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Treasury ordered to draw rules for CBK emergency borrowing

The Treasury and Central Bank of Kenya (CBK) have until May 2024 to draw regulations on the use of an overdraft facility amid concerns that the State is misusing the kitty held at CBK.

The National Assembly's Public Debt and Privatisation Committee gave the two institutions six months to develop the rules after the Controller of Budget (CoB) there is no policy to guide how and when the Treasury should tap the emergency kitty.

The Treasury has in recent months significantly increased reliance on the kitty, breaching the Sh80 billion mark for the first time in November amid a biting cash crunch.

The National Treasury and CBK should submit to the National Assembly, within six months, regulations to guide the sustainable use of the government overdraft facility.

The Treasury had by November 10 used 83 percent of the Sh97 billion limit available in the current financial year ending June 2024.

Why Uganda oil company failed to gain Kenya entry



National Oil Company (Unoc) a permit to operate locally, prompting Kampala to escalate the matter to the regional court.

Documents seen by the Business Daily show that the High Court in November last year stopped Kenya's energy regulator from proceeding with a review of Unoc's licence application, a ruling that was twice extended to December and later to January 22.

Uganda has taken Kenya to the East African Court of Justice in a bid to compel Nairobi to issue the licence that Unoc needs in order to use Kenya Pipeline Company's (KPC) facilities to handle Kampala-bound fuel. Kampala holds that Nairobi has breached Article 93 (c) and (d) of the East African (EAC) Treaty that provide that for maritime transport and ports, partner states shall make rational use of existing port installations.

Unremitted insurance premiums hit Sh52bn



Businesses and individuals are exposed to losses despite spending Sh52.25 billion on insurance premiums, highlighting the growing challenge of delays by intermediaries such as brokers and agents to remit the money to insurance firms.

Latest data from the Insurance Regulatory Authority (IRA) up to June 2023 shows outstanding premiums increased by 15.5 per cent in six months from Sh45.25 billion at the end of December 2022.

This means that the risks worth hundreds of billions of shillings are not recognised under the “cash and carry” principle, which stipulates that if the insured suffers loss before the premium is remitted then there is no compensation.

Section 156 of the Insurance Act obligates insurers to only recognise risks coming from customers whose premiums they have received.

No insurer shall assume a risk in Kenya in respect of insurance business unless and until the premium payable thereon is received by the insurer,” states the Act.

Unremitted premiums also hurt the liquidity of insurers and reinsurers, compromising the ability to honour claims without a struggle.

Of the outstanding premiums, Sh41.29 billion are related to general insurers while Sh10.95 billion was owed to long-term insurers at the end of June 2023.

GA General Insurance closed June last year with outstanding premiums in its books at Sh3.62 billion while that of CIC General and Old Mutual General were at Sh2.27 billion and Sh2.12 billion in the period. At least 17 insurers and reinsurers were each owed at least Sh1 billion.

Pioneer Assurance Company’s outstanding premiums were Sh3.04 billion—the highest among long-term insurers— followed by Britam Life (Sh1.59 billion), Old Mutual Life (Sh861 million) and Jubilee (Sh826 million).

Outstanding premiums had escalated to Sh41.77 billion in 2019 and dropped to Sh35.73 billion at the end of 2020 after the regulator warned intermediaries that it would not renew licence for failure to remit premiums.

The IRA data for the end of 2022, for instance, showed 30.3 percent of the outstanding premiums were in the hands of brokers while agents held 26.7

percent. Insurers were holding 18.1 percent of reinsurers’ premiums.

[CBK lowers interbank forex trading limit to \\$100,000](#)



The Central Bank of Kenya (CBK) has lowered the minimum amount that banks can trade in the formal interbank forex market to \$100,000 (Sh15.7 million) from \$250,000 (Sh39.3 million) following the launch of an electronic trading platform that is expected to improve supply and price discovery in the forex market.

A CBK circular on the new platform, which is known as Electronic Matching Systems (EMS), has also abolished the spread of 20 cents between bids and asks, effectively freeing market participants to negotiate rates depending on supply and demand.

The minimum trade limit on the interbank market had been put at \$500,000 (Sh78.7 million) in a 2015 CBK circular to banks, which also introduced the 20 cent spread.

Firm, tradeable prices will now be available via the EMS. Market participants should buy and sell foreign exchange with their clients and among themselves at freely negotiated rates and should adjust their quotes as necessary for prudent management of their forex risk within prudential limits.

Half of private companies fail to disclose ownership

Data from the Business Registration Service (BRS), the custodian of a list of all companies and information for entities registered in Kenya, shows only 43.05 per cent of the private firms had declared their business ownership status at the end of June 2023.

The proportion of firms with declared ownership status was up from 36.1 per cent in the year ended June 2022 and is despite BRS conducting outreach activities to emphasise the obligations of companies in line with the Beneficial Ownership Information Regulations of 2020.

The service did not meet the target due to system change and upgrade hitch which slowed the process in the budget proposal report to the National Treasury.

Beneficial owners

The law requires new firms to fill the Beneficial Ownership Information e-register at the companies' registry ahead of registration and existing firms to comply within the set timelines in what marked a major shakeup of shareholders records.

Where investors will make money in 2024



Listed shares at the Nairobi Securities Exchange (NSE) are tipped for a better year in 2024 after taking a battering in 2023 on the back of foreign investor flight, placing them alongside fixed income securities as the asset classes to watch in the next 12 months.

Equities were the worst performing major asset class in 2023 where the NSE shed Sh554 billion or 28 percent of its investor wealth, most of it (Sh418.7 billion) on the Safaricom stock — the largest on the market.

Nairobi bourse closes 2023 at fourth year of net exits

The Nairobi Securities Exchange (NSE) wound up 2023 at a fourth straight year of net foreign outflows, weighed down by attractive returns in other asset classes and external developed markets.

NSE data shows that in the 11 months to November 2023, foreigners had withdrawn a net of Sh20.04 billion from the bourse, taking the cumulative net sales since the beginning of 2020 to Sh83.3 billion. The last year the market recorded a net inflow position was in 2019, at Sh1.32 billion.

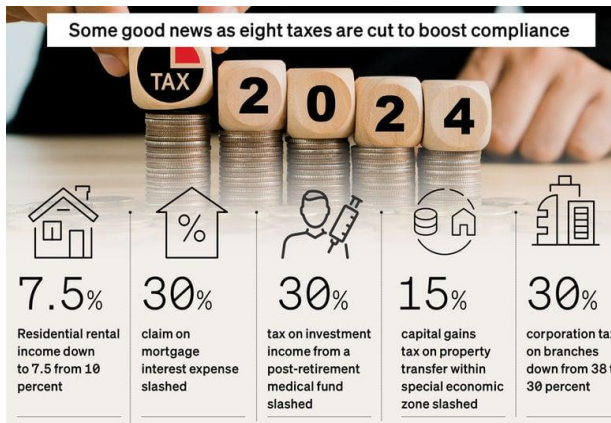
The biggest cause of the outflows has been the rate increases in the US, the UK and the EU, where high inflation from mid-2022 forced central banks to tighten their monetary policy to control the flow of money.

In the US, the Federal Reserve raised its base rate from near zero in March 2022 to the current target range of 5.25-5.5 percent (5.33 percent average) while the European Central Bank's deposit and lending rates rose from 0.0/0.75 percent in July 2022 to the current range of 4.0 to 4.75 percent.

For instance, the three infrastructure bonds sold in March, June and November this year are paying holders annual interest at 14.4, 15.8 and 17.9

percent respectively. The three bonds together raised Sh397 billion.

How new January taxes will hit firms, consumers



The implementation of the controversial Finance Act 2023 enters its third phase this month, with the government seeking improved income tax compliance by businesses and landlords.

The tax measures that came into effect on January 1 are mostly aimed at ensuring tax compliance and might not be as painful as those enforced from July/September 2023 that have rattled consumers.

Regulator shocks 20 Kenyan insurers with record fines over breaches

The insurance regulator has fined 20 insurers a record Sh94.85 million over various breaches, including failure to pay claims, shining a spotlight on the sector that collects billions of shillings from customers with the promise of compensation in case of a loss.

The Insurance Regulatory Authority (IRA) data shows the year ended 2022 marked the third

straight year of rising fines as well as the number of insurers getting penalised.

The regulator had in the preceding financial year penalised 10 insurers Sh56.9 million, which was an increase from Sh17.6 million in 2020 and Sh2.7 million in 2019.

Trident Insurance Company Limited was hit with the heaviest fine of Sh48.86 million over eight breaches followed by Invesco Assurance Company (Sh31.26 million), which is currently battling a liquidation order after defaulting on claims payments.

The Consumers Federation of Kenya (Cofek) in September wrote to the IRA claiming that consumers risked losing over Sh100 billion in the hands of at least 20 insurers it says continue collecting premiums yet have no capacity to pay claims due to their weak capital position. It then sued the regulator.

African Merchant Assurance Company (Amaco) was fined Sh1.02 million while Kuscco Mutual Assurance, which also failed to submit its quarterly unaudited financial statements as required by law, was fined Sh720,000.

New entrant Equity Life and Old Mutual Life Assurance Kenya were each fined Sh680,000 for late payment of annual licensing fee while Kenya Orient Insurance was fined a similar amount for late submission of premium levy return.

Cannon General was hit with a Sh500,000 fine. Gemina Life, Kenindia Assurance Company and Corporate Insurance Company were fined Sh450,000, Sh370,000 and Sh300,000 respectively. Geminia Insurance (General) was hit with a Sh210,000 fine.

Other insurers fined by the IRA were Kenya Orient (Sh200,000), Madison Life (Sh200,000), Pacis Insurance (Sh157,200) and Directline (Sh40,000).

Complaints against insurers rose for the third straight year to 1,878, surpassing the 1,686 the previous year and 1,637 in 2020, with delayed settlement of claims taking up 63.3 percent.

Deregistration of firms

The beneficial owners are then required to provide details to the registrar including their names, KRA PIN, national ID or passport copies, postal address, residential address, occupation, telephone number and the date when they became beneficial owners.

[Kenya trade deficit falls 12.5pc on export earnings](#)

Kenya's trade deficit narrowed by 12.5 percent in the third quarter to September compared to a similar quarter in 2022 after the country's export earnings rose sharply.

Data released by the Kenya National Bureau of Statistics (KNBS) shows Kenya's trade deficit declined to Sh379.2 billion during the quarter from Sh433.8 billion in the third quarter of 2022.

It is also a significant drop from a negative trade balance of Sh397.8 billion recorded during the April-June quarter.

The narrower trade deficit comes after total exports grew by 19.6 percent while imports declined by 1.6 percent compared to 2022.

[Google storage charges up 19pc for Kenyan users](#)

Google LLC has announced that it will be increasing its annual storage subscription charges for Kenyan users in the Google One Basic (100GB) package to Sh2,500 up from the Sh2,100 previously levied, representing a 19 percent rise.

This means that the cost of obtaining more space for services like Google Drive, Gmail and Google Photos among others, is set to go up by Sh400.

Google LLC is increasing the price of your subscription (Google One – 100GB) from Sh2,100/year to Sh2,500/year starting January 5, 2024 reads a notification sent by the firm to subscribers.

Google offers account holders the first 15GB of cloud storage for free, upon whose exhaustion a user is required to pay a monthly or an annual fee for one of the three available Google One tiers – Basic (100GB), Standard (200GB) or Premium (2TB).

[Kenya mulls Japanese, Chinese bonds to repay \\$2bn Eurobond](#)

Kenya is now considering plunging into uncharted waters in search of much-needed funds to retire its \$2 billion (Sh314.9 billion) Eurobond, pointing to heightened desperation as the clock ticks towards the June 24 redemption date.

Swapping the expensive commercial loan payments with nature conservation investments and issuing Chinese or Japanese bonds are just a few of the fresh alternatives that President William Ruto's administration is open to, the National Treasury has said in its 2024 draft Budget Policy Statement (BPS).

Firms to get better dollar rates on CBK reforms



The Central Bank of Kenya (CBK) has opened access to its new electronic forex trading platform to non-bank actors, paving the way for large dollar holders to sell their stock to the highest bidder in an open market.

According to rules published by the CBK on the new platform, which is known as Electronic Matching Systems (EMS), non-bank system participants will be limited to only selling forex on the platform, meaning that purchases will still have to be made via their commercial bankers.

President Ruto pleads with court to allow housing levy

President William Ruto pleaded with the Court of Appeal to allow his government to continue collecting the controversial housing levy, pending the hearing of an appeal challenging its legality.

The affordable housing fund is gross-on-gross taxation on workers' income where the Kenya Revenue Authority (KRA) uses same gross pay to calculate the Pay As You Earn, a form of double taxation. Every employee contributes 1.5 percent, matched by a similar percentage by the employer.

The sentiments were supported by Treasury CS stating that the government has been collecting Sh5 billion monthly with an estimated Sh73 billion annually using the challenged Finance Act.

Companies flouting ESG rules to miss IFC funding

The International Finance Corporation (IFC) will no longer fund any private sector companies that do not adhere to or report on environmental, social, and governance (ESG) issues, a step that could lock out several firms in Kenya.

ESG standards are considerations on how companies' business practices impact the natural

environment, the people around them, and their employees in the pursuit for profits.

With the growing threat of climate change, ESG has increasingly taken centre stage in the corporate world, with some regulators, such as the Central Bank of Kenya (CBK), now requiring their regulated entities to report on their ESG practices.

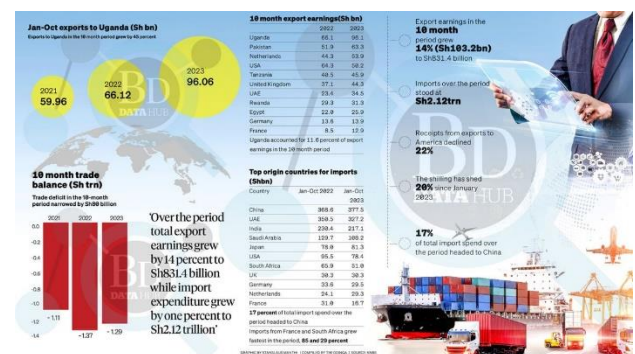
Kenya-US trade talks to resume in February

The Kenya-US trade negotiations will resume next month in Nairobi after the discussions scheduled for December failed to kick off.

Kenya's Trade Cabinet Secretary said the Strategic Trade and Investment Partnership (STIP) round of talks will focus on the completion of the text on agriculture as well as the new clauses that include Services Domestic Regulation, MSMEs and anti-corruption.

The trade negotiations are resuming with a round in Nairobi in end January or first week of February.

Exports to Uganda grow 45 percent in 10 months



Export earnings from Uganda increased 45 percent in the 10 months to October this year, propelled by sale of farm produce and fuel products to the land-locked country.

Data published by the Kenya National Bureau of Statistics show that Kenya exported goods worth Sh96 billion to Uganda up from Sh66 billion over similar period to account for 11.5 percent of total export earnings.

Kenya's main exports to Uganda include iron and steel products valued at Sh7.39 billion and petroleum products valued at Sh5 billion last year.

[Kenya company directors face shake-up in CMA reforms](#)

Listed company directors are facing a shakeup on a move by the Capital Markets Authority (CMA) to cap the period one can serve as an independent member at six years from nine.

The proposed changes, contained in the Capital Markets (Securities) (Public Offers, Listing and Disclosures) Regulations 2023, also seek to set clear parameters on cross directorship to address potential conflicts of interest where individuals sit on boards of multiple related or associated companies.

Going forward, Regulation 2(1) of the Capital Markets (Securities) (Public Offers, Listing and Disclosures) Regulations 2023 provides that a director shall cease being independent after six years of continuous service said the CMA.

[ICEA Lion's Fahari Reit trades on as delisting is delayed](#)



The units of ILAM Fahari real estate investment trust have continued trading on the Nairobi Securities Exchange (NSE)'s main investment market segment as its delisting remains pending.

The counter registered a turnover of Sh27,090 with 4,300 units traded at a Sh6.30 each.

The property fund was set for delisting on December 4 following a restructuring exercise that raised the threshold of unit holders to professional investors with a minimum investment of Sh5 million.

On November 24, the Reit's unit holders approved the proposed operational restructuring and delisting from the main investment market segment of the NSE.

[MPs push Treasury to release Sh43bn power utilities owe firms](#)

Parliament has asked the Treasury and the Ministry of Energy to pay Sh43 billion that power utilities such as Kenya Electricity Transmission Company (Ketraco), Kenya Power and Geothermal Development Company (GDC) owe various entities.

The National Assembly's Committee on Energy says the pending payments comprise Sh22.2 billion that Ketraco owes, Kenya Power (Sh19.6 billion) and Sh1.2 billion for GDC arising from works done by contractors, budgetary constraints, litigation and wayleave compensation.

The Nuclear Power and Energy Agency had a pending bill of Sh82.9 million arising from conferences and project funding constraints.

The committee said as at the end of June 2023, GDC had Sh1.22 billion as a result of budgetary challenges, litigation and cash flow woes.

The committee noted that of the Sh82 billion Kenya Power owes, the independent power producers claim Sh38.9 billion, KenGen (Sh21.7 billion), Rerec (Sh7.8 billion), power imports (Sh4.2 billion), Ketraco (Sh4.2 billion), and other suppliers (Sh6.6 billion).

MPs fault NOC's revival plan over Sh8bn debt load



A parliamentary committee has poked holes in a revival plan for the National Oil Corporation of Kenya (NOC) over payment of Sh8.3 billion bank loans, amid a growing uncertainty over the deal seen as key to reviving the State-owned oil marketer.

The National Assembly's Committee on Energy faulted the ministries of Energy and Petroleum and National Treasury for lack of a plan on whether they will settle the loans that NOC owes KCB and Stanbic Bank or the liabilities will be transferred to a strategic partner.

NOC is seeking to tap an oil multinational as a strategic partner to inject at least Sh5.3 billion into the State-owned firm as part of its revival plans.

The firm owes KCB and Stanbic Sh6.1 billion and Sh2.21 billion respectively, leading to accumulation of penalties and interest.

Though feasible, the plan does not address existing unpaid bank loans which amount to Sh8.3 billion, with Sh6.1 billion to KCB Group and Sh2.2 billion to Stanbic Bank.

Kenya's Eurobonds cross Sh1trn mark on weak shilling

Kenya will need to pay in excess of Sh1 trillion to clear its outstanding sovereign debts or Eurobonds following the sharp weakening of the Kenya shilling since issuance of the securities.

According to an analysis of the debt trend, Kenya's outstanding Eurobonds at issuance stood at Sh697.7 billion but have since swelled to Sh1.117 trillion from the depreciation of the local currency alone.

This mirrors the risks posed by contracting debt in foreign currencies which leaves the country prone to refinancing risks at the maturity of the obligations.

Sasra offers non-deposit taking sacco levy relief

Non-withdrawable deposit taking sacco will pay a discounted annual levy compared to the current 0.175 percent paid by deposit-takers, according to the latest schedule the sacco regulator has published. The levy is calculated as a percentage of the funds held by an institution.

The Sacco Societies Regulatory Authority (Sasra) has set the annual levy for non-deposit taking entities under its supervision at 0.1 percent of the total non-withdrawable deposits they hold as at the close of the preceding financial year (to June 2023).

A sacco is classified as non-withdrawable deposit-taking if its business is strictly limited to the receipt

of deposits that are not available for withdrawal for the duration of the membership and may be used as collateral against borrowing and domestic money transfer services only.

The regulations also brought under Sasra all non-deposit taking sacco that mobilise membership and subscription to share capital through digital or other electronic payment platforms and those sharing capital from people residing outside Kenya.

Kenya's spend on food imports exceeds machinery by Sh61bn

Kenya's expenditure on food imports jumped by nearly Sh100 billion in the 12 months to September 2023, underlining the devastating impact of prolonged drought and disruptions in global supply chains on the country's food security.

Traders splashed Sh338.96 billion on food and beverages from abroad in the review period compared with Sh239.98 billion in a similar period in the prior year, analysis of official data shows. The 41.25 percent or Sh98.98 billion bump came at a time when President William Ruto marked the first full year in office.

The provisional data collated by the Kenya National Bureau of Statistics indicate the food import bill exceeded expenditure on machinery and other capital goods, including parts and accessories, by Sh61.04 billion in the review period. This was after expenditure on the capital goods fell nearly by Sh25.36 billion or 8.36 percent to Sh277.92 billion.

Food items that were brought into the country tax-free last year included white maize, rice, yellow maize, soya beans, soya bean meal, assorted protein concentrates and feed additives.

The waiver was granted in a bid to bridge the food stocks deficit as well as lower and stabilise food prices.

Why MPs want State to source loans for private power firms

Members of Parliament seek to compel the government to source for financiers to give new, cheaper loans to old independent power producers (IPPs) within four years as part of reforms to lower the cost of power.

The economy has resulted in 22 (refinancing) applications being approved to date and has contributed to cost savings of R4.7 billion (Sh39.7 billion) over the remaining terms of the PPAs.

Interbank lending rate at 5-month high on tighter monetary policy

The interbank lending rate has spiked to a near five-month high at the start of 2024 after the tightening of monetary policy by the Central Bank of Kenya (CBK) in December.

According to data from the CBK, the mean lending rate between banks stood at 14.3 percent on January 2, 2024, the highest since August 7.

The higher cost for the banks' overnight lending facility comes in the backdrop of CBK's jumbo rate increase on December 5, which moved the Central Bank Rate (CBR) from 10.5 percent to 12.5 percent.

The interbank lending rate has moved from a low 10.39 percent since the implementation of the higher benchmark rate.

Exports to Uganda grow 45 percent in 10 months

Export earnings from Uganda increased 45 percent in the 10 months to October this year, propelled by

sale of farm produce and fuel products to the land-locked country.

Data published by the Kenya National Bureau of Statistics show that Kenya exported goods worth Sh96 billion to Uganda up from Sh66 billion over similar period to account for 11.5 percent of total export earnings.

Kenya's main exports to Uganda include iron and steel products valued at Sh7.39 billion and petroleum products valued at Sh5 billion last year.

Over the 10-month period total export earnings grew by 14 percent to a record Sh831.4 billion while import expenditure grew by one percent to Sh2.12 trillion.

Kenya's Africa trade surplus hits new high of Sh121 billion

Kenya's exports to Africa exceeded imports by Sh121 billion in nine months through September, hitting record-high levels that signal increased deals on the continent for traders amid President William Ruto's aggressive diplomatic offensive.

Official data shows traders sold goods worth Sh324.79 billion to African countries in the review period, a 20.86 percent jump over Sh268.73 billion in a similar period the year before.

The jump in earnings from exports on the continent came at a time expenditure on imports fell a modest 2.85 percent year-on-year to Sh203.79 billion, the first drop since the Covid-19 shutdowns three years earlier.

This resulted in surplus for Kenya's merchandise trade in Africa more than doubling after rocketing 105.21 percent to Sh121.01 billion from Sh58.97 billion in a similar period in the prior year, the highest on record based on publicly-available data published by the Kenya National Bureau of Statistics (KNBS).

Exports to Tanzania grew 17.91 percent in the review period to Sh49.47 billion, largely lifted by re-exports of kerosene-type jet fuel. The data further shows that exports to DRC grew by half (51.24 percent) to Sh18.81 billion on increased orders for wheat flour, food preparations and preparations of organic-surface active agents".

Exports to Somalia grew at the same pace (51.50 percent) to Sh16.78 billion, while earnings from goods to South Sudan swelled 27.55 percent to Sh23 billion, largely driven by sale of lubricants and food preparations to the country ravaged by persistent civil war.

Motorcycle imports drop 77pc on higher prices, fueling costs

Motorcycle imports fell the sharpest last year as higher import costs resulted in a general decline in consumption of goods Kenyan consumers ordered from overseas.

According to the Kenya National Bureau of Statistics data, the number of imported motorcycles and cycles fitted with an auxiliary motor in nine months to September fell by 77.5 percent to 64,041 units from 285,459 units in a similar period in 2022.

The main reason for the reduced imports has beencost. Used to buy motorcycles at between Sh135,000 and Sh145,000 and now buying the same motorcycle with a 150cc engine at aroundSh200,000 and national chairman of Boda BodaSafety Association of Kenya.

SGR January loan payments up Sh14bn on weak shilling

Kenya's January payments towards the standard gauge railway (SGR) loans from China have appreciated by Sh14 billion on account of a weaker shilling that has inflated external debt and its service costs.

World Bank data on Kenya's external debt payments shows that the country will spend \$536.9 million (Sh84.8 billion) to service the loans, which are paid on semi-annual basis in January and July. The payments comprise a principal amount of \$289.95 million and interest of \$246.96 million.

Restated data from the World Bank shows that the payments in January 2023 stood at \$564.53 million, which at the prevailing exchange rate was the equivalent of Sh70.2 billion. Previously, the institution had estimated the cost at \$409.86 million.

CMA sets sights on investment cash deductions through pay slips

The Capital Markets Authority has admitted a new company into its regulatory sandbox to test a technology that will allow salaried and wage workers to have their investments in money market funds deducted directly from their salaries.

Power IO, a mobile application developed by Frictionless Enterprises, was added to the list of capital markets products to be tested before roll-out into the market under the CMA's regulatory sandbox programme.

The application enables workers to invest and employers to effectively manage their workforce via the deduction management system

If successfully tested, the innovation will be rolled out in the Kenyan market, allowing the company to onboard interested employers and workers who want to automate their investing in that fashion.

Regulatory sandbox

The CMA regulatory sandbox is a platform that allows the testing of various capital markets related products in a regulated environment before they are released into the market.

[Investor jitters drive T-bill rates past 16 percent](#)

Investor concerns surrounding government debt refinancing risks and expectations of even higher interest rates have driven returns on the short-dated Treasury bills past 16 percent.

All the three short term papers closed above 16 percent, with the return on the 91-day T-bill closing at 16.0589 percent.

Interest rates on the 182- and 364-day papers meanwhile rose to 16.0915 and 16.2786 percent respectively in the same auction.

According to analysts, jitters surrounding the repayment of outstanding debts including the maturing Eurobond in June this year has driven investors into demanding a higher premium to hold government securities.

Interest rates on the shortest paper, the 91-day T-bill, have grown the fastest by 6.669 percentage points from 9.392 percent at the start of 2023.

Yields on the 182 and 364-day papers have surged by 6.2445 and 5.9096 percentage points respectively over the same period.

[Treasury raises borrowing target by Sh168 billion](#)

The Treasury disclosed the new borrowing target last month in a document analysing global and domestic economic developments, ahead of preparation of the next financial year's budget. The Treasury noted, in a presentation, that the government experienced revenue shortfalls during the first four months of the 2023/24 financial year.

The budget deficit including grants projected at Sh886.6 billion (5.5 percent of GDP) from the Budget Estimates of Sh718.9 billion (4.4 percent of GDP) Treasury noted in a presentation on December 13.

The disclosure puts the government off balance in its drive to cut borrowing and finance the budget through alternative mechanisms such as the Public Private Partnerships (PPP) and growing revenues generated domestically, amid growing public debt service burdens for the exchequer. In the four months ending October 2023, the ordinary revenue collection of Sh713.9 billion by KRA fell below target by Sh59.1 billion, Treasury observed.

The latest report by KRA shows that in the five months ending November 2023, the taxman collected Sh963.7 billion, which was 34.6 percent of its annual target of Sh2.787 trillion for the 2023/24 fiscal year.

[NSE best and worst performing stocks of 2023](#)



Uganda-based energy utility Umeme Limited, cross-listed on the Nairobi Securities Exchange (NSE), delivered the highest returns to investors last year as its share price rose by 115.6 per cent.

The stock more than doubled in price from Sh7.42 to Sh16 in the 12 months to December 2023, putting it at the apex of the market ahead of Kapchorua Tea, whose share price was up by 89.8 per cent and Kenya Orchards, whose stock gained by 87.5 per cent to close at Sh19.50 from Sh10.40.

Shilling depreciates faster despite CBK interest rate hike



The Kenya shilling has depreciated faster despite the Central Bank of Kenya (CBK) raising interest rates last month to counter weakness in the local currency.

The shilling's depreciation against the US dollar has for instance quickened to a mean of 0.16 percent or 16 cents per day since the tightening of monetary policy on December 5 from an average daily change of 0.069 percent in the month preceding the interest rate increase.

The faster depreciation of the Kenya Shilling has raised questions about the successes of monetary policy tightening as a countermeasure to foreign exchange weakness and further puts the prospects of an additional interest rate hike on the table during CBK's next policy setting meeting next month.

Since implementing the jumbo rate increase, the Kenya Shilling has depreciated against the US dollar to change hands at Sh158.3 on from Sh153.28 on December 5.

Last month, the CBK surprised the market as it unexpectedly raised interest rates by 200 basis points/ two percent, lifting the Central Bank Rate to 12.5 percent from 10.5 percent. In its decision, the

CBK Monetary Policy Committee-MPC noted that the exchange rate depreciation had continued to exert pressure on domestic prices.

Cash-rich firms reap bumper gains from rising interest rates

Cash-rich listed firms are set for higher finance income in the near term due to elevated interest rates on offer on fixed deposits and government paper, potentially boosting their bottom line in a period when tough economic conditions have hurt corporate earnings.

Analysis of listed firms shows multiple companies hold substantial amounts of cash in hand while also retaining low debt levels, pointing to a net gain from the higher interest rates in the market.

Some of the companies with significant cash and cash equivalent holdings as per respective latest financial filings include TotalEnergies Marketing Kenya at Sh13.28 billion, Liberty Holdings at Sh10.87 billion, WPP Scangroup at Sh3.47 billion, and Nation Media Group at Sh3.7 billion.

Others are Bamburi Cement at Sh3.85 billion, Williamson Tea Kenya at Sh1.02 billion, Sasini at Sh871 million and the Nairobi Securities Exchange (NSE) at Sh531 million.

Latest data from the Central Bank of Kenya (CBK) shows that the average deposit rate among commercial banks rose to 9.11 percent by the end of October 2023, from 7.47 percent in January.

State funding pressure as over 200,000 score varsity grades

The number of candidates who met the minimum university entry qualification in the 2023 Kenya Certificate of Secondary Education (KCSE) examination crossed the 200,000 mark for the first time, signalling more pressure for higher education funding.

According to the results released by Education Cabinet Secretary the number of qualifying candidates rose 16 percent to hit 201,133, adding 27,788 candidates to the 173,345 who scored C+ — the minimum entry grade—and above last year.

The number of candidates who attained the minimum university qualification this year was 201,133, which was 22.27 percent (of the entire candidate population) compared to 173,345 which was 19.62 percent in the year 2022

In the just-released results, the number of candidates who scored the premium grade A rose to 1,216 up from 1,146 last year, which was an addition of 70 learners.

National schools contributed the largest chunk of the best scorers, producing 889 students with grade A, distantly followed by extra-county schools at 172, private schools (143), sub-county schools (7) and county schools (7).

A total of 899,453 learners sat for the test last year, marking a 2.1 percent rise from the 881,416 in the 2022 test.

An analysis shows that the number of girls who scored A, A- and B+ increased 30.5 percent to hit 10,881 up from 8,337 in 2022, while the growth in the number of male candidates in the same category was at a sluggish 5.2 percent to 15,667 up from 14,898.

Kenya's economy to grow 5.2pc this year, says World Bank

The World Bank has projected Kenya's economy to grow at a faster rate of 5.2 percent this year, boosted by increased private sector investment as the government reduces its borrowing from the domestic credit market.

According to the latest Global Economic Prospects, a World Bank Group flagship report, growth in non-resource-rich countries such as Kenya is projected to strengthen to 5.4 percent in 2024 and 5.7 percent in 2025.

Increasing investment is expected to drive growth in Kenya and Uganda, partly owing to improved business confidence

Net domestic borrowing by the Kenyan government in the fiscal year starting July 2024 is expected to reduce to Sh377.7 billion, or 2.1 percent of the gross domestic product (GDP), making space for increased borrowing by the private sector.

In the current fiscal year ending in June, net borrowing is projected at Sh451.7 billion, a result of tight global financial markets that have made it difficult for most frontier markets to contract external loans such as dollar-denominated Eurobonds.

In the third quarter of 2023, real GDP, the size of the economy adjusted for inflation, grew by 5.9 percent from 4.3 percent in a similar period in 2022, boosted by a resurgence in agriculture which has been contracting due to drought, data from the national statistician shows.

The tiny West African country of Niger will grow the fastest at 12.8 percent, followed by Senegal at 8.8 percent.

Rwanda, a member of the East African Community (EAC) like Kenya, is projected to grow at 7.5 percent, Ethiopia 6.4 percent, and Guinea 5.8 percent.

The US economy grew 2.5 percent in 2023, 1.4 percentage points higher than its June estimate, the World Bank said. It forecast growth this year to slow to 1.6 percent as restrictive monetary policy restrains activity amid diminished savings but said this was twice the June estimate.

The eurozone's picture is considerably bleaker, with growth this year forecast at 0.7 percent after high energy prices resulted in just 0.4 percent growth in 2023. Tighter credit conditions prompted a 0.6 percentage point cut to the region's 2024 outlook from the bank's June forecast.

[Private companies' beneficial owners search fee at Sh600](#)

Kenyans will pay Sh600 to search for beneficial owners of private companies in the latest effort by the government to increase revenue collection in a process, that has the potential to expose the wealth and stakes entrepreneurs hold in their businesses.

Through a legal notice, the fee was introduced by Attorney-General in October last year by amending the Companies (Beneficial Ownership Information) Regulations of 2020.

The Second Schedule to the principal regulations is amended by inserting the following new fee — beneficial ownership search request Sh600,

This comes three years after former President Uhuru Kenyatta's regime gave all companies a period of six month running from January 2021 to July 2021 to reveal their beneficial owners. The push for disclosure of beneficial owners came after the State, through the Business Registration Service (BRS), operationalised the Beneficial Ownership E-Register in October 2020 in line with the Companies Act, 2015.

A beneficial owner of a company is described as an individual with control over an express trust or on whose behalf an undertaking takes place.

[January bond rates seen rising past 18pc](#)

The interest rates on the dual-tranche January 2024 Treasury bond sale are expected to soar past the 18 percent mark as investors factor in the recent increase in the Central Bank of Kenya (CBK) base

rate and the government's upward revision of the domestic borrowing target.

Pre-auction analysis by three investment banks — Genghis Capital, Sterling Capital and AIB-AXYS Africa— projects bids falling between 18.3 percent and 18.9 percent for the bond offer, which comprises a new three-year bond and a third reopening of a five-year bond first sold in July.

The interest rate on the three-year will be market-determined. On the five-year paper, the coupon in its original sale was 16.84 percent, but two subsequent re-openings in August and October saw rates go up to 17.95 percent and 17.99 percent, respectively.

For Genghis, the expectation is that bidding for the three-year paper will range between 18.45 to 18.5 percent and between 18.65 and 18.85 percent for the five-year option.

The recent adjustment—via the Supplementary Budget—in the net domestic borrowing target for the fiscal year to Sh474.5 billion from Sh415.1 billion has also signalled a higher appetite for funds by the government, meaning that the CBK is less likely to reject bids.

Varsities got Sh241bn in six years in old funding model

Public universities were allocated Sh241.53 billion for student capitation for the six years that the State used the differentiated unit cost (DUC) model, which was phased out in July, 2023.

Official data shows allocations hit a high of Sh44 billion in the year ended June 2023, the last year of the DUC, compared to Sh33.3 billion allocated in the 2017/18 period— the first year of the formula.

The government phased out the DUC formula in July and introduced a new criterion where students will get funds based on their level of need, in an effort to ease pressure on the exchequer.

The DUC funding never hit the stipulated 80 percent and the highest was 66 percent in the 2018/19 financial year.

It remained on the decline and hit 48 percent in the year ended June 2023, hitting public universities that have since sunk into financial woes with at least Sh60 billion in unpaid bills and statutory deductions.

KRA to get Sh12.9bn more for administrative measures

The Kenya Revenue Authority (KRA) will receive an additional Sh12.9 billion in funding to help with tax administrative measures aimed at enhancing compliance and broadening the tax base, a new report from the National Treasury has shown.

This will push KRA's funding from the National Treasury to Sh36.6 billion after the taxman was initially awarded Sh23.7 billion for the 2023/24 fiscal year.

These administrative measures, contained in the Medium Term Revenue Strategy (MTRS), are aimed at, among others, expanding the tax base by recruiting new taxpayers into the tax net, simplifying tax procedures, and ensuring timely tax refund.

The MTRS will be implemented within a three-year period beginning from the fiscal year beginning July this year to June 2027.

Tax policy reforms will be implemented through the Finance Acts and Regulations, beginning with the Finance Act, 2024 and will not require additional resources from the Exchequer the National

Treasury in the 2024 Draft Budget Policy Statement (BPS).

The National Treasury reduced the budget for the KRA to Sh23.7 billion for the financial year 2023/24 down from Sh26.3 billion that the taxman had received in the previous period.

In the fiscal year 2024/25 the KRA is expected to collect Sh2.96 trillion in ordinary revenue—including income tax, import duty, value added tax (VAT), Excise duty and investment income—up from a projection of Sh2.6 trillion in the current fiscal year. Some of the VAT reforms of the MTRS include the proposal to harmonise Kenya's VAT with that of the other countries in the East African Community (EAC) and the introduction of the 16 percent VAT, a sales tax, on insurance services.

Proposed changes on income tax include the reduction of corporate tax from 30 to 25 percent, re-introduction of the one percent minimum tax on turnover; and the introduction of withholding tax on payments for goods supplied to the government, similar to services, as an advance tax.

Family Bank extends rights issue to January

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Family Bank has once again extended its rights issue seeking Sh9.3 billion—aimed at funding its growth—to the end of this month.

The cash call was initially set to close on November 16, 2023 but has been extended multiple times.

The bank is offering 643.5 million new shares to existing investors at an offer price of Sh14.5 per share.

Kindly note that the Board of Directors has extended the rights issue closure date to 31st January 2024.

Family Bank is eyeing regional expansion from the Sh9.3 billion it plans to raise from the cash call.

The lender is expected to expend Sh4 billion for regional expansion initiatives, signaling intentions to venture into new markets via a combination of either greenfield investing or mergers and acquisitions.

A further Sh2 billion is to be invested in IT infrastructure and new product initiatives while a further Sh3 billion will be used in supporting onward lending.

AFC directors among defaulters of Sh3bn, auditor says

Six directors of the Agricultural Finance Corporation (AFC) have defaulted on Sh35.82 million which they took from the company, but has now been deemed unrecoverable, making them among borrowers who have defaulted on loans worth Sh3.06 billion.

An audit report by Auditor-General the State-owned development financier lent a total of Sh54.92 million to seven directors in the year ended June 2022. However, six of them defaulted on Sh35.82 million or 65.2 percent of the total loan.

According to the audit report, AFC had issued a total of Sh9.89 billion loans to customers by June 2022, but customers had defaulted on Sh3.06 billion or 31 percent of the total loans.

However, only loan balances amounting to Sh830,573,976 held in 2,457 accounts with arrears amounting to Sh829,695,138 were transferred to the debt recovery unit for specialized attention during the year under review.

Kenyans recover Sh4bn from unclaimed assets agency

Kenyans traced and recovered Sh4.5 billion in cash from the Unclaimed Financial Assets Authority (UFAA) in the year ended June 2023 on increased

campaign by the State entity that is holding more than Sh50 billion in assets.

The UFAA says in its latest update the amount was reunified with the rightful owners, marking a 49 percent growth from Sh3.02 billion remitted in the previous financial year.

The Sh4.5 billion surpassed the Sh4 billion that the UFAA had targeted to remit in the period under review and also warned firms holding unclaimed assets to release them.

The target was surpassed due to a moratorium campaign to encourage holder compliance devoid of fines and penalties..

The cash remitted was in addition to 150 million stocks of unknown value being reunited with owners or beneficiaries of the shares left behind by deceased relatives. This was, however, a drop from 182 million shares that the authority handed over to the owners in the previous fiscal year.

The value of unclaimed financial assets reunited with owners or beneficiaries remain low despite the progress by the entity which was holding cash, shares and dividends valued at more than Sh50 billion at the end of 2023.

The UFAA is in the current financial year ending June 2024 targeting to remit Sh5 billion in cash and 350 million shares to help it meet a reunification rate of 5.5 percent.

[KRA eyes over Sh14 billion from 5pc farm produce tax](#)

The government is eyeing at least Sh14.3 billion in additional revenue in the proposed withholding tax of five percent on farm produce sold through co-operatives

[CBK warns of mobile money fraud risk on unverified SIM cards](#)

The Central Bank of Kenya (CBK) has warned mobile money service providers (MMSPs) and banks of the rising risk of fraud from remote registration of customers.

The CBK in a circular that virtual onboarding of customers was denying mobile money players, including Safaricom, Airtel and Telkom Kenya, a chance to verify that the people sending and receiving money are the same ones that registered on their platforms.

In the circular issued last November and made public, the regulator reminded financial institutions to tighten their anti-money laundering and counter-terrorism financing (AML/CFT) checks to reduce the risks involved in remote onboarding of customers.

Platforms that facilitate virtual on-boarding such as mobile money platforms have been the subject of fraud due to forgery of documents and identity theft.

M-Pesa transactions grew by 21.4 percent to Sh35.86 trillion in the financial year ended March 2023 when the number of transactions increased by a third to 21.03 billion, pointing to the increased reliance on the service in the economy.

The CBK in September last year increased the daily mobile money wallet size from Sh300,000 to Sh500,000 and also increased the daily transaction limit from Sh150,000 to Sh250,000 in line with increased usage. Kenya had 77.12 million registered mobile money accounts at the close of November last year.

Airtel and Safaricom relied heavily on online portals to register and update customers' details after the regulator in 2022 threatened to deactivate SIM cards whose owners did not comply.

The rules require telcos to record full names of customers, ID number and date of birth, gender and physical address of subscribers. But the use of virtual registration tools has left the telcos with little room to know if those registering are using their own documents or not.

British pound official rate crosses Sh200 mark



The official shilling exchange rate against the British pound has crossed the Sh200 mark, boosting the earnings of horticulture exporters to the UK and parts of Europe that trade using the currency.

January power prices jump 16.5pc on fuel, forex charges

Kenyans will pay as much as 16.5 percent more in electricity prices this month after the energy regulator raised fuel and foreign exchange charges on the commodity in what is set to slow down the easing of the cost of living recorded in recent months.

The Energy and Petroleum Regulatory Authority (Epra) in its latest monthly power prices review this week raised the energy charge by 8.7 percent to Sh4.33 per unit up from Sh3.98 last month. The

higher energy charge signals an increase in output of expensive thermal electricity last month.

The energy charge is collected by Kenya Power on behalf of thermal power generators to cover for their fuel costs. It also supports off-grid power stations that serve far-flung areas that are not connected to the grid.

An analysis by Business Daily shows that lifeline customers – those who on average consume less than 30 units monthly – will see an increase of 16.5 percent in their bills this month.

Small commercial customers will incur an increase of about 16.6 percent, while domestic ordinary customers and electric vehicles charging firms will shoulder an increase of 13.4 percent and 13.8 percent respectively.

Confusion over new NSSF deduction as first year ends

Confusion is growing among Kenyan employers regarding expected changes in the pension contributions as the first year of implementation of the NSSF Act, 2013, lapses in February with no clarity of what the next level of deductions will be.

The government started implementing the Act in February last year, raising mandatory contributions from a flat Sh200 per employee (with an equivalent contribution from the employer) to a graduated plan that will eventually hit six percent of employees' salaries.

Implementation of the law requires that the deductions will be raised to specific amounts/percentages over the first five years.

NSSF last year set the lower and upper earnings limit at a monthly salary of Sh6,000 and Sh18,000 respectively, which effectively saw employees earning Sh6,000 contribute Sh360 while those pocketing Sh18,000 and above take a Sh1,080 shave.

This would differ from the law which directs that the lower earnings limit for the second year (this calendar year), shall be Sh7,000, which would raise the minimum contribution to Sh420.

[CBK rejects Sh12 billion as bond investors press for higher rates](#)

The Central Bank of Kenya (CBK) rejected bids worth Sh12 billion in the January Treasury bond sale after investors asked for upwards of 19 percent on the five-year tranche of the bond.

Investors put up bids worth Sh37.1 billion against the State's target of Sh35 billion but saw the CBK take up Sh25.02 billion from the dual-tranche paper whose sale closed yesterday.

The issuance comprised a new three-year bond and a third reopening of a five-year bond first sold in July.

On the three-year option, investors offered the government Sh29.09 billion, asking for an average return of 18.63 percent. The CBK took up Sh22.07 billion, at an average rate of 18.39 percent.

On the reopened five-year paper, bids stood at Sh8.06 billion at an average asking rate of 19.07 percent as investors sought to test the monetary regulator's resolve on keeping a lid on rates. The CBK took up Sh2.9 billion from this paper at an average of 18.77 percent.

The five-year bond's first sale in July 2023 had yielded a coupon of 16.84 percent, while two subsequent reopenings in August and October saw rates go up to 17.95 percent and 17.99 percent respectively.

The tax-free infrastructure bond sold in November paid 17.93 percent, effectively setting a floor of how much investors would expect from ordinary bonds.

Analysts had projected that the January bond sale would test the 18 percent mark in yields, pointing

also to the decision in early December by the Monetary Policy Committee (MPC) of the CBK to raise the base rate by two percentage points to 12.5 percent.

[Bondholders at NSE face steeper losses](#)

Holders of government bonds are staring at further erosion of the value of their assets as interest rates continue rising, cutting the prices on offer for those selling bonds in the secondary market.

[US firms enjoy billions in savings from Ruto tax cut](#)

Two US firms with operations in Kenya have reported enjoying significant tax benefits arising from the move last year by President William Ruto's administration to cut taxes for local branches of foreign companies.

Ormat Technologies Inc, a US company that has power generation operations in Kenya, disclosed a tax benefit of \$9.4 million (Sh1.49 billion), suggesting that foreign companies will make billions of shillings in savings from the controversial Finance Act, 2023 that reduced the corporate tax rate for the branches from 37.5 percent to 30 percent.

The decision aligned the corporate tax for foreign companies with the rate paid by resident ones.

US-based tower firm American Tower Corporation (ATC) also reported tax savings against the backdrop of a public backlash locally over mounting taxes and levies.

The increase in the income tax provision during the nine months ended September 30, 2023 was...partially offset by a benefit in the current year from the application of a tax law change in Kenya.

The government through the draft Medium Term Revenue Strategy (MTRS) 2023 has also proposed to lower the corporate income tax (CIT) for

companies from 30 percent to 25 percent from July to ease the tax stress on businesses.

The firm sold electricity valued at Sh14.39 billion to Kenya Power in the year to June 2023, marking a significant increase from Sh11.95 billion in the previous year.

[Safaricom employee charged in Sh29m police Sacco theft case](#)

A Safaricom employee accused of using people's national identification card numbers to register mobile lines used to steal over Sh29.5million from the National Police DT Sacco Society Limited has been charged with fraud.

Holding the title of a trade development representative (TDR) at Safaricom, faced six fraud charges when he was charged before Milimani senior principal magistrate.

The millions were allegedly stolen from the sacco between August 2021 and April 15, 2022. The charges against Adoyo were allegedly committed within the same period August 28, 2021, and April 15, 2022, as preferred against the other suspects.

The M-Pesa operators were further charged with money laundering by allegedly allowing those withdrawing the funds to access the said Sh7,035,200 when they knew the money had been stolen from the thrift institution.

[Equity takes aim at Safaricom with 8.5pc shopping overdraft](#)

Equity Bank Kenya has rolled out an unsecured facility that allows customers to overdraw their accounts up to Sh100,000 to complete transactions such as shopping, taking competition to the doorsteps of Safaricom's Fuliza.

The lender has communicated to customers the new product dubbed 'Boostika', which will allow clients with insufficient funds when making a

payment, sending money or buying airtime, to complete such transactions and pay the amount within a month at an effective cost of credit of 8.5 percent.

The terms and conditions of the product show customers with accounts that have been active for at least six months will be eligible to access overdrafts of between Sh100 and Sh100,000 based on their loan limit. The customers are allowed to draw multiple overdrafts for as long as the unpaid balance is within their limits.

[Equity Bank Kenya customers](#)

A breakdown of charges shows Equity will charge five percent of the amount as a processing fee (also called loan application and credit evaluation fee), the interest of 1.5 percent per month, one percent as loan insurance and an excise duty of 20 percent of the processing fee.

This means a customer tapping the maximum allowed of Sh100,000 will pay 8.5 percent interest, or Sh8,500 made up of Sh5,000 processing fees, Sh1,500 interest, Sh1,000 loan insurance charge and another Sh1,000 towards excise duty.

A Sh70,000 Boostika overdraft will cost an Equity customer Sh5,950 if repaid after 30 days. A similar amount, which is the maximum for Safaricom's Fuliza, will cost an M-Pesa user Sh1,600 made up of a one percent access fee equaling Sh700, a daily maintenance fee of Sh25 totalling Sh750 and a 20 percent excise duty on maintenance fee amounting to Sh150.

[State House upgrade to cost taxpayers Sh795m by June](#)

Taxpayers will spend Sh795 million on sprucing up State House Nairobi in the largest upgrade of the 117-year-old building.

Treasury bill rates rise further as CBK rejects Sh12 billion

Interest rates on Treasury bills rose further in last week's auction as investors continued to price in the recent increase in the Central Bank of Kenya (CBK) base rate, even as the regulator rejected Sh12 billion worth of bids in the sale.

The CBK said it received bids worth Sh57.97 billion in the sale, out of which it accepted Sh45.96 billion against a target of Sh24 billion.

The interest rate on the three-month T-bill rose to 16.14 percent from 16.05 percent in the previous sale, with the six-month paper seeing its rate go up to 16.18 percent from 16.09 percent previously.

On the one-year T-bill, the rate went up to 16.39 percent from 16.27 percent.

The rates movement mirrored that seen in the January Treasury bond sale, which closed last Wednesday, where its three and five-year tranches paid investors average rates of 18.39 and 18.77 percent, respectively.

The December rise in the Central Bank Rate to 12.5 percent from 10.5 percent also signalled a higher cost of money to the economy, which will reflect in higher rates on government securities and bank loans.

The stock of outstanding T-bills as a share of total domestic debt has fallen to 10.8 percent from 34 percent in mid-2019 on account of the CBK refraining from leaning on short-term papers for budget financing.

In the January bond sale, the government also left Sh12 billion on the table, this time with an eye on warding off expensive bids by investors who asked for upwards of 19 percent on average on the five-year tranche.

IMF executive board to approve more funding to Kenya.

The Washington-based executive board of the International Monetary Fund (IMF) is set to meet on (January 17) to complete the sixth review of the institution's arrangement with Kenya, including giving the green light on the disbursement of fresh funds.

The meeting will be in the backdrop of November's staff level agreements on economic policies and reforms required to conclude the six reviews and augmentation of the arrangements.

The completion will see the multilateral lender wire an estimated Sh109 billion (\$682.3 million), inclusive of the expansion of resources under the extended fund facility (ECF) and extended credit facility (ECF) and the first review of the resilience sustainability facility (RSF).

The approval of fresh funding would bring the IMF's financial support disbursed under the arrangements to Sh427 billion (\$2.68 billion).

Proceeds from the review are set to prop up Kenya's foreign exchange reserves, with the State expected to draw on the buffer to meet the Sh319 billion (\$2 billion) Eurobond maturing in June.

American tower firm takes Sh953m revenue hit on weak shilling

The American Tower Corporation (ATC) has revealed that it took a hit of \$6 million (Sh956.4 million) from converting its sales in Kenya into US dollars in the nine months to September 2023 due to the depreciation of the Kenyan shilling.

The company through its local subsidiary ATC Kenya owns some 3,645 telecommunications

towers in the country which it leases to local mobile network providers.

Africa property segment revenue decrease of \$9.7 million was attributable to decrease of \$71.7 million attributable to the impact of foreign currency translation, which included, among others, negative impacts of \$55.5 million related to fluctuations in Nigerian Naira, \$9.1 million related to fluctuations in Ghanaian Cedi and \$6 million related to fluctuations in Kenyan Shilling.

ATC bought 715 towers from Telkom in 2018 at a cost of \$155 million (24.7 billion at current exchange rates) and leased them back to the telco.

[Sycamore's mobile-based unit trust gets CMA nod](#)

Sycamore Capital has exited the regulatory sandbox and received approval to operate as a collective investment scheme (CIS), making it the 11th firm to leave the live testing environment.

The Capital Market Authority (CMA) announced the successful exit of the firm and its licence to operate as a digital-based investment platform.

Sycamore Capital was allowed into the CMA sandbox in July 2021 to test the Cashlet app.

CISs are also known as investment funds, mutual funds or simply funds investing in assets such as bonds, equities or cash and run by fund managers.

The firm partnered with licensed fund manager ICEA Lion Asset Managers to bring together retail investors through the Cashlet app and direct their investments into registered collective investment schemes.

[Shilling falls to new low of Sh160 to the dollar](#)

Consumption of spirits continued to fall following the end of the Covid-19 pandemic restrictions amid higher taxes on international premium drinks.

Data from the Kenya National Bureau of Statistics (KNBS) shows that imported spirits—including brandy, gin, whiskey and rum—dropped from an all-time high of 16.3 million litres at the height of Covid-19 pandemic in 2020 to 13.2 million litres in 2022, reflecting a major shift in drinking habits in the post-lockdown environment.

The drop in imported spirits, which includes mostly premium liquor—such as Scotch Whisky—in the post-lockdown period mainly due to a sharp increase in taxes with import duty raised from 25 to 35 percent according to Eric Githua, who is the chairperson for the Alcoholic Beverages Association of Kenya (Abak).

The shilling's official exchange rate has hit Sh160.23 to the dollar, extending its record decline against the US currency on the back of pressure from importer demand and efforts by the Central Bank to report the true trading value of the local unit.

Currency dealers said that dollar demand from the energy and manufacturing sectors has put pressure on the shilling over the past week.

The move by the Central Bank of Kenya (CBK) to adopt actual traded rates in the interbank market to determine the official rate has also caused the sharp upward adjustment in the CBK rate, which was previously criticised for being out of line with the effective market rates.

As a result, the shilling has shed 2.4 percent against the dollar in the first two weeks of 2024, jumping from Sh156.40 to the dollar to Sh160.23.

The earlier indicative rate which was aligned to the now removed 20 cents bid/ask spread tended to lag the actual market rate."

The CBK's average is now much closer to the buy/sell average as quoted by commercial banks. Yesterday, for instance, Equity Bank quoted the dollar at Sh162.50 on the sell end and Sh156.95

buying, while I&M Bank quoted it at Sh163.40 selling and Sh158.20 buying.

Previously, there was a significant spread between the CBK's rate and that being quoted by banks, leading to a breakdown of the interbank forex market as the regulator clamped down on lenders who strayed too far from the official rate.

The CBK announced changes, however in the way the forex market will be working going forward as part of reforms meant to jumpstart the market and offer a truer picture of the value of the shilling.

Spirits imports decline as higher taxes hit demand

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On July 1, 2022, the common external tariff (CET) on imported spirits charged by all the East African Community member states was increased from 25 to 35 percent.

KDIC resumes payment to Imperial Bank depositors

The Kenya Deposit Insurance Corporation (KDIC) has resumed payments of protected deposits in Imperial Bank Limited (in Liquidation) after the High Court struck out an application blocking the payments.

Imperial Bank had been placed under the management of KDIC/ receivership on October 13, 2015 after the CBK closed the bank over alleged malpractices.

In June 2020, KCB carved out Sh3.2 billion in assets from the bank and assumed liabilities of a similar value allowing for the payment of Sh3.2 billion to depositors over a four-year period.

Rubis wins Sh77.bn KPLC fuel supply deal

Rubis Energy has won a Sh7.7 billion tender to supply diesel to Kenya Power's 30 off-grid stations, which will see the oil marketer supply low-sulphur diesel to the utility firm for two years.

This follows the conclusion of a case where Dalbit Petroleum Limited was contesting the award of the tender to Rubis, before the Public Procurement and Administrative Review Board (PPARB).

In orders issued by the PPARB on January 2, the Board dismissed Dalbit Petroleum's case, paving the way for Rubis to undertake the 24-month Sh7.737 billion tender.

Kenya Power advertised the tender for procurement of supply and delivery of low sulphur diesel to 30 off-grid power stations on October 10, last year, attracting bids from six oil marketers.

The PPARB noted that at the end of the preliminary tender evaluation stage, the interested party's (Rubis Energy Kenya) bid, being the only responsive bid was recommended for award of the subject tender for a period of 24 months based on the price formulae set out in the price schedule subject to the estimated annual budget of Sh3,868,669,072 VAT (Value Added Tax) exclusive and availability of funds from MoE&P (Ministry of Energy and Petroleum) as recommended.

On January 2, the PPARB dismissed Dalbit Petroleum's case finding that Kenya Power's tender evaluation committee was right to disqualify its tender, for failing to meet mandatory tender requirements.

American PE company acquires Actis

Actis, the London-based private equity firm that owns Garden City Mall, is set to be acquired by a US-based company, months after it closed its Nairobi office.

General Atlantic, which is based in New York, announced the acquisition noting that the Actis brand will, however, be retained.

The acquisition will result in the creation of a diversified, global investment platform with about \$96 billion (Sh15.4 trillion) in combined assets under management. The terms of the deal were not disclosed.

In response to a call made by the Kenya Pension Funds Investment Consortium in December 2022 for investment proposals from companies and project sponsors, Actis outlined a plan to raise \$104.6 million (Sh16.8 billion) in even split of debt and equity sale in its Garden City Mall and business park on Thika Road.

The private equity firm has investments in the East Africa region, including in real estate and the

restaurant business where it has a presence through its ownership of Java House.

CBK seeks Sh15bn from reopened January bonds



The Treasury has returned to the market with a tap sale on its January bond, looking to mop up the Sh12 billion it left on the table during the initial sale

The prospectus for the tap sale, published yesterday by the Central Bank of Kenya (CBK) shows that the government is seeking Sh15 billion from the offer, to add to the Sh25.02 billion it netted in the initial sale of the bond.

The issuance comprised a new three-year bond and a third reopening of a five-year bond first sold in July last year.

On the three-year option, investors offered the government Sh29.09 billion, asking for an average return of 18.63 percent. The CBK took up Sh22.07 billion, at an average rate of 18.39 percent.

The CBK took up Sh2.9 billion from this paper, at an average of 18.77 percent.

The CBK said that it received bids worth Sh57.97 billion in the sale, out of which it accepted Sh45.96 billion against a target of Sh24 billion.

Some of this liquidity is likely to filter through to the shorter dated bond offering, raising the prospects of the Treasury meeting its target in the tap sale.

KRA ordered to refund Coca-Cola unit Sh670m

Coca-Cola East and West Africa has won a battle against the Kenya Revenue Authority (KRA) for the refund of Sh670 million after a tribunal ruled that the services offered by the company were zero-rated.

A six-member Tax Appeals Tribunal held that the marketing and promotional services offered by the company to its foreign affiliate, even though operating locally, are not within KRA's legal taxing right.

The firm is an affiliate of the global Coca-Cola Company with primary business of providing marketing and promotion services to its sister affiliate The Coca-Cola Export Corporation (TCCEC) in the Kenyan market.

The taxman had however maintained that the services qualified for VAT because they were provided and consumed in Kenya and paid for by non-resident persons.

It said an audit established that the firm declared 99.8 percent of its sales as zero-rated yet it contracts third parties to erect billboards, organise media launches, advertise in local radio stations, TV channels and print media, all of which are meant to influence local consumers.

KRA then carried out an audit to verify the VAT refund claim and issued its preliminary findings in March 2022 and issued an assessment of Sh502 million.

The company rejected the preliminary findings on the basis that the brand marketing and promotion services provided were export services that were zero-rated.

The company then challenged the decision erred in holding that the marketing and promotion services were consumed locally yet their benefits accrued to foreign affiliates contrary to Section 8(1) of the VAT Act.

SGR revenue hits record Sh18bn as demand grows

The Standard Gauge Railway (SGR) posted a 21.2 percent increase in revenue in the financial year to June 2023, driven by higher cargo haulage and passenger traffic.

Data from the Kenya Railways Corporation (KRC) shows SGR made a record Sh18.2 billion revenues during the period, marking a significant increase from Sh15.01 billion it earned in the previous year.

The revenues are expected to rise significantly going forward after passenger fares were raised by 50 percent at the start of this year.

Earnings from SGR makes up 82 percent of the company's revenue, with the increase helping push up Kenya Railway's total revenues by 25.6 percent to Sh22.24 billion.

During the period, the company also generated Sh2.36 billion in revenue from its Meter Gauge Railway (MGR), Sh436 million from the Railway Training Institute (RTI) and Sh1.24 billion from non-rail business such as rent, museum and lease of equipment.

The number of passengers who used SGR grew to 2.52 million during the period, up from 2.35 million in the previous year and nearly double the 1.39 million that were carried during the service's inaugural year.

Freight haulage via SGR also rose sharply to 6.29 million tonnes up from 5.66 million tonnes in the year to June 2022. Demand for cargo transportation through the line has grown rapidly, rising from 950,396 tonnes in the first year in 2017/18

The demand for the service grew over the period arising from its reliability, quality of service and convenience.

The price adjustments have seen passengers in first-class coaches now pay Sh4,500 from Sh3,000 last year to travel between the two cities. Those travelling in economy class coaches are paying Sh1,500 up from Sh1,000.

Kenya borrowed a total of \$5.08 billion (Sh814 billion at current exchange rates) in 2014 and 2015 from China to fund the Mombasa-Naivasha SGR line.

Repayments for the loans – which were on a mix of concessional and commercial terms - kicked in from January 2020 after a five-year grace period.

[Kenya moves closer into China orbit by joining Asian Bank](#)

Kenya has inched closer to joining the China-led Asia Infrastructure Investment Bank (AIIB) after the Cabinet on Monday approved the country's subscription to the membership of the institution that was established to challenge the US-dominated IMF and World Bank.

The move is part of Kenya Kwanza administration's agenda of tapping into the ubiquitous green financing, having already benefited from similar financing from the International Monetary Fund (IMF), a global lender dominated by the US and its allies.

As part of the administration's agenda on enhancing regional cooperation and connectivity through the green economy, the meeting considered and approved Kenya's subscription to the membership of Asian Infrastructure Investment Bank (AIIB).

[Railways tops list of State firms bleeding taxpayer billions](#)

Kenya Railways Corporation (KRC) topped the list of State agencies and semi-autonomous entities whose losses crossed the Sh1 billion mark in the year ended June 2023, highlighting their increasing burden on taxpayers.

A Treasury report shows KRC made a loss of Sh33.5 billion in the review period followed by the Roads Annuity Fund at Sh12.8 billion, Kenyatta National Hospital at Sh3.5 billion and Kenya Power Sh3.4 billion.

[Old Mutual risks liquidation over Sh482m helicopter claim](#)

Insurance firm facing liquidation suit over a Sh481.5 million claim from privately-owned air charter company.

Old Mutual General Insurance Kenya Limited is facing a liquidation suit over a \$3 million (Sh481.5 million) claim from a privately-owned air charter company whose helicopter had an accident in 2022.

Tropic Air Limited, which operates a fleet of Cessna aircraft and helicopters, has issued a 21-day notice to Old Mutual to pay the amount as claims for compensating the third parties that were affected by the accident or risk liquidation.

Take notice that failure to pay the afore-stated amount shall result in Tropic Air Limited filing for a liquidation order against your company said the Nanyuki-based firm in a January 10 notice to Old Mutual.

[How will the Treasury single account work?](#)

The Cabinet approved the implementation of the Treasury Single Account (TSA), setting the stage for a consolidation of government finances that are

scattered across many bank accounts under the names of various agencies and ministries.

The TSA has been in the making for more than a decade, having been identified as one of the solutions to leakage of public resources, which makes it hard for the government to effectively run its budget plan.

Moving the bulk of government finances into a single account is bound to have implications for the ministries, departments and agencies (MDAs) and the banks that held Sh509.8 billion deposits from the national government and other public sector entities by June 2023, equivalent to 10.4 percent of the banking sector's total deposits in the period.

The purpose of a TSA is to give a central authority, mainly the National Treasury, full visibility of public finances and control over these finances to improve the speed and transparency of budget execution.

In addition to efficiency in cash management, a TSA also cuts the administrative costs for the government by eliminating the fees and charges associated with running multiple banks accounts.

A TSA system generally follows two models. One is a centralised arrangement in which all transactions pass through a single account, normally maintained at the central bank.

The second is a hybrid arrangement in which MDAs are allowed to maintain their separate accounts, which are, however, linked to a central account and from which all funds must be transferred to the primary TSA account at the end of each day.

[Shilling breaches Sh160 mark against dollar](#)

The Kenya shilling has hit a historic low against the dollar, breaching the Sh160.23 mark on Monday and extending a run of record weakening. The Kenya shilling has hit a historic low against the dollar, breaching the Sh160.23 mark on Monday and extending a run of record weakening.

The depreciation comes despite the the Central Bank of Kenya (CBK) raising interest rates in December to counter weakness in the local currency.

Last month, the CBK surprised the market as it unexpectedly raised interest rates by 200 basis points/ two percent, lifting the Central Bank Rate to 12.5 percent from 10.5 percent. In its decision, the CBK Monetary Policy Committee-MPC noted that the exchange rate depreciation had continued to exert pressure on domestic prices.

According to CBK Governor the shilling had overshoot its desired level of depreciation following interventions to reset the foreign exchange market after what the apex bank alleged to have been the overvaluation of the local currency.

[High deposit rates squeeze banks' lending margins](#)

Bank lending margins have narrowed further as deposit rates catch up to average lending rates, implying steeper costs by lenders in mobilising deposits.

According to data from the Central Bank of Kenya (CBK), the bank lending margins fell to 5.05 percent in October last year, marking the thinnest spread since the beginning of 2023.

The October lending margins compare to a wider spread of 5.44 and 5.34 percent in August and September respectively.

Lending margins closed in October as the average deposit rate -the return paid out to term depositors in banks-- rose faster than the mean lending rate to hit 9.11 percent from 8.64 percent in September.

Over the same period, the average commercial lending rate only rose slightly to 14.16 percent from 13.98 percent a month earlier.

The return for shilling-denominated money market funds ranged between 11.6 percent and 15.96 percent in mid-December compared to returns of between eight and 9.5 percent a year ago.

Returns on all Treasury bills have meanwhile crossed the 16 percent mark as investors continue to demand a premium return on government securities.

Stanbic Bank Kenya is, for instance, offering depositors returns of up to 14 percent on savings.

Nearly half of State agencies in deficit

Kenya is targeting to raise Sh50 billion through Public Private Partnerships (PPPs) to fund projects in the year starting July as it seeks to further move away from debt financing of the projects.

The Treasury made the disclosures in the draft Budget 2024 Policy Statement saying that the projects target key areas such as power generation and transmission, roads, water and aviation.

The PPP Directorate has a pipeline total of 31 projects at various stages of the PPP project cycle, with most of them being at the procurement stage.

With these PPP pipeline projects, the Government envisages mobilizing Sh50 billion within the next 2024-25 financial year.

Servicing of domestic and external debt ate an equivalent of two-thirds (Sh347.22 billion) of tax revenues in the first quarter of this financial year, highlighting the impact of the loans.

The debt obligations are fast-rising this financial year ending June 2024 largely due to the maturing semi-concessional and commercial borrowing tapped to build roads, bridges, power plants and a modern railway line.

State spending little on key development – civil society

Civil society groups have raised concerns over the national government's poor spending on key development areas during the current financial year, which they warn is hindering project implementation and causing others to stall.

The groups, consisting of the Institute of Economic Affairs (IEA), the National Democratic Institute (NDI) and The Institute for Social Accountability (Tisa), observe that during the first quarter of 2023/24, the government's spending on development projects in energy, infrastructure and ICT, general economics and commercial affairs and social protection sectors was far below targets.

The national government from July to September 2023 spent Sh25.6 billion (6.7 percent of annual targets) on development projects under Energy, Infrastructure and ICT, Sh542.9 million (1.7 percent of annual targets) on the General Economics and Commercial Affairs sector, and Sh1.27 billion (5.1 percent of 2023/24 targets) for development in the Social protection sector. The implication is that the programmes and plans that had been budgeted for will not be realised fully the programmes co-ordinator at IEA.

The think tank, together with NDI and Tisa, aired the concerns on Wednesday as they unveiled a report analyzing the government's budget implementation in 2022/23 and the first quarter of 2023/24, noting a number of challenges that continue to hinder service delivery.

Shareholder sues CMA over longer Kenya Airways stake trade freeze

A Kenya Airways shareholder has challenged the extension of the suspension of the national carrier from trading at the Nairobi Securities Exchange (NSE) for another year.

The Capital Markets Authority (CMA) announced the extension of the trading freeze on KQ for an additional 12 months being the sixth time in a row.

That the respondent (CMA) erred in law and in fact by abusing a discretionary power which allows the respondent to suspend trading of shares in listed companies to protect shareholders and the general public, he said in the appeal. The matter will be mentioned on January 25 for directions.

Value of commercial disputes in arbitration hits Sh25 billion

The value of cases referred to the Nairobi Centre for International Arbitration (NCIA) hit Sh25.24 billion for the first time last June, underlining growing confidence by firms to refer their disputes to the centre for resolution.

The NCIA it handled 17 commercial disputes whose value was \$210 million (Sh25.24 billion at the exchange rates at the time), underlining an increase of 126.2 percent compared to the previous year and 137.6 percent compared to its third year of the NCIA Arbitration Rules. 94.1 percent of all new cases filed with Nairobi Centre for International Arbitration in the financial year 2021/2022 were domestic while 5.9 percent cases were international.

The NCIA was created via the Nairobi Centre for International Arbitration Act 2013 and has grown in stature over the years as an arbiter as well as a mediator in key commercial disputes.

CBK buys dollars to build foreign exchange reserves

The Central Bank of Kenya (CBK) has switched roles to become a net buyer of US dollars with the view to building up foreign exchange reserves, the International Monetary Fund (IMF) has disclosed.

According to the CBK, foreign exchange reserves stood at \$6.829 billion, equivalent to 3.7 months of import cover.

The Central Bank has a target of maintaining an import cover of at least four months.

Forex reserves give a country the ability to finance imports, pay foreign debt and maintain financial stability.

Unga Group faces higher borrowing costs on Central Bank Rate increase

Unga Group is facing higher financing costs in the wake of the weakening shilling and the rise in the Central Bank Rate (CBR), which serves as the base for the pricing of some of its borrowings.

The company and its subsidiaries had taken loans—priced on the CBR plus a margin of three to 3.1 percent—amounting to Sh1.1 billion as of June 2023, according to its latest annual report.

The CBR has risen from 10.5 percent last June to the current 12.5 percent, significantly raising the cost of borrowing on loans priced off the Central Bank of Kenya's benchmark rate.

Bank facility comprises a six-year term loan of Sh860 million taken in 2017 to finance the purchase and construction of a new wheat milling plant in Eldoret Unga says of a facility from Absa Bank.

The human and animal feed processor had also taken two loans—Sh137.8 million and Sh106.8 million— from NCBA Bank, which have an interest rate of CBR plus a 3.1 percent margin each.

Manufacturers raise prices by 9pc amid rising costs

Manufacturers raised the prices of their goods by an average of 9.1 percent in the year to December 2023 as they passed on to consumers the higher cost of doing business.

Data from the Kenya National Bureau of Statistics (KNBS) shows that during the period, manufacturers increased the cost of processed foods such as bread, flour and rice by an average of 2.01 percent and drinks by 8.39 percent.

Companies that make tobacco products such as cigarettes raised their prices by 9.52 percent even as the sector continues to be hit by frequent increases in excise duty, while chemical makers increased prices by 30.94 percent, the highest increase in the period.

Local assemblers of motor vehicles also raised prices by an average of 7.4 percent while electrical equipment manufacturers made a 15.6 percent price increase.

However, only three categories of manufacturers—those who make textiles, apparel and paper—decreased their prices by 0.98 percent, 6.4 percent and 0.57 percent.

[CA warns Airtel, Telkom over poor quality services](#)

The Communications Authority of Kenya (CA) has issued warning notices to Airtel and Telkom Kenya for non-compliance with the quality of service (QoS) provided to consumers on their mobile telephony networks.

According to the report, Airtel and Telkom Kenya attained 79 percent and 65 percent respectively, translating to an industry average of 72.4 percent, with the score being a significant drop compared to the average of 82.3 percent attained in the year to June 2022 and 75.5 percent in the previous year.

[More pain as Treasury seeks Sh806bn in taxes](#)

Kenyans are set for more tax pain as the government starts implementing International Monetary Fund-backed revenue measures that are

expected to yield an additional Sh806 billion over the next three years.

[Sh110bn IMF loan eases President Ruto's Eurobond pressure](#)

The approval of Sh110.6 billion (\$684.7 million) loan to Kenya by the International Monetary Fund (IMF) is set to lower the heat on Eurobond repayment.

The new funds, which are expected to hit the accounts of the Central Bank of Kenya (CBK) immediately are part of the Sh152 billion (\$941.2 million) from the augmentation/expansion of resources under the fund's multi-year arrangement with Kenya.

Kenya lobbied for additional resources from the IMF last year, citing heightened balance of payment needs ahead of Eurobond maturity in June in the wake of difficulties the country is facing in accessing alternative funding from the international capital markets.

[Treasury admits deal with Gulf oil firms a flop](#)

The oil supply deal Kenya signed with three State-owned Gulf companies last year to tackle challenges related to the scarcity of dollars has failed to ease the foreign exchange pressures on the country as expected, the Treasury has admitted. In disclosures to the International

[Why weak shilling failed to lift Kenya's exports](#)

Kenya's exports last year upset expectations by falling against what was a more than one fifth depreciation of the Shilling against major world currencies, including the US dollar, Euro and British Pound. A weaker

While the exports had been widely expected to grow, data from the Central Bank of Kenya, through

10 months to October 2023, shows total good exports fell by 2.1 percent to Sh978.7 billion (\$6.104 billion) in the period.

According to the International Monetary Fund (IMF), Kenya's exports underperformed last year as exporters struggled to obtain hard currency to import intermediate goods which are usually processed to create exports.

Exports are projected to have underperformed in 2023 due to forex market dysfunction, for example, through increased transaction costs of securing FX [foreign exchange] for imported intermediate goods.

Secondary data from the CBK shows the importation of intermediate goods, excluding oils, which are usually processed into finished goods set for both domestic and foreign markets fell by 15 percent through 12 months to October 2023 to Sh1.8 trillion (\$11.57 billion) from Sh2.21 trillion (\$13.79 billion).

The underperformance in exports has exports underlying weaknesses and the loss of competitiveness in the economy.

Total imports through 10 months to October fell by 14.7 percent from Sh2.6 trillion (\$16.2 billion) in the comparable 2022 period to Sh2.2 trillion (\$13.7 billion).

[Treasury eyes strategic investor for Kenya Airways by June](#)

Kenya Airways (KQ) is likely to close a deal with a strategic investor by June, even as the government continues to explore the option of privatising the national carrier.

The new investor will be expected to pump cash into the loss-making airline, disclosures by the Treasury to the International Monetary Fund (IMF), with the government keen to wean it off frequent bailouts.

The government directed KQ [Kenya Airways] to onboard a consultant to support the onboarding of an equity investor who can inject capital into the business. The procurement of the consultant is in the final stage and should be completed by the end of December 2023 with the aim of closing the deal by the end of June 2024, the Treasury told the IMF. The report released by IMF that the government is pursuing the two options -- engaging a potential equity investor through a consultant procured in December and exploring the possibility of privatisation through merging of KQ with other target companies and setting up a fund to manage them.

The model of the fund is meant to package both profitmaking and loss-making entities hence sharing interest in the unattractive companies in pursuit of the attractive ones by investors. A decision on the same shall be made by the end of June 2024. Since 2020 when Covid-19 struck global economies, KQ has incurred cumulative losses totalling Sh112 billion (by June 2023), a fifth of which was incurred in the first six months of 2023. The airline incurred a net loss of Sh36.2 billion in 2020, Sh15.8 billion in 2021 and Sh38.26 billion in 2022 -- the largest annual loss ever recorded by a Kenyan company.

[Dollar loan defaults rise as forex scarcity persists](#)

Firms and individuals who tapped dollar-denominated loans have been offering banks repayments in local currency and effectively defaulting as they struggle to access dollars, pointing to a persisting foreign exchange (FX) market dysfunction.

The Treasury disclosures to the International Monetary Fund (IMF) show borrowers in sectors such as real estate, transport and communication, and building and construction as well as individuals have been the most hit since they have no other

means of accumulating dollars as is the case with exporters.

Banks report that with the ongoing dollar shortage, FX borrowers who are unable to source US dollars in the local market have been offering repayment in shilling, effectively defaulting on the loans, and contributing to the recent rise in NPLs.

Central Bank of Kenya data shows gross NPLs—the amount of loans on which interest and principal have not been paid for at least three months—had hit Sh615.54 billion at the end of September, marking three straight months of increasing defaults.

The Sh615.54 billion defaults against a loan book of Sh4.103 trillion at the end of September means the NPL ratio is at 15 percent—being closer to that of 15.4 percent that the sector posted in June 2007.

The NPL ratio deteriorated to 15.3 percent in October, pointing to the continued loan defaults that have forced lenders to set aside more money in anticipation of increased defaults

[Treasury mulls new firm for Hustler business loan guarantees](#)

The Treasury has revealed plans to set up a company in partnership with financial institutions to de-risk lending to small businesses, including those who graduate from the Hustler Fund, by commercial banks.

The proposed Kenya Credit Guarantee Scheme Company (KCGSC) will guarantee a share of the loans commercial banks will advance to cash-strapped micro, small and medium-sized enterprises (MSMEs).

The joint venture between the government and private sector is expected to unlock higher-value loans to individuals and groups whose financial needs will grow beyond the limits provided by the

Hustler Fund – President William Ruto’s flagship financial inclusion programme.

The government will also convert the Credit Guarantee Scheme (CGS) into the Kenya Credit Guarantee Scheme Company (KCGSC) to ensure sustainability and develop a credit guarantee policy whose objective is to provide a clear framework for a sustainable model for credit guarantee scheme for MSMEs.

[The Treasury currently guarantees up to 25 percent of the loans.](#)

This means in the event of a default, the CGS repays a quarter of the non-performing loan under the current scheme which has been shunned by the majority of the country’s 39 commercial banks.

KCB, NCBA, Co-operative Bank of Kenya, Absa, DTB, Stanbic and Credit Bank are the only lenders participating in the credit insurance scheme where borrowing by a single entity is capped at Sh5 million. The lenders have an open hand in pricing the loans based on the individual borrower’s risk profile.

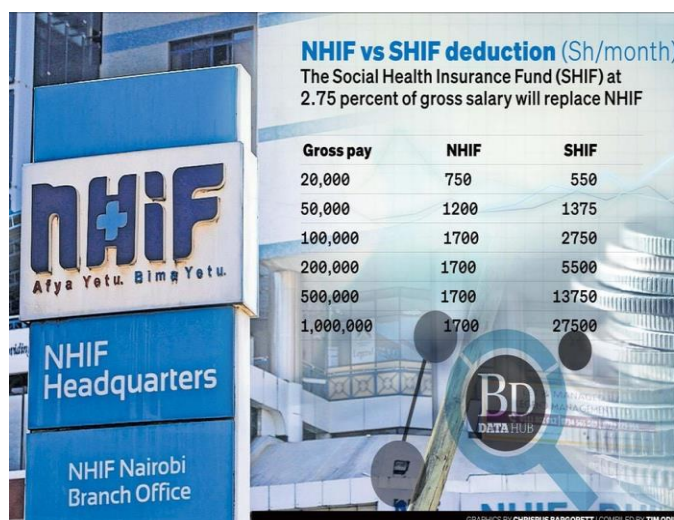
That also underperformed by far, with cumulative loans at the end of March 2023 standing at Sh4.64 billion, just over a third (38.67 percent) of the target.

Some 2,997 MSMEs in 46 counties – excluding Mandera where KCB is the only bank with a branch – had accessed the State-guaranteed loans by last March 2023.

The global practices in the area and are ready to innovate further for the benefit of Kenyan businesses.

The Treasury’s most recent report on the scheme covering the 2021/2022 fiscal year, tabled in Parliament in November 2022, identified several other challenges affecting the uptake of the fund.

President Ruto targets Sh133bn annually from new health insurance plan



President William Ruto's administration is targeting Sh133 billion in collections from Kenyans every year to fund its ambitious healthcare plan amid public outcry.

The Ministry of Health (MoH) has made the disclosures days after the Court of Appeal lifted a High Court order that had stopped the implementation of the Social Health Insurance (General) Regulations, 2023 that seek to deduct 2.75 percent of gross monthly income from all registered members.

French agency hands Treasury Sh383 million for development

The French Development Agency (AFD) has issued grants and loans to the Treasury worth Sh383.7 million (2.2 million Euros) to support the exchequer's programmes in agriculture and public finance.

The first tranche involves a Sh174.4 million (1 million Euros) grant to elevate services and offer timely support catering to the needs of small and medium enterprises.

The funding is expected to anchor a comprehensive business acceleration programme which includes a series of training seminars, facilitation of experience-sharing initiatives and the promotion of networking between Kenyan and French private companies in the agriculture domain.

Firstly, France is renewing its support to the Kenyan Treasury through its expertise in debt management, a critical area in the current global context. Secondly, we are launching an innovative project which is a concrete illustration of the renewed partnership between Kenya and France in the agricultural sector, which is a key sector for Kenya's food sovereignty while contributing significantly to job creation.

Consumers hit as KPC fuel losses on new high

The energy sector regulator set record-high rates to compensate for fuel lost along the pipeline from the port of Mombasa, pointing to an anticipated rise in inefficiencies of the network.

The Energy and Petroleum Regulatory Authority (Epra) set the rates at Sh0.16 per litre of super petrol and diesel and Sh0.15 per litre of kerosene in the pricing review for the month ending February 14.

This is an increase of up to 166.7 percent from a year ago and is also the highest ever, with consumers expected to pay a combined Sh62 million or Sh17.14 million more this month based on conservative consumption figures of the three fuels as of September last year.

KPC reported pipeline losses of 0.04 percent in the year that ended June 2023, with the loss rate being

significantly lower than the maximum 0.25 percent set by the regulator.

Diaspora remittances grow to record Sh671bn in a year

Money sent home by Kenyans living abroad continued on a growth trajectory to hit a record Sh671 billion (\$4.19 billion) in 2023, significantly boosting the country's current account balance amid falling export revenue.

Data from the Central Bank of Kenya shows that diaspora remittances in the 12 months to December 2023 increased by 4 percent from the \$4.028 (Sh645 billion at current exchange rates) recorded in a similar period in 2022.

The rise in remittances was largely driven by growth in diaspora receipts from within Africa, which increased by more than 50 percent year-on-year in the 12 months to November 2023.

In its latest country report for Kenya, the International Monetary Fund this sustained growth of diaspora remittances, along with tourism receipts, was crucial to reducing the current account deficit last year as earnings from exports reduced.

Courts award public servants Sh5bn against State agencies, firms in a year

Civil servants in some 44 state corporations and semi-autonomous government agencies (Sagas) won Sh5.2 billion against the State, as 29 cases instituted against public institutions were concluded in the year that ended June 2023.

The awards to an undisclosed number of workers in the entities piled up a net burden for the government as a result of judgements delivered against its institutions during the year to Sh8.2 billion, a report by the Public Service Commission (PSC) shows.

The PSC's report on the state of compliance with values and principles in the financial year 2022/23 shows that of the 102 judgements that courts delivered against state corporations and Sagas, awarding parties that sued them Sh13.9 billion, 37.4 percent of the awards (Sh5.2 billion) were in favour of individual civil servants.

Of the 302 judgements that had an implication of Sh18.47 billion on 71 public organisations, 29 were related to cases filed by individual civil servants who won Sh5.2 billion against 44 state corporations and Sagas. In some 11 judgements, State corporations and Sagas were awarded Sh170 million against individual civil servants, the report noted.

While the number of judgements with monetary implications for the government reduced by 32 percent from 442 in 2021/22, the financial burden of the judgements rose from Sh12.6 billion to Sh18.47 billion in 2022/23, the report notes. Meaning that in 2021/22 and 2022/23, the public service lost a cumulative Sh18 billion as the net value of judgements delivered in the two years, touching public institutions.

KRA eyes more collection on employer perks with rate rise to 15pc

The Kenya Revenue Authority (KRA) has increased the market interest rate on fringe benefits to 15 percent for the next three months, reflecting the impact of rising interest rates which will see employers pay higher taxes.

Fringe benefits constitute soft loans that employers give to their workers at zero or below market rates as part of their remuneration package or incentives.

The difference in the rate charged by the employer and the market rate—determined periodically by KRA—represents the taxable value, which is then taxed at the corporate income tax rate of 30 percent.

For the purposes of Section 12B of the Income Tax Act, the Market Interest Rate is 15 percent. This rate shall be applicable for January, February and March 2024,” said the taxman in a notice.

Employers facing higher tax bills on the benefit may respond by raising the rates on the cheap loans, diluting the benefits.

The 91-day average T-bill rate rose from 15.11 percent in October to 15.52 percent in November and 15.98 percent in December, according to data from the Central Bank of Kenya.

Fringe benefit tax is provided under section 12B of the Income Tax Act, which became effective on June 12, 1998.

[Retail investors buy Sh229 billion Treasury bonds in half-year as interest rates increase](#)

Retail investors have pumped in an additional Sh229.2 billion into government securities over the last six months, highlighting the allure of the higher interest rates on offer and reduced investment in opening new businesses due to a difficult economic climate.

Latest government debt data from the Central Bank of Kenya (CBK) shows that retail investors who are classified as ‘other investors’ raised their share of the government’s domestic debt to 11.38 percent by the end of last week. This is the equivalent of Sh573.7 billion, with the State’s domestic debt standing at Sh5.04 trillion as at January 12.

At the end of June 2023, these investors— who include Saccos, listed and private companies, self-help groups, educational institutions, religious institutions, and individuals— held 7.13 percent or Sh344.5 billion of the government’s domestic debt, which stood at Sh4.83 trillion at the time.

On the other hand, alternative asset classes such as equities have offered much lower returns over the period. The Nairobi Securities Exchange (NSE) for

instance has shed 12.8 percent or Sh213.4 billion in market capitalisation since June 30, 2023.

Pension funds have, therefore, cut their holdings of government debt in real terms by Sh104 billion since the end of June last year, while banks’ holdings have only gone up by Sh83 billion despite the institutions being the biggest lenders to the government.

The CBK data shows that pension funds’ share of government domestic debt stood at 29.97 percent by the end of last week, equivalent to Sh1.51 trillion, while in June last year, their share was 33.42 percent, or Sh1.614 trillion.

[Unit trusts assets cross Sh200 billion on handsome returns](#)

Total assets under management held by unit trusts or collective investment schemes crossed the Sh200 billion mark for the first time in September 2023, revealing the continued growth of pooled funds as a popular investment option.

According to the latest data from the Capital Markets Authority (CMA), the funds’ assets under management hit Sh206.6 billion at the end of last September from Sh175.9 billion in June. The growth has partly been helped by returns on the investment vehicles surging to double digits amid a general rise in interest rates.

GenAfrica Unit Trust Scheme saw the highest rise in assets during the quarter at 237.8 percent to hit Sh212.4 million from Sh62.8 million previously. Other schemes that grew assets by more than twofold in the period were Enwealth Capital Unit Trust Scheme, Britam Unit Trust Scheme and Etica Unit Trust Scheme whose assets under management reached Sh62.5 million, Sh33.3 billion and Sh131.1 million, respectively.

CIC Unit Trust Scheme remains the largest collective investment scheme by assets with a 29.6

percent market share as of September 2023 or Sh61.1 billion.

During the review period, the largest part of the total assets under management was invested in government securities at 47.62 percent while 38.59 percent of the assets were held in fixed deposits.

Between the end of March and the end of June last year, the collective investment schemes increased their holdings of government securities and fixed deposits by 30.63 percent and 2.05 percent respectively.

Kenyan exports to Uganda cross Sh100bn on weak shilling

The value of Kenya's exports to Uganda crossed the Sh100 billion mark for the first time in November 2023, owing to a weak currency that had made the local goods cheaper in the neighbouring country.

Official data shows that Kenya exported goods valued at Sh105 billion to Uganda in the year to November last year, a period that saw the Kenyan shilling lose 17.45 percent of its value against the Ugandan shilling.

Generally, with a weak shilling Kenyan products become cheaper, in what is a boon for the local producers of iron, steel and cement which are the main commodities that Kenya exports to the East African neighbour.

By the end of 2022, a Ugandan trader needed 30.18 units of their country's shilling to get a Kenyan shilling, according to data from the Central Bank of Kenya (CBK).

However, by the end of November last year, the same trader only needed 24.9 of the Ugandan currency, which means they could buy more of the Kenyan products with the same amount.

Pay slip deductions for top earners rise by Sh430,000



Kenya's top earners are set to take an additional hit of up to Sh430,000 once all the new tax measures and levies introduced by the government over the past year are factored into their payslips.

The top earners, who are already subject to higher Pay As You Earn (PAYE) rates on income above Sh500,000 per month, are now set to cede significantly much more once the government starts levying the enhanced Social Health Insurance Fund (SHIF) at 2.75 percent of gross monthly pay.

State to spend Sh5bn on health benefits platform

The government plans to spend Sh5 billion on setting up a single digital platform for lodging, validating and paying medical insurance claims under the social health plan that will compulsorily collect billions of shillings from Kenyans every month.

The Ministry of Health (MoH) discloses in the regulatory impact on the draft Social Health Insurance (General) Regulations, 2023 that it will set up a Centralised Healthcare Provider Management

System (CHPMS) to manage claims and help cut fraud.

The system will be used by hospitals to lodge claims when patients go for treatment. It will also review claims, validate them and process payments under the State's ambitious healthcare plan that will be funded by Kenyans to the tune of Sh133 billion per year through a deduction of 2.75 percent of their monthly income.

The proposed regulations for the establishment of a centralised digital platform that is accessible to the empanelled and contracted health care providers for purposes of claims administration, recording beneficiary data, inputting health care service delivery data, and maintaining health care providers data.

The system will permit user rights to authorised persons and apply to the board for rights and access to the system in line with the Data Protection Act 2019 and the Digital Health Act, 2023

Parastatals borrow extra Sh34 billion from banks amid struggling economy

Parastatals borrowed an extra Sh34.2 billion from commercial banks in the 12 months to October 2023, signalling the growing cash needs of the State-owned enterprises.

Data from the Central Bank of Kenya (CBK) shows that banks had disbursed loans worth Sh107.9 billion to parastatals in the review period.

This is a 46.4 percent increase from a loan portfolio of Sh73.7 billion that the lenders had extended to the State entities a year earlier.

The CBK did not give a breakdown of the lending, including the parastatals that benefited from the borrowing. However, it's likely that the additional Sh34.2 billion borrowed by the State entities was skewed by a handful of big-money loans to a few parastatals as opposed to a sector-wide trend.

KNTC secured the loan in February after the government picked it to import 580,000 metric tonnes of sugar, rice, cooking oil, beans and wheat duty-free as part of short-term plans to ease commodity prices.

It is for this reason that banks had lent only Sh112.9 billion to the public sector – including the 47 county governments – by October, compared to Sh3.81 trillion they had lent to the private sector.

Banks are already struggling with a growing burden of non-performing loans and may, therefore, harbour less appetite for lending to such borrowers considered riskier. The banking sector's bad loans are rising rapidly amid high-interest rates and a struggling economy.

According to CBK data, gross defaults in the banking sector hit Sh634 billion in October 2023 or 15.2 percent of gross loans. This is far higher than the bad debt of Sh504.2 billion in October 2022, which translated to 13.8 percent of gross loans issued by lenders.

Kenyan exports to Uganda cross Sh100bn on weak shilling

The value of Kenya's exports to Uganda crossed the Sh100 billion mark for the first time in November 2023, owing to a weak currency that had made the local goods cheaper in the neighbouring country.

Official data shows that Kenya exported goods valued at Sh105 billion to Uganda in the year to November last year, a period that saw the Kenyan shilling lose 17.45 percent of its value against the Ugandan shilling.

Generally, with a weak shilling Kenyan products become cheaper, in what is a boon for the local producers of iron, steel and cement which are the main commodities that Kenya exports to the East African neighbour.

By the end of 2022, a Ugandan trader needed 30.18 units of their country's shilling to get a Kenyan shilling, according to data from the Central Bank of Kenya (CBK).

The value of goods exported to Uganda in the 11 months was more than the Sh80 billion that Kenyans exported to the neighbouring country in the whole of 2022, according to data from the Kenya National Bureau of Statistics (KNBS). The value of domestic exports that does not include re-exports such as refined petroleum products increased by 45 percent from Sh73 billion in the year to November 2022.

Shilling in rare upturn, records biggest gain in three years

The Kenya shilling on Tuesday gained at the fastest pace in three years against the US dollar after it added 0.73 percent value to trade at 160.19 compared to 161.36 on Monday.

This marked a surprise shift from a long-running depreciation trend that saw the local currency shed more than 26 percent value against the greenback last year.

Official data from the Central Bank of Kenya (CBK) shows that the shilling last made similar level gains during the Covid-19 pandemic era, on December 23, 2020, when it added 1.46 percentage value against the dollar.

At the time, the local currency strengthened to trade at 109.44 against the dollar compared to 111.04 on December 22.

The apex bank's average has also maintained close similarity with the buy/sell average as quoted by

banks, with Equity Bank, for example, Wednesday quoting the dollar at Sh164 on the sell end and Sh158.5 buying, while I&M quoted it as Sh166.9 selling and Sh161.9 buying.

Last October, CBK governor told Parliament that the shilling had for years been overvalued by up to 25 percent, suggesting at the time that the then prevailing free-fall of the currency would extend for a while before flattening out.

During the 12-month period to December last year, the shilling depreciated by more than 26 percent, which was an over three-fold rise in the devaluation rate compared to the 8.3 percent it shed against the greenback in the whole of 2022.

KenGen tops NSE dividend yields table at 15.3 percent

KenGen's share price collapse has seen the power producer become the top Nairobi Securities Exchange-listed firm in terms of dividend yield –the rate of cash returns measured against the prevailing stock price.

The company closed Tuesday with a dividend yield of 15.3 percent after its share price closed at Sh1.99, having dropped over the years from highs of Sh9 at the start of 2018.

While long-term investors in KenGen have booked major paper losses, those buying the shares now are in a position to earn the highest dividend returns from the company.

KenGen overtook Uganda-based electricity distributor Umeme Limited which previously had the highest dividend yield on the NSE where it is cross-listed.

Umeme's cash return stood at 14.07 percent on Tuesday and was followed by BAT Kenya (13.41 percent), Standard Chartered Bank Kenya (13.41 percent), Co-operative Bank of Kenya (13.22 percent), I&M Group (12.86 percent), Williamson

Tea Kenya (12.85 percent) and property fund ILAM Fahari I-REIT (12.19 percent).

Umeme previously had the highest dividend yield of up to 18 percent but this has dropped as the company's share price gained from lows of Sh9.9 in July last year to Sh14.95 on Tuesday.

The firm declared an interim dividend in the half year to June 2023 equivalent to Sh1 (at current exchange rates) as it accelerated debt payments ahead of the conclusion of its concession in March 2025.

Banks defying dirty cash laws risk fines

Banks, other financial institutions and their employees face steep financial penalties of up to Sh20 million if they fail to comply with the recently amended anti-money laundering regulations.

Circulars sent to bank executives by the Central Bank of Kenya following the October 2023 enactment of the revised regulations say that the penalty for non-compliant banks stands at Sh20 million for legal entities (banks) and Sh1 million for individuals.

Microfinance banks (MFBs), money remittance providers, forex bureaus and digital lenders on their part face a penalty of Sh5 million for the legal entity and Sh1 million for individuals if they flout the anti-money laundering/combating financing of terrorism (AML/CFT) laws.

To avoid these punitive penalties being imposed by CBK, financial institutions are advised to ensure full and continuous compliance with AML/CFT/CPF legal and regulatory requirements.

Personal liability may be applied in appropriate cases where a director, officer, employee or agent has failed to comply with AML/CFT/CPF laws and guidelines, rules, directions and instructions issued by CBK.

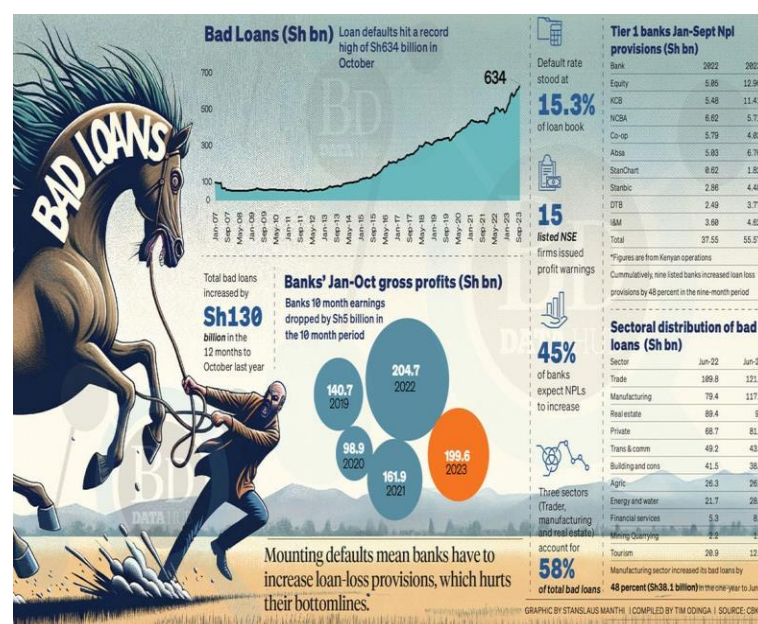
The decision to review the laws came after a mutual assessment report by the regional anti-money laundering watchdog Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG), which identified several strategic deficiencies in Kenya's framework for the fight against dirty cash.

The ESAAMLG monitors how the region is implementing global measures against dirty cash.

The International Monetary Fund, in its country report released last week, highlighted the progress the country has made in tightening its watch over illicit financial flows after the enactment of the enhanced laws.

Tightening controls over anti-money laundering are a key part of Kenya's ongoing programme with the International Monetary Fund.

Loan defaults up 26 percent to Sh634bn



The stock of bad loans held by Kenyan banks grew 26 percent or Sh129.8 billion in the one year to October 2023, revealing a limping economy and hurting banks' profitability.

Data by the Central Bank of Kenya shows that non-performing loans increased to a record high of Sh634 billion at the end of October last year.

The mounting bad loans are eating into banks' profitability as they increase their loan-loss provisions to cover for defaults.

According to CBK the default rate increased to 15.3 percent at the end of October compared to 13.8 percent in the corresponding 2022 period.

The deteriorating asset quality points to an underperforming economy, which is struggling to generate enough income and jobs as also shown by the Purchasing Managers Index survey which showed contractions in the business environment for 10 out of 12 months last year.

NTSA system hitch stalls used car sales

Second-hand car dealers are grappling with strained cash flow amid hitches in making logbook transfers on the National Transport and Safety Authority (NTSA) portal after the agency transferred systems to eCitizen.

The dealers say they have been unable to transfer logbooks or make registrations, hitches that have hurt their cash flow due to stalled processing of payments from banks for cars bought through asset financing.

Nearly 90 percent of second-hand car buyers make purchases through asset financing, with bank loans providing between 60 percent to 80 percent of the car value.

NTSA migrated its Transport Integrated Management System (Tims) portal to eCitizen last month, in line with a government directive to have payments for all State services made on the same platform.

Dealers say that the system has been down most of the time since its migration to eCitizen, stalling

efforts to transfer logbooks which are critical for banks to pay dealers for the cars whose purchases have been significantly covered via bank loans.

Logbooks are arguably the most critical document that banks ask for in order to authorise the release of the funds, highlighting why the hitches are threatening to cripple second-hand car dealers. Besides banks, customers also rely on loans from micro-financiers and sacco to fund the acquisition of second-hand cars.

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NTSA, like other State agencies, had up to the end of last year to transfer systems to the eCitizen. The move is part of sealing revenue leakages associated with the manual systems for payment of thousands of State services. The cost of transferring a log book

for second-hand cars ranges between Sh2,210 to Sh6,465 depending on the engine capacity of the vehicle.

NTSA charges Sh6,465 for logbook transfer for a vehicle whose engine capacity is higher than 3,000cc while transfers for those of 1,000cc and below go for Sh2,210.

[UK guarantees Sh9bn loan for Ketraco's transmission lines](#)

The United Kingdom will guarantee up to \$59 million (Sh9.4 billion) of the loan Kenya is set to receive from the African Development Bank (AfDB) to improve transmission lines to boost the country's energy security.

The guarantee means that the UK will now shoulder part of the risks associated with the \$119 million (Sh19 billion) project, allowing the continental lender to extend extra funding for the development, covering the climate mitigation-related costs.

The transmission network improvement project, which will be executed by the Kenya Electricity Transmission Company (Ketraco), was approved by AfDB last year and will benefit from a joint loan from the Abidjan-based lender and the Korean Exim Bank (EDCF).

AfDB and EDCF will each give Sh9.1 billion (\$57 million) for the project, and the Kenyan government will cover the balance.

The AfDB and the UK have announced the selection of the Transmission Network Improvement Project in Kenya as a beneficiary project under the Room to Run Sovereign transaction (R2RS)

[Tullow plans Sh1.6bn annual spending on Kenya oil project](#)

Tullow Oil plans to retain its annual spending on Kenya's oil project at Sh1.6 billion (\$10 million), pointing to a sustained interest in the project that

has dragged on for years since the discovery was made in 2012.

The British oil explorer in the latest trading update said it plans to trim its overall capital spending across countries it has a presence in from \$380 million (Sh61.95 billion) to \$250 million (Sh40.76 billion) as it takes a drilling break in Ghana.

Kenya's budget for this year is the same as that spent last year and will be equal to four percent of Tullow's planned overall capital spending.

The withdrawal of the two firms left Tullow as the sole partner in the project, a development it said created a more flexible proposition for a strategic partnership. Tullow said it was continuing with discussions with several interested parties.

There has also been a delay in getting approval on its final field development plan (FDP)—a document that outlines how Tullow intends to develop the oil fields, forecasts for production and costs, as well as how it plans to manage the impact of the project on the environment and society

Directline Assurance shocks PSVs with cashless fares

All public service vehicles (PSVs) insured by Directline Assurance will have to switch to cashless fare platforms, including M-Pesa, as the insurer moves to curb fraudulent claims coming from passenger injuries and deaths.

Directline, which has the largest share of the PSVs insurance business, has issued a circular to all operators of matatus it has insured to make the shift effective February 1, in a move that also offers a revenue boost for banks and telcos that support cashless payments.

Direcline closed last June with Sh1.66 billion gross premiums from motor commercial PSV covers, giving it a 60.79 percent market share in this class of business, according to the Insurance Regulatory Authority data.

It was followed at a distance by Xplico (9.7 percent), Africa Merchant Assurance (9.26 percent), Invesco (9.01 percent), and GA Insurance (6.94 percent). Only 10 insurers in Kenya currently underwrite commercial buses and matatus.

Directline suffered Sh576.22 million underwriting losses in insuring matatus and buses in the six months ended June 2023, exceeding the Sh311.88 million loss in the full year ended December 2022.

Penalties for illegal State actions breach Sh126bn

Penalties and fines arising from contract breaches, unlawful dismissals, human rights violations and other legal disputes committed by government officials increased nearly Sh18 billion in William Ruto's first year in office, further burdening taxpayers.

Historical court awards against State ministries, departments and agencies climbed to an estimated Sh126.20 billion last financial year ended June 2023, analysis of sector budget reports indicate.

The value represents a jump of 16.50 percent over an estimated Sh108.32 billion the year before, signalling the growing cost of unlawful decisions made by public officers. Some of the awards represent cases determined three decades ago.

The bills, disclosed through sector expenditure proposals presented to the Treasury ahead of budgetary allocation for the financial year starting July, present a major strain on the country's already fragile financial position. The reports show the government has paid Sh11.39 billion of the awards,

representing 9.03 percent of the outstanding arrears.

New Sh70bn bond tests resolve to cut domestic debt

The government is seeking Sh70 billion in an infrastructure bond (IFB) sale that will test the resolve of the Central Bank of Kenya (CBK) to keep the cost of domestic borrowing in check.

The eight-and-a-half-year infrastructure bond, which is the second of its type being sold in the current fiscal year, has been floated in a period of heavy maturities of government debt, underperforming revenue collection and external borrowing, raising the pressure on CBK to take up expensive bids in bond sales.

In February, domestic debt service obligations—maturities plus coupon payments—are estimated at Sh280.9 billion, nearly half of which lies on maturities of the 91-day Treasury bill.

The Treasury's latest statement of revenue and expenditure (for December 2023) showed that the tax revenue for the first six months of the fiscal year stood at Sh1.05 trillion, equivalent to 42 percent of the full-year target of Sh2.49 trillion.

In the January bond that sought Sh35 billion, the CBK was forced to leave Sh12 billion on the table from bids of Sh37.2 billion in the initial sale after some investors asked for more than 19 percent in interest.

In the subsequent Sh15 billion tap sale meant to mop up the rejected bids, investors offered Sh11.8 billion.

The 6.5-year November IFB for instance paid investors an average return of 17.93 percent. An ordinary bond of a similar tenor, which carries a tax obligation of 10 percent on interest would need to pay 19.92 percent to give an investor a net return that is equivalent to that of the IFB.

The November IFB, which sought Sh50 billion on the initial sale, raised bids worth Sh88.9 billion out of which the CBK took up Sh67.1 billion.

Nairobi collects more revenue than 30 counties combined

Nairobi County continues to dominate its peers in revenue generation, collecting 22 percent of the own revenues reported by all the devolved government units in the last financial year.

Nairobi collected Sh8.16 billion compared to Sh36.8 billion generated by all 47 counties, according to a report by the National Treasury on financial statements in the 2022/23 fiscal year.

The report exposes disparities in own revenue collections with the 30 lowest performing counties contributing to only about a fifth (21 percent) of the total revenues.

This points to the concentration of economic opportunities in the capital and its surroundings, leaving much of the expansive country with little to contribute to the economy.

In 2021/22, Nairobi collected Sh7.6 billion, which was more than the combined collection of 32 counties that generated Sh7.5 billion.

They include Wajir (Sh46.8 million), Tana River (Sh59 million), Garissa (Sh82 million), Isiolo (Sh91 million), Nyamira (Sh97 million), Mandera (Sh123 million), Vihiga (Sh127 million), West Pokot (Sh128 million) and Marsabit (Sh142 million).

Embu (Sh593.8 million), Kirinyaga (Sh552 million), Nyandarua (Sh491 million), Homa Bay (Sh491 million), Kericho (Sh477 million) and Nandi (Sh199 million), are also listed among counties whose combined collection was surpassed by Nairobi.

Analysis of the report indicated this was actually underscored because some lines of revenues were not included. These include Sh171,354,269 being

funds collected and spent under the Facility Improvement Fund Act, 2019. Similarly, another Sh12,047,051 was not reported. These, summed up, takes us to Sh381,701,320

Nakuru's reported the highest drop of 50 percent to Sh1.6 billion, compared to the Sh3.3 billion it collected in 2021/22. Nakuru governor did not respond to our questions on factors that could have affected the revenue performance, and strategies to boost the same in the current financial year and moving forward.

On the other hand, counties with the biggest improvement in own revenue collections were Narok, which more than doubled from Sh1.2 billion to Sh2.9 billion and Samburu, which increased from Sh112 million to Sh226 million.

Kiambu collected nearly Sh1 billion more, increasing from Sh2.7 billion in 2021/22 to Sh3.6 billion.

The governor, however, noted that even with the improvement, the county lost 30 percent of its own revenues to corruption activities within its workforce, noting that actual collections could have surpassed Sh5 billion. He said the outlook for the year ending June 2024 is for the county to collect Sh7.9 billion, which will be more than a third of its Sh22 billion budget.

In total, seven counties collected more than Sh1 billion each from their own sources in 2022/23, down by one (Kisumu) from the performance in 2021/22.

KMRC weighs market for second bond issuance

The Kenya Mortgage Refinance Company (KMRC) is planning to return to the bond market to issue the second tranche of its Sh10.5 billion medium-term note to raise more funds for the disbursement of cheaper housing loans.

In a progress assessment report, the African Development Bank (AfDB), which has invested Sh15.8 billion in the company, said the mortgage financier is evaluating the market conditions to see if they will allow the issuance of their second bond this or next year.

The initial bond diversifies the institution's funding sources, ending its reliance on foreign development financial institutions and concessional lenders, which had been the primary source of funding for its refinancing activities since its establishment in 2018.

The money raised from the bond and other concessional lenders, including the World Bank, has so far enabled KMRC to refinance 3,142 mortgages valued at Sh9.6 billion as of September last year.

It is working with 12 primary mortgage lenders, which are also shareholders, allowing people to access mortgages at a rate of about 9.5 percent, less than the country's average mortgage rate of 12.3 percent.

[IMF in new tax onslaught on rich Kenyans, large investors](#)

Multiple tax incentives and exemptions handed out to the ultra-wealthy and large investors in the past decade are undermining Kenya's ambition to grow revenues, the International Monetary Fund (IMF).

The IMF, in a new analysis of tax policy and administrative changes in the East African Community countries, says that Kenya's tax-to-GDP ratio has been on a downward trajectory since peaking in 2014 after the country implemented policies that have ended up narrowing the tax base.

[Kenya plans 30 industrial parks more in push for value-addition](#)

The government is seeking to build an additional 30 county aggregation and industrial parks for value

addition to boost exports, even as it targets to double foreign direct investments to Sh1.6 billion this year.

Trade and Industrialisation the establishment of the aggregation hubs would boost value-addition across value chains and spur manufacturing productivity.

The government had initially targeted 18 County Aggregation and Industrial Parks whose construction has begun. The addition means some 48 industrial parks will now be built under the programme.

This growth strategy includes the establishment of 30 additional County Aggregation and Industrial Parks, stimulating the activation of priority value chains across the country

The ministry targets to grow the contribution of Kenya's manufacturing sector to the gross domestic product from 7.6 percent to 10 percent in 2024, with a long-term aim of 20 percent by 2030.

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Blow to President Ruto as court halts housing levy

President William Ruto has suffered a blow Friday morning after the Court of Appeal declined to extend an order allowing the government to continue collecting the housing levy.

A bench of three judges ruled that public interest tilts in favour of not granting the order sought by the government.

The government had asked the Court of Appeal to suspend a judgment of the High Court that found the levy illegal as it targets a section of the population.

In a decision last year, three judges of the High Court ruled that the introduction of the housing levy through amendment of the Employment Act by Section 84 of the Finance Act, 2023 lacks a comprehensive legal framework in violation of Articles 10, 201, 206 and 210 of the Constitution.

The Group reported net sales growth across the three markets: Kenya at 10 per cent, Uganda at 31 at per cent and Tanzania at 9 percent. Additionally, beer and spirits categories grew at 18 percent and 13 percent respectively.

[Billionaire Kibunga Kimani buys Sh113 million Safaricom shares](#)

Billionaire John Kibunga Kimani raised his stake in telco giant Safaricom by 8.64 million shares to 27.7 million units in the six months to December 2023, joining investors who have taken advantage of the stock's lower price to add to their holdings.

The additional shares are valued at Sh113.12 million, going by the company's closing price of Sh13.10 a share on Friday.

The company's shareholder register for December shows Dr Kimani's additional stake cemented his position as the telco's second-largest East African individual shareholder. His stake is only surpassed by the 40.41 million units held jointly by Chirag Menesh Solanki and Kalavati Menesh Solanki, who cut their holding by 131,000 units between June and December 2023.

Dr Kimani's stake in the company is now valued at Sh362.4 million at the current price, while the Solanki stake is worth Sh529.3 million, which is the equivalent of 0.1 percent of the telco's total valuation of Sh524.9 billion.

Retail investors holding up to 100,000 shares each, who had progressively cut their stake in Safaricom between the firm's 2008 initial public offering and 2019 on profit taking, have been rebuilding their position over the last two years as the company's share price trends downwards from highs of Sh40 and above.

[Mobile lender Tala reports back-to-school loans surge](#)

Fintech credit provider Tala has reported increased uptake in back-to-school loans, with average ticket sizes in Kenya hitting Sh19,560 as parents seek money to pay fees.

The findings are based on self-reported data from loan applications, which Tala says has been tracking since 2019 in Kenya, Mexico, and the Philippines, where it operates. It says loans taken for education increase by nearly 50 percent during back-to-school months.

The average loan size in Kenya towards education was above that of the Philippines at \$90 (Sh14,670) but below that of Mexico at \$125 (Sh20,380). Tala's study, however, did not disclose the actual number and value of loans disbursed during the period. Tala said the Sh19,560 loans were over one-third of the average monthly income, showing the extent of loans linked to education.

Tala had, by the end of 2022, loaned out a cumulative \$1.9 billion (Sh309.77 billion) to Kenyans in over 3.5 million disbursements since it started operations in the country in 2014.

[Manufacturers shake banks with Sh133bn loan defaults](#)

Manufacturers have overtaken traders as the biggest defaulters of loans, reflecting the rising operation costs for the sector which has been hit hardest by elevated inflation as well as new and higher taxes.

The sector's stock of non-performing loans (NPLs) jumped 59.2 percent to Sh133.7 billion in the year to September 2023 from Sh84 billion a year ago, according to data published by the Central Bank of Kenya.

[Private insurers to process SHIF claims](#)

The government plans to contract private medical insurance providers and claim settling agents to review and process claims under the planned Social Health Insurance Fund (SHIF) in which the State is eyeing Sh133 billion in premiums annually.

The draft Social Health Insurance (General) Regulations, 2024 published last week shows the insurers and claims settling agents will be the link between hospitals and Social Health Authority — the entity that is going to manage three funds, replacing National Health Insurance Fund (NHIF).

The insurers and the agents will be receiving claims from healthcare providers and reviewing the claims. Claims approved will then be forwarded to the authority for payment while erroneous or incomplete ones will be returned to hospitals for correction.

[Kenya among nations marked for Sh979m AfDB water funding](#)

Kenya is one of four countries among the first likely beneficiaries of an African Development Bank-funded project that seeks to improve access to clean water by the urban poor.

AfDB has named Kenya, Ghana, Zambia and Sierra Leone as four out of five countries that could be picked to kick-start the African Urban Sanitation Investment Initiative (AUSII) project this year.

The project—which is co-funded by the AfDB and the Bill and Melinda Gates Foundation—seeks to fund business innovations that seek to provide robust, affordable, financially and environmentally

sustainable inclusive sanitation services for urban dwellers with a focus on the urban poor.

The project is set to be rolled out for the first time this year with an initial grant of \$6 million (Sh979 million).

[Ailing hospitals risk President Ruto's new health insurance plan](#)

President William Ruto's administration is walking a tightrope in the delivery of quality and affordable healthcare that was used as a justification for the looming monthly deductions that will be getting at least Sh133 billion annually amid poorly equipped public and private hospitals.

Kenyans may as early as March start parting with 2.75 percent of their gross monthly income to fund the Social Health Insurance Fund (SHIF) which promises a generous package to respond to primary healthcare, emergency, chronic and critical illnesses.

SHIF, which is replacing the National Health Insurance Fund (NHIF), that has served Kenyans for more than 57 years, is even promising to fly Kenyans overseas in cases where treatment sought is not available locally.

All that will be expected of Kenyans to enjoy these health services is to get registered as SHIF members and contribute the required amount every month. The government estimates that this is going to cut out-of-pocket spending on health from about 24.3 percent to less than 10 percent.

[KRC loses appeal in Sh217m Telkom debt row](#)

Kenya Railways Corporation (KRC) has lost an appeal seeking to overturn a judgment directing the corporation to pay Sh217 million to Telkom Kenya Limited for telephone services rendered between the 1980s and 2006.

The Court of Appeal dismissed the argument that the demand made by Telkom in December 2015 was time-barred.

Justices Hellen Omondi, Abida Ali-Aroni and John Mativo ruled that the nature of services supplied by Telkom to KRC gave the company an obligation to pay, as they were not statutory functions to be blocked by the KRC Act.

Evidence presented in court showed that Telkom sued KRC in 2016 claiming Sh217 million for the provision of Public Switched Telephone Network, voice services and data-oriented telecommunication services.

The services were rendered between the 1980s and 2006 and Telkom sought Sh128.5 million for voice-oriented services whereas data services for the same period amounted to Sh88.6 million.

[Kenya's short-term rental sector stands at crossroads](#)

All 'airbnb' investors in Nairobi—and soon across the country—will be required to register a business, then present relevant documentation to the Tourism Regulatory Authority (TRA)—including a lease agreement where the landlord expressly agrees to a term rental business, have the unit and amenities inspected for safety before a licence to operate is issued.

According to experts what Kenyans call 'airbnb' is technically a general term for a furnished residential unit which comes in many names and sizes depending on location. Guests typically stay for short periods of time, mostly below 30 days but can be as long as two years.

A unit is only an Airbnb if it is registered and approved by the Airbnb platform notes.

[After tricky year, Kenya to formalize China policy](#)

Kenya plans to put in writing its policy towards China, supposedly taking lessons from a chaotic first year of President William Ruto's term in dealing with Beijing.

The latest may be a dig at the West which China blames for routinely criticising Beijing's policy towards minorities in China. Ahead of Mr Mudavadi's trip to China, Beijing had lobbied successfully to have a good rating at the latest session of the United Nations Human Rights Council in Geneva in January.

Bayer joins GSK in exiting direct distribution of drugs in Kenya

German pharmaceutical and biotechnology company Bayer has announced plans to outsource its distribution and customer support operations for pharmaceutical products as well as marketing and sales of over-the-counter medicines to a third party in what will affect some of its employees.

The giant pharmaceutical says the move, which takes effect in May, is aimed at 'simplifying its value chain' and reducing the lead time between production and distribution.

Bayer's pharmaceutical prescription products, largely for women's healthcare, anti-infectives -- medicines that prevent or treat infections -- and cardiology drugs, are mainly manufactured at its plant in South Africa. The firm also markets and sells over-the-counter medications, nutritional supplements, dermatologic and other self-care products.

[Citibank to make disclosure over Safaricom cash call funds](#)

The High Court has allowed stock brokerage firm Suntra Investments Limited to enforce a decision requiring Citibank to provide information relating to a customer over the botched purchase of Safaricom shares in its initial public offering (IPO) in 2008.

High Court judge Mugure Thande ruled that Suntra should go ahead and demand the information relating to a customer—Ruparelia Sudhir— as directed by the Commission on Administrative Justice on January 24, 2022.

Suntra claims that it sought information and documents from Citibank relating to Sudhir who paid Sh116.5 million but was allegedly never allocated any shares.

[Licensed East African Bond Exchange to take on NSE](#)

Competition in Kenya's bond market is set to heat up following the Capital Markets Authority's (CMA) approval of an application for a license for Over-the-Counter (OTC) trading by the East African Bond Exchange (EABX).

The Business Daily has learnt that the market regulator granted EABX the license on Tuesday, setting the stage for competition between the Nairobi Securities Exchange (NSE) and EABX for bond market activity whose annual turnover has averaged Sh734.0 billion between 2020 and 2023.

This comes just a fortnight after the International Monetary (IMF) Staff Report following the January 17, 2024, sixth review of Kenya's \$4.43 billion, Sh717.3 billion, programme indicated that the government had committed the fund to take steps towards an OTC automated exchange to complement the operations of the NSE.

[Global economists forecast Kenya growth at 5.2 percent](#)

The world's leading banks, consultancies, and think tanks have marginally raised Kenya's growth prospects, citing increased private sector expenditure in an economy where inflationary pressures remain elevated.

A consensus forecast from 14 global firms shows the gross domestic product (GDP) — a measure of all economic activities by the government, companies, and individuals — will likely grow at 5.2 percent in 2024.

The growth is, nonetheless, projected to largely remain flat from last year's, estimated at 5.1 percent.

The consensus forecast suggests this year's growth will likely be the highest in three years, albeit at a marginal expansion compared with estimated 2023's. Kenya's growth forecast is higher than sub-Saharan's average of 3.8 percent, ranking seventh among major economies in the region. The growth outlook trails Ethiopia's 6.1 percent, Uganda's 5.5 percent and Tanzania's (5.4 percent).

The report shows America's Citigroup Global Markets have projected the highest growth for Kenya amongst the firms sampled at 6.2 percent, which will be the highest since 7.6 percent in 2021.

[EABL stock falls 11.6pc after cutting interim dividend on profit decline](#)

East African Breweries Limited Plc share price fell by 11.6 percent on Friday after the company slashed its interim dividend following a 22 percent drop in profits through six months to December 2023.

The stock price dropped to Sh104.50 at the close of trading on Friday from Sh118.25 the previous day.

On Thursday, EABL cut its interim dividend to Sh1 per share from Sh3.75 previously after posting lower earnings in the six-month period.

EABL, for instance, booked a foreign exchange loss of Sh2.3 billion compared to a loss of just Sh209 million a year prior.

Meanwhile, net finance costs rose to Sh3.9 billion from Sh2.3 billion, an impact of rising interest rates.

Moreover, the brewer's cost of sales rose to Sh37 billion from Sh30.7 billion due to high inflation in the economy.

Ministry orders Kuscco audit over deposit-taking

The State has ordered a special audit of the financial books of the Saccos' umbrella organisation, the Kenya Union of Savings and Credit Cooperatives (Kuscco) for alleged involvement in illegal deposit-taking business.

Co-operatives and Micro, Small, and Medium Enterprises Cabinet Secretary Simon Chelugui said the special audit will be conducted by one of the big four audit firms in the country.

This follows a revelation that Kuscco's financial books had been audited by unlicensed entities for the last two years-- the same period when the organisation came under financial difficulties that sparked an investigation into their activities.

Kuscco currently has a membership of 4,168 Saccos and holds deposits of about Sh18.9 billion. Its primary roles are the promotion of Saccos through advocacy, training, and provision of financial services.

NCBA, Co-op, Stanbic win State pensions deal

NCBA, Co-operative, and Stanbic banks have won the lucrative deal to keep the more than Sh100

billion in pension contributions held by the Public Service Superannuation Scheme (PSSS).

The PSSS disclosed the three banks pipped eight other rival registered custodians of pension funds to the deal and will now handle billions collected from more than 350,000 civil servants, including police officers and teachers who started contributing to their own pension savings scheme in 2021.

The three banks beat Bank of Africa, Equity, I&M, KCB, the National Bank of Kenya, Prime Bank, SBM, and Standard Chartered who are registered custodians of pension banks as of 2020. All the 11 banks had been in a heated race for lucrative contracts to keep the contributions, which began in January 2021.

A work plan by the Treasury showed that the custodian banks will carry out the services for three years renewable on expiry by mutual agreement for a further period of three years depending on performance.

Current account deficit hits 16-year low on imports dip

A slowdown in importation helped to boost the country's export earnings last year, cutting the current account deficit to a 16-year low, new data by the Central Bank of Kenya (CBK) shows.

The current account deficit is a measurement of a country's trade where the value of the goods and services it imports exceeds the value of the products it exports.

The CBK data showed that Kenya's current deficit for 2023 was an equivalent of 3.9 percent of the gross domestic product (GDP)—the lowest level since 2007 when it stood at 3.2 percent of GDP. The current account deficit has improved from 5.2 and five percent in 2021 and 2022, respectively.

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