Ubiquity Consulting Ltd

NEWSLETTER

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Cash outside banks hit an all-time high of Sh282bn in December 2023

Cash outside of banks rose to an all-time high of Sh282.1 billion in December last year pointing to increased liquidity in the economy during a period, which also saw State Corporations substantially reduce their arrears to suppliers and contractors.

The value of bank notes and coins in circulation in the review period surpassed the previous record of Sh273.4 billion in July 2023, data from the Central Bank of Kenya (CBK) shows.

The surge in cash outside of banks coincided with the period when the State Corporations reduced their stock of pending bills by Sh29.7 billion from Sh121.3 billion by the end of September, figures from the National Treasury show.

E-Citizen founder on who is earning the controversial Sh50 convenience fee

Auditor-General revealed how the government had little control over the giant e-Citizen system, warning that this could compromise accountability of the billions of shillings processed through the system.

Collections through it average Sh350 million daily up from Sh50 million in the financial year ended June 2023. Founder and CEO of Webmasters, which is the firm that built the e-Citizen platform to explain how it has transitioned, data privacy issues and who now earns the controversial Sh50 convenience fee.

Private household loans in rare drop as high interest rates bite

Outstanding banking sector loans to private households dropped by Sh13.7 billion in December last year, a rare downturn highlighting the impact of the high interest rates resulting from a series of policy rate hikes by the Central Bank of Kenya (CBK) last year.

Analysts say this is a direct result of the increased cost of borrowing, coming after the CBK raised its interest rates by 200 basis points in December following a series of hikes, which saw commercial bank lending rates rise from 12.22 percent in May 2022 to at least 14.63 percent by the end of last year.

CBK raised the rate at which it lends to commercial banks thrice last year – by a total of 375 basis points – from 8.75 percent at the beginning of the year to 12.5 percent in December, causing the domestic lenders to also increase their lending rates.

After the first raise in May 2022, credit to private households dipped by Sh2 billion the following month but started rising again, increasing by a total of Sh55.7 billion by the end of the year.

EU MPs endorse duty-free trade deal with Kenya

Kenya has inched closer to concluding a preferential trade deal with European Union (EU), preserving a long-term tax-free access of exports to the 27 countries in the bloc while gradually opening up her market for duty-free imports and investments from Europe.

The European Parliament endorsed the pact, paving the way for heads of State and government to give final approval and complete the ratification process on the EU side.

Kenyan lawmakers have also to debate and approve the document for it to become enforceable.

Puzzle of counties running 1,400 illegal bank accounts

County governments are operating more than 1,400 accounts in Kenyan commercial banks, in breach of the law that requires them to hold their cash at the Central Bank of Kenya (CBK).

The Controller of Budget has raised alarm over the oversight that has seen counties like Bungoma run 321 accounts, Migori 208 accounts and Kwale 165 accounts at commercial banks.

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Top US investor sells 600m Safaricom shares in dividend protest

An American multinational investment management firm is selling millions of shares held in Safaricom in protest over delays in dividend repatriation amid the fall of the telco's valuation to below Sh600 billion.

FMR LLC, which trades as Fidelity Institutional Asset Management and is among the top five investors in Safaricom, has now cut its stake in the telco by about two-thirds from the highs of 921.1 million shares in September 2022 to about 314 million, according to data by Capital IQ, an integrated market intelligence platform.

FMR has been cutting its stake, including the 92.5 million shares it sold in December alone or an equivalent of 61.3 percent of the 150.99 million Safaricom shares traded during this period. This has come amid the drop in the telco's share price.

The decline from Sh29.82 on September 5, 2022 to Sh13.30 at the close of Friday trading has cut the telco's valuation on the Nairobi Securities Exchange (NSE) from Sh1.19 trillion to Sh532.9 billion, marking a 55 percent drop.

Safaricom paid a Sh0.75 per share dividend amounting to Sh30 billion on August 31, 2022. Assuming FMR held all the 921 million shares by the dividend date, it would have been due for a dividend of around Sh587 million after paying the 15 percent withholding tax.

New warning over Kenya's high bank default rates

A second global ratings agency has retained its outlook on Kenya's banks at 'B' with a negative outlook, citing the high volumes of Non-Performing Loans (NPLs).

Loan quality has been affected by the public sector arrears, where delayed government payments to contractors have forced them to run overdue on existing loans to local banks. As a result, the sector regulatory NPL ratio increased by 170 basis points in the first nine months of 2023 to reach 15 percent at the end third quarter of 2023 said Fitch in its analysis.

These challenges for borrowers encompass rising interest rates, increased taxes, reduced government spending, high inflation, foreign-currency shortages and government delays in settling outstanding bills.

In the six months to December, the devolved units spent Sh98.13 billion on personnel emoluments, which is 58.2 percent of their total expenditure of Sh168.52 billion during the period.

Kenyan chief executives less optimistic about 2024 growth

Kenyan Chief Executive Officers are less optimistic about the growth outlook for 2024, a new report shows.

The PwC East Africa CEO survey, which sampled views from 231 executives, says they are cautious about global economic growth, with 26 percent saying growth will improve in the next 12 months down from 33 per cent in 2023's survey.

Kenya CEO's outlook on a slowed growth rate is in line with the Organisation for Economic Co-operation and Development (OECD) forecast that global economic growth will slow to 2.7 percent in 2024.

The weak shilling and the high inflation have led to increased cost of production of goods, a major pain point for companies.

State-guaranteed debt rises by Sh13bn on weak shilling

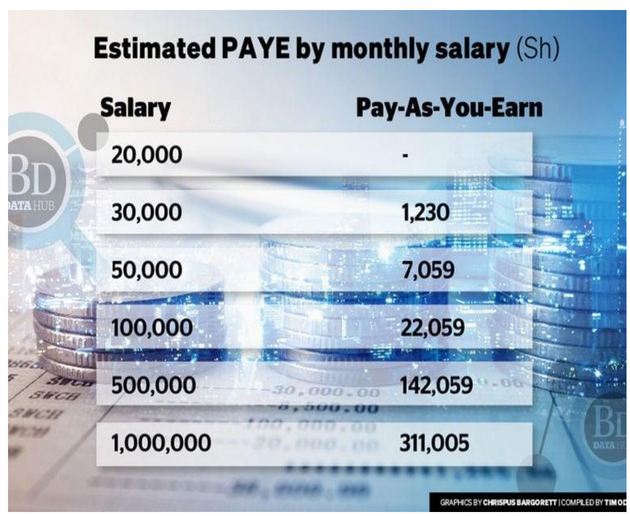
The value of debt taken by State corporations increased by 7.5 percent in the six months to December 2023, driven by the depreciation of the Kenyan shilling against the US dollar.

Data from the Controller of Budget (CoB) shows that State-guaranteed debt hit Sh183.08 billion in December last year. This is an increase of Sh12.85 billion from June 2023.

As of December 31, 2023, the guaranteed debt stock stood at Sh183.08 billion compared to Sh170.23 billion as of June 30, 2023 with the increase attributed to the depreciation of the Kenya Shilling against major foreign currencies,

The debt was taken by just three State-owned companies namely national carrier Kenya Airways (KQ), Kenya Electricity Generating Company (KenGen) and Kenya Ports Authority (KPA). More than half (50.4 percent) of this debt (Sh92.29 billion) was borrowed by KQ, which is currently creaking under a heavy debt load.

Treasury plans tax review to cushion low-income earners


Estimated PAYE by monthly salary (Sh)

Salary	Pay-As-You-Earn
20,000	-
30,000	1,230
50,000	7,059
100,000	22,059
500,000	142,059
1,000,000	311,005

The Treasury has announced plans to review taxation of workers' pay to lessen the burden on low-income earners amid rising cost of living and stagnant wages.

Treasury Cabinet Secretary Njuguna Ndung'u says Kenya's current pay-as-you-earn (PAYE) structure has hit the low-income earners hardest, leaving them with little to save or invest, if any.

Farmers, small traders to file ETims invoices

The Kenya Revenue Authority has rescinded its decision to exempt farmers and small businesses with an annual turnover of less than Sh5 million from producing invoices through the electronic tax invoice management (eTims) system.

While unveiling a new eTims solution dubbed 'eTims Lite' tailored for non-VAT registered taxpayers on Monday, the taxman said all persons carrying out business in Kenya will be required to electronically generate and transmit invoices.

KRA would like to remind the public that all persons carrying on business including those in the informal sector and small businesses are required to electronically generate and transmit their invoices to KRA via the eTims system," said the Authority in a public notice.

The new solution, which KRA said is part of the efforts aimed at supporting and facilitating taxpayers to comply with the law, will be accessible both via the eCitizen platform and USSD code *222#.

KRA remains committed to continue supporting and facilitating all taxpayers to comply with the requirements of the law by adopting a facilitative and collaborative approach to tax compliance," the notice read.

To this end, we have availed [sic] eTims simplified solutions dubbed eTims Lite for non-VAT registered taxpayers.

With the deadline for mandatory eTims onboarding set for March 31, the latest development signals a below-target uptake, especially by players in the informal business sector who were ideally the key target in the directive.

In the Tax Procedures (Electronic Tax Invoice) Regulations, 2023, the KRA had listed supplies by businesses with an annual turnover of less than Sh5 million among nine transactions that would be exempted from the electronic tax invoice in a move that spelled a relief for farmers and small businesses.

The rules, which came into effect at the beginning of the year, require businesses to produce an electronic tax invoice for all transactions or fail to claim the expense when filing for income tax.

Treasury expects debt to cross Sh13trn by 2027

The Treasury says overall public debt still carries higher risks of distress with the government's total borrowing expected to hit more than Sh13 trillion in the next three years (June 2027).

This is tied to rising spending requirements and falling revenue collections.

The exchequer, in its latest annual public debt management report for the 2022/2023 fiscal year, says Kenya is already in breach of crucial debt sustainability indicators relating to solvency and liquidity ratios.

Kenya's overall and external public debt remains sustainable in the medium-term, but with elevated risk of debt distress.

The public debt increased by Sh1.64 trillion to Sh10.27 trillion by the end of June last year (2023) from Sh8.63 trillion in June 2022 and the Treasury expects the country's overall debt to peak at Sh13.19 trillion by June 30, 2027.

The external debt burden indicators in terms of exports and revenues exceed their respective thresholds under the baseline," says the Treasury.

In the last fiscal year (2022/2023) the Kenya Revenue Authority missed its revenue target by Sh107 billion and in the first five months (July-November) of the current fiscal year (2023/2024) the taxman collected Sh963.7 billion, about 34.6 percent of the expected Sh2.78 trillion target for the 2023/2024 fiscal year.

Compared to a similar period in the last fiscal year (2022/2023), the Authority collected Sh856.6 billion (40 percent) of the Sh2.14 trillion annual budget.

According to the Treasury, the country has breached the PV of public and publicly guaranteed external debt-to-exports ratio which stood at 220.4 in June 2023 against a threshold of 180, and the PPG debt service-to-exports ratio which stood at 22 against a threshold of 15.

PPG is basically an external obligation or debt of the private sector, the servicing of which is contractually guaranteed by a public unit or entity.

The PV of PPG external debt-to-exports (solvency indicator) remains above the threshold (180 percent) while through 2026, while the debt service-to-exports (liquidity indicator) exceeds its threshold (15 percent) says Treasury.

During the 2022/2023 fiscal year, the Government contracted eighteen (18) new external loans equivalent to Sh 345.89 billion out of which, eight were from multilateral lenders, six from bilateral lenders, and four from commercial banks.

Forex reserves drop below $7bn as CBK defends shilling

Kenya's foreign exchange reserves have dwindled back to below the $7 billion (Sh1.019 trillion) mark for the first time in five weeks, reversing an upward trajectory and signalling reduced capacity for monetary authorities to support the shilling.

Data from the Central Bank of Kenya (CBK) indicates that forex reserves declined by $259 million (Sh38 billion) to $6.96 billion (Sh1.012 trillion) as of Thursday last week, a 3.6 percent drop from the $7.22 billion (Sh1.05 trillion) a week earlier. This is equivalent to 3.7 months of import cover.

Ideally, the CBK wants to keep the forex reserves, which serve as a cushion for the country's economy, at no less than $7.41 billion (Sh1.07 trillion) or four months' worth of imports, which is indicative of the country's long-term economic buoyancy.

IMF on January 17 released $682.3 million (Sh109 billion) to Kenya, days after the TDB sent $210 million (Sh33.7 billion) significantly boosting the country's reserves of foreign currencies.

Consequently, the shilling staged a major rally against major currencies, appreciating from Sh163 per US dollar, for instance, to the current Sh144.5, a rate last witnessed in September, when reserves stood at $7.08 billion.

Foreigners' NSE net sales hit Sh1 billion in February

Foreign investors hastened their exit from the Nairobi Securities Exchange (NSE), recording a net selling position of Sh1 billion in February.

The February sell-off is larger than the Sh106.7 million worth of net exits in January, according to data from the NSE.

The continued flight of foreign investors from the local bourse has come against some significant improvements in the operating environment, including a rally by the Kenyan Shilling against major world currencies, which has improved the performance of the bourse in US dollar terms.

At the same time, the NSE nearly doubled its turnover in February as the value of shares traded rose by 82 percent to Sh4.3 billion while the issuance of a new Eurobond by the government eased jitters concerning Kenya's ability to meet the maturity of its debut sovereign bond in June.

The bond, whose average weighted return was set at 18.46 percent, currently beats the dividend yield from all NSE counters, making the paper comparatively more attractive to investors than local stocks.

MPs increase own budget by Sh2 billion in fresh changes

Parliament has increased its budget by Sh2 billion after MPs changed the spending limit set by the Treasury for the financial year starting July 1, 2024.

The Treasury had through the Budget Policy Statement (BPS) set Parliament's budget for the financial year 2024/25 at Sh41.62 billion.

However, the Budget and Appropriations Committee (BAC) chaired by Kiharu MP Ndindi Nyoro has increased the ceiling to Sh43.62 billion after the Parliamentary Service Commission (PSC) said it needed more resources to "cater for the annual wage drift and the employer contribution to the housing levy".

In a report on the consideration of the 2024/25 BPS, the committee also increased the budget ceiling for the Executive by Sh50 billion.

The Treasury had set the allocation for the Executive at Sh2.488 trillion in the BPS but the BAC has raised the figure to Sh2.488 trillion.

The budget ceiling for the Judiciary has been retained at Sh23.69 billion as set in the BPS that was tabled in Parliament on February 15, 2024.

The budget ceiling for the office of Auditor-General has been set at Sh8.599 billion while the county government equitable share has been retained at Sh391.117 billion.

The PSC told BAC that the 2024 BPS proposes a ceiling of Sh41.623 billion as compared to Sh40.77 billion in the approved estimates for the financial year 2023/24.

The proposed ceilings are against a total resource requirement of Sh65.81 billion for the financial year 2024/25.

Inflation hits Nairobi's higher income households hardest

Higher-income households in Nairobi faced the sharpest rise in consumer prices in December 2023, a move away from the norm where inflation has impacted lower-income homes the most.

Data from the Kenya National Bureau of Statistics (KNBS) recorded inflation among Nairobi upper-income households at 6.62 percent in the month, which was in contrast to a 6.16 percent and 6.35

percent inflation rate for middle and lower-income households respectively.

The rate for Nairobi lower-income households came in at 9.23 percent a year earlier compared to 6.86 percent for upper-income households.

According to additional data from the KNBS, transport costs have a weighting of 17.63 percent of Nairobi upper-income household expenditures in contrast with 9.25 percent and 14.14 percent for lower and middle-income groups respectively.

Unit trust assets grow by Sh8.4bn in three months on good returns

The assets unit trusts or collective investment schemes managed grew by Sh8.4 billion in the three months to December, new data shows, signalling the rising popularity of pooled funds.

Capital Markets Authority (CMA) data shows assets under unit trusts rose from Sh206.6 billion at the end of September to Sh215 billion at the end of December.

Returns from the pooled investments, for instance, hit double-digit levels in December last year to follow yields/returns from fixed deposit accounts and government securities such as T-bills where the unit trusts deploy the majority of their portfolio.

As of February 29, for instance, the annual effective rate for unit trusts ranged between 6.8 percent and 17.42 percent with the bulk of schemes having returns above 10 percent.

CIC Unit Trust Scheme remained the largest unit trust fund by asset class with holdings of Sh63.3 billion or a 29.45 percent market share.

The CMA data further shows that fund assets under management — the total market value investment managed by an entity on behalf of investors — have grown nearly four times in the past six years.

The assets under management increased steadily over the past six years from Sh56.6 billion as of March 31, 2018, to Sh215 billion as of December 31, 2023.

Securities issued by the Government of Kenya remained the leading destination for unit trust assets worth Sh101.1 billion assigned to the investment class or 47 percent of the total portfolio.

Fixed deposits, meanwhile, hold the second largest portfolio of unit trust assets at Sh74.1 billion or 34.5 percent of the portfolio.

Co-op, NCBA, Family Bank top customer experience poll

Co-operative Bank of Kenya, NCBA, and Family Bank have been ranked top in a customer experience survey of the country's 39 commercial banks by the Kenya Bankers Association(KBA).

The annual survey, which is targeted at evaluating the quality of service to customers, ranked Co-op Bank overall winner followed by NCBA and Family Bank, respectively.

Among tier-one lenders, Co-op Bank was ranked top followed by NCBA and KCB Bank, respectively while Family Bank was ranked as having the best customer service among tier-two lenders, followed by National Bank of Kenya and Prime Bank in third place.

Relief as counties settle Sh10.5bn bills

County governments settled Sh10.5 billion pending bills in the six months ended December 2023, handing relief to businesses strained by cash flow.

At least 43 counties reported spending between Sh17 million and Sh1.8 billion each on payments to suppliers during the six months, even as some continued with verification, the latest report by the Controller of Budget (COB) shows.

By the end of December, the COB report shows, the stock of pending bills for all 47 counties dropped to Sh156.3 billion from Sh164.7 billion when July started.

During the period under review, counties reported outstanding pending bills amounting to Sh156.34 billion and comprised of Sh154.86 billion by the county executive and Sh1.48 billion for the county assemblies.

Analysis of the pending bills shows that Nairobi City County accounted for 68.5 percent of the stock of pending bills at Sh107.04 billion. Other counties with a high level of pending bills are Kiambu (Sh5.71 billion), Mombasa (Sh3.92 billion), Machakos (Sh3.03 billion), Mandera (Sh2.3 billion) and Busia (Sh2.29 billion)

Banks raise spending on tech for customer service, fraud fight

Banks are increasing spending on technology to enhance customer service and fight fraud, pointing to the impact of a growing sophistication in the country's financial sector.

Banks are realising that the more they invest in technology, the more they are able to up their game to ensure they are winning customers. We are seeing more investment in technology but not just for customer experience but also for security against increasing cyber risks.

KBA banking industry customer satisfaction survey released Tuesday showed 45.7 percent of customers preferred fully automated or self-service platforms, including mobile, internet, and chatbots for their banking services.

Banks draw Sh32bn CBK emergency loans in two months

Commercial banks have tapped Sh32.7 billion from the Central Bank of Kenya (CBK) discount window in the first two months of the year, pointing to liquidity woes facing the lenders.

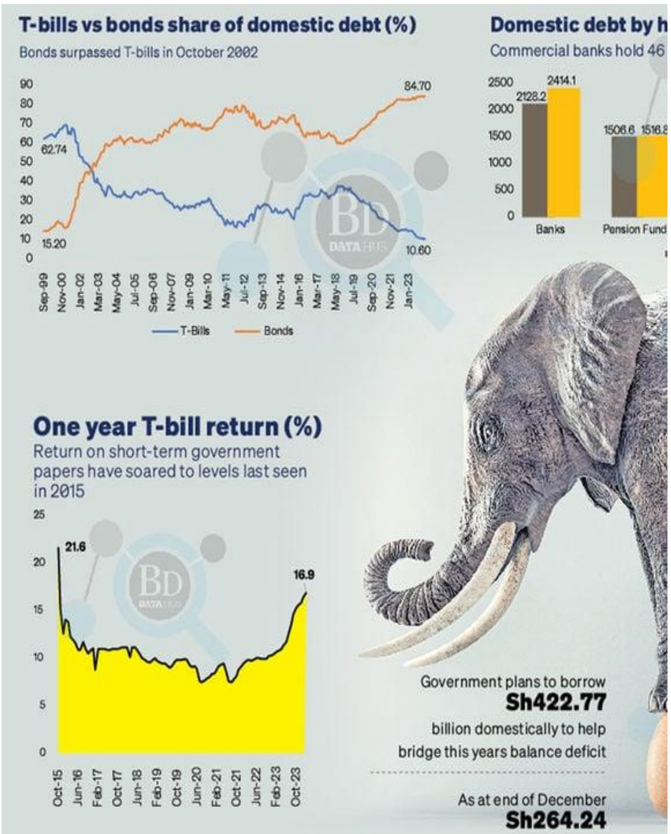
The drawings in January and February are in contrast to a similar window last year when lenders did not tap a single cent from the CBK facility.

The CBK runs a discount window from which banks can tap funds as a last resort after exhausting all other avenues, including borrowing from each other.

Transactions here occur through reverse repos which are commonly used by the CBK to advance short-term capital to other businesses during cash flow challenges. Reverse repos involve the purchase of government securities by the CBK from commercial banks.

Banks also have the option of borrowing from each other in the inter-bank market, a network used by the financial institutions to extend loans over a specified period.

[Share of T-bills in domestic debt at an all-time low]



The share of Treasury bills in domestic debt has shrunk to the lowest level in history on continued debt management by the government.

Data published by the Central Bank of Kenya reveals the outstanding stock of T-bills shrunk to Sh553.3 billion at the end of last week representing 10.6 percent of total domestic debt.

On the other hand, the share of bonds in domestic debt has grown to all time high of 85 percent with an outstanding value of Sh4.44 trillion by the mid of February.

With government revenue underperforming relative to expenditure in an environment where credit has become scarce, the return on the one-year T-bill has risen to 16.9 percent.

Earnings offered by the 364-day paper is the highest since October 2015 when the rate was 21.6 percent a ripple effect of the collapse of Imperial bank.

Bonds have also witnessed a soaring in coupon rates driven by the government's need for cash.

Other instruments of domestic borrowing include the overdraft facility at the Central Bank that stood at Sh87.5 billion (two percent of domestic debt).

[Investment bank SIB gets nod to manage pensions]

Standard Investment Bank (SIB) has been licensed by the Retirement Benefits Authority to manage retirement benefits schemes.

The approval marks the continued efforts by the investment bank to diversify its product offering as it seeks to become a leader in wealth management.

SIB says it will provide a modern approach to pension management by offering competitive returns in line with client needs.

CBK issues licenses to 19 more digital credit firms

The number of companies allowed to offer digital credit to Kenyans has risen to 51 after the Central Bank of Kenya (CBK) licensed 19 more, intensifying competition in the lucrative industry.

CBK said that the firms have been registered in collaboration with other regulatory authorities, including the Office of the Data Protection Commissioner, to ensure compliance with rules governing the digital lending space.

The focus of the engagements has been inter alia on business models, consumer protection and fitness and propriety of proposed shareholders, directors and management.

It is the fourth round of licensing since CBK started giving nods to DCPS in October 2022, after the six-month mandatory registration window expired. The new firms include Autocheck, Azura, Chapeo, Chime, Creditarea, Decimal, Dexintec, Factorhouse, Fezotech and Fortune.

Top Kenyan investors earn Sh44 million MTN Uganda dividend

Top Kenyan investors in MTN Uganda earned Sh44.7 million (Ush1.22 billion) in dividends in the financial year ended December 2023, when the telco reported a 21.4 percent profit jump to Sh18 billion (Ush493 billion) in the period.

For the 2023 financial year, MTN Uganda is paying shareholders a total dividend of Ush18 (Sh0.66) per share, representing an increase of 13.2 percent from the 2022 payout of USh15.90 (Sh0.58) per share.

The telco listed on the Uganda Securities Exchange in 2021 in an initial public offering (IPO) that was open to Kenyans, allowing several institutional and individual investors to take up shares in the company.

State-owned National Social Security Fund is the largest Kenyan shareholder in MTN Uganda, with a holding of 39.81 million shares—according to records as of December 2022—which entitles it to a dividend of Sh26.14 million.

Billionaire investor Baloobhai Patel, with 15.7 million shares, and the Central Bank of Kenya Pension Fund (12.4 million shares) are the other Kenyan investors appearing on the telco's list of top 20 owners. These holdings entitle Mr Patel to a dividend payout of Sh10.34 million, and the CBK Pension Fund to Sh8.17 million.

Property taxes plunge Sh1.8bn on sales delay

The Kenya Revenue Authority (KRA) suffered a double-digit drop in revenue collections from the sale of land, houses, and shares in privately held firms in the first half of the current financial year, the latest official data shows.

Taxes from financial transactions in real estate and shares in private companies amounted to Sh9.16 billion, a 16.53 percent decline compared with a similar period a year earlier when receipts stood at Sh10.98 billion.

Developers and land owners disposing of property in US dollars booked double-digit forex gains when the cash was converted into local currency. This is after the shilling depreciated 11.31 percent in the six months through December 2023, for instance.

The KRA enforced the 15 percent CGT rate from January 2023 deductions, following after the lawmakers approved the Finance Act, 2022. Buyers of real estate, on the other hand, pay stamp duty at the rate of four percent of the value of property in major towns and two percent in rural areas.

Equity gets IFC risk cover for Sh2.9bn small firms, refugees support scheme

The International Finance Corporation (IFC) is set to cushion Equity Bank Kenya (EBK) against loss risks in a Sh2.85 billion ($20 million) project that aims to provide micro-loan support to refugees and small businesses in 14 fragile counties.

The IFC said in a disclosure that it would provide a Sh1.42 billion ($10 million) risk-sharing facility (RSF) to Equity Bank for the project.

The project entails a $10 million (Sh1.42 billion) RSF, covering 50 percent of the risk on a $20 million (Sh2.85 billion) portfolio originated by EBK for individuals and MSMEs (medium, small and micro enterprises) in 14 eligible counties," the private sector lending arm of the World Bank said.

At least 20 percent of the RSF will specifically cover the loan portfolio for refugees and host communities in Turkana and Garissa. The RSF will be committed in two tranches of up to $5 million (Sh713.42 million) each, with the second tranche's commitment contingent on the satisfactory utilisation of the first tranche.

Digital lenders seek CBK help to unlock 429 licenses

Digital lenders are seeking Central Bank of Kenya (CBK) guidance on the documents required to unlock more than 400 applications awaiting clearance for award of licences.

The Digital Financial Services Association of Kenya (DFSAK), an umbrella body for digital loan providers, says while it welcomes the recent award of 19 additional licenses, clear guidance from the CBK on details of the pre-requisite documents will help speed up the process.

CBK has received 480 applications for digital lending licenses since March 2022 but has so far cleared 51, keeping 429 waiting over what it terms as pending documentation.

In light of this, DFSAK urges CBK to provide guidance notes, similar to those issued by the Office of the Data Protection Commissioner (in December), to assist DCPs in enhancing the quality of their submissions.

Banks face higher costs in Kenya's 'grey list' addition

Kenya's recent addition to a list of countries at risk of money laundering will hurt the credit rating of local banks as they face potential delays in settling transactions and loss of correspondent relationships, global ratings agency Moody's In a note, the ratings firm says the inclusion on the list, known as a grey list, will typically result in higher transactional, compliance and funding costs for banks as their dealings are subjected to tighter scrutiny hence the risk of losing business.

Global anti-money laundering watchdog Finance Action Task Force (FATF) added Kenya to the list of 21 countries on the grey list last month.

Kenyan banks including KCB Bank Kenya, Equity Bank (Kenya) Limited and Co-operative Bank of Kenya Limited could face heightened diligence reviews by correspondent banks.

Kenya was last placed on the grey list in 2010, after the country delayed enacting laws to tackle money laundering, before being removed in 2014 after putting in place a number of laws to tackle illicit cash flows, and operationalising the Financial Reporting Centre in 2012.

US electricity firm jittery as Kenya Power debt hits Sh4bn

The amount of cash owed by Kenya Power and Lighting Company(KPLC) to US energy firm Ormat Technology for electricity supplies has hit Sh4.31 billion with the geothermal firm warning of financial exposure due to the deteriorating pace of payments by the State-owned utility.

Latest regulatory filings by the Naivasha-based geothermal power producer showed that KPLC owed it $62.8million(Sh8.81billion) by December 31, 2023, but only paid $32.2million(Sh4.5billion) in January and February 2024—leaving a balance of Sh4.31billion.

The outstanding debt is a drastic jump from December 2023 when KPLC owed the US firm Sh1.6billion.

In the electricity segment, we are exposed to the credit and financial condition of KPLC which buys the power generated from our Olkaria III complex in Kenya. In 2023, KPLC accounted for 13.2 percent of our total revenue

The US firm operates within the Naivasha-based Olkaria III complex through its wholly-owned subsidiary, OrPower 4, Inc., where it has an output capacity of 150 megawatts(MW)of geothermal power.

Value of dairy imports from Uganda nearly triples to Sh29bn

Kenya's dairy imports from Uganda nearly tripled in the year to June 2023, driven by increased production in the East African neighbour as well as a growth in demand from processors in Kenya.

The dairy products include butter, cheese, ghee, ultra-heat-treated (UHT) milk, yoghurt, and milk powder

Data from the Uganda Dairy Development Authority (DDA), which is the regulator of the dairy sub-sector, shows the country exported dairy worth USh810.56 billion (Sh29.2 billion) to Kenya during the period.

This translates to 83 percent of the total dairy products sold by Uganda during the period, cementing Kenya's position as the country's largest dairy market by far.

It is also a growth of 187.6 percent from USh281.83 billion (Sh10.15 billion) worth of milk that the country, which is Kenya's largest trading partner, exported to Nairobi in the period to June 2022.

During the period, Uganda's overall dairy exports jumped 158 percent to hit $264.5 million(Sh37.86 billion).

This is after the country's production of milk grew by 37 percent to 3.85 billion litres during the period, up from 2.81 billion litres in the previous year.

Dairy exports have been increasing over time except for the financial year 2020/21 which showed a drop due to the Covid-19 pandemic, however, in the last financial year 2022/23 there was a sharp increase in the value of exports by about 158 percent,

Banks fight bid to limit right to sell loan property

Kenyan commercial banks have opposed a petition that seeks to compel them to obtain mandatory court orders before selling off any property charged as security for loans taken in the event of a default, in a case that promises a major relief for consumers should it succeed.

The Kenya Bankers Association (KBA), the industry lobby, argued before a bench of three High Court judges in Mombasa that the relationship between a lender and borrower is contractual in which each party understands its responsibilities and the consequences for default.

However, according to the KBA, once a party enters into the contractual relationship, statutes are in place to put some safeguards among them a requirement that the borrower must take independent legal advice.

From the onset, the borrower knows the consequences of default, even on default, statutes give borrowers an opportunity to redeem themselves

By allowing banking institutions to determine the quantum of the law (despite the objection of the borrower) and also the value of the subject matter (without the participation of the borrower), Articles 48, 49 and 50 (of the Constitution) are contravened as banks act as if they are a super court," the petition states.

The petitioner argues that disputes relating to legal actions are to be resolved by courts and other tribunals established by law and that they include those affecting banks and their customers which were never meant to be resolved in banking halls.

KRA calls out employers for denying PWDs disability pay

The Kenya Revenue Authority (KRA) has called out some employers for illegally denying their workers with disability Sh36,700 monthly tax reliefs as provided in law.

The taxman says it has noticed some employers are not complying with the Persons with Disabilities(PWDs) (Income Tax Deductions and Exemptions) Order, 2010, (Legal Notice No. 36 of 2010), which allows registered PWDs to enjoy income tax exemption on up to Sh150,000 monthly earnings.

KRA has noted that some employers are still deducting pay-as-you-earn from PWDs who have valid income tax exemption certificates without giving relief of the exempt amounts as provided above.

Taxing of PWDs in contravention of the law means the affected workers are losing up to Sh36,700 per month or Sh440,400 annually due to the non-compliance of their employers.

The 2010 regulations allow PWDs to register with the National Council for Persons with Disabilities and then apply for an income tax exemption certificate from KRA to lower their tax burden.

PWD who have retired from employment and whose lump sum payments have been subjected to tax despite holding valid tax exemption certificates, are advised to apply for a refund of tax erroneously deducted through i-Tax system and to attach the supporting documents.

StanChart raises dividend payout as net profit hits Sh13.8bn

Standard Chartered Bank Kenya has raised its dividend payout by 31.8 percent to Sh29 per share after net profit for the financial year ended December 2023 rose 15 percent to Sh13.8 billion.

The lender, which had in December paid a Sh6 per share interim dividend, has increased the final payout to Sh23 per share from Sh16 paid a year earlier.

The increased dividend came in the period net profit grew to Sh13.8 billion from Sh12.1 billion posted in the preceding similar period.

The total dividend payout amounts to Sh10.96 billion or 79.4 percent of the net profit compared with Sh8.31 billion that had been paid on the 2022 net earnings.

StanChart posted a 32 percent rise in net interest income to Sh29.3 billion on increased lending. Non-interest income also rose six percent to Sh12.4 billion to increase the operating income.

Operating expenses, however, grew 20 percent to Sh18.7 billion from Sh15.6 billion driven by inflationary pressure on customers, depreciation of the shilling against major currencies and increases in targeted investments especially towards digital offering.

Investors seen pressing for higher return on 10-year bond

Investors are likely to demand a premium above the 16 percent return the government is offering on a 10-year bond, testing the resolve of the Central Bank of Kenya (CBK) and the National Treasury to lower the interest cost on domestic debt.

This bond, alongside two reopened three- and five-year papers, make up the March 2024 issuance whose target is to raise a combined Sh40 billion. The three-year bond sale concluded last week, raising Sh34.3 billion, while the five and 10 year options are on sale until March 20.

The CBK took the rare step of setting the 10-year bond's coupon before the sale, departing from the routine of letting the market decide the return.

The raising of Sh240.9 billion from the February infrastructure bond has also lowered pressure on CBK to meet the domestic borrowing target, giving it the leeway to reject aggressive investor bids.

The net domestic borrowing target is projected at Sh422.7 billion, as per the recently released Budget Policy Statement.

Instead, the 10-year bond will signal a return to longer issues after a series of short dated bonds whose coupon has gone up to 18 percent.

StanChart's Sh11bn dividend lifts share price at NSE

Standard Chartered Bank Kenya has raised its dividend payout by 32 percent to a record Sh29 per share amounting to Sh10.96 billion, raising its share price at the Nairobi bourse to levels last seen last April.

The rise in dividend pay from Sh22 per share totalling Sh8.31 billion paid earlier is on the back of the lender's net profit for the financial year ended December 2023 increasing 15 percent to Sh13.8 billion from Sh12.1 billion.

StanChart had in December paid a Sh6 per share interim dividend and will pay the final dividend after its annual general meeting in May. The payout will mean StanChart has distributed 79.4 percent of its net profit to shareholders compared with 68.7 percent the year before.

StanChart posted a 32 percent rise in net interest income to Sh29.3 billion in the review period when loans and advances to customers grew 17 per cent to Sh163.16 billion. Non-interest income also rose by six percent to Sh12.4 billion, contributing to the 23 percent growth in the operating income.

A double-digit growth in revenue is a very pleasing number to be able to deliver. It is about ensuring that we are sticking to the plan we agreed on.

Operating expenses however grew 30.7 percent to Sh22 billion from Sh16.8 billion. StanChart attributed the rise to increased inflationary pressure on customers, depreciation of the shilling against major currencies and increases in targeted investments, especially towards digital services.

Shilling rallies to 8-month high, cuts debt by Sh800bn

The Kenya shilling has rebounded to an eight-month high, extending gains that began mid last month in a trend that has lifted the Nairobi Securities Exchange (NSE) to the best bourse in Africa on dollar returns.

Treasury mulls VAT on milk, bread, in fresh revenue push

The Treasury is considering introducing a 16 percent value-added tax (VAT) on bread and milk in a fresh push to boost revenue collections from middle-class households.

Treasury Cabinet Secretary said that studies by government agencies had shown that the current structure where VAT on bread and milk is zero-rated had failed to cushion the targeted poor households and instead benefited the middle class who have relatively high income.

Zero-rated goods are products considered necessary, such as food items, sanitary products, and animal feeds, and are exempt from VAT. Zero-rating these items makes them more affordable for lower-income consumers.

Total VAT collected in Kenya comprises about 40 percent of the total taxes but 18 percent of it goes to tax refunds for products assumed to be consumed by the poor. When you look at those products, you realise 95 percent of refunds go to bread and milk. Who goes to the supermarket to buy bread and milk? We are not compensating the poor, we are compensating the middle class.

Bank share prices up as investors eye higher dividends

Tier-one bank stocks have added Sh12.1 billion in market value at the Nairobi Securities Exchange (NSE) over the past one week on rising demand as investors jostle for the higher dividends the lenders are announcing for the year ended December 2023.

Seven out of the nine lenders have made price gains since March 5, when Stanbic Holdings announced a 21.8 percent increase in its dividend for 2023 to Sh6.07 billion or Sh15.35 per share, which is the highest it has ever distributed.

Standard Chartered Bank Kenya also announced an increase of 32 percent in its annual payout to Sh29 per share — also a record high for the bank— when it released its financial results on, setting off a price rally on its stock.

Investors are responding to the higher dividend notices from the two multinational lenders to go for more bank stocks in general, hoping to get an attractive entry point which will raise the effective dividend yield if lenders increase their payout levels.

This has seen the collective market capitalisation of tier-one lenders rise to Sh592.7 billion from Sh580.6 billion over the course of the past seven trading sessions, led by Standard Chartered (Sh6.5 billion), NCBA (Sh2.7 billion) and KCB Group (Sh1.6 billion).

Investors had entered the bank reporting period with reduced expectations of higher dividends after the early disclosures by the Central Bank of Kenya (CBK) showing a fall in 2023 pre-tax profit for the sector by 7.3 percent from Sh244.1 billion to Sh226.3 billion.

This boosts their net interest income, which is calculated as the difference between interest earnings from loans and government securities and the interest paid on customer deposits.

In 2023, interest income was the biggest driver for higher profits reported by Stanbic and Standard Chartered, reflecting the high-interest rate environment that saw banks raise the average lending rate (before risk premium and fees) from 12.77 percent in January 2023 to 14.63 percent in December 2023.

Stanbic's net interest income grew by 35.4 percent to Sh25.6 billion, as loans and advances to customers rose from Sh266.83 billion to Sh356.2 billion at the end of December. Non-funded income — mainly drawn from fees and commissions — rose by 19.3 percent to Sh15.67 billion.

CMA up capital threshold for market intermediaries

The Capital Markets Authority (CMA) has raised the minimum amount of cash and liquid money equivalents that market intermediaries are required to hold in proposed new regulations meant to revamp the country's financial markets and boost investor confidence.

The new rules have increased the minimum liquid capital requirement for investment banks and fund managers while introducing new caps for other intermediaries such as broker-dealers, forex brokers, money managers, and Reit managers among others, which were previously not subject to the requirements.

In the new rules, investment banks, which were previously allowed to hold a minimum of Sh30 million, will now be required to hold at least Sh50 million in liquid capital or eight percent of their total liabilities, whichever is higher.

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Airtel gains voice market share from rivals in three months as calls surge

Airtel Kenya grew its share in the voice market by one percentage point in the three months to December 2023, eating into the shares of its main rivals Safaricom and Telkom Kenya.

The Communications Authority of Kenya (CA) data shows Airtel increased its voice share to 36 percent during the quarter up from 35 percent in the preceding quarter.

As a result, the voice share of market leader Safaricom fell from 64 percent to 63.3 percent while the share of Telkom also fell from one percent to 0.5 percent.

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Fuel prices drop below Sh200 on strong shilling hands

The strengthening of the shilling against the US dollar last month has triggered the biggest drop in fuel prices in four years that will see consumers pay less than Sh200 for a litre starting today despite the higher landed cost.

This follows the latest monthly review by the energy sector regulator that marked the fifth consecutive reduction in the final cost of the commodities.

The Energy and Petroleum Regulatory Authority (Epra) has reduced the price of petrol by Sh7.21 per litre, that of diesel by Sh5.09 and kerosene by Sh4.49.

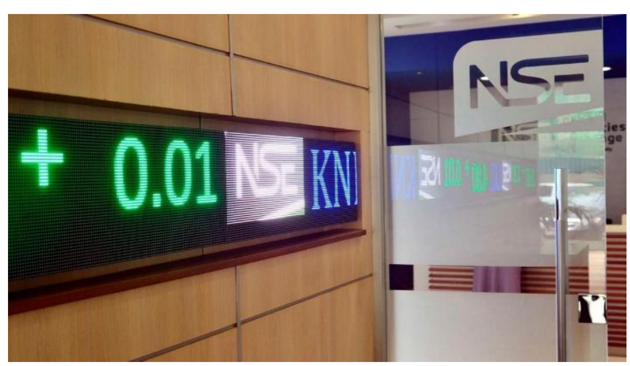
This means that in Nairobi, petrol will be retailing at a maximum of Sh199.15 per litre while diesel and kerosene will be retailing at Sh190.38 and Sh188.74 respectively.

Epra used an exchange rate of Sh148.02 to the dollar on the February imports, reflecting a significant strengthening of the local currency compared to January when it traded at 164.42 units to the greenback.

This has seen the price per litre of petrol decline from a record high of Sh217.36 in the October-November 2023 period — when a combination of VAT doubling to 16 percent and the weak shilling inflicted the maximum pain.

At the same time, the diesel has dropped from Sh205.47 to Sh190.38 and kerosene from Sh203.06 to Sh188.74.

NSE gains Sh38bn on Safaricom, banks rally



Investor wealth at the Nairobi Securities Exchange (NSE) rose by the biggest single-day margin in eight months at Sh38.6 billion on the back of gains on Safaricom and large banks.

The NSE's market capitalisation, or investor wealth, stood at Sh1.563 trillion at the close of trading on compared to Sh1.524 trillion on, with Safaricom accounting for just under half of the day's gain at Sh16.02 billion after its share rose by 2.7 percent or Sh0.40 to close at Sh15.

The telco, which is the biggest listed company by market capitalisation at the bourse at Sh600.98 billion, dominated trading, accounting for 90 percent (or Sh636.3 million) of the day's traded turnover of Sh704.31 million.

Safaricom moved 42.42 million shares, which represented 92 percent of the 45.97 million units traded overall at the NSE in the session.

New levy lined up for State contractors

The Treasury has introduced a new levy on contractors making supplies to both national and county governments, a shift likely to raise the cost of public procurement.

New regulations published by Treasury Cabinet Secretary show a tax known as capacity building levy would be charged at 0.03 percent of the total value of supplies to State agencies.

There shall be paid a levy by a supplier on all procurement contracts signed between the supplier and a procuring entity, at the rate of zero point zero three percentum (0.03percent) of the value of the signed contract, exclusive of applicable taxes,

This means that a contractor in a project valued at Sh1 billion will be levied at Sh300,000. Equally, a business supplying goods worth Sh1 million will be levied Sh300.

With respect to multi-year procurement contracts, the procuring entity shall ensure that the full amount of the levy is determined on the total procurement contract price and progressively deducted and remitted accordingly," the regulations published in November.

The levy shall apply to contracts with part payments or instalments or milestone-based procurement contracts. Local purchase orders and local service orders will also be treated as contracts and be subjected to the levy.

Data in the Public Procurement and Information Portal shows that so far, there are 7,554 contracts have been entered by both national and county governments, although not all tenders and contracts are published on this portal.

In the fiscal year 2022/23, state entities entered into 20, 763 contracts, an increase from 11,579 in the previous fiscal year. The overall value of the contracts awarded in 2022/23 was not immediately available although estimates by the Budget Committee of the National Assembly showed that procurement contracts would range between Sh1.45 trillion and Sh1.89 trillion for the financial year.

1,000 service firms under probe for data breaches

More than 1,000 service firms including digital lenders, hospitals, telcos, and educational institutions are being investigated for breach of privacy rules, exposing them to a possible fine of Sh5 million or up to one percent of their annual turnover if found culpable.

The Data Protection Commissioner Immaculate Kassait said most of the complaints involved the misuse of creditors' data by digital lenders and the use of photos without permission.

Investigations are ongoing and most of the cases we are dealing with involve the digital lenders but we are seeing increasingly in the area of the use of photography

Our emphasis is that even as you collect information that is sensitive or personal to an individual, it is important that as you do for commercial nature, you get their permission.

Vehicle leasing grows on higher showroom prices

Businesses are increasingly turning to vehicle leasing as an escape route from the elevated prices of buying new units to run their operations.

Isuzu East Africa Managing says the environment of rising interest rates has applied brakes on demand for new vehicle purchases given that nearly 95 percent of the acquisitions are dependent on asset financing.

Demand from sectors such as public transport, agriculture and education is beginning to rebound but clients are preferring leases as opposed to outright purchasing.

In leasing, a client pays a regular amount for a number of years and returns the vehicle to the dealer at the end of the term. The contract may or may not cover related services such as repairs, maintenance and insurance. One of the biggest advantages of leasing is that it allows a client to spread out the spending on transport costs over a specified number of years, improving cash flows and avoiding the upfront cost of outright vehicle.

(preference for leasing) will go on for some time when you look at the cost of loans. Interest rates have been very high and many of our customers have not been able to access funding.

Many banks are charging interest rates of between 18 percent and 25 percent when customers go searching for asset financing deals.

New motor vehicle dealers registered a 14.84 percent drop in sales last year when rising interest rates and the weakening of the Kenya shilling made it more expensive for customers to make showroom purchases.

Data from the Kenya Motor Industry Association (KMIA) shows that the dealers, including Isuzu, CFAO Motors and Simba Corp, sold 11,370 units in the local market in the year ended December 2023. This was down from 13,352 units sold the year before. The formal dealers battled one of the toughest business environments last year when the shilling depreciated by 21.19 percent against the US dollar.

This indicates that other companies registered a larger decline in sales. The business environment has improved slightly in recent weeks, with Kenya shilling rebounding to a nine-month high after the government announced that it had issued a $1.5 billion (Sh206 billion) Eurobond to settle part of the $2 billion (Sh275 billion) Eurobond that is maturing in June.

The Central Bank of Kenya data showed the shilling closed Wednesday at 139.49 units against the dollar, being its highest level since May 19 last year.

Since the start of the year, the shilling has gained by 12.1 percent.

Safaricom ditches cheques for faster dividend payment tools

Safaricom has locked shareholder dividend disbursements to electronic platforms including bank transfers and M-Pesa, ditching the use of cheques for such transactions.

The telco, in a notice, has asked all its shareholders to update their details with its shares registrar to provide information stating their preferred electronic payment mode.

Safaricom said the switch will allow it to pay its shareholders in a "more efficient way.

The changes come ahead of the payment of the Sh0.55 per share interim dividend amounting to Sh23.64 billion that the telco's board declared on February 21. The interim dividend will be paid on or about March 31, 2024, to shareholders who were on the register of members as of the close of business on March 15, 2024.

To update their information, shareholders can fill out an online form or email the information to Image Registrars.

Safaricom previously said that cheques take a while before getting to the shareholders. The telco has, therefore, been encouraging shareholders to choose more efficient modes of payment such as electronic fund transfer (EFT), real-time gross settlement (RTGS), or M-Pesa.

CBK resists bid to take Treasury bills to 17pc

The Central Bank of Kenya (CBK) has resisted pressure from investors to pay a rate of 17 percent on Treasury bills, helped by the reduced need for aggressive borrowing after the government raked in Sh275 billion from bond sales since February.

Investors have over the last two weekly auctions sought to be paid an average of 17.01 percent on the 364-day Treasury bill, but the CBK has kept the average rate of accepted bids at 16.98 percent.

The rate on the longest T-bill tenor has barely moved over the past month, having stood at 16.91 percent as at mid-February.

On the other tenors, the upward movement of rates has also slowed down over the past month, with the 182-day going up from 16.71 percent to 16.85 percent and the 91-day from 16.55 percent to 16.65 percent.

In this case, this fiscal year's short term rates may taper off, resulting in a significant correction in the yield curve. Before then, we anticipate the fiscal agent will continue to rein in any distortive pricing

To keep a lid on higher rates, the CBK has also avoided taking up new debt via T-bills, effectively limiting acceptances to covering for maturities on the short-term debt.

In the last auction, which saw bids worth Sh22.4 billion offered by investors, the CBK took up Sh19.8 billion, which was closely matched with maturities of Sh19.5 billion.

The previous auction, which raised bids of Sh41.8 billion, also saw a similar matching of the accepted amount of Sh40.2 billion and maturities of Sh40.01 billion.

Banks face steep fines in terror financing war

Commercial banks and officials face steep fines for facilitating terrorism financiers as Kenya fights to lift itself from a global 'grey list' after its safeguards against the flow of dirty cash were found wanting.

New regulations published by the Interior and Administration of National Government ministry say any person found guilty of unauthorised release of frozen funds or assets linked to terror suspects flagged by the United Nations would be jailed for up to 20 years.

Legal entities —either reporting institutions such as banks or law enforcement agencies —that will release such frozen assets without authorisation would be slapped with a fine of Sh20 million.

No person within Kenya shall make available any funds or other assets to or for the benefit of designated persons or entities unless licensed, authorised or otherwise notified in accordance with the relevant United Nations Security Council Resolutions.

Meta to pay content creators from June

Content creators in Kenya will earn money from postings on Meta platforms Facebook and Instagram from June this year following a deal between President William Ruto and the social media firm.

In a dispatch following a meeting between the duo at State House Nairobi, the Presidential Press Service said the development is a culmination of a year-long push by the government to have creators earn from their online content, as it happens on other platforms such as YouTube and X.

Kenyan content creators who meet the eligibility criteria will now earn from their Facebook and Instagram spaces as we start monetisation by June this year.

To qualify for the programme, a creator is required to have at least 5,000 followers on their private Facebook profile or 10,000 followers on a Facebook page and a minimum of five live videos on a profile or three on a page.

Video content posted on a Facebook profile must have a minimum of 60,000 total minutes viewed in the last 60 days from organic followers while for a page, the requirement is 600,000 viewed minutes within the same duration.

MPs want foreigners to get permits before investing

Foreigners will be required to obtain mandatory investment permits before being allowed to set up shop in Kenya if Parliament endorses a proposal by MPs.

The Trade Committee of the National Assembly said although the Investment Promotion Act requires foreigners to invest at least $100,000 (Sh13.39 million) at current exchange rates.

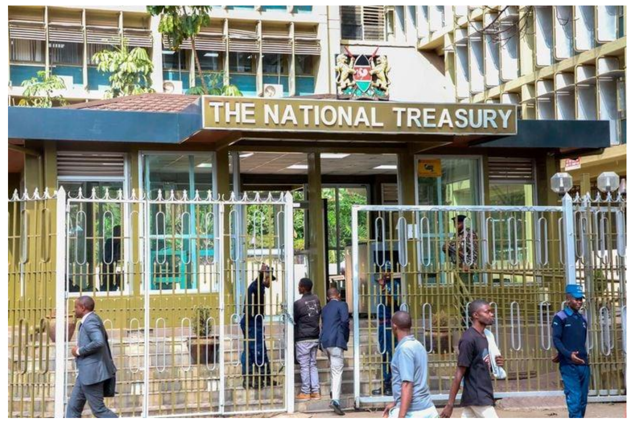
The committee observed that there is a gap in law for registration of foreign investors under the Act (Investment Promotion Act), which is not mandatory. Since Section 3(1) provides that a foreign investor who intends to invest in Kenya may apply to the authority for an investment certificate.

The committee's recommendations come in the wake of allegations by local traders last year that Chinese-owned China Square was engaging in unfair trade practices of undercutting local businesses by selling goods at low prices to bar competitors.

China Square started operations at Unicity Mall, Juja, end of January last year, attracting public attention for selling goods at lower prices compared to other establishments.

Its operational model would later draw the fury of local traders who accused China Square of threatening their existence and causing protests.

Counties yet to receive Sh179bn equitable share cash



County governments are yet to receive nearly half of their equitable revenue share from the Treasury four months before to the close of the financial year, worsening a cash crunch at the devolved units.

Data published by the Treasury shows the exchequer had released Sh206.06 billion in equitable share of revenue to the 47 counties by February 29, 2024. This is 53.4 percent of the Sh385.424 billion that the devolved units were allocated for 2023/24.

Article 202 of the Constitution states that revenue raised nationally shall be shared equitably among the national and county governments.

County governments may also be given additional allocations from the national government's share, either conditionally or unconditionally.

Besides the equitable revenue share, the County Governments Additional Allocations Act, 2024 provides additional allocations to the devolved units of Sh46.362 billion for the financial year

2023/24 which will be disbursed through the respective ministries, departments, and agencies.

Tullow Oil writes off Sh2.4 billion in Kenya project assets

British oil explorer Tullow has written off $17.9 million (Sh2.41 billion) worth of its Kenyan assets on the uncertainty over their sale to a strategic investor and commercial exploitation of the Turkana oil deposits.

Tullow, whose field development plan (FDP) for the Lokichar project is under evaluation by the government, that the book value of its Kenya holdings was revised downwards from $260.1 million (Sh35 billion) in December 2022 to $242.2 million (Sh32.6 billion) at the end of 2023.

The company said that there were uncertainties over its ability to realise the value— hence the impairment — primarily relating to receiving and finalising an acceptable offer from a strategic investor, obtaining financing for the Turkana project and getting the government to deliver on the required infrastructure and fiscal terms to make the project viable.

KRA in tough race to collect Sh1.1 trillion in four months

The Kenya Revenue Authority (KRA) collected Sh1.37 trillion in taxes in the eight months that ended February, leaving it with a daunting task of raising an average of Sh280 billion monthly over the next four months to meet its Sh2.5 trillion target for the current financial year ending in June.

Official data shows that between July 2023 and February 2024, tax collections by the KRA were just 55 percent of the revised annual target of Sh2.49 trillion. These collections were less than half (49 percent) of the original ordinary revenue target of Sh2.787 trillion that was set in the budget unveiled in June last year, latest data by the Treasury shows.

Over the first eight months of the 2023/24 financial year, the taxman collected taxes averaging Sh171.7 billion monthly. Based on its annual target to collect Sh2.49 trillion during the financial year, this means that the collections recorded shortfalls averaging Sh36.2 billion monthly.

The shortfalls have left the taxman with a minimal chance of meeting the ambitious revenue targets set by the Treasury in the 2023/24 budg2024," the Treasury said in the report since it would have to raise more than Sh280 billion monthly between March and June -- when the current financial year ends.

NCBA taps Sh6.7bn Proparco loan for SMEs, green financing

NCBA Group has tapped a $50 million (Sh6.73 billion) loan from French development finance institution Proparco for on-lending to small and medium-sized enterprises (SMEs) and those whose activities help combat climate change.

The lender says that 60 percent of the money will go to SMEs while 40 percent will be directed to businesses committed to combating climate change risks.

NCBA Group has tapped a $50 million (Sh6.73 billion) loan from French development finance institution Proparco for on-lending to small and medium-sized enterprises (SMEs) and those whose activities help combat climate change.

Proparco is a subsidiary of Agence Française de Développement (AFD) Group, a French development agency that is focused on private sector development. NCBA had a €7.8 million (Sh1.14 billion) loan from AFD, with a €5.5 million (Sh804 million) principal balance at the end of December 2022.

Treasury spends Sh560bn on debt service in two months

The government spent more than half a trillion shillings to service debts in the first two months of this year, even as it remains with a larger burden of repaying more than Sh700 billion in the four months to June.

Latest data from the National Treasury shows that in January and February, government spending on public debt was Sh560 billion.

The Treasury, in the update on government revenues and exchequer issues for eight months starting July 2023 to end of February 2024, notes that total issues towards public debt service hit Sh1.157 trillion by end of February.

Part of the heavy spending on public debt service is the Sh210 billion ($1.44 billion) the government used for partial early redemption of the $2 billion (Sh266.5 billion, at current exchange rates) Eurobond that was due in June, as the Treasury sought to rebuild investors' confidence that Kenya would not default on the debt.

During the current year ending June, the government is expected to spend Sh1.866 trillion on servicing debts. This is after the public debt service budget was revised in the supplementary budget from Sh1.75 trillion originally.

Why KCB dropped NBK after investing Sh14bn

KCB Group is letting go of the National Bank of Kenya (NBK) about four years after the acquisition in a development that underlines the pressure that the loss-making unit had brought upon the more than 100-year-old lender.

KCB's board had since September last year toyed with different ideas including putting in an additional capital — something it had done on several occasions before. But NBK looked like a bottomless pit.

KCB finance director KCB had sunk about Sh14 billion into NBK since acquiring it in December 2019.

Keeping NBK would have required KCB to inject in between Sh5 billion and Sh8 billion as additional cash to comply with Central Bank of Kenya (CBK) minimum capital ratios and also support the operations of the lender, according to Paul Russo, CEO at KCB Group.

End of 18pc returns for investors as CBK rejects Sh37bn bids

The Central Bank of Kenya (CBK) turned down Sh37.1 billion worth of investor bids in this week's Treasury bond auction, sending its firmest signal to the market that it intends to bring down interest rates from highs of up to 18 percent.

Fresh housing levy deductions start in March

The affordable housing levy will be deducted from the March payslips, a new directive from the Kenya Revenue Authority (KRA) says.

Guidelines on the collection of the affordable housing levy issued by the taxman say the deductions are effective Tuesday, March 19th, 2024.

With effect from 19th March 2024, all employers are required to deduct the affordable housing levy (AHL) from the employee's gross salary and remit together with the employer's contribution [of one point five per cent (1.5 per cent) of the employee's gross monthly salary," said the KRA in a public notice.

The KRA has also set the due date to remit the affordable housing levy as the 9th working day of the following month in which the gross salary was due or gross income was received or accrued. Under the new law, Kenyans in the informal sector and others not salaried will pay 1.5 per cent of their monthly gross earnings to fund the government's housing programme.

The new legislation is roping in workers in the informal sector to comply with the High Court ruling that rendered the earlier Act unconstitutional last year. The court termed the levy unfair, discriminatory, and unconstitutional, because it limited the contributions to salaried employees in the formal sector

KRA directed all employers to declare the AHL under sheet "M" of the Pay as You Earn (PAYE) return on itax; generate a payment slip under the tax head "agency revenue" and tax sub-head Housing Levy"; and make payments at KRA agent banks or mobile money through eCitizen Paybill Number 222 222 or by dialling *222#.

Any person who fails to comply with the law shall be liable to payment of a penalty equivalent to three per cent (3 per cent) of the unpaid funds for every month if the same remains unpaid," added KRA.

KRA downplays data privacy concerns on Etims use

The Kenya Revenue Authority (KRA) has said taxpayers' data in its electronic tax invoice management system (eTims) is safe, downplaying concerns that some sensitive personal information on the platform may be compromised.

The details captured in the invoices are transaction details that are normally captured in any invoice/receipt issued to a customer and need not include confidential information of taxpayers," the taxman said.

KRA upholds the confidentiality of all information transmitted in line with the provisions of the Tax Procedures Act, 2015

KRA has set March 31 as the deadline by which all businesses must have been onboarded onto the new system, which was introduced via the Finance

In the Tax Procedures (Electronic Tax Invoice) Regulations, 2023, the KRA had listed supplies by businesses with an annual turnover of less than Sh5 million among nine transactions that would be exempted from the electronic tax invoice in a move that brought relief for farmers and small businesses.

Kenya needs 3m passports quarterly on labour travels

The State has turned to the National Security Intelligence Service (NIS) to help secure passport printing materials from overseas to clear a backlog of 724,000 applications and new requests.

Interior Cabinet Secretary told Parliament the government is facing difficulties sourcing passport printing materials due to worldwide supply chain shortfalls.

Assigned the National Intelligence Service (NIS) to support the State Department for Immigration and Registration of Citizens to get us these travel materials Prof Kindiki told the Regional Integration Committee.

Relief for companies as competition agency reviews fines formula

Firms found in breach of competition laws have been granted a window of mitigation as the Competition Authority of Kenya (CAK) moves to reduce the severity of fines.

The watchdog said administrative action against firms in breach of the Competition Act would be subject to remedial measures to accommodate special cases such as first-time offenders, inadvertent breaches as well as offenders who cooperate.

The base percentage (penalty prescribed under the Competition Act) may be decreased where the authority finds that there were mitigating factors the CAK said.

State rolls out sale of Development Bank of Kenya days after selling NBK

The Privatisation Authority has rolled out the sale of Development Bank Kenya (DBK), barely a month after the Cabinet approved the transfer of the ownership of the lender to private hands.

The government invited consultants to guide the sale of the bank, setting the stage for another acquisition in the banking sector. Nigerian top lender, Access Bank Plc signed a deal to acquire National Bank of Kenya(NBK) from KCB Group at an estimated Sh13.2 billion.

In the fiscal year to June 30, 2023, DBK made a net profit of Sh48.99 million, an increase from Sh28.4 million in the same period the previous year.

DBK's total assets by the end of June last year were Sh17.9 billion from Sh16.9 billion in the previous period.

The size of the loan book was Sh9.6 billion, from Sh8.7 billion in the previous year. By the end of June 2023, DBK had a total liability of Sh14 billion, an increase from Sh13 billion in the same period in 2022.

In the last three decades, the government has been divesting from banks with Consolidated Bank also in the pipeline of entities to be privatised.

KCB eyes Sh26bn loan to rebuild Kenyan subsidiary

KCB Group plans to borrow $200 million (Sh26.5 billion) to help rebuild the balance sheet of its

Kenyan banking subsidiary that has seen its loans grow faster than the capital base.

The plan to fortify KCB Bank Kenya's capital comes amid the group's sale of its entire stake in National Bank of Kenya (NBK), its second subsidiary in the country which has breached minimum capital requirements despite having received Ksh14 billion support from the parent firm.

NBK will be sold to Nigeria's Access Bank for a moving value –based on a multiple of 1.25 times of net assets— that currently stands at Sh13.2 billion.

The subsidiary saw its net profit fall 26.8 percent to Sh25.4 billion in the year ended December 2023, reducing capacity to build retained earnings.

Its core capital rose to Sh114.3 billion in the period from Sh85.9 billion a year earlier. Deposits and loans, however, grew at a faster pace that resulted in a small buffer above various minimum capital requirements.

Kenya Airways defends extension of shares trade freeze

Kenya Airways has defended the continued suspension of its shares from the Nairobi Securities Exchange (NSE) and other bourses, arguing that the move was to enable the company to complete its operational and corporate restructure process.

The national carrier is also cross-listed on the Dar es Salaam Stock Exchange and Uganda Securities Exchange.

The reason subsists. It is the manner of the restructure process which has been modified due to considerations beyond the 1st Interested Party's (Kenya Airways) control such as the legislative process, the view of the public and those of the government.

The Capital Markets Authority (CMA) announced the extension of the trading freeze on Kenya Airways (KQ) for an additional year, the sixth time in a row. The latest extension was made on December 15, 2023 for another 12 months.

KRA seen missing tax target by Sh330bn

The Kenya Revenue Authority (KRA) is likely to miss the tax collections target for this financial year by Sh330 billion, the Parliamentary Budget Office (PBO) has warned.

PBO—the office that advises lawmakers on budget and economic affairs — attributed the anticipated miss to tax collections underperformance since July last year.

In the period between July last year and last month, the KRA collected 55 percent of the Sh2.49 trillion target, setting up the taxman for a race against time to raise Sh1.12 trillion in the remaining four months.

These collections were less than half (49 percent) of the original ordinary revenue target of Sh2.787 trillion that was set in the budget unveiled in June last year, the latest data by the Treasury shows.

The revenue miss forecast by PBO will be an equivalent of 13.2 percent of the targeted Sh2.49 trillion for the financial year and will further squeeze the ability of the Kenya Kwanza government to fund key development projects, in turn hitting efforts to create jobs.

Why analysts see bond turnover crossing Sh1 trillion this year

Bond turnover at the Nairobi Securities Exchange (NSE) could cross the Sh1 trillion mark for the first time, with the latest data showing that in less than three months, it had already surpassed 60 percent of what was traded in the whole of last year.

By March 21, the bond turnover at the NSE was at Sh436 billion, or 67.8 percent of the Sh643 billion worth of bonds traded in 2023.

The increased bond turnover points to increased liquidity at the secondary market in an asset class that has for long been illiquid as fixed income gains some attraction amidst a bearish equities market.

This means that the secondary market is being used as an avenue for bringing in new investors, who may not have accessed it at the primary market.

The poor performance in equities over the past three years, appetising returns across fixed income segments and poor performance of defined contributions pension fund managers has resulted in a rise in demand for bonds, says Ronny Chokaa, a senior research analyst at AIB-AXYS Africa, an investment bank.

NHIF system outage leaves thousands of patients stranded

Patients using National Health Insurance Fund (NHIF) cards to pay for treatment were left stran ded following a system outage that lasted hours.

Thousands of patients were forced to make cash payments or wait until the services were restored. Inquiries revealed that the system outage was first reported.

The NHIF confirmed the hitch even as many patients took to social media to complain about missed important health procedures after their payment bills could not be processed, forcing them to delay treatment and suffer more pain.

The development puts the NHIF in a difficult position at a time when it is having problems with health facilities across the country over debts, a situation that has forced patients to pay for services in cash.

The Rural Private Hospitals Association of Kenya (Rupha) and the Kenya Association of Private Hospitals have pulled out of the NHIF over billions of shillings in debts that have accumulated over the years.

Rupha two weeks ago revealed that NHIF owes its members Sh2.3 billion for general claims, Sh2 billion for the Linda Mama programme, and Sh1.8 billion for outpatient claims, an amount that has crippled operations.

Rupha further claimed that the NHIF had not been remitting money to these healthcare facilities until March when it paid Sh56 million to pay facilities that had pending capitation for January-March quarter.

The piling challenges facing NHIF have raised doubts on the State's preparedness for the transition to the Social Health Authority (SHA), the medical scheme that will replace the NHIF.

Unpaid pension and PAYE by State entities hit Sh73bn

State entities have failed to remit a combined Sh72.96 billion in pension and pay-as-you-earn (PAYE) deductions amid a cash-flow crunch facing the agencies.

Revelations by the Parliamentary Budget Office (PBO) show that unremitted pension dues stood at Sh47.6 billion while PAYE was Sh25.3 billion as at the end of last month.

A number of State corporations and semi-autonomous government agencies (SAGAs) have fallen on tough times amid mounting losses for the commercial ones, mismanagement and thinning financial support from the State.

Overall, the entities held Sh220.81 billion in unremitted PAYE, pension, contributions to the National Health Insurance Fund (NHIF) and the National Social Security Fund (NSSF), Sacco deductions, staff loan deductions and consumables in the period.

The scenario points to general liquidity challenges in settling expenditure commitments as well as poor corporate governance, including weak or non-existent oversight between the respective State corporations /SAGAs Board and parent ministry/National Treasury

Arrears for consumables and general supplies were Sh30.4 billion followed by sacco deductions at Sh2.68 billion, Sh2.47 billion for staff un-remitted staff loan deductions and Sh407.36 million for the NSSF and the NHIF (Sh80.92 million).

The unremitted dues rose 17 percent from Sh188.39 billion in June last year indicating a combination of principal amounts and penalties, as the entities grapple with losses that have significantly hurt their cash flows.

Unpaid PAYE jumped by Sh5 billion between June last year and last month, marking it the biggest jump of all statutory deductions while that of pension rose Sh800 million in the period.

Some 22 State-owned agencies posted losses of at least Sh1 billion each in the 2022/23 financial year, according to a report by the Treasury.

Most of the entities have been relying on bail-outs from the National Treasury, fueling a push to have the State sell its stake in the firms to private investors.

Spiraling debt payment obligations, increased funding needs for development projects and pressure from some of Kenya's key financiers such as the World Bank and International Monetary Fund have forced the Treasury to significantly cut the bail-outs.

Prime Bank posts Sh4.4 bn net profit on higher income.

Prime Bank Group has posted a 19.8 percent growth in net profit to Sh4.4 billion for the year ended December 2023, up from Sh3.6 billion the previous year. The growth in the lender's profitability is due to higher revenues and cost-cutting.

The bank's operating income grew by 7.1 percent to Sh9.2 billion from Sh8.5 billion, almost solely on higher net interest income which rose to Sh6.5 billion from Sh5.8 billion. The lender's non-funded income remained flat at Sh2.6 billion.

Prime Bank's non-interest-related expenses fell by 5.8 percent, mostly from reduced provisioning for expected credit losses to Sh522.6 million from Sh635.4 million.

The bank's customer deposits have grown to Sh127.1 billion from Sh107.1 billion in the previous year.

During the year, the bank upgraded its core banking system, enhancing security, and faster transaction turnaround times.

NSE gains Sh96bn, biggest one-day jump in 18 months

The Nairobi Securities Exchange (NSE) added Sh95.53 billion in investor wealth, its biggest single-day gain in 18 months, as blue-chip firms led by Safaricom continued their recent price rally on local investor demand.

The NSE's market capitalisation stood at Sh1.831 trillion at the close of trading, the highest since

October 3, 2023. The last time the market rose by such a daily margin was on September 6, 2022 (Sh102.7 billion), the day after the Supreme Court ruled to uphold President William Ruto's win in the 2022 General Election.

The ruling saw the market gain Sh153 billion on September 5 and September 6, 2022, before a price correction over the next seven days slashed Sh233 billion from the NSE's market capitalisation.

The rally is driven by local investors, more so institutional investors who have large tickets on blue chips. They see the market approaching its trough with a likely Federal Reserve rate cut in June and a positive MSCI review following the recent gains and stability of the shilling,

Foreign investors have been net sellers at the NSE over the past week, taking out a net of Sh153.9 million to add to the net sales of Sh917.6 million, they made net sales of Sh120.8 million.

In trading, Safaricom led all stocks with a market cap gain of Sh66.1 billion to end the day with a valuation of Sh771.3 million, having seen its share price rise by 9.4 percent on the day to close at Sh19.25.

Other top gainers in market capitalisation were Equity Group, which added Sh10.75 billion in market cap as its share price went up by 6.1 percent to Sh49.20, and NCBA, which added Sh2.8 billion on the back of a four percent gain in share price to Sh44.55.

Kenyan targets diaspora billions with digital bank

Every year, Kenyans living abroad send hundreds of billions of shillings home using non-inclusive banking and financial services. For most, they have no choice but to make do with the available system.

Started Waya—to empower immigrants with banking and other financial services," the CEO of the digital banking and financial services start-up.

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A year later, Waya was incubated by IBM through the IBM Hyper Protect Accelerator Programme, a tech startup incubation programme designed to build and scale the next generation of fintech, insuretech and health-tech companies with solutions engineered to keep their sensitive data highly secured.

NCBA to pay record Sh7.8bn dividend after profit surge

NCBA Group is set to pay a record Sh7.8 billion dividend following a 56.2 percent jump in net profits for the year ended December 2023.

The higher dividend represents a payout of Sh4.75 a share after the lender added a Sh3 final pay to the interim Sh1.75 declared in September last year.

This compares to a total dividend of Sh7 billion in 2022 or a Sh4.25 per share total payout representing an 11.42 percent growth in shareholder pay. The record dividend comes amid a rise in NCBA's net earnings to Sh21.4 billion from Sh13.7 billion previously on stronger operating income and contained costs.

The lender's total operating income rose to Sh63.6 billion from Sh60.9 billion supported by a 13 percent jump in net interest income.

This is as the bank cut its loan-loss provisions by 30 percent to Sh9.1 billion from Sh13 billion. The lower provisions were supported by a decline in the bank's net non-performing loans ratio which eased to 12 percent from 12.7 percent sticking well below the industry average of 14.8 percent as of December 2023.

State bans buying of branded promo items in new budget cuts

The government has banned the procurement of promotional items such as t-shirts, power banks, and calendars using taxpayers' money in the latest purge on non-essential spending.

Head of Public Service has written a memo to all principal secretaries and chief executive officers (CEOs) of State corporations instructing them to cut spending on all non-priority expenditure items.

He has directed them to cut the purchase of promotional items such as calendars, diaries, umbrellas, power banks, keyholders, bags, flasks, cups, shukas, notebooks, and other materials.

Suspend and immediately cease the procurement, printing, and production of corporate wear; including but not limited to t-shirts, shirts, tracksuits, and any other branded clothing items

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

This means that to hit the tax collection target for the year, KRA will have to collect Sh1.121 trillion between March and June, which is an average of Sh280.25 billion monthly.

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