent as in the Competition Act.

Besides regulations of tariffs, consumer protection, licensing regulations, and radio communications, KICA also addresses the issue of competition.

Safaricom's rivals have pushed for the firm to be declared a dominant operator to ensure the competitors are not pushed out of business. The firm was at the end of December commanding 66 percent of SIM card subscriptions and 96.8 percent of mobile money while Airtel followed with 26.3 percent and 3.1 percent respectively.

Ex-IMF economist says Fund's targets on Kenya unrealistic



A former senior economist at the International Monetary Fund (IMF) now Kenyans are choking on taxes over unrealistic revenue targets the institution is attaching to its loans to the country.

The primary balance is the difference between the government's revenue and its spending, excluding what it uses on debt payments.

Treasury data shows Kenya is expecting to close the financial year ending June 2024 with a deficit of Sh832.3 billion or 5.2 percent of GDP. It targets to lower this to Sh753.2 billion or 4.2 percent of GDP in the 2024/25 financial year and reduce it further to Sh719.9 billion or 3.6 percent of GDP in the following year.

Consumer pain as cooking gas prices up to record high

Cooking gas prices heated to an all-time high of Sh3,231.84 for the 13-kilogramme cylinder in March, defying State-backed efforts to lower the cost of the fuel, including scrapping of the eight percent value-added tax.

Fresh data from the Kenya National Bureau of Statistics (KNBS) shows the average prices of the commodity continued on an upward trend during the month after they rose 1.4 percent from the Sh3,187.10 recorded in February, which translated into a three percent year-on-year jump.

The new average dwarfs the high of Sh3,218 recorded in June 2022 when disruptions arising from the Russia-Ukraine conflict that was sparked earlier in February of the same year, started hitting global economies.

Last year, the National Treasury through the Finance Act of 2023 removed the eight percent VAT on LPG in a bid to lower prices, but the recent rise has seen the costs surpass the levels that prevailed before the relief was introduced.

Shortly after the bill was enacted, the cost of the commodity fell from an average of Sh3,069 in June 2023 to Sh2,787 in July, in the process handing consumers a major relief.

[CBK seen holding rates on easing inflation, forex pain](#)

The Central Bank of Kenya (CBK) is widely expected to hold interest rates at its monetary policy committee meeting on reduced inflationary and foreign exchange rate pressures.

On February 6, the CBK raised the benchmark Central Bank Rate (CBR) to 13 percent from 12.5 percent, a successive increase aimed at setting inflation on a firm downward path and easing pressure on the exchange rate.

Headline inflation for instance eased to 5.7 percent in March, the lowest consumer prices print in two years, as the price of key food commodities including wheat flour, fortified and sifted maize flour and cabbages declined from a year before.

Meanwhile, non-food, non-fuel or core inflation has remained flat at 3.6 percent since January, mirroring a pause in the growth of secondary inflationary effects in the economy.

The CBK quoted the Kenya shilling at Sh131.56 against the US dollar representing an appreciation of 17.8 percent since February 7 when the local unit was quoted at Sh160.18.

[Single account nightmare for banks as State starts audit](#)

The Treasury has launched an audit of the bank accounts held by national and county government entities to pave the way for the rollout of a Treasury Single Account (TSA) that the Cabinet approved in January.

The exercise is targeting government ministries, agencies and departments (MDAs), corporations

and semi-autonomous government agencies (SAGAs), public funds and projects, county governments and their entities.

In a letter dated March 26, Treasury Principal Secretary directed the entities to provide details of the accounts, including the name of the bank, branch, account number and the identities of the signatories.

Other details include the currency designation of the account, the balance as of February 29, 2024 and whether the account is active or dormant.

The purpose of this communication therefore is to request you to submit information on all bank accounts held by yourselves, as at close of business on February 29, 2024.... Please provide the information by April 15, 2024.

Bad bank loans hit record 15.5pc as CBK pauses rate increases

Non-performing loans (NPLs) have hit a new multi-decade high of 15.5 percent of the banking industry's total lending as private sector credit growth softens.

Central Bank of Kenya (CBK) data shows the industry's ratio of gross NPLs hit a new high in 12 months to February 2024, rising from 14.8 percent in December last year to set the highest rate since mid-2006.

The high ratio of bad loans has been on the back of increased interest rates by both the apex bank and commercial banks, with the former having lifted the benchmark lending rate to counter inflation and a weakening shilling.

For instance, Equity Bank Kenya lifted its base lending rate to 18.24 percent following the CBK's

last interest rate bump in February while Access Bank recently pushed its base lending rate to 20 percent.

The higher interest rates on commercial bank borrowings have increased debt service costs for clients, adding to the distress facing debtors such as the difficult macroeconomic environment.

Subsequently, private sector credit growth has eased to its slowest rate of growth since July last year at 10.3 percent, in contrast to a higher growth rate of 13.8 percent in January 2024.

Prices of imported used cars to drop on strong shilling



Prices of imported used cars are projected to drop by at least Sh100,000 from June amid the strengthening of the shilling, a rare relief to buyers who have for months grappled with a spike in the cost of the automobiles.

Dealers say the anticipated price falls, will vary depending on the model of the car.

The price of a Mazda Demio (petrol engine), manufactured in 2017, which is going for an average of Sh1.4 million is expected to drop to ShSh1.3 million. The price of a Toyota Landcruiser V8 is projected to drop to below Sh12 million from the current Sh12.5 million.

The shilling has since February rallied against the dollar to trade at 131 units from 144.9 units on February 19, setting the stage for easing in the cost of imports.

The cost of imported second-hand cars surged by up to Sh600,000 between September last year and last month, on the back of the shilling's woes against the dollar, pushing the units out of the reach of many potential buyers.

Expect a drop at the earliest in May-June and depending on the car model, we are looking at a minimum of Sh100,000 for the low-end models like the Vitz, Kenya Auto Bazaar Association secretary-general. Other dealers shared similar optimism.

Dealers who shipped in cars when the shilling was at 160 units are now staring at huge losses, which we estimate at upwards of Sh1.2 million for some of the units.

SHIF deductions fixed for July 1 in new U-turn

Kenyans will now pay 2.75 percent of their gross salaries to the Social Health Insurance Fund (SHIF) from July 1 in yet another U-turn from the date initially announced by the Ministry of Health.

The new date appears in the final Social Health Insurance (General) Regulations, 2024, which also stipulate that the registration of members to the SHIF should be completed by June 30.

Chairman of the Social Health Authority (SHA), confirmed the changes.

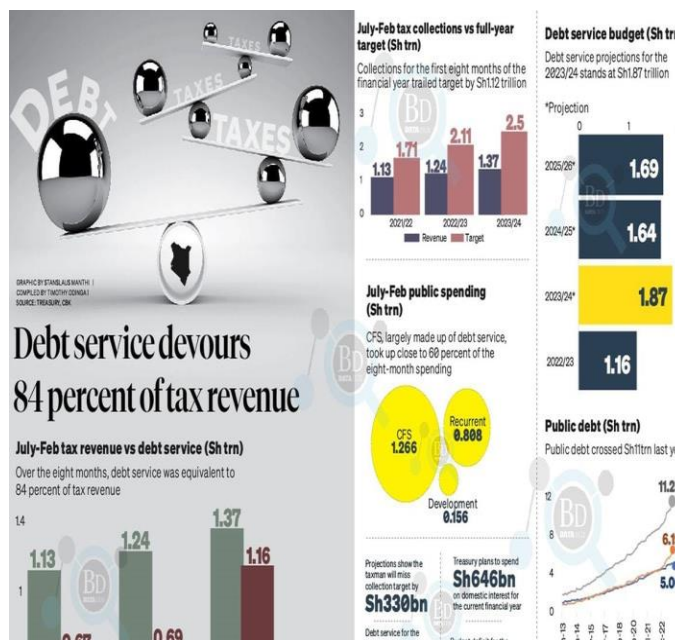
Payment of contributions and access to health services under the Act and these regulations will commence on July 1, 2024," the regulations.

NHIF VS SHIF DEDUCTION (SH/ MONTH)

GrossPay	NHIF	SHIF
20,000	750	550
50,000	1,200	1,375
100,000	1,700	2,750
200,000	1,700	5,500
50,0000	1,700	13,750
1,000,000	1,700	27,500

SHIF deductions of 2.75 percent will start in July 2024.

Debt service devours 84pc equivalent of tax revenue



The ratio of debt service to tax revenue in the eight months to February hit a new record of 84.4 percent, leaving very little for development projects as well as pushing the country deeper into debts.

Exchequer data on public finance performance over the eight-month period revealed that tax revenue stood at Sh1.37 trillion while Sh1.16 trillion was paid to creditors.

The rise in debt service costs comes when the country is struggling to grow tax revenue, meaning a thinner spending on development that drives economic growth and also more borrowing to run government.

In a similar period in the last financial year, Kenya spent 55.9 percent equivalent of its revenue to service debt and 59 percent in the year before.

Official data also shows that the government had spent a paltry Sh156.9 billion on development projects against a full-year target of Sh457.2 billion.

Further analysis reveals that development, which plays a big role in job creation, only accounted for seven percent of the eight-month spending. The underperformance of the tax revenue means for the taxman to meet the full-year target of Sh2.5 trillion, he has to collect Sh1.13 trillion in four months.

Sh75bn tax bill stalls M-Pesa split from Safaricom

Safaricom is facing a Sh75 billion tax liability in the Central Bank of Kenya (CBK) push for the separation of M-Pesa from the telecoms business, forcing the telco to delay the move that is supposed to allow for increased scrutiny of the multi-billion shilling mobile money deals.

Discussions about the split have taken years, with Safaricom pushing for an international reorganisation so as to avoid paying taxes on the transaction. However, the CBK is keen on a total separation to give it oversight over M-Pesa, which

in the year ended March 2023 transacted Sh35.86 trillion.

CBK governor says the Treasury and CBK officials have now planned a meeting with Safaricom where the telco will be pushing for the government—that owns a 40 percent stake in the telco—to waive the tax liability.

At Sh75 billion, the potential tax liability is more than the Sh52.48 billion net profit that Safaricom made in the financial year ended March 2023, making it a significant amount to part with at a time the telco's earnings have dipped for the third straight year, partly on Ethiopia's entry costs.

Airtel Kenya, meanwhile, in October 2022 successfully separated its mobile money business from the telecommunications arm, with the new entity now operating as Airtel Money Kenya Ltd. It is not clear if any tax liability arose out of the transaction.

[Kenya set for Sh131 billion new IMF financing June](#)

Kenya is set for Sh131 billion (\$1 billion) in new financing from the IMF in June at the end of the seventh review of its multi-year programme with the multilateral lender.

The disbursement awaiting both staff-level agreements and the nod from the IMF executive board is expected to be the largest access yet from the programme approved in 2021.

The IMF had scheduled the disbursement of \$709.7 million special drawing rights to Kenya or \$936.83 million (Sh122.8 billion) in May 2024 under the extended fund facility (EFF), the extended credit facility (ECF) and the resilience and sustainability fund (RSF).

So far, the IMF has disbursed a cumulative Sh341 billion (\$2.6 billion) from the ECF/EFF arrangements from February 2021 through to January 2024.

Disbursement from the IMF's multi-pronged funds is expected to ease from the second half of 2024 up to the end of the arrangements in April 2025 with only a total of Sh42.3 billion (\$323 million/244.7 million SDRs) in disbursements planned in October 2024 and in March 2025.

The new inflows from the IMF are expected to complement fresh funding from the World Bank's development policy operations—a facility used to meet emerging development resource requirements for countries under which Kenya now hopes to tap about Sh157.3 billion (\$1.2 billion).

The expected funding from the World Bank is, however, lower than the previously projected disbursement of Sh196.7 billion.

Kenya's official reserves have remained under pressure in recent months driven largely by increased debt service costs from rising interest rates. At present, the reserves stand at \$7.1 billion (Sh931.2 billion) or an equivalent of 3.77 months of import cover.

CBK raises Sh45 billion from reopened five, 10-year bonds

The Central Bank of Kenya (CBK) has mopped Sh45.8 billion from the recently reopened five-year and 10-year bonds.

The uptake beats the target of Sh25 billion after a huge investor interest where total bids topped Sh47.7 billion in the auction that closed on Thursday.

Investor focus was biased on the five-year paper which got bids of Sh35.5 billion, outpacing the 10-year security that secured Sh12.2 billion bids.

Accepted bids are expected to lock in a return of 18.41 percent from the re-opened five-year paper while the re-opened 10-year one has a return of 16.51 percent.

Total investor bids from the papers' previous auction had reached Sh59.7 billion but the CBK only accepted Sh22.6 billion as the government's fiscal agent rejected aggressive bids.

Investors bid Sh23.8 billion on the 10-year paper at an average of Sh17.75 percent, defying the CBK guidance of a 16 percent return from the bond.

The CBK still rejected bids worth Sh1.9 billion in the tap sale that closed on Thursday.

The apex bank remains in the market, seeking Sh40 billion from the sale of the reopened two-year paper which has a coupon rate of 16.9723 percent and a remaining duration of 1.4 years in an auction set to close on April 17.

The pressure to fund the 2023/24 budget deficit from the domestic credit market is set to subside as the National Treasury revises the fiscal deficit downwards and from increased external financing, especially from multilateral lenders such as the World Bank and the IMF.

State defaults on pension remittance for six months

A cash crunch at the National Treasury saw the government skip remitting pensions for civil servants in the six months to December 2023.

Controller of Budget has revealed that the government did not remit the pension for the first half of the financial year 2023/24 to the Public Service Superannuation Scheme (PSSS).

The Treasury only managed to settle arrears of Sh4.59 billion which it had skipped remitting to the PSSS between May and June 2023.

Contributions to the scheme were staggered, starting from 2 percent of the gross pay of civil servants in 2021 to 5 percent in 2022 and eventually 7.5 percent in 2023.

The government contributes 15 percent of the gross pay of the workers to the scheme.

As at July 2023, the scheme had 403,421 members and a fund value of over Sh80 billion.

The cash crunch not only affected contributions to the PSSS but also the payment of pensions to retirees.

According to Dr Nyakang'o, underfunding from the exchequer meant that while the government reported that it had spent Sh82.3 billion on pensions, it had paid only Sh59.01 billion.

This is less than half the Sh189.089 billion that the Treasury has budgeted to spend on pensions and gratuities this year.

By February, the Kenya Revenue Authority (KRA) had collected Sh1.374 trillion in tax revenue, which is equivalent to 55 percent of the Sh2.495 trillion target for the full financial year ending June.

Interest rates on Treasury bills drop first time in two years

Interest rates across all three Treasury bills have fallen for the first time in over two years, pointing to the beginning of an end to the rise in yields on government securities.

Last week's Treasury bill auction, for instance, saw the weighted average interest rate of accepted bids fall marginally to 16.7243 percent for the 91-day paper, 16.8738 percent for the 182-day paper and 16.9898 percent for the 364-day paper.

Investors bid Sh28.4 billion for the three papers, representing a performance rate of 118.65 percent

from the Sh24 billion on offer, with the Central Bank of Kenya (CBK) accepting Sh26.1 billion.

Kenya is expecting to receive a total of Sh130.7 billion (\$1 billion) and Sh156.8 billion (\$1.2 billion) from the World Bank and the International Monetary Fund (IMF), respectively, before the end of June, supporting a cut in domestic financing targets.

Why Kenya's top banks are renewing bet on retail market

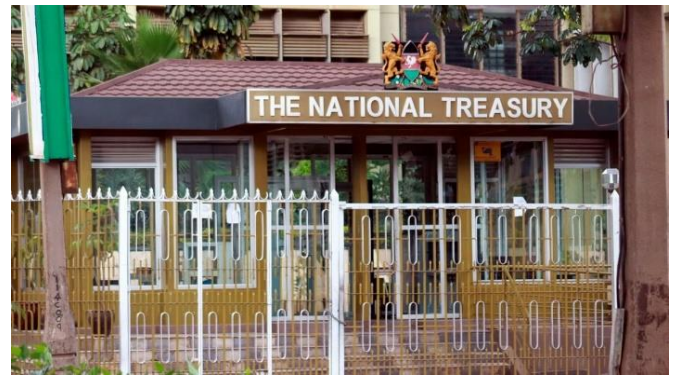
Top banks in Kenya have spent years deepening their foray into corporate banking and wealth management. Now they are going back to where it all started — retail banking.

Retail banking, also known as consumer or personal banking, is catching the attention of lenders such as Standard Chartered Bank Kenya, Absa Bank Kenya, Stanbic Bank, NCBA and I&M Bank as they move to recruit the next generation of customers.

This is part of the reason nearly all top banks are renewing their interest in opening new branches across the country, with others like NCBA, Absa and I&M now setting up in locations that were not traditionally their areas of focus.

A big part of our strategy is to really scale up our retail business. Historically, I&M Bank has been a fantastic corporate and SME [small and medium-sized enterprises] bank. Part of our strategy is to build up retail banking. To do that, we are trying really hard to become globally relevant for Kenyan consumers.

Kenya's commitment fees on external loans hit Sh834m



Commitment fees Kenya paid on untapped external loans hit Sh833.85 million in the six months to December 2023 driven by a weak shilling.

This places the cost of commitment fees in the 2023/24 financial year on course to surpass the Sh1.35 billion that was paid for the same in the entire 2022/23.

It is also more than the Sh680.3 million the government paid on the undisbursed loans in the corresponding period in the previous financial year.

Controller of Budget, in her report to Parliament regarding the implementation of this year's budget, shows external debt servicing amounted to Sh238.08 billion during the six months to December.

This consists of Sh133.19 billion for redemption, Sh97.36 billion in interest, Sh6.69 billion classified as "other charges" and Sh833.85 million in commitment fees.

The National Treasury spent a further Sh359.48 billion to repay domestic debt. This consists of Sh101.67 billion redemptions and Sh257.81 billion interest.

Why kenyans do not earn interest on M-Pesa balances.

Millions of M-Pesa and other mobile money service users in Kenya could be earning interest on their deposits were it not for a 2024 law that

blocked it, making Kenyans the only ones missing out on this stream of income in Africa.

In other African countries, including Uganda and Tanzania, mobile money customers earn interest on their balances similar to saving in a bank, a new report by the International Monetary Fund (IMF) reveals.

The E- Money and monetary policy Transmission report- published – assessed environment around which e-money has registered fasted growth

The apex bank sees 11 percent growth in imports in 2024 following last year's fall in the orders of goods and services from abroad, which came against a sharp depreciation in the Kenyan Shillings and difficulties in accessing hard currency by traders and other importes.

According to CBK estimates, total imports on a free-on-board basis are expected to rise to sh 2.48 trillion (\$19 billion) in 2024, in contrast to Sh 2.2 trillion (\$17.1 billion) last year which was a 10.6 per cent drop from sh 2.49 trillion (\$ 19.1 billion) in 2022.

Shilling gain cuts external debt by Sh1.12 trillion

The stock of external debt has fallen by \$h1.124 trillion in less than three months as aresult of the shilling strengthening against major currencies.

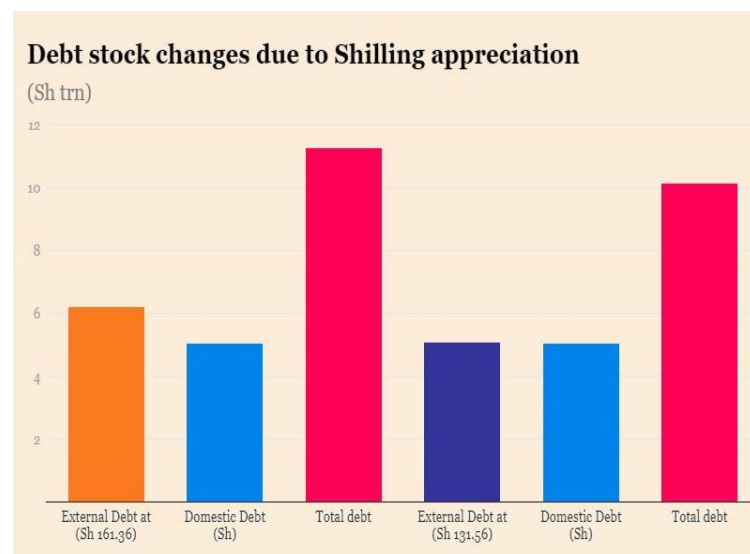
Data released by the Central Bank of Kenya (CBK) shows the country's stock of external debt stood at ShS.o6 trillion, down from \$h6.19 trillion at the end of January.

The 18 percent fall has been fully attributed to the local currency gaining to exchange at 131.56 against the dollar a record low of 161.36 at the end of January.

Further analysis by the Business Daily on the CBK's disclosure reveals that a gain in the local currency by

one unit against the dollar leads to a fall in external debt of around \$h37.7 billion.

The shilling which has now appreciated by 20 percent since late January has eased pressure in the money markets and is expected to bring down the cost of imports and debt service.



Banks face Sh500bn hit on State's single account shift

Commercial banks now want the Treasury to appoint them as collecting agents for its centralized account as they look to soften the blow of losing hundreds of billions of shillings in stable deposits from State agencies when the new system is rolled out.

Banks, through their lobby the Kenya Bankers Association (KBA), say they have started discussions with the Treasury and the Central Bank of Kenya (CBK) to ensure that the implementation of the Treasury Single Account (TSA) and choice of model will not disrupt their operations and those of the affected State agencies.

The lenders held Sh509.8 billion worth of deposits from government ministries, departments and agencies (MDAs) by the end of June 2023 as per the latest available official figures, raising the risk of a

liquidity shock once the funds are moved to the single account.

Top banks cut paper losses on bonds by Sh16 billion in new lending trend



Top tier banks cut the paper losses on the market value of their bond holdings by Sh15.9 billion last year, reflecting their reduced appetite for new lending to the government in the period.

The financial reports by the nine banks for the year ended December 2023 show that their cumulative fair value losses on government bonds stood at \$h39.27 billion at the end of December, down from \$h55.18 billion in December 2022.

The fair value losses are based on the difference between the current value of the securities in the secondary market versus the acquisition cost. They are, however, only booked on the profit and loss account if the holder sells the security.

Among the individual lenders, KCB Group held the largest volume of bonds and Treasury bills at \$h348.9 billion at the end of last year, up from \$h270.8 billion in 2022. Equity Group was second, having increased its holdings by \$h27.5billion to \$h246.6 billion.

They were followed by NCBA, which cut its holdings by Sh1.69 billion to \$h203.4 billion, and Co-

operative Bank of Kenya, whose holdings went up by Sh15.8 billion to Sh89billion.

State House, President's Office lead with Sh653m splurge on hospitality

The State House and the Office of the President spent \$h653.5 million on hospitality in the first half of the fiscal year ended December 2023, leading other government departments in this line of expenditure.

The Controller of Budget (COB) data shows the President's residence and office raised its hospitality spending by 16.8 percent from Sh559.4 million in the same period a year earlier.

In the review period, the State House spent \$h429.9 million while the Office of the President incurred a bill of \$h223.5million on items, including food and entertainment.

Top spending on hospitality in the first six months of FY2023/24(Sh M)

State House	429.97 M
Internal Security	291.14M
Judiciary	215.56M
National Treasury	212.21M
Office of the President	206.92M
Office of the Deputy President	206.92M
Foreign Affairs	203.35M

SIB's offshore fund posts 18pc returns

Standard Investment Bank (SIB)'s multi-asset strategy fund Mansa-X generated a return of 18.01 percent on its Kenya shilling fund from 15.59 percent in 2022 as global stock markets rebounded on the easing of inflation and interest rate pressures in the US.

The improved returns bring the fund's average annual performance since its inception in 2019 to 17.36 percent, according to audited financial statements (2023).

Investment through the Mansa-x fund is available both in the local currency (Ksh) and the US dollar.

The US dollar fund generated returns of 12.1 percent to investors and closed the year with assets under management of \$ 20.6 million generating returns.

After raising rates three times in the first half of the year, the US Federal Reserve made a single additional increase in the second half of 2023 as US inflation retreated from June 2022's four-decade high of 9.1 percent, with the 12-month rise in consumer prices falling to 3.1 percent in November, a lower level than many had expected.

World Bank warns of debt distress in Eurobond buyback

The World Bank Group has warned Kenya of the persistence of a high risk of debt distress following its recent costly partial Eurobond settlement.

Kenya paid dearly to water down the sovereign default risk attached to the maturity of its debut \$260.4 billion (\$2 billion) Eurobond as it issued new notes worth Sh195.3 billion (\$1.5 billion) at an interest rate cost of 9.75 percent in February.

The return paid out to investors of the new Eurobond notes stands at a premium when contrasted to the 6.875 percent coupon on the sovereign bond maturing on June 24. The balance of \$500 million is expected to be paid on the maturity date.

External borrowing is more expensive than it was prior to the pandemic despite sovereign spreads gradually declining from their peak in May 2023. For instance, the coupon of the new Eurobond issued by Kenya this February is 9.75 percent, compared

to the 6.875 percent of the Eurobond maturing in 2024 the World Bank noted.

Kenya is expected to incur about Sh1.1 billion more annually in debt service costs to the new Eurobond as total interest costs stand at Sh19 billion (\$146.2 million) per year in contrast to Sh17.9 billion (\$137.5 billion) annually for the initial notes.

The higher refinancing costs have been deemed to aggravate the region's risk of debt distress despite the gradual decline in public debt as a share of the economy's GDP.

More than half of the African governments grapple with external liquidity problems, face unsustainable debt burdens, or are actively seeking to restructure or re-profile their debts. Public debt service obligations have surged as governments in the region are exposed to market financing and non-Paris club government loans," the World Bank added.

Kenya's move to refinance its debut Eurobond at a higher coupon/interest rate came as the country found itself in a difficult position as jitters started to build over its ability to meet the June maturity.

Foreigners sell Sh2.3 billion NSE stocks in three months

Foreign investors extended their exit from the Nairobi Securities Exchange (NSE) into the quarter to March this year, new market data shows, despite a gradual improvement in the performance of local equities.

The data shows that the foreigners' portfolio flows were negative across all three months with the highest selloff coming in March at Sh1.2 billion.

In January and February, the investors took out Sh106 million and Sh1 billion from the market, respectively.

The continued exits are despite tailwinds, including gains in the domestic exchange rate and improved investor sentiment on the sovereign, following the partial redemption of Kenya's debut \$ 2 billion (\$264.85 billion) Eurobond.

As such, the continued exit by foreigners has been a puzzle especially with the NSE returning gains for investors so far into the new year.

For instance, investor wealth at the bourse has increased by \$327 billion since January 2, 2024, while the Nairobi all-share index has marked a 22.7 percent jump to 113.09 from 92.11 points on December 29, 2023 points during the same period.

Liberty Kenya Holdings has been the unlikely leader of a market rally with its stock price climbing 48.5 percent to Sh5.48 as of March 28 compared to Sh3.69 on December 29.

Other top gainers have included Equity Group which has rallied by 40.1 percent to 47.15 in the same period and Co-operative Bank which has gained by 31.5 percent to Sh15.

Home Africa had led the market laggards, returning a year-to-date loss of 18.9 percent to trade at 30 cents from 37 cents at the end of last year.

Other losers so far have been Kakuzi Plc, BK Group, Express Kenya, Longhorn Publishers, Nairobi Business Ventures and Unga Group.

Despite the double-digit gains for the stock market, analysts have stayed off calling the rally a bull run which describes a prolonged period of rising stock prices and investor sentiments.

[Win for NSE As Index Provider Lifts Restriction.](#)

The Nairobi Securities Exchange (NSE) is set for a boost in foreign investor inflows after leading global index provider Financial Times Stock Exchange (FTSE) Russell Index lifted a restriction on the

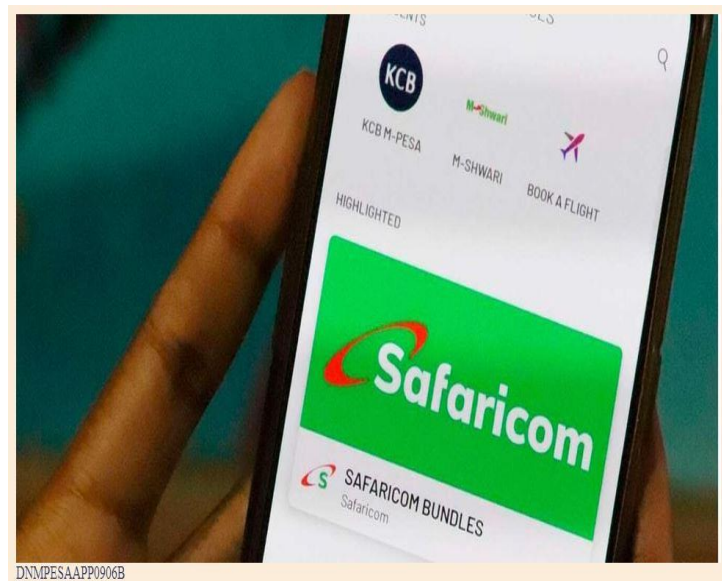
bourse following improved access to dollars in the forex market.

FTSE Russell had placed the Kenyan market under watch in 2022 following reports by foreign investors of difficulties in accessing dollars from the local forex market to repatriate dividends and proceeds of share sales.

This dented the confidence of the investors in the local market, discouraging inflows and forcing those holding shares to refrain from selling, which hurt the NSE's turnover and price discovery.

The NSE equity market has received an upgrade on its classification from restricted to pass by the FTSE Russell Index Governance Board in March 2024...following the FTSE equity country classification interim review of Kenya's equity market against a range of technical criteria" read the NSE announcement.

[Safaricom's Mall unit trust asset base hits sh 1.4 bn](#)



Total assets managed by the Safaricom-backed unit trust scheme, Mali hit Sh1.4 billion in the year ended December 2023, new disclosures show.

A unit trust is typically a collective investment packaged under a trust deed and run by a professional fund manager.

It is the first time that the M-Pesa-based collective investment scheme has revealed its portfolio since launching in 2019 with Genghis Capital as the fund administrator.

Mali Money Market Fund realised a profit of \$h76.2 million in the period, beating net income from Genghis's in-house Gencap Hela unit trust fund at \$h42.5 million. Safaricom's earnings from the Mali fund were not immediately clear.

About 61 percent of Mali's assets were invested in fixed deposit accounts or \$h885.4 million while government securities, short-term or call deposits, and corporate bonds held the balance of assets at \$h294.8 million, \$h262.8 million, and \$h4.5 million, respectively.

The Capital Markets Authority (CMA) approved fund allows M-Pesa customers to invest in unit trusts from as low as \$h100 and earn interest rates calculated daily. The service is available to both smartphone and feature phone users via the M-Pesa app and the *334# USSD code.

Six counties, Sh33bn unclear spending and auditor's adverse opinion

The governors under scrutiny

Nairobi, Baringo, Narok, Kiambu, Nyamira and Tana River ranked the worst for, among others, failure to prove how they used huge amounts of money, according to the Auditor-General's report.



Johnson Sakaja's government used a revenue management system 'Nairobi Pay' without a contract with the operator.

In Baringo County, of the 36 staff hired, 35 were from the dominant ethnic community in the county.

The Auditor-General has queried expenditure of \$h33.6 billion in six counties ranked as worst performing on management of public finances, shedding light on the mess that could have seen billions of shillings go down the drain, and putting their governors in the spotlight.

The six Nairobi, Baringo, Narok, Kiambu, Nyamira and Tana River— showed significant issues including failure to prove how they spent billions of shillings in the fiscal year ended June 2023.

There were also variances in different sets of their spending records, payments for services that were never rendered and splurging on salaries while ignoring development.

The day CBK governor almost shut down Equity bank

On a chilly morning in early 1993, three bankers sat in the Central Bank of Kenya (CBK) governor's office, making a last-ditch plea to stave off the

closure of Equity Building Society (EBS), which had limped into its ninth year of operation under the weight of insolvency.

The CBK's decision to chain the doors of the insolvent savings and loans society came after a complaint by one of the three major deposit holders in the society that it was using customer deposits to fund operations, having long exhausted headroom in its capital.

The two founders of Equity, chairman Peter Munga and the managing director John Mwangi Kagema—who passed away on Boxing Day in 2018—had brought along 31-year-old James Mwangi to plead their case with then CBK Governor Eric Kotut.

In 1992 and 1993, the CBK amalgamated five institutions namely Kenya Savings and Mortgages, Home Savings and Mortgages, Nationwide Finance, Business Finance and Jimba Credit into the umbrella of Consolidated Bank of Kenya to avoid collapse.

Special audits on several banks and non-bank finance institutions also resulted in closures. Trade Bank Group, which operated three subsidiaries known as Trade Bank, Trade Finance and Diners Finance was placed under statutory management.

Meanwhile, Nairobi Finance Corporation, Central Finance, International Finance, United Trustee Finance and Post Bank Credit were put under liquidation.

It was at this time that the wheels had fallen off for Equity Building Society, which was founded in 1984 to provide rural farmers and merchants with a platform to save money and access credit.

In that period, the Kenyan banking and financial services sector was highly fragmented, with the CBK counting 41 commercial banks, 67 non-bank financial institutions and five building societies under its regulatory watch.

Banks raised bad loans cover by sh 46 bn as defaults soar.



The 10 Kenyan-listed banks set aside an extra Sh46.6 billion in the year ended December as a precaution to cover expected credit losses as loan defaults soared last year.

According to an analysis of the lenders' financial statements, total loan provisioning costs rose to \$h120.8 billion in the review period from \$h74.1 billion the year before.

The higher provisioning costs came against a Sh148.8 billion increase in the banks' gross non-performing loans which closed the year at \$h598.5 billion from Sh449.7 billion in December 2022. KCB Group, for instance, raised its loan provisions by the highest quantum of \$h20.4 billion as its gross defaults topped Sh208.2 billion from \$h161.2 billion previously.

The bank's increase in provisions was closely followed by Equity Group which added \$h20.1 billion to its credit loss reserves in the same period. The two top lenders' impairment costs represented more than three-quarters of the increase in provisions by listed banks in 2023.

Besides increasing their cover for expected credit losses, commercial banks have taken their own initiatives to address the rising rate of defaults, including loan write-offs and restructures. For instance, Absa Bank Kenya restructured loans

worth Sh2.1 billion last year while NCBA Group wrote off Sh12 billion in facilities in the same period.

The initiatives have been largely in-house with the CBK holding off against interventions for a regulator-driven restructure programme as was the case during the last credit risk jitters that occurred in the wake of the Covid-19 pandemic. Instead, the sector regulator says that it has stepped up engagements with banks to ensure adequate provisioning and adherence to capital requirements.

Total Ten banks provided Sh1120 billion for bad loans 2018, commercial banks have been required to adopt the International Financial Reporting Standard 9 (IFRS 9) which requires lenders to recognise both incurred credit and losses expected in the future which has resulted in a significant increase in loan loss provisioning costs. Despite the rising banking industry non-performing loans ratio, some lenders have bucked the trend by cutting their provisions.

Big banks on CAK radar forced to refund customers over hidden fees

A growing number of Kenyans are taking on the institutions over their misconduct.

The banks in the crosshairs of the competition watchdog are KCB, Stanbic, FamilyBank, DIB Bank and NCBA. More cases are under active investigation by the authority, while others have been forwarded to other government agencies.

The competition watchdog has punished several banks for overcharging borrowers charges they had

not disclosed during lending amid a growing number of Kenyans who are taking on the institutions over their misconduct.

At least five leading banks are involved in active and concluded cases that involve probes into providing misleading information to borrowers, flouting agreements with customers and unilateral imposition of additional charges.



KCB Bank Kenya had to refund a customer \$h21,581, admitting that it had not disclosed full information on its website regarding payment terms for a credit facility.

Mr Anthony Nderitu, the affected customer, had borrowed \$h240,000 through a KCB Platinum Credit Card on a six percent interest that was charged in advance.

Information on the bank's website indicated that Platinum Credit Card holders were entitled to a 45-day interest-free period. Therefore, the complainant expected this period to lapse on 30th April, 2022. On 23rd April, 2022, the complaint settled the full amount due (Sh254,602), inclusive of the aforementioned six percent cash advance interest.

The banks' actions flout banking and competition laws, which require that lenders shall not provide misleading information, or impose unilateral

charges on loans of which aborrower has not been informed.

A person shall not, in the provision of banking, micro-finance and insurance and other services, impose unilateral charges and fees, by whatever name called or described, if the charges and the fees in question had not been brought to the attention of the consumer prior to their imposition or prior to the provision of the service,” the Competition Act states.

The Act also indicates that a consumer shall be entitled to be informed by a service provider “of all charges and fees, by whatever name called or described, intended to be imposed for the provision of a service.” discovered the bank had charged a late payment interest of Sh12,724 and a debit interest of Sh8,857, totalling \$h21,581,” CAK notes in its report.

T-bill rates in sharp decline in latest auction

The interest rate on the 91-day Treasury bill fell by the largest weekly margin in nine and a half years in the latest auction, giving the clearest signal yet that interest rates on government debt are set to come down.

Weekly auction results posted by the Central Bank of Kenya (CBK) showed that the average rate on the shortest of the three T-bills (91 days) fell to 15.73 percent from 16.72 percent the previous week.

The week-on-week decline of nearly one percentage point is the biggest seen since the auction of November 16, 2015, when the rate fell from 13.76 percent to 9.65 percent.

The rate on the one-year T-bill also fell during last week’s auction, retreating to 16.53 percent from 16.98 percent —where it had been over the previous five weeks. On the 182-day paper, the rate represented a negligible decline to stand at 16.86 percent.

The fall in short-term rates has been driven by the improvement of the government’s fiscal outlook following the partial refinancing of the \$2 billion 2014 Eurobond in February—the bond matures in June— and anticipated external loan inflows from the International Monetary Fund (IMF) and the World Bank before the end of June.



In the auction, investors signaled the falling risk concerns by spreading their bids more evenly across all three tenors, a departure from recent auctions where they have tended to heavily concentrate on the 91-day paper to minimize duration exposure to debt.

They also sought short exposure to have flexibility to take advantage of rising interest rates.

The 364-day paper attracted the highest value of bids last week at Sh19.3 billion, out of which the CBK took up \$h18.8 billion.

The 182-day recorded bids worth \$h10.56 billion, with Sh10.51 billion being taken up by CBK, while the 91-day raised offers of \$h16.41 billion and acceptances of Sh16.38 billion.

The weekly auction usually targets \$h24 billion.

Seven Seas spared Sh610m tax in out-of-court KRA deal

Seven Seas Technologies will pay a lower Sh289.84 million in taxes instead of the sh900.4 million claimed by the Kenya Revenue Authority (KRA) after the two parties reached an out-of-court agreement.

This means the tech firm will be spared from paying sh610.56 million in taxes—which is the difference between the amount payable and the initial sum demanded by the taxman.

The KRA had been given the go-ahead to collect the \$h900.4 million after the tech firm lost an appeal at the Tax Appeals Tribunal in January.

But Seven Seas, led by lawyers Peter Opiyo and Samuel Njoroge successfully sought an out-of-court settlement with the taxman at the Alternative Dispute Resolution (ADR), cutting the tax demand by sh610.56 million. The tech firm will now pay sh289.84 million after the two parties reached the agreement last Friday, with the payment to be done in three instalments in June.

The parties have reached a mutually agreeable position on the issues in dispute...the taxpayer undertakes to pay the aforementioned outstanding principal tax of sh289,847,448 in three monthly instalments,” read a ruling from the ADR dated April 12.

[NSE wealth falls by Sh127 billion on profit-taking](#)

Profit-taking by investors at the Nairobi Securities Exchange (NSE) has cut investor wealth at the bourse by \$h127.4 billion over the period, led by bank stocks whose prices have fallen despite the shares qualifying for final dividends.

Investor wealth at the NSE had rallied to a one-year high of Sh1.84 trillion by March 27, fuelled by sharp gains on bank stocks as the lenders concluded their reporting period for the full year ended December 2023.

The market capitalisation—the measure of investor wealth—has now dropped to Sh1.712 trillion, attributed by analysts to profit-taking that has skewed the market by raising the supply of shares beyond the available demand. This has had the effect of lowering share prices.

Safaricom, which also rallied in March ahead of its book closure on a Sh0.55 a share interim dividend, has shed Sh94.2 billion in market capitalisation since the end of March, to stand at \$h679.1 billion. The telco’s share price had retreated to Sh16.95 from Sh19.30 on March 27.

Foreigners made net sales worth Sh1.2 billion from the NSE in March, which accounted for half of the Sh2.3 billion worth of net exits seen in the market in the first quarter of the year.



ETims: Lessons Kenya can learn from Latin America

Adecade ago, Peru, on the Western Coast of South America, embarked on a journey towards rolling out

and adopting electronic tax invoices. The approach was staggered and began by targeting 239 of the largest issuers of invoices in the economy, largely players in manufacturing and mining.

Despite the small number of targeted firms and a 10-month compliance window, the Peruvian tax authority was compelled to extend the deadline twice — first from October 2014 to April 2015 then to August 2015.

Issuance of manually generated invoices only ended in 2018, four years after the country started the process of rolling out the new platform having tested the waters with large businesses.

In Kenya, Finance Act 2023 amended Section 23 of the Tax Procedures Act, providing that all businesses issue electronic invoices starting September 1, 2023. It further amended Section 16 of the Income Tax Act, providing that effective January 1, 2024, only invoices generated through the electronic Tax Invoice Management System (eTims) would be viable in determining deductible expenses in computing corporate income tax.

These two amendments imply that, unlike the Peruvian route of slow-peddalling the rollout of electronic tax invoices, Kenya opted for netting all businesses at once. It comes as no surprise that the rollout of eTims has been met with hue and cry, notably from the small and micro businesses, especially now that the March 31 deadline for mandatory onboarding lapsed.

As at March 31, some 202,291 taxpayers had been onboarded on eTims against a targeted 915,000. Whereas this performance rate is at a mere 22.1 percent, the Peruvian experience and the time taken to roll out electronic invoicing to all businesses suggests that the Kenya Revenue Authority (KRA) delivered a strong punch within the constraints of limited time and a strategy that spread it thin targeting all business ventures.

[Puzzle of dropping bond prices despite low interest rates outlook](#)

The premium prices on tax-free infrastructure bonds at the secondary market have begun dropping despite expectations of softening interest rates on new bond auctions going forward.

An analysis of bond prices data from the Nairobi Securities Exchange (NSE) shows the traded price per Sh100 of the recently issued February infrastructure bond had fallen to as low as Sh106.4012 as of Thursday from a high of Sh109.4719 at the end of the prior week.

The February infrastructure bond has been the most traded paper in the secondary market since listing nearly two months ago. Investors who missed out on the 18.4607 percent interest offered by the paper at its primary issuance by the Central Bank of

Kenya have led the demand for the security at the NSE, driving prices above face value.

The recently issued 10-year bond has a 16.5 percent interest rate, signaling a downward trend from the peak rates of more than 18 percent.

BOA Kenya taps Sh1.3bn for foreign currency lending

Bank of Africa (BOA) Kenya tapped \$10 million (Sh1.3 billion) loan in the financial year ended December for on-lending in foreign currency amid a widespread dollar shortage that was being reported in the market.

The bank says in its latest annual report that its parent firm, BMCE Bank of Africa, which owns a 72.41 percent stake, lent it the money with a repayment period of three years.

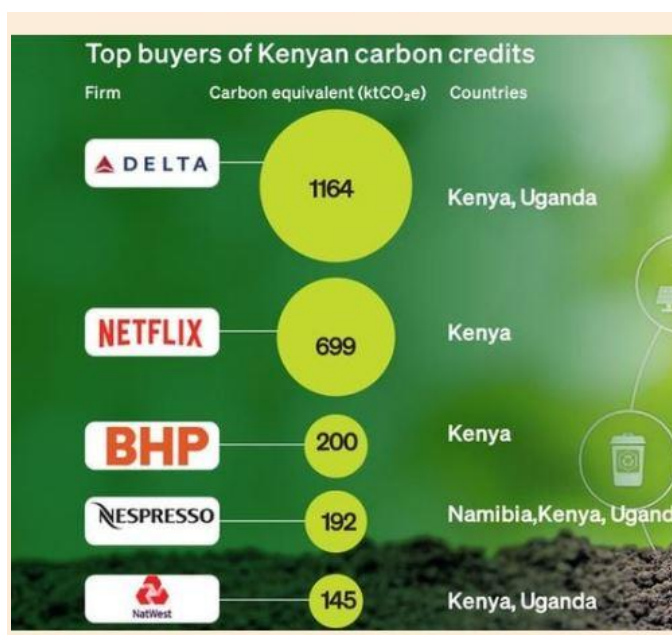
An unsecured three-year term loan of \$10 million from BOA Group SA for the development of the bank's lending business in foreign currency," said the lender.

BOA Kenya is controlled by Luxembourg-incorporated BOA Group SA, with its ultimate parent being BMCE Bank which is incorporated in Morocco.

The dollar loan points to the interventions that banks were using to provide dollars to their clients in the year banks' exchange rate was misaligned with that of the Central Bank of Kenya for most of the months.

BOA Kenya's clients are mostly businesses, including those in import/export operations that require foreign currency to settle their bills.

Big firms buying Kenya's carbon credits revealed



Giant US companies top the list of global players snapping up deals in Kenya's.

These deals have resulted in billions of shillings in earnings for conservancy groups and communities.

Records show that in 2022, Kenya was the second largest issuer of VCM carbon credits in Africa, after the Democratic Republic of the Congo — carrying on a trend of leaps over the past decade.

[Central Bank raises Sh34.7bn from re-opened two-year Treasury bond](#)

The Central Bank of Kenya (CBK) has raised Sh34.7 billion from its auction of a re-opened two-year bond.

The paper was oversubscribed by 17.9 percent with investor bids totaling \$47.1 billion against \$40 billion on offer. The CBK accepted Sh34.7 billion from the bids at a weighted average rate of 16.9922 percent, with buyers set to pay a premium price of Sh102.8368 for each Sh100 to adjust for accrued interest on the paper.

The next interest payment date is August 19, 2024. Bonds pay interest every six months.

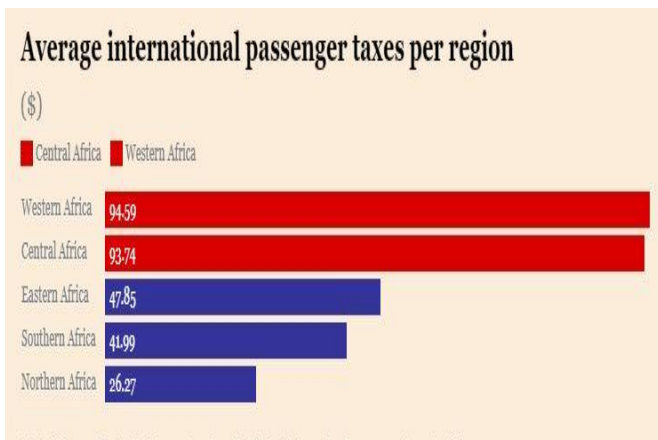
The market-weighted average rate of all bids was, however, higher at 17.1469 percent, which drove down CBK's acceptance rate as the apex bank rejected aggressive or expensive investor bids.

While the weighted average rate of accepted bids stood above the paper's coupon rate of 16.9723 percent, the return due to the paper's new investors is considerably lower than the 17.7358 percent rate at the bond's most recent reopening in October.

CBK resists bid to take Treasury bills to 17pc

The CBK has stepped up its rejection of expensive investor bids having recently raced ahead of its borrowing targets for the year, both domestically and externally, after the outsized acceptance of \$240.9 billion from February's infrastructure bond and the issuance of a new Eurobond.

High flight ticket taxes and fees slowing air transport in Africa



TikTok to publish quarterly compliance reports in new rules

Chinese social media platform, TikTok will be required to publish compliance reports every three months, as Kenya seeks to control the influence of the site, which is blamed for promoting explicit sexual content and violence.

The Ministry of ICT told lawmakers that this is part of the plan to address the negative effects linked to TikTok, instead of banning it from the country.

To necessitate easy community reporting, TikTok is required to share quarterly compliance reports with the ministry, clearly showing content taken down and reasons for the same.

The quarterly reports mark the start of a wider plan by the government to start regulating social media platforms to address concerns on addiction, mental health, data privacy, misinformation, child online safety and data security.

TikTok has turned out to be a sensation amongst the Kenyan youth but like in other parts of the world, attracted criticism amid calls to ban it. Countries including India, Australia, Belgium, Canada, France, New Zealand and the UK have banned TikTok.

A report released by Reuters Institute Digital News showed that Kenya led in the use of TikTok, with 54 percent of the sampled population using it for general purposes and 29 per cent relying on the platform for news.

KRA eyes tax-evading multinationals with new database

A key concern by tax agencies is that some multinational companies sometimes misuse the transfer pricing window by changing their taxable income.

The Kenya Revenue Authority (KRA) plans to install a new transfer pricing database that will enable its agents to gather and compare transactions made by multinational firms to seal loopholes for tax evasion.

The taxman said the transfer pricing database will assist its officers in compiling, analysing and managing data from cross-border company transactions to ensure compliance with tax obligations.

A common concern in developing economies relates to difficulties in accessing the information

on “comparables”, that is, data on transactions between independent parties used in the application of the arm’s length principle,” said the KRA.

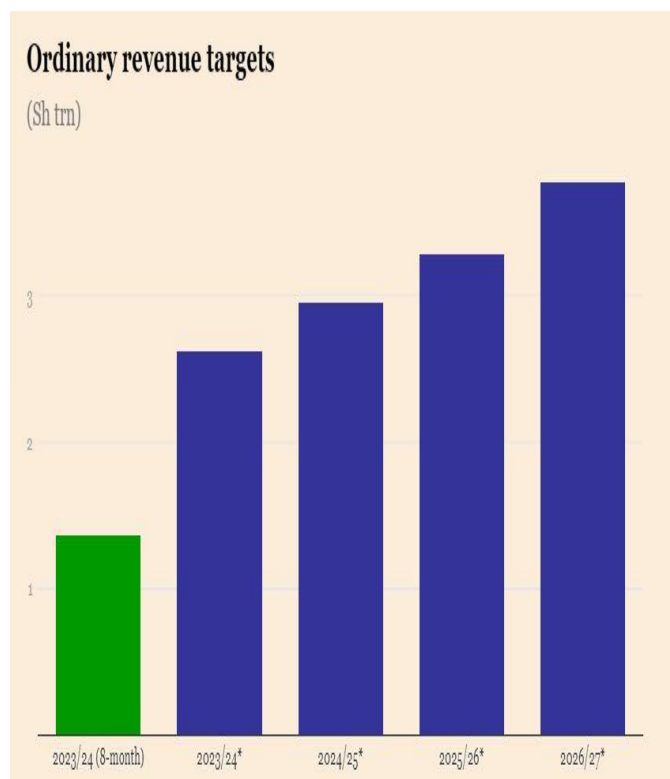
Multinational corporations are lawfully allowed to use the transfer pricing technique to allocate earnings among their subsidiary and affiliate companies that are part of the parent organisation.

A firm may calculate the minimum acceptable transfer price as equal to the variable costs or equal to the variable costs plus a calculated opportunity

cost. Although transfer pricing can lead to tax savings for corporations, tax authorities worldwide have expressed reservations about the strategy amid concern that some multinationals abused the accounting scheme to dodge taxes.

The KRA is desirous of having access to a transfer pricing benchmarking tool database that will enhance transfer pricing audits of multinational enterprises and audit of companies in extractive industries,” KRA said.

A key concern by tax agencies is that some multinational companies sometimes misuse the transfer pricing window by changing their taxable income, thus reducing their overall taxes due for payment.



The rules published in September 2023 also propose the expansion of financial transactions qualifying as interparty transfers to include guarantees, the purchase or sale of marketable securities, or any type of advance, payments, or deferred payment & receivable.

Besides the crackdown on transfer pricing cheats, Treasury Cabinet on January 27, 2023, also signed the Tax Procedures (Common Reporting Standards) Regulations, 2023 which granted the KRA unrestricted access to informatic on secret bank accounts held by Kenyans in 106 foreign countries amid stepped-up purges on tax dodgers and beneficiaries of illicit wealth.

[Company on the spot again over claims of impersonation](#)

A private firm, Multi-Works and Rights Enforcements has been accused of impersonation and deceit by a State agency amid complaints of illegal product inspections in shopping outlets.

The Kenya Bureau of Statistics (Kebs) claimed that the firm was impersonating its inspectors and conducting illegal inspections of goods in business premises.

In a public notice, Kebs said it had received many complaints against the flagged firm, which identifies itself as a consumer rights organisation, highlighting that other malpractices reported include seizure of goods, on-the-spot fines and illegal arrests.

Attention of Kebs that certain individuals, working for a private company going by the name Multi-Works and Rights Enforcements Co Limited... are defrauding Kenyans under the guise of conducting product inspections in retail outlets," Kebs said in the notice.

The alert comes just barely a month after a similar alarm was raised by the Competititv Authority of Kenya (CAK) against the same firm.

Kebs is consequently engaging with the relevant authorities with the aim of instituti criminal proceedings against the organisation, its members and enablers.

Reached for a comment through a contact published on the firm's website, Edward Olang who identified himself as a legal officer in the firm downplayed the accusations insisting that the matter was a case of witch-hunt.

Shilling is gaining value, but don't expect it to last, expert says

How is the shilling's exchange rates determined?

Kenya operates a floating exchange rate regime. This means that the value of the shilling is, in principle, determined by market demand and supply. Market demand and supply are affected by movements of money across national borders.

Movements of money into the country are driven by forces such as the value of exports and transfers from abroad (such as diaspora remittances), and the value of investments from abroad.

Diaspora remittances up 19pc in first quarter as inflationary pressure eases For example, if Kenya exports more goods at higher prices, this increases the shilling's demand as Kenyan exporters convert their dollar receipts to shillings. The shilling appreciates, all else equal.

On the supply side are the value of imports and outbound transfers (like pensions of retired expatriates), and the value of investments abroad. For example, to buy shares abroad, Kenyans must sell shillings to buy foreign currencies. This increases the shilling's supply, causing it to depreciate, all else equal.

Top banks splash Sh186 billion to woo, retain rich depositors



Listed Kenyan banks splashed Sh186.3 billion to attract and retain high-value deposits in 2023 as rising interest rates set up fresh competition among lenders for customer funds.

According to an analysis of the banks' financial statements covering 12 months to the end of December last year, interest paid out on customer deposits rose by 48.2 percent from \$125.7 billion in 2022.

The higher returns on deposits are a result of the banks motivating depositors to attract huge amounts of money for onward lending to businesses as well as to the State coming at a time the rates for government securities have hit new highs.

Total interest income by the 10 listed banks was up by 35.8 percent last year to \$46 billion from \$34.7 billion in 2022. This, however, means the commercial banks still made nearly two and a half times more revenue from lending than expenditure sunk into attracting deposits. KCB Group spent the most in meeting interest expenses on customer deposits at \$41.8 billion with Equity in second place with payments of \$33.4 billion to the term depositors.

Nine of the 10 banks raised their interest payments apart from Standard Chartered Bank Kenya which held the costs flat at \$2.6 billion to signal the lender's ability to keep deposit costs in check against rising interest rates.

Public servants earn sh 1.25trn as allowances

For every \$1,000 earned by more than 960,000 public sector workers in the year ended June 2023, they made \$400 in allowances.

This is the highlight of the growing burden of allowances in the public wage bill, with data showing that public sector workers consumed \$1.25 trillion in allowances in three years to June 2023. Between July 2020 and June 2023, the workers, who increased from 923,000 to 960,000 in national and county governments, earned an average of \$416 billion in allowances every year.

Constituting the \$1.25 trillion allowances over the three fiscal years to June 2023 are house and commuter allowances of \$600 billion, \$200 billion for hardship and annual leave, \$125 billion (travel) and \$324 billion in others classified under remunerative and facilitative categories.

SRC seeks to raise per diems by up to 67pc in fresh review.

Of the \$324 billion, the government spent \$175 billion on allowances classified as other facilitative allowances which means that they are not accounted for on the payslip, and don't fall within the realms of Daily Subsistence Allowance (DSA) and travels.

In the year ending June 2023, allowances accounted for \$440 billion, against \$660 billion that was paid to 960,000 workers as basic salary, giving a \$1.1 trillion wage bill.

On the surface, this means that for every \$1.5 that each worker in national and county governments earned as a basic salary, they made \$1 in allowances.

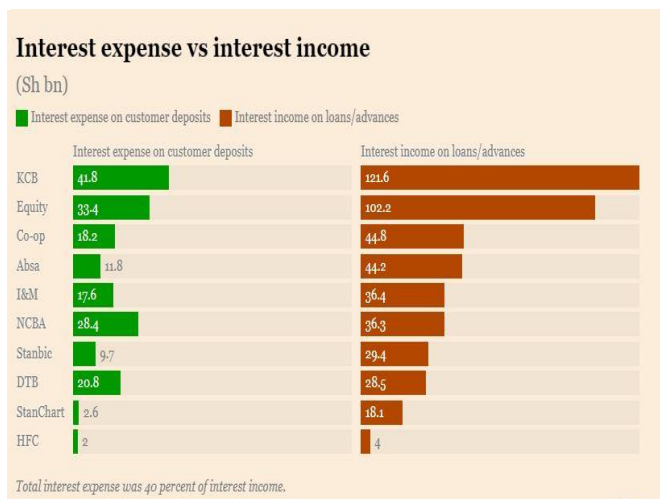
Listed banks retain \$105bn earnings

The higher depositors' payout has been largely attributed to rivalry among banks for term deposits which are usually mainly sourced from high-networth individuals and corporate customers.

The nature of banking sector deposits in Kenya is that the biggest competition for the funds comes from other banks. Banks have been raising returns on customer deposits to increase their deposits from within the industry Standard Investment Bank research analyst observed.

Higher interest rates on customer loans and advances across 2023 that was partly supported by the implementation of risk-based pricing nevertheless assured that commercial banks

remained flush with cash to meet the costlier deposits.



Listed banks pay out 49pc of NSE dividends

Listed banks accounted for nearly half of all dividends paid out by Nairobi Securities Exchange (NSE) firms, an analysis of data from the bourse shows.

The lenders' latest dividend per share covering the year ended December 2023 tallied to \$66.4 billion, a 48.9 percent share of the cumulative \$135.6 billion pay-outs from all counters.

The high absolute payout by the banking sector has anchored investor interests for the counter informing the notable share price gains seen this year. Listed banks' share prices had jumped by an average of 17.4 percent on a year-to-date basis with Equity Group soaring by 32.3 percent to trade at \$44.55 a piece.

Incidentally, Equity Group paid out the highest dividend to shareholders on absolute terms at \$15 billion which rounds off to a dividend per share of \$4 on its more than 3.7 billion issued shares.

Other top banking sectors paying counters were StanChart at \$10.9 billion or a dividend per share of \$29, Co-op Bank and Absa Bank Kenya whose

combined payouts stood at \$8.8 billion and \$8.4 billion respectively.

NCBA Group meanwhile has a dividend per share totalling \$7.8 billion for the year ended December 2023 placing it ahead of Stanbic Holdings Plc, I&M Holdings, BK Group, and DTB whose dividends rounded off to \$6 billion, \$4.2 billion, \$3.3 billion and \$1.6 billion respectively.

Safaricom boost as Ethiopia slashes termination charges

Safaricom's subsidiary in Ethiopia has been handed a boost after the country's telecommunications regulator cut mobile termination rates (MTR) by a quarter, making it less costly to connect its customers calls with those of its rival Ethio Telecom.

The Ethiopian Communications Authority (ECA) has cut the rate to 0.23 Ethiopian Birr (\$0.54) per minute from ETB0.31 (\$0.72) per minute, translating to a 25.8 percent reduction. The rates become effective on May 1 and run until the end of April next year when a further cut will be made.

The cut comes after the regulator carried out a cost study, which it said was aimed at establishing a level playing field and creating an environment where the two operators—Ethio Telecom and Safaricom Telecommunications Ethiopia Plc—can compete fairly. Kenya's Safaricom owns 51.67 percent in Safaricom Telecommunications Ethiopia Plc, making it its subsidiary.

Kenyan agribusiness SMEs set for MasterCard funding

Small and medium-sized enterprises (SMEs) in the Kenyan agriculture sector are among firms from 20 African countries selected to compete for up to \$2.5 million (\$327 million) in grants from this year's MasterCard Foundation Fund for Resilience and Prosperity.

The agribusiness challenge funding, which will run for three years, aims to create employment opportunities for youth, including refugees and those with disability.

The agriculture sector offers great opportunities for innovative SMEs in sub-Saharan Africa to grow and create dignified and fulfilling jobs for young people, especially young women, young people with disabilities, and refugee youth said Mastercard Foundation Fund for Resilience and Prosperity engagement partner.

[10,000 private firms reported for money laundering deals](#)

More than half of the 10,733 private companies reported for money laundering in Kenya are in the construction sector, confirming fears that the unexplained growth in the capital-intensive real estate sector could be fuelled by dirty cash.

The National Risk Assessment On Money Laundering and Terrorism Financing of Legal Persons and Legal Arrangements — Kenya report published by the Business Registration Service (BRS) shows that 10,733 registered private firms were reported for money laundering in 2022. More than half (56.5 percent) of these firms were involved in the construction sector, signalling the rapidly growing sector as a preferred conduit for money launderers.

Failure to impose money laundering reporting obligations on several cash-rich sectors such as the property industry has made the sector attractive for money launderers, who can hide their ill-gotten wealth here. With the over-regulated financial system, smart money launderers move to the underregulated real estate sector with many unregulated actors says in his thesis submitted in partial fulfilment of the requirements of the Degree of Master of Laws at Strathmore University.

[DTB unveils seven more branches in Kenya drive](#)

Diamond Trust Bank (DTB) has opened four new branches in Kenya, with another three in the pipeline, as part of its strategy to grow its business in new sectors of the economy.

The Nairobi Securities Exchange-listed firm has opened new branches in Gikomba, Tom Mboya, Global Trade Centre, and Bomet town as it accelerates its expansion to get closer to customers. In addition, the bank is also set to open three more branches in Nanyuki, Karatina, and Nyahururu towns. The opening of seven new branches, furthering our dedication to providing top-notch customer service and convenience.

These branches will cater to the needs of business and retail customers, offering innovative products and personalised support in Bomet, Laikipia, Nyeri, and Nairobi counties said DTB

[Dollar rally drives shilling to 5-day weakening streak](#)

A resurgent US dollar amidst heightened geopolitical risks and fading hopes of multiple interest rate cuts by the US Federal Reserve have reversed a major rally of the Kenya shilling in what has seen the local unit begin to weaken.

Data from the Central Bank of Kenya (CBK) shows that one dollar was exchanging for 131.44 shillings, representing a fifth straight day of weakening for the local unit since April 11 when the official exchange rate stood at Sh130.35, having aggressively gained from a record low of 161.36 at the end of January.

Commercial banks quoted the local unit as high as Sh137 in contrast to lows of Sh131.9 a week prior.

Equity Bank sold dollars at Sh137 at the end of last week while Co-operative Bank of Kenya and

Stanbic Bank both quoted the exchange rate at Sh136.5. KCB had a lower quote of Sh135.3. Previously, the Kenyan shilling had staged a 20-day winning streak against the greenback, rallying to Sh130.22 on April 8 from S\$h142.8 on March 7.

Analysts have attributed the changing exchange rate trend to a stronger dollar which has resulted from an escalation in geopolitical risks in the Middle East following the Israel-Iran tiff, which has raised investor jitters.

Shilling is gaining value, but don't expect it to last, expert says

The US dollar index, which measures the value of the US dollar relative to a basket of foreign currencies that includes the Euro, British pound and Japanese Yen, has gained by more than one percent so far in April, reaching 106.151 as at the close of Thursday last week from 105.019 on April 1. Equity Bank sold dollars at Sh137 while Co-operative Bank of Kenya and Stanbic Bank both quoted the exchange rate at Sh136.5. KCB had a lower quote of Sh135.3.

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close of Thursday last week from 105.019 on April 1.



Retail investors overtake insurers Parastatals in bond holdings.

Retail investors hold a larger share of government debt than insurance firms and parastatals combined, cementing their status as the fastest-growing class of domestic lenders to the State.

Data from the Central Bank of Kenya (CBK) shows that the retail investors held 12.52 percent of the State's gross domestic debt of \$h5.26 trillion as at April 5, translating to actual lending of Sh658.32 billion.

Insurers and parastatals meanwhile held a combined 12.38 percent of the debt, making Sh650.96 billion. The underwriters hold 7.12 percent of the State debt while parastatals account for 5.26 percent. Retail investors, who are classified as other in the government's breakdown of its domestic lender groups, comprise individuals,

saccos, religious and educational institutions, private companies and self-help groups.

Over a period of three years, they have grown from the smallest segment in lending to the government to leapfrog the parastatals and insurers into third place, behind commercial banks (45.76 percent/Sh2.41 trillion) and pension funds (29.33 percent/Sh1.54 trillion).

At the end of March 2021, the retail segment accounted for 5.47 percent of the total debt which stood at \$h3.57 trillion then, trailing parastatals' holding of 5.61 percent and insurance companies' 6.58 percent share. Small investors take on wealthy firms in fight to lend to State

Their rise has come with the jump in interest rates on government securities, which has coincided with falling or low returns from other asset classes such as equities and property.

A tough post-Covid economic environment also contributed to the flight by Kenyans to the guaranteed returns of fixed-income securities, given the difficulties businesses face in surviving and making profits.

The rise in popularity of bonds also points to rising public awareness of the securities as an investment option, with the introduction of the CBK's DhowCSD platform also making it easier for new investors to join the market.

Over the three-year period from March 2021, retailers have added \$h463.05 billion in their lending to the government, going from \$h195.27 billion to Sh658.32 billion.

Treasury's tough task of raising Sh1.5trn in three months

The Treasury faces the difficult task of raising Sh1.58 trillion in revenues in three months to the end of June to fully fund its budget of Sh4.28 trillion for the current fiscal year.

Total exchequer receipts in the nine months to March stood at Sh2.7 trillion, according to new disclosures by the Treasury, resulting in a balance of Sh1.58 trillion or 36.9 percent of the approved budget.

So far, the exchequer has met 63 percent of its expected annual receipts covering Sh1.53trillion in tax revenues, Sh52 billion in non-tax receipts and Sh1.1 trillion in domestic

In contrast, the Treasury had only met 57.8 percent of its revenue requirements at a similar time last year with total receipts having stood at Sh2.09 trillion as of March 2023.

To meet its desired receipts, the exchequer is expected to mobilize at least Sh960.7billion in tax revenues in addition to \$h590.8 billion in domestic and external borrowing. The exchequer has, however, surpassed its target for other domestic financing having collected \$h3.5 billion by March against a Sh3.1 billion full-year target.

Difficulties seen recently in domestic tax revenue mobilization could haunt the exchequer, hurting prospects of fully funding the 2023/24 fiscal budget.

In six months to December 2.023, for instance, total revenue collected including appropriations in aid amounted to Sh1.31 trillion against a target of Sh1.45 trillion.

This performance is attributed to a shortfall recorded in ordinary revenue of Sh186.2billion at Sh1.08 trillion against a target of Sh1.27 trillion. All ordinary revenue categories recorded below target performance during the period under review except Nine-month tax collections (Shtrn) 2020/21 2021/22

KRA collects Sh20 billion from tax amnesty scheme

The Kenya Revenue Authority (KRA) has netted Sh20.8 billion from the ongoing tax amnesty programme that ends in June.

The taxman said in a statement the amount has come on the back of more than 500,000 Kenyans registering for the programme in the race to regularise their tax compliance status.

The KRA said on Thursday Sh28.7 billion has been self-declared as unpaid taxes, meaning about \$7.9 billion is yet to be remitted by those who are seeking to benefit from the 10-month programme that started on September 1, 2023.

The \$20.8 billion that KRA has so far netted, with just about two months left, translates to 41.6 percent of the Sh50 billion that it is targeting from the programme.

The KRA said earlier it had identified 2.8 million taxpayers with penalties and interest who qualify for the amnesty programme.

The Finance Act 2023 introduced the tax amnesty programme to allow taxpayers to benefit from a waiver on penalties and interest accrued for periods up to December 31, 2022, upon full payment of their respective principal taxes by June 30, 2024.

Taxpayers who had defaulted on filing and paying their taxes have so far benefited from \$244.7 billion in waiver of penalties and interests. The KRA encourages more taxpayers to take advantage of the programme said the KRA in the statement.

The taxman requires those seeking amnesty to accompany their applications with a payment proposal for the outstanding principal taxes.

The tax amnesty programme aims to enhance compliance and revenue mobilisation, while giving taxpayers with tax disputes a leeway to benefit from the existing alternative tax dispute resolution framework, according to the KRA.

Kenya's tax receipts for nine months of the current financial year ending June trail the target by more than \$960 billion.

The Treasury data shows KRA collected about Sh1.54 trillion in the review period through March 2024, being 61.5 percent of the Sh2.5 trillion tax revenue target for the financial year 2023/24.

This means KRA needs to net \$960.76 billion in the remaining period of the fiscal year to hit the targeted Sh2.5 trillion, translating to a monthly average of \$320.25 billion.

The latest collection is the lowest nine-month performance since the Treasury started publishing the monthly exchequer data under the Public Finance Management Act 2013.

Kenya Power to inject Sh258m into electric vehicles, charging stations

Electricity distributor Kenya Power plans to invest \$258 million in buying electric vehicles and setting up related infrastructure over the next three years to boost the uptake of e-mobility.

In a statement, the utility said the sum includes the cost of setting up charging stations at various points across the country as well as buying electric vehicles and motorbikes to aid its operations.

As part of the investment, the company launched an EV charging station at its headquarters in Parklands, Nairobi. The charging station, built for Sh6.5 million, comprises two chargers--a 50 kilowatt (kW) direct current charger with a charging

time of one hour and a 22 kW alternating current charger with a two-hour charging time.

Kenya Power also has a similar charging station at its depot in Ruaraka, which hosts its transport section and plans to install nine more chargers by July 2024.

The stations will be in Nakuru, Mombasa, Mtito Andei, Kisumu, Eldoret, and Nairobi at Electricity House, Ragati, Donholm, and Roysambu.

The future of transport is electric, and as a company, we are excited to be leading the conversations around e-mobility. Alongside our need to charge our electric vehicles.

Pressure to keep high rates as Sh369bn debt matures

The CBK has already signalled to the market that rates have peaked and in the latest bond auction of a reopened Sh40 billion two-year paper, the monetary regulator rejected Sh12.4 billion out of bids of \$h47.2 billion, which it deemed too expensive.

The average rate of accepted bids on the bond stood at 16.99 percent, against average investor demands of 17.14 percent.

This luxury of rejecting bids is on account of the State being ahead of target on its domestic borrowing plan for the fiscal year. By NCBA estimates, the government has now netted Sh464.9 billion from the domestic market in the current fiscal year, representing 98.6 percent of the target of \$h471.36 billion.

On the other hand, if the Supplementary Budget (due any time now) prints a lower target, then we could see a further sudden drop in rates.

In the exchequer statement for March 2024 published in the Kenya Gazette the National Treasury indicated that it has met 70.9 percent (or

Sh603.82 billion) of its consolidated domestic borrowing target of \$h851.9 billion for the year.

This overall target comprises the net new borrowing of \$h471.36 billion and \$h380.54 billion worth of maturities to be rolled over.FY 2023/24 Debt Service Cost(Sh bn) Original 'Supplementary

Treasury estimates internal debt service for the year to cost Shs.02trn

The maturities, however, tend to slide against the original target depending on the volume of short-dated Treasury bills issued during the year, which originate and mature within the year.

On the revenue end, the State had collected a total of \$h1.587 trillion in taxes and non-tax revenue in the nine months to March 2024, against a prorated target of Sh1.932 trillion.

The target for collection for the full year stands at \$h2.577 trillion, meaning that the Kenya Revenue Authority needs to collect \$h330 billion for each of the remaining three months of the fiscal year to hit the target.

Nine-month taxes trail target by Sh336bn despite IMF reforms

Kenya's tax receipts for nine months of this financial year ending June trailed the target by more than \$h300 billion on a prorated basis despite growing by a double-digit rate, pointing to an ambitious goal under painful IMF-backed economic reforms.

The Kenya Revenue Authority (KRA) collected nearly Sh1.54 trillion in the review period through March 2024, data Treasury Secretary published shows.

The collection represents a 10.17 percent rise over the Sh1.39 trillion realised in a similar period a year earlier when an increase of 8.59 percent year-on-year was realised.

Cellnet Limited vs KRA: A triumph for tax justice

On February 2, 2024, the Tax Appeals Tribunal rendered an important judgment, one that should remind us that the existence of laws and the functioning of institutions as envisioned is indeed the bastion of tax justice, especially in an environment where ambitious revenue targets risk inclining the regulator to the perverse outcome of overreach in its assessments.

The matter was appeal No.1514 of 2022, Cellnet Ltd as the appellant vs the Commissioner for Domestic Taxes who was the respondent. Cellnet Ltd is a private limited company whose trade is the sale of airtime, connector packs, mobile phones and accessories.

The bone of contention was that the Kenya Revenue Authority (KRA) conducted an assessment on Cellnet Ltd covering July 2015 to June 2020 upon whose conclusion the taxman issued an assessment on June 28, 2022, worth \$h245.8 million, \$h134.7 million being assessment attached to Corporate Income Tax and Sh11.1 million being assessment attached to value-added tax. Also read: KRA suffers setback in \$h29 million tax claim

The Tribunal established that in its amended assessment issued on June 28, 2022 (the assessment that downgraded from \$h245.8 million to Sh12.98 million), KRA's assessment dated back to 2016 when legally the purview within which the assessment could have been made was between July 2017 and June 2022.

This was a big issue in this case because Section 29 (5) of the Tax Procedures Act provides that "An assessment shall not be made after five years immediately following the last date of the reporting period to which the assessment relates.

In effect, the Tribunal established that in the matter before it, The KRA had run afoul of the law given

that it was conducting an assessment on a taxpayer for a period that exceeded five years.

Taxman slaps SBM Bank with Sh737m penalty



SBM Bank Kenya is fighting off a \$h737 million tax penalty from the Kenya Revenue Authority (KRA), which relates to an agency contract the taxman had with the lender when it was trading as Fidelity Commercial Bank (FCB) before its acquisition by Mauritania's SBM Group seven years ago.

The lender, which in May 2017 entered Kenya through the acquisition of FCB, has disclosed in its latest annual report that the KRA is demanding the amount as a penalty on taxes collected by FCB on behalf of its customers in 2016. The amount was collected under a service-level agreement between the KRA and FCB.

SBM says taxes adding to Sh239.29 million were collected before the 2017 transaction which the Mauritian lender acquired FCB. The collected amount, SBM said, was fully paid to the KRA upon the take-over.

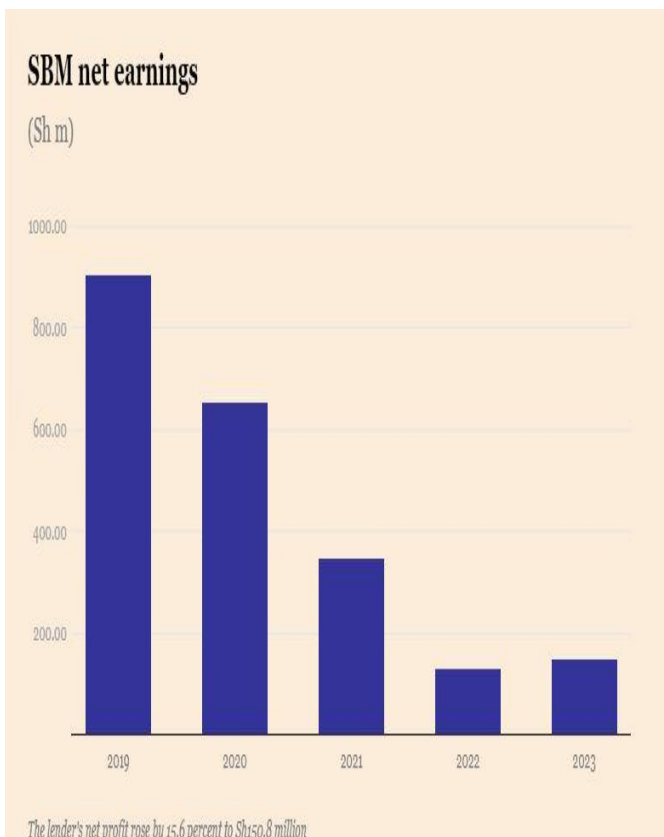
However, SBM says the taxman raised a Sh737 million demand notice a month after the transaction, saying the amount related to accrued penalties to FCB on unpaid taxes the acquired

lender had collected from its customers but delayed to remit. SBM has disputed the claim, leading to a legal tussle with the taxman.

SBM Kenya declared a dispute in line with the provisions of the service level agreement. The bank also filed a case in the High Court seeking temporary protection against enforcement of the claim by the KRA as well as seeking direction by the Court for the dispute to be resolved through arbitration," says SBM in the report.

The Sh737 million claim is nearly five times the Sh150.78 million net profit SBM Kenya posted in the financial year ended December 2023. SBM carries in its books an accumulated loss of Sh1.35 billion.

The lender says it has been granted temporary protection by the High Court against enforcement of the claim by KRA, with the case seeking to refer the matter to arbitration set to be heard next month.



Sidian Bank founders pocket Sh842m from 16pc stake sale

Sidian Bank founders and individual shareholders received \$h841.66 million on sale of their entire stake in the lender, underlining foreign investors' appetite for Kenya's banking sector.

The lender discloses in its latest annual report that K-Rep Group Limited, an investment vehicle that founded the lender as K-REP Bank, joined KWA Multi-Purpose Co-operative Limited and nine individuals in relinquishing their combined 728,525 shares or 16.57 percent stake. The shares were sold to Pioneer General Insurance Limited, Pioneer Life Investments

This has changed the shareholder profile of the bank to institutional investors from a lender that had a significant share of individual owners—founder and first CEO of Sidian, then known as K-Rep.

The five new shareholders, who had on October 20 last year bought a 38.91 percent stake in Sidian from Centum Investment Company Plc, came for additional purchases, which saw them buy out the nine individual shareholders and two institutional investors.

Top shareholder Centum had said the value of the deals were based on the carrying value of the bank in its books as at March 31, 2023.

Centum had valued its stake, then 83.43 percent, at 5n4.24 billion, giving Sidian a valuation of Sh5.08 billion.

The valuation means K-Rep Group, KWA Multi-Purpose and nine individuals pocketed \$h841.66 million from the sale of their stake.

The transaction comes when Kenya's banking sector has witnessed increased deal-making, with foreign banks such as Access Bank and Egypt's Commercial International

Bank (CIB) snapping shares in local banks. Kenya's banking industry has had a flurry of deals in recent years on the back of outsized profits and dividends. K-Rep Group Limited sold its 501,430 shares or 11.4 percent shareholding for about \$579.3 million, ending its journey in the lender it founded. The group in 2014 sold a controlling stake to Centum, leading to a rebrand to Sidian the following year.

[Bill sets June 30 deadline for counties Finance Bills](#)

The government has moved to enforce a deadline on passage of Finance Bills by the counties in a bid to plug a loophole that has seen the 47 devolved units miss out on revenues.

This is through a State-backed amendment to the Public Finance Management Act that if adopted by Parliament will insert a new clause into the law, compelling the 47 county assemblies to pass Finance Bills by June 30 every year.

The deadline is meant to allow counties to collect levies and fees at the new rates set in their Finance Acts. Currently, the county assemblies do not have a deadline on when to pass the Finance Bill, with some passing the Bill six months later. This denies them revenues given that they can't backdate fees and levies in case of higher rates passed in the Finance Act.

[NSSF ordered to pay tech firm Sh103m for contract breach](#)

The Court of Appeal has ordered the National Social Security Fund (NSSF) to pay a tech firm \$103.4 million for breach of contract after it unilaterally terminated an agreement with it.

The NSSF will pay Sh103.4 million to a contracted company, for loss of anticipated profits after termination of a contract, the Court of Appeal has ruled.

In a majority decision by Justices Pauline Nyamweya and George Odunga, the Court of Appeal ruled that Micro City Computers Ltd, based on evidence on record, was entitled to an award of loss of business and anticipated profits.

It is my view that a claimant should not be penalised for the uncertainty surrounding proof of loss of business and profits as a claim of special damages, especially where (the uncertainty) has been caused by the wrongdoing of another party," ruled the Court of Appeal. Presented evidence Micro City Computers Ltd had been contracted for the design, supply, installation, and commissioning of an electric security surveillance system closed circuit television before the contract was terminated.

Confusion over new NSSF deduction as first year ends Micro City Computers Ltd also argued that the High Court erred in its treatment of evidence relative to its claim for loss of profit and in treating the claim for loss of business and profit which was like special damages.

On its part, NSSF's appeal was based on the grounds that the High Court erred in entering judgment for Micro City Computers Ltd based on pleadings contained in an amended plaint when no evidence was led and tendered in support of the allegations in it. NSSF further argued that the High Court erred in law in entering judgment for Micro

City Computers Ltd based on speculation rather than evidence on record.

Victoria Bank buys Sh20m more stake in kindergarten

Victoria Commercial Bank bought additional shares worth \$h20.08 million in a Nairobi-based kindergarten, Montessori Learning Centre, during the financial year that ended December 2023, marking the latest financial injection into the British curriculum-focused school.

The lender in 2021 acquired a 24.9 percent stake in Montessori in a debt swap deal after the Nairobi-based school defaulted on a Sh200 million loan on the back of Covid-19 disruptions.

Victoria discloses in the latest annual report that it has invested Sh20.08 million in the school, adding to the Sh11.16 million it injected into the institution last year. The lender says its stake has, however, remained unchanged. During the year, the bank subscribed to additional shares of the school at a consideration of \$h20.08 million. These additional shares did not result in any changes in the percentage of ownership by the bank," said the lender. Montessori's loss after tax for 2023, attributable to the owners of the company, was \$h93.86 million, more than three times the \$h30.5 million. Victoria's share of loss from the institution was \$h23.37 million, compared with \$h7.59 million loss. Victoria's stake in the school and the fresh investment continue to be rare for a bank.

The Central Bank of Kenya restricts lenders from owning stakes in non-financial institutions but offers exemptions when the acquisition is a debt swap deal involving a distressed borrower.

Montessori, started in 1998, runs a British curriculum for kindergarten and preparatory school. It also offers an international diploma in early childhood education courses for teachers.

Wage bill lie: The policies and doublespeak stoking crisis

A presidential task force in 2014 recommended at least 75 State corporations be abolished. Instead, 87 new parastatals have been created, exposing successive governments to doublespeak, which continues to worsen the runaway wage bill.

The arbitrary creation of State agencies contributes to a bloated workforce, payments to ghost workers and fat perks for civil servants, sum up the wastage of taxpayers' money that deepens the crisis.

Ironically, the recommendation to abolish non-performing State corporations was made in 2013, on the eve of the country's first national conference on the wage bill crisis in 2014, but like other radical proposals, has never been implemented for political expediency.



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