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How workers' take-home pay will shrink on SHIF deductions

Thousands of workers will this month breach the legal requirement that demands they take home at least a third of their salary following a deduction of 2.75 percent of gross pay towards the universal health coverage (UHC) programme. The workers will pay the higher rates to the Social Health Insurance Fund (SHIF), which will today replace the National Health Insurance Fund (NHIF).

Employees have been contributing between Sh150 and Sh1,700 towards NHIF. Contributions to SHIF will see workers whose salaries range from Sh100,000 to Sh1 million part with an additional Sh1,050 to Sh25,800 for the State-backed insurance—making it the largest payslip deduction after personal income tax. This additional deduction together with the rise in National Social Security Fund (NSSF) contributions from \$200 to up to Sh2,160 and the introduction of a 1.5 percent housing levy deduction on gross pay in July last year have significantly cut workers' take-home pay. SHIF transition team flags gaps in claims database. Employers reckon that thousands of workers will take home less than a third of their pay when pre-existing loan repayment obligations are accounted for, presenting a compliance headache for managers as firms risk legal suits. This emerges in a period that has seen real wages fall for a fourth consecutive year, a sign of falling standards of living as the squeeze from the high cost of living continues to bite. The Employment Act of 2007 prohibits employers from deducting more than two-thirds of the basic pay of an employee to safeguard their rightful gains from employment. Federation of Kenya Employers (FKE) says the State has remained tight lipped on requests for advice on how to comply with the law in the aftermath of the multiple deductions.

We haven't received any clarification. These are different government policies being implemented at the same time and we are getting the impression that there is no effort to harmonise. The focus is on

implementation. Employers are still struggling with compliance said the Chief executive at FKE.

The Act provides FOR a general penalty of up to 50,000 or imprisonment of up to three months for employers who breach sections of the Employment Act. The chief executive said the breach of the one-third rule had exposed employers and the government to lawsuits, adding that companies are witnessing a fall in morale and productivity as well as a spike in stress levels. Employers are under duty to comply with laws that the government has put in place. The exposé (to lawsuits) is there but as long as it is a government directive and it is a legal document that we have to implement. Bankers said that the enhanced contributions towards the NSSF and the new housing levy were substantial and have even affected the financial plans on many workers. SHIF transition team wants July 1 rollout plan suspended.

Faced with this development, some banks are now opting to restructure loans to ease the pain of affected employees while some workers are cutting down on voluntary saving such as those in savings and credit cooperative societies (saccos) and banks to survive. Those earning Sh100,000 will part with an additional Sh1,050 following the switch to SHIF while those on a monthly salary of \$200,000 will pay an extra Sh3,800. Additional deductions for employees on Sh450,000 will be about Sh10,675 while those on \$800,000 and Sh1 million have extra obligations of Sh20,300 and \$25,800 respectively. This means the enhanced compulsory contributions to the State will rise to at least 21.5 percent for Kenyans earning Sh50,000, hit 30 percent for a Sh150,000 salary, and cross a third for those earning over Sh550,000. Even before SHIF, many employers reckon they had noticed a trend of monthly deductions eating more than two-thirds of workers' gross pay in an economy where the cost of living has remained high, with interest rates on loans having soared to highs of 18 years. Salaried workers in February saw their contribution the NSSF double to \$2,160, just a year after the 1.5 percent housing levy started taking away between Sh70 and Sh15,000 on earnings of between Sh50,000 and Sh1 million. The statutory deductions look set to worsen workers' welfare in an economy where an International Labour Organisation (ILO)

report showed that about 15.3 million or 80 percent of employed Kenyans were living in poverty by the end of 2022. According to the ILO data, 26 percent of working Kenyans are ranked as extremely poor while 29 percent and 25 percent are classified as moderately poor and near poor respectively.

NSE Investor wealth rebounds, increases by Sh 237bn

Investor wealth on the Nairobi Securities Exchange (NSE) rose by Sh 237.2 billion in the nine months to September 2024, reversing the losses seen a year earlier as foreign investors cut down on their exits from the market. NSE data shows that market capitalisation- the measure of investor wealth- rose to Sh 1.676 trillion on September 30 from Sh 1.439 trillion at the beginning of the year. The benchmark NSE 20 Share Index was up 18.3 percent in the period, while the NSE all share Index rose by 16.3 percent.

These indicators rose despite a dip in the NSE traded turnover in the period to Sh 65.1 billion in the nine months, from Sh 76.4 billion the previous year. Foreign investors, who mainly trade in the large blue chip stocks that drive the market cut their volume of net exits from the NSE to Sh 18.6 million for the nine months from Sh 18.95 billion in the corresponding period in 2023. The banking segment has been the biggest beneficiary of foreign investor purchases with the shares of the 10 listed local lenders gaining between eight and 58 percent this year. Four of the listed banks- Equity Group, KCB, Co-operative and DTB – appear on Morgan Stanley Capital International Frontier Market Indices which are closely watched by foreign investors participating in the local market.

Treasury eyes statutory pay reports to tame pending

State corporations will file monthly statutory and Sacco payment reports if Parliament approves proposed regulations by the National Treasury, aimed at taming the growing menace of pending bills. Statutory payments are deductions from workers' pay slips and include pay-as-you-earn (PAYE), National Social Security Fund (NSSF), and National Hospital Insurance

Fund (NHIF) that are legally mandatory, and failure to register, deduct, and remit them to the relevant authorities attracts penalties and interest. The Treasury has proposed that monthly payment records be presented to the Cabinet Secretary of the line ministry before the 10th day of the next month, in line with the Government Investment Regulations, 2024. Currently, this data is filed every three months in reports to the Controller of Budget. A State corporation shall submit a monthly statutory report to the ministry responsible for the State corporation... with the following information, pending bills broken down into their components: trade creditors, pensions, taxes, Sacco deductions, and other pending bills," reads the regulations currently open for public suggestions. Pending bills claims hit Sh 664.7 billion

A host of State corporations are currently on the spot for failing to remit Sacco deductions, and statutory deductions like the NSSF, pension, and NHIF despite deducting them from the payslips of workers. Records show that State corporations held \$379.8 billion worth of pending bills as of June this year, amid claims of making discriminatory payments and concerns about the growth of fictitious claims payments. State corporations hold the largest share of the pending bills at 73.6 percent of the \$516.3 billion that is owed by the national government as of June 2024. This includes unremitted pension cash and Sacco deductions. The arrears, which date back to the years of municipal and county councils before transitioning to the county system in 2013, add to the piling pending bills for the devolved units as a result of pay slip deductions that were not wired.

This includes Sacco contributions and PAYE deductions to KRA. The deductions not remitted to the Saccos, for instance, were estimated at Sh 865.12 million last year, a significant 35.81 percent drop from nearly Sh 1.35 billion in 2022. (The non-remitted funds] is significant enough to have negative financial impairment of the liquidity of the 10 County Government-based regulated Saccos which draws a majority of their membership from County Governments and Assemblies. Sacco Societies Regulatory Authority said in its annual report published on September 11. The Retirement

Benefits Authority (RBA) also estimates that over Sh90.3 billion in pension savings for county staff had not been remitted to manager schemes. The data from the RBA, however, contradicts a report from the Council of Governors to the Senate which put the arrears at Sh40.5 billion as of March 2023 with Treasury Cabinet Secretary John Mbadi revealing that he is setting up a team to verify the clashing amounts. The discrepancy of Sh49.5 billion prompted the Senate Select Committee on County Public Investments and Special Funds, led by Godfrey Osotsi (Vihiga), to direct the Treasury to investigate the true position of the accumulated bills.

Consultants paid Sh 1.4 bn for ghost NHIF Project snub MPS probing deal.

Two construction consultants paid Sh1.44 billion by the National Health Insurance Fund (NHIF) for botched works have snubbed a parliamentary committee investigating the projects. Ujenzi Consultants and Baseline Architects skipped the session called by the National Assembly's Public Investments Committee on Social Services, Administration and Agriculture, claiming that the matter to be discussed was subjudice as it was in court. The committee wanted to grill the directors of Ujenzi Consultants and Baseline Architects over questionable payments of Sh1,444,687,484 for a proposed resource centre in Karen. State loans diverted to salaries utilities nearly double to Sh 416 bn

NHIF on the spot over Sh1.4bn upfront pay for ghost project. The committee, chaired by Navokholo Member of Parliament Emmanuel Wangwe, said available information indicated that the NHIF had paid Sh1.44 billion to various consultants in respect of arbitration awards to architects, quantity surveyors and professionals engaged in business plans, financial analysis consultancy, legal fees, architectural designs service fees and feasibility

studies. Mr Wangwe said during its deliberations, the committee noted that on April 22, 2002, Ujenzi Consultants was appointed and commissioned as a consulting quantity surveyor for the development of the NHIF Resource Centre. Mr Wangwe said the committee has established that the Sh1,444,687,484 was a possible loss of public funds.

In this regard, the committee has resolved to invite you to appraise it on the circumstances surrounding your appointment as a consulting quantity surveyor for the development of a resource centre for the National Health Insurance Fund on LR. No. 24968/2 located in Karen,"Mr Wangwe said in a letter to Ujenzi Consultants. And "the total amount of money received from NHIF concerning the quantity surveyors and feasibility studies.

On Baseline Architects, the committee wanted the directors of the firm to explain how it was appointed and commissioned as lead consultants for the design and supervision of the proposed development of the resource centre. In this regard, the committee has resolved to invite you to appraise it on the total amount of money received from NHIF with respect to the consultancy for the design and supervision services for the resource centre project."The committee was forced to adjourn the sitting prematurely after it became clear that none of the directors of Ujenzi Consultants and Baseline Architects would honour the invitation to the session. Mr Wangwe tasked its secretariat to ascertain whether the matter is in court before the committee decides whether they will summon the two consultants again.

State Collects Sh 127 bn Via e-Citizen

The government has collected at least Sh127.2 billion through the e-Citizen digital platform since President William Ruto ordered that all government services be paid through a single payment number. National Treasury Cabinet Secretary John Mbadi said the platform processes about 120,000 transactions daily and managed to collect \$h26.4 billion in the financial year ending June 30,

2023. However, the figure grew exponentially to Sh100.8 billion in the financial year ended June 30, 2024 as more services were added to the system, which currently stands at 16,000 services.

The single payment pay bill has worked well, and the visibility of our transactions has improved. The platform has managed to stop leakages,” Mbadi said when he appeared before the Senate on Wednesday. The CS said Social Health Insurance Fund (SHIF) payments will soon be on the platform, with high-level engagements already underway. The development is part of Kenya Kwanza's move to digitise all government payments to increase revenue collection, minimise collection costs and improve service delivery. Over 7,000 State services on e-Citizen. The convenience fee goes to the service provider so that the money collected is not used again to pay the service provider,” said Mr Mbadi. The Senator also wanted to know what caused the failure of the e-Citizen digital platform to process and reflect payments made to some institutions such as the National Health Insurance Fund (NHIF), and what steps were being taken to remedy the situation.

Parastatals tap extra Sh231bn from State amid high defaults

The value of government loans to State corporations rose by more than a fifth or Sh 231.2 billion to hit Sh 1.26 trillion in the year ended June 2024, amid the persistently slow pace of repayments that has led to write-offs running into billions of shillings. Fresh data by the National Treasury shows the 22.4 percent rise in on-lent loans from Sh 1.032 trillion came in the period when the parastatals only managed to repay Sh 64.61 billion, leaving an outstanding balance of Sh 1.197 trillion.

The Kenya Railways Corporation accounted for Sh 737.5 billion or 61 percent of the outstanding loans, pointing to the impact of billions of shillings extended to it towards supporting the Standard Gauge Railway (SGR) Project. State-owned enterprises (SOEs) with high outstanding loans from the state include Kenya Airways (KQ) (Sh99.92 billion), Kenya Electricity Generating Company (Sh 78.62 billion) Kenya power (Sh71.32 billion), Athi water works development Agency (Sh

55.1 billion) and coast Water works development agency (Sh 20.61 billion). Treasury eyes statutory pay reports to tame pending bills

The surge in outstanding loans from Sh 974. 2 billion to Sh 1.197 trillion came in the when period outstanding on lent loans arrears, which include principal and accrued interest not paid amounted to 266.5 billion.

Out of the arrears, Sh167.5 billion relates to Kenya Railways SGR loans which it is yet to start servicing. SOEs in the water sector were also singled out, having arrears of Sh 34.1 written off.

The water sector is facing challenges due to ongoing legal reforms given that water is a devolved function and some of the water companies owned by county governments are not remitting the funds to water agencies.

Most of the SOEs had in the previous year applied for their loans to be written off because of financial constraints and inability to service the loan

More than half (31) of the 54 State corporations did not make any repayments in the financial year ended June 2024, highlighting the continued struggles these entities are having in keeping up with loan repayments. For instance, during the review period, the State serviced a guaranteed debt of Sh17.4 billion on behalf of Kenya Airways, a indication that the State's exposure is beyond the risk of losing the on-lent loans. The payment of the KQ loan saw the stock of government-guaranteed debt as of the end of June this year drop to Sh100.2 billion from Sh170.2 billion.

The State has also provided a guarantee to loans secured by KenGen and Kenya Ports Authority. Firms such as Kenya Power and KQ are considered strategic and of national interest due to the overall impact their failure would have on the economy. Kenya has 248 State Corporations, out of which 46 are commercial enterprises, and 201 are non-commercial entities. The Treasury says this obligates the State to bail them out from financial distress, despite the competing budgetary needs. A high number of commercial State

corporations are concentrated in the transport and energy sectors, performing strategic functions.

Domestic debt Costs up Sh89bn on higher rates borrowing

Taxpayers forked out an additional Sh89.4 billion in interest payments on the government's domestic debt in the year to June 2024, reflecting the elevated interest rates on debt securities and increased local borrowing for budgetary purposes in the period. Disclosures by the National Treasury show that the interest payments rose to Sh622.5 billion from Sh533.1 billion in the 2022/2023 fiscal year, leading to an increase in the ratio of debt service to revenue and GDP —key metrics in measuring public debt sustainability. Domestic interest rates went up in the period, partly due to the Central Bank of Kenya (CBK) tightening its monetary policy and investors raising their risk perceptions on government debt on concerns about the State's ability to service its obligations. Bond yields peaked at up to 18.4 percent by June 2024, compared to 14 percent a year earlier, while Treasury bill yields rose 16 percent to 16.8 percent from 11.7 percent to 11.9 percent over the period.

At the same time, the government raised its net borrowing from the domestic market to Sh595.6 billion from Sh459.5 billion in the 2022/2023 fiscal year.

The elevated reliance on domestic lenders was informed by the need to plug a widened budget deficit of Sh818.3 billion (2023: Sh770.3 billion) while also repaying a maturing Sh260 billion Eurobond, which limited the ability to raise budget financing from external lenders. During the fiscal year under review, the ratios of domestic interest payments to total revenue increased to 27.2 percent from 26.1 percent in the 2022/2023 fiscal year, while the ratio of public domestic debt interest payments to GDP increased to 3.9 percent from 3.7 percent," said the National Treasury in its 2023/2024 annual public debt management report. By the end of the period, the government's stock of domestic public debt stood at Sh5.41 trillion, while outstanding external borrowings stood at Sh5.17 trillion. Interest charges

on external loans rose by Sh62.3 billion to Sh218.2 billion, partly reflecting the weakening of the shilling versus the dollar in the first three quarters of the fiscal year.

Car logbook loans provider mogo fined Sh 11 m for false credit term.

Car logbook loans provider Mogo Auto Limited has been fined Sh10.85 million by the Competition Authority of Kenya (CAK) and ordered to refund more than Sh340,000 to three customers following investigations into false and misleading credit payment terms. The firm was ordered to refund Sh344,939 to the three customers, the excess amounts they were charged when repaying their loans and the difference in the dollar exchange rate applied during the loan issuance. Mogo has also been directed to refrain from misrepresenting facts and engaging in unconscionable conduct when dealing with its clients, amicably resolve all pending complaints before the Authority, and resolve future complaints expeditiously," CAK said.

The sanctions against Mogo followed investigations into complaints filed with the CAK by the firm's aggrieved customers between May 6, 2023, and April 11, 2024. The first complainant applied for a loan of Sh2.1 million or \$17,828.16 at an exchange rate of Sh17 to the dollar in June 2022. The facility was payable in 60 monthly instalments at a flat interest rate of 2.6 percent. The complainant accused Mogo of adjusting the flat rate to a reducing balance basis and that the interest payable was calculated in US dollars, despite the facility being disbursed in Kenyan shillings. This adjustment, the complainant claimed, resulted in the payment of unpredictable amounts due to foreign exchange rate fluctuations.

In a second case against Mogo, a complainant took a Sh300,000 loan facility in July 2021. After 20 months of repayment, the borrower requested a statement aiming to settle the loan in full. The loan

statement indicated a balance of \$h392,000. In addition, the amount repayable had been computed in US dollars, even though the loan was disbursed in Kenyan shillings.

In a third matter against Mogo, the lender financed 50 percent or \$h310,000 of the purchase price of a motor vehicle. The facility was disbursed in Kenyan shillings, but the loan agreement listed two currencies — the Kenyan shilling and the US dollar. The complainant says Mogo said the dollar tabulation was for record-keeping purposes. However, subsequently, Mogo calculated the loan instalment amounts in US dollars and required the complainant to pay in Kenyan shillings,” CAK said about the case. Further, the complainant claimed Mogo did not furnish them with the loan agreement and introduced a new document (General Provisions), which was not availed during the initial negotiations,” the watchdog added.

A fourth complainant entered into a \$h517,212 loan agreement with Mogo in June 2022. The complainant serviced the loan for seven months after which the facility balance was tabulated as \$h726,000. As was the case with the other complainants, the loan was disbursed in Kenyan shillings but repayable in US dollars, exposing the borrower to higher instalments. The complainant alleged that Mogo unilaterally varied the interest rate from 2.5 percent (flat rate) to 3.85 percent (reducing balance), contrary to the contract terms. Upon reviewing the four complaints, the Authority initiated an investigation and informed Mogo of the allegations and invited the firm to submit a response,” CAK said. Mogo made written and oral submissions but was found to have breached the Competition Act, specifically clauses prohibiting false or misleading representations, and engaging in unconscionable conduct during the issuance and administration of loan products to the complainants.

Treasury returns to switch bonds from November to ease debt Pressure

The Treasury has for the first time published a calendar showing its planned issuances of debt

securities, revealing the return of switch bonds to address refinancing risk on papers falling due in April and May next year. Issuing a switch bond involves the direct conversion of maturing Treasury bills and bonds into longer-term security, cushioning the exchequer from a liquidity crisis. The Treasury’s 2024/2025 Annual Borrowing Plan publication shows that the first of the two switch bonds will be issued next month, targeting a three-year bond and a nine-year infrastructure bond which were sold in April 2022 and April 2020 respectively. The three-year bond has an outstanding value of \$h60.6 billion, which falls due on April 7, 2025. Although the infrastructure bond’s final maturity date is in 2029, it carries an early partial maturity (amortisation) date of April 7, 2025, covering 50 percent of its total outstanding value of Sh118.5 billion.

Rate on 91-day T-bill dips below 15p¢ for the first time in 12 months. In total, the Treasury will be asking bondholders on the two papers to switch a total of \$h100.1 billion onto a new bond, whose tenor is expected to be between five and 10 years. The second switch bond, also carrying a tenor of between five and 10 years, will be rolled out in January 2025 to retire a five-year bond that was floated in May 2020, whose outstanding Amount is \$h104.5 billion. Planned switch auctions for the financial year will be part of the borrowing strategy,” said the Treasury. This process includes selecting the best mix of instruments to replace maturing bonds, creating attractive new products for investors, engaging closely with stakeholders, incorporating appealing features into new bonds, and maintaining clear and consistent communication with the market to build confidence and credibility.

The Treasury has been forced to turn to the switch bonds to prevent a liquidity crisis due to heavy borrowing needs from the domestic market in the current fiscal year. In addition to the net domestic borrowing target of Sh413 billion, the government also needs to raise an additional \$h570 billion to refinance maturing debt, while also spending \$h750 billion in domestic debt interest payments. Domestic debt maturities are usually funded by rolling over the debt via new bond issuances, and rarely through repayments from tax

collections since the government is already running a budget deficit. Rolling over the debt through ordinary bond sales however means that rollovers can affect the government's ability to make new borrowing for budgetary purposes, especially when these bonds are undersubscribed. A switch bond therefore helps avoid the competition for funds between maturities and new borrowing. The Treasury floated its first switch bond in June 2020, offering investors a six-year infrastructure paper in exchange for a maturing one-year Treasury bill that the state was looking to roll over. This swap netted \$20.2 billion out of a target of \$25.6 billion. The second switch bond was sold in December 2022, seeking \$87.8 billion via a six-year infrastructure bond, targeting holders of maturing Treasury bills worth \$31.96 billion and a maturing two-year bond that had an outstanding amount of \$55.85 billion. This switch bond raised \$47.8 billion, with holders of the two-year bond accounting for the bulk of the switch at \$39 billion.

Cash in bank fixed deposit accounts hits Sh 2 trn

The amount of money in savings held in fixed deposit accounts crossed the Sh2 trillion mark for the first time in July, underling the impact of a scramble by savers lured by high interest rate offers by commercial banks. Fresh data by the Central Bank of Kenya (CBK) shows that the fixed deposit balances hit Sh2.02 trillion for the first time in July, representing a 13.6 percent growth from Sh1.76 trillion at the same time last year. Banks usually pay a higher return on term deposits in contrast to savings accounts as an incentive to customers to hold funds with the institutions for longer. The deposits form a key base for commercial bank funding, supporting their core lending activities by providing liquidity. Bank fixed deposit accounts have returned to prominence in the wake of prevailing high-interest rate environment which handed savers sweetened returns over the past year. The average commercial bank deposit rate- the return from fixed deposit accounts- for instance, stood at 11.28 percent in July compared to 8.1

percent at the same time last year. Savers stockpile Sh1.9trn in fixed deposit accounts on high rates. The high-interest rate environment has been primarily anchored on the tightening monetary policy or the benchmark interest rate by the CBK over the past year as a response to high inflation and foreign exchange volatility. Banks have at the same time been forced to raise the return on fixed deposit accounts by the competition as other asset classes including fixed income and unit trusts deliver comparable higher returns to clients. Savers in banks have, meanwhile moved away from the lower-yielding saving accounts with balances dipping to \$1.6 trillion in July 2024 from \$1.7 trillion at the same time last year. Returns from savings accounts have, nevertheless, grown from 3.97 percent to 4.56 percent over the same time but trail the double-digit returns from other asset classes including fixed deposits.

Commercial banks offer the highest returns to term depositors as an incentive to keep their funds locked in for longer with the monies being partly deployed in supporting lending. Demand deposits, or short-term savings, or current and savings accounts (Casa) attract lower returns as customers can make instant and unlimited withdrawals from them. The drop in savings account balances amid rising fixed deposits points to the likelihood of

bank savers moving their funds from the lower-yielding Casa accounts into the time and savings deposit accounts. CBK lifted its benchmark lending rate- the minimum interest rate in the market- from 9.5 percent in May last year to a high 13 percent in February this year before a first rate cut in four years which lowered the benchmark slightly to 12.75 percent in August. The start of interest rate cuts has set the stage for lower domestic interest rates which is set to affect the return paid to savers in commercial banks, setting up the chance for portfolio reallocations within asset classes.

[Parliament KRA owe Kenya Airways Sh 3.5 bn in air tickets cast](#)

Parliament, the Foreign Affairs Ministry, and the Kenya Revenue Authority (KRA) owe Kenya

Airways \$h3.54 billion, the national carrier has revealed. Kenya Airways Chief Executive Allan Kilavuka told the Senate Committee on Roads, Transportation, and Public Works it is also seeking government assistance in repatriating funds stuck in various jurisdictions including Nigeria, Malawi, Ethiopia, and Burundi totaling Sh1.4 billion as of September 2024. Mr Kilavuka told Senators that the KRA owed KQ Sh2.7 billion as of August 2024 in Value Added Tax (VAT) refunds. He said the Foreign Affairs Ministry owes the national carrier Sh294 million in unpaid air tickets while the National Assembly has not cleared \$h242 million. The Parliamentary Service Commission has not paid KQ \$h191 million, the Parliamentary Joint Services (\$h30 million), and the Directorate of Immigration Services (Sh32 million). The government should support us in the collection of outstanding amounts from various State agencies totalling \$h840 million as of September 2024," Mr Kilavuka told Senators. KQ plans to switch to digital passenger services. The government should support payment of VAT refunds totaling \$h2.7 billion as of August 2024. Mr Kilavuka told the committee chaired by Kiambu Senator Karungo Thangwa that Parliament is the biggest customer of KQ. He said other State agencies have debts that are much older than those of the National Assembly, the Parliamentary Service Commission, and the Parliamentary Joint Services. We invoice them but the debt remains unpaid. To be fair to the National Assembly, the Parliamentary Service Commission, and the Parliamentary Joint Services, they are our biggest customers. Bank lending rates up in August despite CBK rates Cuts

Hemingways wins Sh 944m tax fight with KRA over Watamu Project

The Tax Appeal Tribunal has accepted an appeal by hospitality firm, Hemingways Watamu Limited challenging a \$h944 million tax claim by Kenya Revenue Authority (KRA), from an investment in the construction of a hotel and apartments in Kilifi County about six years ago. The hospitality company is in the business of hotel services, fishing, and Safari Centre trading as Hemingways Resort. Hemingways built a hotel and apartments in Watamu in 2018 for Sh629,357,254 and later

claimed \$h944,035,881, being 150 percent of the total construction cost as part of the investment deduction allowance policy to hotel buildings, buildings used for manufacture, and machinery used for manufacture. As part of the Income Tax Act policy to entice investments, firms investing more than 200 million outside Nairobi, Mombasa and Kisumu enjoy a 150 percent tax deduction on money invested in hotel buildings, buildings used for manufacture, and machinery used for manufacture. Hemingways said that from the provisions of the Income Tax law, it was right to claim the 150 percent investment deduction of its investment. KRA, however, said that during a returns review, it noted that the applicable rate in Hemingways' project was 100 percent and not 150 percent as claimed by the hotelier and therefore proceeded to disallow the over-claimed amount of Sh 314,678,627 for the period 2018.

The KRA review resulted in an adjusted investment deduction claim of \$h417,351,449 and \$h30,201,052 for the period 2018 and 2019. 'The taxman claimed that the 150 percent claim is only applicable to persons who satisfy both conditions of having a building and installing machinery therein as provided under the second schedule paragraph 24 (1) (f) of the Income Tax Act. In a judgement, the Tax Tribunal sided with Hemingways and faulted the taxman for twisting the law. The Tribunal chaired by Robert Mutuma said KRA erred in disallowing costs incurred by Hemingways in the construction of the 7 hotel in Watamu. The upshot of the foregoing is that the Appeal has merit and therefore succeeds. Consequently, the Tribunal makes the following Orders: -) The Appeal be and is hereby allowed; b) The Respondent's Objection Decision dated October 5, 2023, is hereby set aside; the Tribunal. The Tribunal finds that contrary to the Respondent's assertion that the provision only applies to buildings used for manufacture, Paragraph 24 (3) (d) of Part I of the Second Schedule to the Income Tax Act provides a further definition of the term building as any building structure, then enumerates civil works and other structures that qualify as buildings in the case of buildings used for manufacture," the Tribunal said in its judgement

on October 4, 2024, noting that this provision does not exclude a hotel building from the definition of

the term 'building'. It follows that the Appellant, having incurred qualifying expenditure of over Sh.200,000,000 in the construction of a hotel building in Watamu, Kilifi County, being outside the City of Nairobi or the Municipalities of Mombasa or Kisumu, was allowed to deduct investment deduction at the rate of 150 percent of the qualifying capital expenditure and the associated construction costs were allowable.

Insurers plan own customers bond verification platform after Kenswitch fallout

Kenyan insurance companies are planning, in collaboration with the Insurance Regulatory Authority (IRA), to develop their own customs bonds verification platform after a falling-out with the Kenya Revenue Authority (KRA)-linked software supplier Kenswitch over pricing and concerns over procurement of the financial services company. The industry's lobby, the Association of Kenya Insurers (AKI), says plans are underway for the industry in collaboration with the IRA to develop its own system that members will be using without pay. We are no longer going to use the Kenswitch platform. We are going back to the manual process and the verification of the bond is going to be done by insurance companies with staff from the Insurance Regulatory Authority (IRA) just to give KRA the confidence that the process of verification that we had to use the Kenswitch platform is, for the time being, going to be carried out by staff at IRA as we develop our own platform as insurance companies in conjunction with the insurance regulatory authority.

We want to come up with a platform where members will not be paying. We will agree with IRA on how we can come up with a platform that is going to be integrated with KRA system so that members can use it for bond verification. It will take some time but, in the interim period, we are using manual system. Customs bond insurance is a guarantee to the KRA that insurers will be held liable for all duties, taxes, fees, and penalties associated with goods if importing firms default on payment. KRA only clears the goods after evidence of the insurance-backed bonds. Insurance companies complained that Kenswitch Ltd, a company KRA brought on board in 2018 to provide

a platform for submitting the original hard copy of the bonds to the taxman before goods can be cleared, has been providing the service free but is now demanding 0.125 percent of the value of the customs bond. Importers suffered delayed clearance of thousands of shipments in September, after Kenswitch introduced the fees on the processing of customs bonds insurance, with the underwriters boycotting the payment on the grounds that it would add to their operational costs and drive many out of business. Kenswitch says it had been absorbing the costs to the tune of Ksh2 million (\$15,465) per month. But insurers say the cost of the platform is prohibitive and how Kenswitch was procured by KRA to provide the service is a matter of concern. That cost was going to be very high, but it was not so much about the cost, it was so much about how that whole process came into being. We should have been involved from day one if there was to be a platform and if there was to be a middle person coming in between KRA and insurance companies in this whole process of verification of bonds and a process that was going to cost us money," Mr Gichuhi said, "We should have been involved from day one so that we all agree that that is the route to go." Kenswitch says the understanding was that the service was to be offered for free during the piloting period of three months and thereafter be commercialised after it (service) was embraced by the entire industry, but it has been forced to absorb all the costs of administering the service after insurers declined to pay for it.

George Oketch, business development manager at Kenswitch, said that Kenswitch is a private company, not a publicly funded company, "and the impression that they got over time is that Kenswitch will provide that service for free just because Kentrade previously provided that service for free." at that time when Kenswitch started offering the service the understanding was that it would be implemented on a proof-of-concept basis for three months and once the industry fully on board the service and they are happy with it then we can commercialise it. There was that engagement (between Kenswitch and industry players). According to Kenswitch there were other companies seeking to provide the customs bonds verification platform, but KRA picked Kenswitch.

M-Pesa paybills to become KRA tax registers by December 25th 2024

Mobile money paybill and till number accounts will be converted into electronic tax registers (ETRs) from the end of December to weed out tax evaders and boost revenue by billions of shillings, a senior economic adviser to President William Ruto has said. Moses Kuria, a former Cabinet Secretary, said there were plans to declare all paybills from December 25 as virtual electronic tax receipts in fresh efforts to widen the tax base. Mr Kuria was recently tapped as a senior member of the Council of Economic Advisors to the President. His pronouncement indicates that transactions on mobile money payments of traders will be nearly similar to an electronic tax invoice management system (eTIMS) receipt and a basis for tax computation. The revelation comes as the State races to have the Kenya Revenue Authority (KRA) integrate its system with those of mobile phone operators' financial platforms to catch those who do not pay tax on their incomes. Mr Kuria pointed at the disparity between the estimated 200,000 firms that have ETRs and the two million that use paybills as their digital payment points across the country. We've agreed with the Commissioner-General that come Christmas 2024, all paybills will also be virtual ETRs for the purposes of KRA [revenue collection]. I know there is going to be some noise, but I also want you to tell me where we agree that someone will not pay taxes? Maybe I missed that point," said Mr Kuria at the KRA tax summit Wednesday. Today at KRA, the number of people who have devices for VAT, the ETR devices, is only 200,000. Combined, all our telcos and the banks doing mobile payments have what we call digital touch points for payments-

two million of them, that's 10 times the number of ETRs at KRA and speaks to the huge opportunity we have in digitizing our revenue framework," he added. Mr Kuria did not give more details on the plan, but President Ruto has previously said the tens of millions of mobile money accounts in Kenya offered a chance to boost revenue. As a start, this will target firms that generate over Sh5 million in annual sales, a pointer that it's targeting traders in the informal sector who are outside the ambit of the KRA.

Short, long-term bonds interest spreads narrow on lower risks

The difference in the interest rates on long- and short-term bonds has narrowed significantly in the past month, raising prospects of a normal yield curve on government bonds. A yield curve is considered 'normal' because the market usually expects more compensation for greater risk in longer-term investments. In a normal yield curve, short-term debt instruments have a lower yield than long-term debt instruments of the same credit quality.

This means that the higher yields compensate for the increased risk normally involved in long-term ventures and the lower risks associated with short-term investments. Interest rate spreads between the 2-year and 10-year bonds have closed to just 0.22 percent as of October 4—with the yield on the shorter-dated paper at 17.29 percent while the return on the 10-year bond stands at 17.07 percent. Bonds maturity falls on short-term paper surge The spread has closed from 1.626 percent a month ago when yields on the two papers stood at 18.526 percent and 16.9 percent respectively. Yields on shorter-dated bonds have been higher than long-term papers, a scenario described as a yield curve inversion, reflecting short-term risks that saw investors expecting higher interest rates, forcing the government to pause the issuance of long-term bonds.

Safaricom Sh 104 bn SHIF deal got record one day nod

A proposal by Safaricom-led consortium to develop a Sh104.8 billion tech platform for the controversial universal healthcare insurance was cleared in a record one day. Documents filed in court show that Safaricom sent the request for proposal to the Health ministry on May 15 and a letter of notification to award the consortium the multi-billion shilling deal given the following day. Projects of this magnitude, which requires multiple approvals across agencies and ministries, often take months for approvals. This contrasts with earlier statements that the deal on the use of technology and Safaricom in the provision of affordable healthcare to all citizens had been in the works for over two years. Safaricom has partnered with Konvergenz Network Solutions Limited and Apeiro Limited in a contract to provide the integrated healthcare information technology system (IHTS) for the Universal Health Coverage (UHC) programme. SHIF transition team flags gaps in claims database. Each of the three firms will contribute to the \$104.8 billion needed to implement, maintain and support the IHTS system over the next 10 years based on their shareholding. Konvergenz Network Solution informed the court, where the firm is fighting for implementation of the deal following a petition to stop it, that the consortium submitted its technical and financial proposal on May 15, 2024. "By a notification of intention to award dated May 16, 2024, the Ministry of Health notified the sixth respondent of its intention to award the contract to the Safaricom Consortium, based on our technical and financial proposals, subject to the successful conclusion of negotiations on the draft contract," the documents filed in court stated. About a month later, on June 19, 2024, the ministry awarded the contract to Safaricom consortium. Konvergenz Network Solution reckoned that it accepted the deal on August 2 and a week later on August 9 the Ministry of Health and the consortium signed the contract.

This programme was started by former president Uhuru Kenyatta and it is only now that we are seeing its implementation. A lot of background work had been done for the last two years," said the lawyer. President William Ruto has approved controversial legislation for UHC in October last year triggering the biggest shake-up of the health

sector in more than 20 years. His plan revolves around promoting universal healthcare and requires all workers to contribute 2.75 percent of their salaries towards a new health fund. It takes effect this month. The government says it will make healthcare under the Social Health Insurance Fund (SHIF) more affordable and accessible for poorer Kenyans. But it has proved unpopular with many Kenyans, who see it as a new tax. More than half of private hospitals yet to transition to SHA.

The SHIF replaces the decades-old National Health Insurance Fund (NHIF), which has lost billions of taxpayer-contributed funds to corruption. Critics fear that the new social healthcare body will spend most of the collected funds on administrative expenses like the current NHIF, leaving few resources for direct healthcare costs. The National Assembly Health Committee cleared the Safaricom tech deal, but a petition filed by Busia Senator Okiya Omtatah and two others, seeks the nullification of the contract arguing that it was procured fraudulently.

[Rate on 91-day T-bill dips below 15 pc for the first time in 12 months.](#)

The return on the 91-day Treasury bill fell below 15 percent for the first time in 12 months as interest rates continued to fall in the domestic market. Yields on the shortest-dated government paper fell to 14.99 percent from 15.6855 percent in the same week that saw the Central Bank of Kenya (CBK) deliver its largest interest rate cut since the pandemic. Rates on the 91-day paper last dipped below the 15 percent mark on October 12, 2023, after which yields increased, peaking at 16.7243 percent in April this year, before receding in sibeauvent montis.

[Treasury bill rates decline for six consecutive weeks](#)

Rates on the longer -dated 182- and 364 -day Treasury bills have also fallen, closing at 16.095 percent and 16.3383 percent, respectively, in the latest auction, down from 16.4999 percent and 16.7291 percent, respectively. The dip in the interest

rate on the short-term T-bill has been linked to cuts on the CBK Indicative rate.

Downtick in the 91-day Treasury bills is attributable to the CBK resolve to nudge rates lower amid an easing risk landscape analyst at AIB-AXYs Africa stock brokerage said in a fixed income note. CBK First cut the benchmark lending rate by 0.25 percent on August 6 from 13 percent to 12.75 percent providing impetus to the unwinding of domestic interest rates.

CBK governor Kamau Thugge highlighted the role of CBK rate cuts in the easing of domestic interest rates, with the latest trim in the policy rate being expected to deliver a more rapid deceleration in Treasury yields. Short term interest rates eased slightly in August 2024 and have been easing for the last two months, reflecting the impact of the reduction in the CBR rate. The CBK previously raised its benchmark lending rate up to 13 percent as a policy measure to contain inflationary and exchange rate pressures as consumer costs ran high and the shilling depreciated sharply.

CBK Forex Haul up Sh 108 bn in five weeks on dollar purchases

The Central Bank of Kenya (CBK) has grown its official forex reserves by \$837 million (Sh108.1 billion) in the last five weeks after buying dollars from the market, taking advantage of a higher supply of the greenback from remittance and agriculture exports. CBK Governor Kamau Thugge yesterday confirmed the dollar purchases, saying that the action was also taken to prevent volatility in the exchange rate, as a result of the increased supply of dollars in the market. By the end of last week, the forex reserves had grown for five consecutive weeks to \$8.186 billion (Sh1.06 trillion), equivalent to 4.2 months of import cover, from \$7.349 billion (Sh949.4 billion), or 3.8 months of import cover, on August 29. The CBK adds to its dollar holdings by either buying the foreign currency proceeds of the government's external loans or through local market purchases. It rarely

discloses details of its activity in the local forex market. Banks that engage in forex trade with the CBK also do not disclose the deals publicly. The CBK maintained that its policy is to allow the rate to be determined by forces of demand and supply, intervening only when necessary to moderate excessive fluctuation in the exchange rate. Shilling holds steady despite globally weakening dollar. We have had a significant increase in foreign exchange, both from banks and diaspora remittances.

In order to moderate the fluctuations and volatility in the exchange rate, we have indeed been buying forex and that is part of our role and business," said Dr Thugge in a briefing. The same can be said when there is a need to intervene on the other side when the exchange rate starts to weaken. We would also step in to reduce volatility, but we do not seek to affect the overall direction of the exchange rate that would affect the fundamentals of the economy" the CBK boss added. The dollar purchases have helped the CBK grow its reserves at a time when the government has faced delays in accessing a disbursement of \$600 million from the International Monetary Fund (IME) under the four-year \$3.6 billion medium-term program the fund agreed with Kenya in 2021.

Removing dollar liquidity from the market has also helped keep the shilling stable in the forex market, where it has traded within a narrow range of \$129.17 to Sh129.19 to the dollar (as per the official CBK rate) for the past three weeks. The bank has previously said it has no preferred level for the shilling and only intervenes on the forex market to smooth out volatility. In the year-to-date, the shilling has gained by 21 percent on the dollar, making it one of the top-performing currencies on the continent and reversing last year's losses of a similar margin that saw it rank as the worst-performing African currency. The recent shilling stability has been seen at a time when local and global conditions have pointed to potential volatility on the gain side—contributing to the increased supply of dollars in the market. Forex

reserves fall Sh64bn on foreign debt repayments. The decision by the US Federal Reserve to cut its base rate by half a percentage point to arrange of 4.75 to 5.0 percent, signaled reduced returns from US financial assets. High US rates usually attract capital from frontier and emerging markets, to the detriment of currencies in these economies. The Fed decision, which is likely to be followed by a further two cuts before the end of the year points to capital outflows from the US that will improve dollar liquidity in smaller markets, hence the ongoing weakening of the US currency.

Bank lending rates up in August despite CBK rates cuts.

The average lending rate by commercial banks rose marginally in August despite a cut on the indicative rate by the Central Bank of Kenya (CBK), denying borrowers the much-anticipated relief. Average overall interest rates for all 38 licensed commercial banks edged higher by 0.1 percent in August to hit 16.78 percent from 16.67 percent in July according to data compiled by the CBK. Only nine of the 38 lenders marked a slight reduction in their overall rates including Kingdom Bank, Ecobank Kenya, Guardian Bank, Bank of India, Habib Bank, KCB Bank Kenya, Guaranty Trust, ABC, and NCBA. The average lending rate by commercial banks rose marginally in August despite a cut on the indicative rate by the Central Bank of Kenya (CBK), denying borrowers the much-anticipated relief. Average overall interest rates for all 38 licensed commercial banks edged higher by 0.1 percent in August to hit 16.78 percent from 16.67 percent in July according to data compiled by the CBK. Only nine of the 38 lenders marked a slight reduction in their overall rates including Kingdom Bank, Ecobank Kenya, Guardian Bank, Bank of India, Habib Bank, KCB Bank Kenya, Guaranty Trust, ABC, and NCBA. Overall interest rates by all other banks rose slightly except for Premier Bank Kenya whose borrowing costs remained unchanged at a mean rate of nine percent. Samuel Tiriongo the Head of Research at

the Kenya Bankers Association (KBA) said the marginal rise in borrowing costs in August reflects the slow transmission of interest rate cuts by the CBK in the economy.

Banks forecast bigger cut to CBK benchmark rate. Definitely, it takes time for policy rate changes to be effected/transmitted through the market. We will see the effects of rate cuts going forward. More so with an anticipated rate cut next week," he noted on Tuesday. The CBK lowered its benchmark lending rate by 0.25 percent on August 6, 2024 to 12.75 percent from 13 percent previously, noting a scope for the gradual easing of monetary policy amid a fall in overall inflation and continued exchange rate stability. CBK holds its next policy rate-setting meeting on Tuesday next week where it is widely expected to lower interest rates again on further stability to consumer costs and the Kenya Shilling. Commercial banks expect a greater cut to the benchmark lending rate by at least 0.5 percent which they assess as adequate to nudge borrowing costs lower.

KRA to plug new system into crypto exchanges in revenue drive.

The Kenya Revenue Authority (KRA) will integrate a new revenue system with cryptocurrency exchanges and marketplaces to track and record all transactions in real-time, the taxman has revealed. This is part of a strategy to nab tax dodgers in the largely secretive market segment, which criminals can also exploit to support illicit activity such as thefts, fraud, and money laundering. Cryptocurrency is a digital payment system that doesn't rely on banks to verify transactions and enables participants worldwide to send and receive payments. Trading can be done through traditional online brokers or cryptocurrency exchanges that charge asset-based fees. The taxman estimated that between 2021 and 2022, Kenya's cryptocurrency market transacted about \$2.4 trillion—representing close to 20 percent of the

country's GDP. MPs launch law changes for cryptocurrencies taxation. With this potential, it has become increasingly important for the KRA to develop a system

to track and collect taxes on cryptocurrency transactions," KRA said, noting that it is procuring a new digital tax system to cover crypto trading. Though the sector remains unregulated by reporting authorities ie. CBK (Central Bank of Kenya) and CMA (Capital Markets Authority), the earnings from the sector are legally taxable as per Section 3 of the Income Tax Act. The lack of a robust system to collect taxes on cryptocurrency transactions has resulted in a significant loss of revenue for the government. KRA said that the anonymity of cryptocurrency transactions has made it challenging to identify and track taxpayers engaged in cryptocurrency transactions, forcing the agency to directly monitor transactions on the trading platforms and exchanges. The Finance and National Planning Committee approved the publication of the Capital Markets (amendment) Bill 2023, paving its way to the second and third readings where MPs would give their input and forward it to the President for assent if approved by the House. The committee chaired by Molo MP Kimani Kuria approved the proposal in the Bill by Mosop legislator Abraham Kirwa to amend the Capital Markets Act, Cap 485 to include digital currencies in the definition of securities. The Capital Markets (Amendment) Bill 2023 seeks to introduce the taxation of crypto exchanges and digital wallets and imposes transaction taxes akin to excise duty charged on bank transactions. The Bill wants crypto traders to pay KRA capital gains for the market value of the assets. The proposed amendment provides for specific provisions to govern the digital currency transaction in Kenya, its creation through crypto mining, regulation around the trading of digital currencies, provide for its taxation, and ownership, and provide for promotion of innovation in the sector is battling to meet its revenue targets amid subdued economic performance. The taxman

missed its target for the full year ended June by \$267 billion, hurt by reduced corporate profits and job cuts in a period when businesses were distressed by the depreciation of the shilling and high energy prices.

Only 34% of hospital claims officers have access to SHA

Only 34 percent of hospital claims officers and administrators countrywide have logged in to the Social Health Authority's (SHA) claims portal since it was launched on October 1, underscoring the challenges facing healthcare providers under the new system. Claims officials investigate payment requests by policyholders to confirm their accuracy and determine payouts. As claims representatives, they are mandated to interview providers and process all paperwork related to the dues. Data from the SHA portal shows that between October 1 and 13, of the 18,996 users enrolled in the system, only 6,464 successfully logged in, leaving over 12,000 stranded. Despite having the largest population, Nairobi has only 1,636 users with 871 successfully login to the system, representing a 53.24 percent successful activity.

Of the selected counties, Makueni recorded the lowest number of claimants who were able to log in with 21.34 percent. The county has a total of 105 successful logins with 492 users.

'This means that many patients are unable to access health care. More than half of private hospitals yet to transition to SHA. In terms of provider enrollment, Nairobi has the highest number of healthcare providers who have joined the SHA system, while Kericho has the lowest with 152 providers. At the national level, the country has 6,952 healthcare providers on the SHA system, with 3,998 able to log in to the system, representing 57 percent. Over the period, the SHA portal has received over 3,641 claims from 757 transacting providers totaling \$53,461,794 marking a significant increase from the reported figures.

Kenyatta Hospital leads in the number of claims. However, patients across the country are still decrying the unbearable process of accessing treatment at various hospitals, with some forced to pay cash, claiming the systems are yet to be updated. Renal Society of Kenya president John Gikonyo noted that some hospitals in Nakuru are not offering dialysis services, including all level four dialysis centers, and patients are being asked to pay cash.² It is true that in some hospitals the system is working, but in others it is so affected that we have had to move our patients from one hospital to another in search of care.

[World Bank sees strain in new taxes push reforms after Genz protests.](#)

The World Bank Group expects President William Ruto's government to face difficulties in introducing new taxation measures and other policy interventions in the shadows of the youth-led anti-government protests. 'The multilateral lender has deemed the June uprising against the Finance Bill, 2024 as a 'loss of political capital' for the Kenya Kwanza administration, which has failed to address key grievances among the public including graft and high unemployment among the youth. World Bank Chief Economist for Africa Andrew Dabalen says new tax and policy reform measures must seek to address the protesters' grievances if they are to pass the test of public acceptance. The lesson is not to really stop doing reforms or retrench from reforms, but do reforms that are bold and that are going to lead to the kind of things the protesters are asking for-transparency, good governance, and a kind of economic management that is going to be geared at creating opportunities for the young people. That, I think, is the core demand that young people are making," he told Business Daily on Monday.

How Gen Z protests, Finance Bill hitch hit KRA collections President William Ruto was forced to abstain from signing the Finance Bill, 2024 into law after Kenyans led by the youth stormed the streets to reject the new taxes in protests that turned deadly at the end of June. The exchequer had sought to push through controversial tax measures including the application of a motor vehicle circulation tax and the VATing of bread at 16

percent. The withdrawal of the Finance Bill following the protests led to a Sh346 billion revenue hit and resulted in far-reaching economic consequences including a downgrade from both Moody's and S&P Global credit rating agencies and the delay in new funding from the International Monetary Fund (IMF). The World Bank has deemed the abandonment of the 2024 Finance Bill as the loss of the administration's influence or sway on the public.

The high cost of living, mistrust of the government, and the perception of economic and social exclusion triggered protests in Kenya, Nigeria, and Uganda-unrest that could spread throughout the region. The need for policy credibility and stability is highlighted by these cent social tensions in Kenya, where the attempt to establish fiscal credibility was undermined by the lack of political capital necessary to see those policies through, leading to large policy swings that further undermined growth and stability," the World Bank notes in its just published Africa economic update. The government was forced back to the drawing board having lost its quest to bring new taxes, trimming its spending plans while raising its borrowing target to cover the hole left behind by the rejection of the Finance Bill. Spending for the 2024-25 financial year was for instance slashed to \$h3.88 trillion from 3.99 trillion previously while the net financing projection was raised to \$h768.6 billion from \$h597 billion previously.

Ruto's development spending falls below threshold, again. The budget cuts affected key expenditures including spending on development projects and transfers to county governments. The exchequer also cut its estimate for tax revenues from \$h2.91 trillion to \$h2.63 trillion signifying the effect of the withdrawal of new taxes. The government is counting on the broadening of the tax base and technological transformation to increase revenues in the absence of new taxation measures with the view of raising the share of revenues as a percentage of GDP. The economy is however still ailing from the impact of the anti-Finance Bill protests with the first quarter government revenue collections for the 2024/25 fiscal year for instance growing at the slowest pace in at least a decade from \$h514.26 billion from \$h525.55 billion.

Business conditions took a hit during the stay of the weekly protests as premises were either looted or forced to stay shut, especially in the Central Business District, affecting both profits and turnover.

Treasury targets Milk, bread Tycoons in new tax plan

The Treasury is targeting producers of products like milk, bread and maize flour in a tax review that would deny the firms billions of shillings in refunds and keep the retail prices of the commodities unchanged. Treasury Cabinet Secretary John Mbadi is proposing to move select commodities from a list of goods that are VAT [value added tax] zero-rated to exempt categories.

Under zero rate, firms are allowed to seek refunds from the Kenya Revenue Authority (KRA) for VAT they pay on inputs like electricity, fuel and raw material. For exempt, they are not allowed to claim the refunds, which often sees the producers pass on the VAT on inputs to consumers.

Mr Mbadi reckons that producers have abused the refunds model by not transferring the benefits to consumers, arguing they have been enriching themselves from there imbursements. [If] there is something I'm passionate about it is tax expenditures (refunds). There are commodities which we are cushioning Kenyans for, like bread. The mistake for what was done in my view is to propose the taxation of bread at 16 percent which is not very good for the consumer. We need to remove bread from being zero-rated to exempt," said Mr Mbadi at a press briefing. Cooking gas, solar product prices to rise on felled Finance Act 2023 know many people say that zero-rated is cheaper than exempt and I agree, but the benefit is never passed to the consumer. The worst part is when you allow those zero-rated commodities, these guys will come claim money that they shouldn't even claim. You will hear some say that you should not even employ bakers but rather employ accountants to cook your books and go to KRA to get their money.

"About 30 goods and services are under the list of zero-rated VAT products, including ordinary bread, maize flour and milk. Others are agriculture pest control products, transportation of sugarcane from farms to siffling factories and raw materials supplied to pharmaceutical manufacturers in Kenya.

Brookside Dairy, New Kenya Co-operative Creameries, Bio Foods Products, Broadways Group and Kenaftic Bakery are among the largest manufacturers of processed milk and ordinary bread. I waiver on goods and services meant lor exports is not regarded as a tax expenditure on the exchequer. Tax forgone from zero-rating that was due as refunds rose from \$h98.4 billion in 2021 to Sh119.9 billion in 2022 or 1.86 percent of GDP.' The growth was partly attributed to the introduction of new items to the waiver list through the 2021 and 2022 Finance Acts, say Treasury documents. Mr Mbadi said he would retain goods meant for exports in the VAT zero-rated list. This is in line with the present tax policy that advocates inclusion of export goods in the VATzero-rated list to make locally produced products cheaper in the competitive global market.

Finance Bill: The taxes dropped by MPs as Kenyans protest Changes to the list of zero -rated goods and services are part of the broader plan to review the VAT Act over the medium term to seal tax loopholes. The new tax expenditure or refunds model seeks an analysis of the benefits of tax waivers is done before the approval to forgo VAT on goods and services. In principle, tax incentives and exemptions are economically inefficient, inequitable, add to the complexity of the tax system and reduce revenue yield," the National Tax Policy says. The review of the VAT classification on refunds for the key consumer commodities follows the withdrawal of the Finance Bill in the wake of deadly protests over new taxes. The scrapping of the proposed tax hikes after the collapse of the Finance Bill left a Sh345 billion funding hole and resulted in spending cuts. The review of the VAT classification is set to boost State coffers by reducing the tax expenditures or refunds. The Treasury also has a window to introduce new taxes ahead of the Finance Bill, 2025, which will be tabled from April next year.

Treasury eyes currency bond swaps to ease debt load.

The National Treasury is considering currency swaps and resuming its bond switch program to manage the mounting public debt and ease repayment pressure amid faltering domestic revenue collections. A currency swap is a financial agreement between two parties to exchange principal amounts and interest payments in different currencies over a specific period. A bond swap involves selling one debt instrument and using the proceeds to buy another one. Raphael Owino, director-general of the Treasury's Public Debt Management, said swaps offered a 'best option' in cushioning against rising debt repayment burden, fueled by a weakening shilling against major foreign currencies, particularly the US dollar. We have a range of other options for liability management apart from hedging, and perhaps swaps are the best option rather than hedging," he said in an interview, adding that bond switches are under consideration in the current 2024/2025 fiscal year. Bond switch is something that we can do, remember there was one done in Kenya sometime back and so this financial year it is something we could consider, depending on high maturities," Mr Owino said. Sustainable path to debt relief Kenya's public debt stood at \$10.56 trillion as of June 2024 comprising \$5.41 trillion and \$5.15 trillion worth of domestic and external debt respectively, according to Central Bank of Kenya (CBK) data. This represents a 2.82 percent (\$290 billion) growth from \$10.27 trillion in June 2023. Its foreign debt is largely denominated in the US Dollar and the Euro at 67.9 percent and 21.4 percent respectively, implying that the depreciation of the local currency against these foreign currencies increase the debt repayment burden for the government.

The two currencies constitute 89.3 percent of Kenya's external debt. Central banks usually use foreign exchange swaps for hedging and asset-liability management, to affect domestic liquidity, manage their foreign exchange reserves, and stimulate domestic financial markets.

Kenyans With over half a million in bank revealed

Less than one percent of Kenya's bank accounts held more than sh500,000 last year, highlighting Kenya's poor savings culture and the growing income inequality. Central Bank of Kenya (CBK) data shows that 800,000 high-quality depositors accounted for 0.74 percent of all banks accounts that held 85 percent of Sh5.83 trillion deposits. The small share of moneyed accounts offers a sneak peek into Kenya's growing income inequality, where wealth is concentrated in the hands of a small segment of the population. Kenya's economy has grown on average by 5.0 percent annually over the past decade, but the benefits have not been equally distributed, and the gap between rich and poor is rising, analysts argue. The number of super-rich in Kenya is among the fastest growing in the continent, yet the economic benefits have not trickled down to the majority of Kenyans quick enough. Kenyans stash extra Sh3bn in Switzerland tax data shows that the number of high-quality accounts increased from 600,000 in the year to December 2022, reflecting a jump of 33 percent. The Kenya Deposit Insurance Corporation (KDIC) — an independent State agency that 'manages deposit refunds in collapsed banks — in July 2020 raised compensation for depositors in collapsed banks to \$500,000 from \$100,000 to help ease the discomfort with the small lenders.

Banks held Sh5.8 trillion customer deposits as of December 2023. Out of this, deposits insured by the fund amounted to \$857.8 billion, translating to 14.7 percent of fully insured deposits in the event of a bank failure," CBK said. The banks' high-value accounts are split between a few wealthy individuals and the combination of funds from public and private sector enterprises. The earnings inequality has partly been attributed to the previous centralized system of government, which guided sharing of resources since Independence. The devolved system of government, which took off in 2013, raised hopes of addressing the economic imbalance, as analysts say there is a need to offer incentives to attract private investors to counties and spread the wealth.

America's biggest bank JPMorgan Chase has overlooked Kenya's multi-millionaires and high-net-worth investors after deciding not to offer asset and wealth management (AWM) services in its

upcoming Nairobi office. well-wheeled and cash-rich firms were also encouraged to pile their savings by the high deposit rates that rose to double digits for the same time in over a decade. State saves 1.3m borrowers from loan defaulters listing. Top lenders continued to command the lion's share of high-quality accounts, with the leading three banks -- KCB, Equity and NCBA Group -- accounting for more than two-thirds of the accounts holding more than \$500,000. Equity Bank, which focuses on the low-income segment of the market, marked by small individual deposits in many accounts, had 124,098 high value accounts from 419,736 in 2022, says CBK. NCBA Bank Kenya held the highest number of high-quality depositors with 416,481 accounts, up from 146,396 in 2020. KCB Bank had 113,368 of the high-value accounts. UBA Kenya Bank Limited held the least number of accounts with deposits in excess \$500,000 at 603. The Development Bank of Kenya had 714 accounts while the Middle East Bank had 883. Depositors and investors in Kenya were rattled in 2015 when the CBK took control of three mid-sized lenders -- Chase Bank, Imperial Bank and Dubai Bank- after the banks ran into financial trouble. This triggered panic withdrawals from smaller banks and a shift of cash to the larger lenders that were considered stable in what was dubbed "flight to quality". The CBK data shows that small banks controlled 4.95 percent of the high-quality accounts, says the CBK. The increased compensation in the event of a collapsed bank to \$500,000 was the first in over 30 years,

[JPMorgan snubs Kenya billionaires in Africa Plan](#)

America's biggest bank JPMorgan Chase has overlooked Kenya's multi-millionaires and high-net worth investors after deciding not to offer asset and wealth management (AWM) services in its upcoming Nairobi office. The conglomerate, which this week received the approval to open a representative office in Nairobi, reckons it would focus on commercial and investment banking, treasury services, and possibly some lending in Kenya, with its wealth management arm focusing on rich clients in South Africa and Nigeria. South Africa, Egypt, Nigeria and Kenya have the highest concentration of the dollar millionaires in Africa—a

position that has made them attractive to multinational lenders like Standard Bank and Standard Chartered offering wealth management. As net assets of the rich grow, major lenders have decided to focus on the business of looking after well-heeled clients' fortunes and earning fees from services such as tax planning, investment management, retirement preparation, and estate planning through trusts and will. The bank was not able to set up shop in Kenya after its home regulator in the United States delayed approvals, stalling the plan to use Nairobi as its launch pad into East Africa for over a decade.

Analysts reckon the small share of billionaires in Kenya relative to Nigeria and South Africa was less attractive to JPMorgan, whose assets of more than \$4.2 trillion (Sh542.6 trillion) are nearly 43 times bigger than Kenya's GDP. Trade finance deals, which are the biggest line of transactions the offices handle, stood at \$97 billion, which, however, represented a decline of 38 percent from the previous year. Property financing deals rose by 65 percent to Sh62.7 billion, and correspondent banking by 7.2 percent to Sh1.9 billion. Syndicated finance deals meanwhile remained little changed in the period, coming in at sh40.3 billion compared to \$40.5 billion in 2022. Transactions classified as "others", which include energy finance, term loans, domestic borrowing, working capital and bilateral receivable discounting, collectively rose one-and-a-

half times in the period under review, to hit Sh28.5 billion last year compared to Sh49.2 billion in 2022. In addition to the new JPMorgan Chase office, there are nine other authorized rep offices in Kenya, established by lenders from The Netherlands, France, China, Pakistan, Egypt, India, South Africa, and Mauritius. JPMorgan Chase CEO Jamie Dimon will visit Kenya in the coming days and is expected to shed light on the firm's East African plan.

[AAR hospital joins private sector- led corruption fight](#)

AAR Hospital has joined the Blue Company Project, an initiative by a coalition of companies committed to fighting corruption in the private sector. The Kiambu Road-based healthcare provider now joins other firms such as Nation Media Group, the Kenya

Private Sector Alliance, the Kenya Bankers Association, Jubilee Insurance, Muthaiga Country Club, Optica Limited among others in the initiative that aims to uphold integrity and transparency in business practices. AAR Hospital Chief Executive Officer Aysha Edwards, said the move would bolster the institution's fight against corruption, adding that the hospital is also committed to equality and prohibits any form of discrimination against employees based on tribe, gender, religion, race, creed, age or sexual orientation. AAR Hospital is proud to be a member of the Blue Company project. All employees are required to continue to act with honesty and integrity and comply with applicable laws at all times when transacting the Company's business," Dr Edwards said in a statement to staff. Membership of the Blue Company Project brings additional business benefits. A Blue Company will also give preference to another Blue Company in its business dealings, including purchasing and using its services," added Nizar Juma and Julius Kipng'etich, members of the advisory board. 'To ensure strict adherence to ethical standards, Blue Company members are required to implement a human resources policy manual that provides for the summary dismissal of employees involved in giving or receiving bribes. The manual also stipulates that any donations, gifts or favors offered or received by the company, its employees, or third parties must be transparently declared. In line with Blue Company policy, AAR Hospital has set a maximum value for non-branded gifts of \$5,000. Any gift exceeding this limit must be refused or returned. In addition, all members are required to undergo specialized training from the United Nations Office on Drugs and Crime (UNODC) to develop and implement robust anti-bribery and whistleblowing policies. As you know, AAR Hospital has a zero-tolerance policy towards bribery and corruption in all its forms, as outlined in our HR manual," Dr Edwards said. Certified Blue Company members are allowed to proudly display the Blue Company logo on their promotional materials, printed documents, and premises. However, any involvement in corrupt activities could result in immediate de-registration, with the offending company losing the right to use the logo and associated branding.

CBK Fines banks a record Sh 191 million for lending breaches.

Commercial banks paid a record Sh191 million in fines to the Central Bank of Kenya (CBK) for breaches, including disregard of a rule that limits lending to a single borrower to no more than 25 percent of their core capital. The lending limit rule, which is also known as the single obligor rule, was breached last year as the Kenya shilling weakened sharply, exposing the lenders' foreign currency-denominated loan books. The single obligor rule prohibits commercial banks from lending more than 25 percent of their core capital to a single borrower and related entities. The rule, which protects banks from exposure to a single borrower, does not apply to loans to public companies. The central bank said that 12 banks last year violated the Banking Act and CBK prudential guidelines as of December 31, 2023, down from 13 banks previously. Most of the violations were with respect to breach of single obligor limit due to the depreciation of the Kenya shilling against the US dollar and the decline in core capital at some banks that have continued to report losses," CBK noted earlier in its 2023 banking sector annual report. Forex loans to individual borrowers as a share of banks' core capital rose sharply on revaluation as the Kenya shilling went into free fall, depreciating at the highest rate in three decades in 2023. Core capital breaches. The apex bank, however, did not specify the banks that breached both the single obligor limit and the core capital violations. The CBK also did not specify the nature of violations by forex bureaus. An analysis of bank balance sheets however reveals commercial banks that were in breach of various capital roles. Consolidated and Spire Bank, for instance, both failed to maintain the core capital requirement of Sh1 billion, while the Development Bank of Kenya, Housing Finance, and UBA Kenya were short of the eight percent minimum requirement on their core capital to total deposit liabilities ratio. Housing Finance, Consolidated, and Spire were further in breach of the core capital to total risk-weighted assets minimum threshold set at 10.5 percent, while the National Bank of Kenya,

Premier Bank Kenya, Housing Finance and Consolidated Bank breached the 14.54.

Kra targets Small traders with Whatsapp tax invoicing

The Kenya Revenue Authority (KRA) plans to roll out a WhatsApp chatbot that will enable taxpayers to generate electronic tax invoices using the popular the messaging app in a bid to further boost voluntary tax compliance, especially among small traders. The initiative, said the KRA, is meant to further simplify tax invoicing using the newly introduced electronic tax invoice management system (eTIMS), especially for micro, small, and medium enterprises (MSMEs), and curb tax evasion. A WhatsApp chat is an artificial intelligence-enabled computer program that simulates text-based human conversation via the messaging platform. The chatbots can automatically respond to various customer communication on and can be integrated via the WhatsApp Business platform, which allows businesses to communicate with their customers on the app. The chatbot will enable traders to send a message via WhatsApp to facilitate the electronic tax invoice.

KRA's Chief Manager for eTIMS at the Domestic Taxes Department, Hakamba Wangwe, told the Business Daily that the program is currently being tested and should be rolled out before the end of this financial year. The implication of this program is the simplification of tax processes. With the bot, you will be able to generate a tax invoice as easily as you can send a message, a video, or a photo through WhatsApp," she said, without giving details. A recent internal KRA document showed that only 120,000 registered taxpayers with business income signed up to eTIMS in the year to June, representing 18.1 percent of about 663,000 firms in taxman's books. 80pc of firms snub KRA's eTIMS in first year of rollout. This means an estimated \$43,000 or 81.9 percent of firms in the KRA register did not subscribe to eTIMS, which is mandatory to support deduction of business expenses for corporate income tax purposes. The system, which requires businesses to file receipts or invoice with KRA as proof of expenses, is aimed at widening the tax base as big companies report to the authority small firms that act as their suppliers. It also helps curb the

practice where big firms inflate their sales and narrow profits in the push to pay lower taxes. Tax consultants largely attribute the low uptake of eTIMS for the majority of smaller firms to lack of the technical infrastructure or understanding for compliance. Stephen Waweru, a senior manager for tax services at consultancy and audit firm KPMG, said the slow start could be linked to inadequate training and support offered to small businesses, which form the majority of companies in the country.

This may be attributed to lack of awareness, technical difficulties, or resistance from businesses due to the perceived complexity of the new system," Mr Waweru said. This performance could also be viewed as a natural outcome of a phased rollout where early adopters, usually larger or more compliant businesses, sign up first, while smaller or more reluctant businesses follow later. The planned use of AI chatbots is part of the taxman's efforts to widen the tax bracket, especially by netting non-compliant MSMEs, which are largely informal businesses and are traditionally considered hard-to-tax sectors. This comes after multiple complaints from businesses, especially non-tech-small traders, about the complexity of the recently launched system, forcing many of them to snub it, further driving up non-compliance with tax requirements. The system requires all business transactions to be recorded with the taxman, through an electronically generated invoice which automatically alerts the KRA of a value-added or income tax liability on the part of the seller or service provider. New regulations demand that businesses accompany an eTIMS-generated tax invoice with all their tax-deductible expenses, forcing suppliers and service providers to comply or otherwise lose business. The new system requires that all business expenses are supported by eTIMS invoices or bills, failing which companies will be subjected to 30 percent tax on corporate earnings. Receipts from the domestic VAT stream amounted to Sh313.37 billion for the year ended June 2024, data kept by the Treasury shows, overshooting the target by Sh5.54 billion.

Loans in state guarantee scheme stall at Sh 65.3 bn

Loans disbursed under the State-backed credit guarantee scheme have stagnated at Sh6.3 billion, mirroring the lackluster performance of the program tipped to enhance credit access by micro, small, and medium enterprises. The scheme, which seeks to share default risks between banks and the State and thereby increase the pool of funds available for lending, registered a marginal growth of Sh100 million in the first eight months of 2024 to Sh6.3 billion, up from Sh6.2 billion at the end of December 2023. The Treasury had provided Sh3 billion as seed capital for the scheme three years ago with the expectation of driving at least Sh12 billion in new loan disbursements to micro small and medium enterprises (MSMEs). Over 4,000 MSMEs have nevertheless benefited from the scheme's funding which is capped at Sh5 million per borrower. Private sector credit growth drops to a 28-month low. The number of MSMEs facilitated with credit guarantee increased to 4,121 MSMEs as of August, distributed across 46 counties and 12 sectors of the economy compared to 2,190 MSMEs as of September 2022 demonstrating a higher appetite by banks to lend to viable MSMEs," notes disclosures from the government delivery unit. About 20 percent of the credit under the program has been disbursed to enterprises owned by women, youth, and persons with disability. Businesses from Mandera County are however yet to benefit from the guarantee due to the poor distribution of financial intermediaries in the country. The low disbursements from the program have aligned with the broad contraction of the banking sector loan book this year as high interest rates turn off willing borrowers while banks have closed the tap on new credit from the escalation of non-performing loans. The banking sector loan book for instance contracted by Sh154 billion in the first eight months of 2024 to Sh4.045 trillion from Sh4.199 trillion at the end of December 2023. This has seen the growth of private sector credit collapse to a low of 1.3 percent as of August, a record that matches to the deterioration of lending during the stay of interest rate caps. The poor performance of the guarantee fund amplifies challenges identified previously including the informality of small businesses and the low awareness of the product at the marketplace. MSMEs qualifying for funding under the programme must for instance show proof of registration. Other challenges sighted include

SMEs failing to meet the criteria of the definition under the MSME Act and the misclassification of some businesses. The credit guarantee scheme has been delivered through a risk-sharing agreement between the government and seven participant banks including Absa, Co-operative Bank of Kenya, Credit Bank, KCB, NCBA, and Stanbic. The credit guarantee scheme undertakes to absorb a loss of up to 25 percent of the principal in case a borrower default. Loans under the program have a term of three years and up to a five-month grace period, with a discounted interest rate based on the businesses' risk profile.

[Why high court judges gave the Housing levy a clean bill of Health](#)

President William Ruto received a major boost on Tuesday after the High Court gave his pet project—the affordable housing program—a clean bill of health by dismissing six petitions challenging the Affordable Housing Act. A bench of three judges of the court ruled that the Act met the required threshold of public participation before it was enacted in March this year. Justices Olga Sewe, John Chigiti and Josephine Mong'are further ruled that the housing levy imposed at the rate of 1.5 percent of the employee's total gross monthly salary, was properly enacted in accordance with the Constitution. Employees are deducted 1.5 percent of their gross salary and is remitted together with the employer's contribution of similar percentage. Taking into account the principles set out and the burden of proof, we are satisfied that there was adequate public participation before the enactment of the Act," said the judges. Treasury defends affordable housing program in court. The judges also ruled that the petitioners challenging the imposition of the tax failed to prove that the levy was discriminatory and imposes an extra burden on the taxpayer Magare Gikenyi and others had argued that the levy was discriminatory as it targeted those in formal employment while excluding those in informal employment. The judges noted although the government admitted that public participation was conducted in 19 counties, key stakeholders were invited to present their view before Parliament through oral submissions and memoranda. The court noted that whereas public participation is crucial, must be authentic and not be treated as a

mere formality, it does not necessarily mean that all the views must be taken into consideration. The question to be answered is whether the opportunity was afforded to the public to give their views," said the judges and ruled that there was evidence that adequate public participation was conducted before the law was passed. The judges also dismissed the claims that the national government was encroaching on the functions of the county governments by seeking to construct houses across the country. The petitioners had argued the role of the national government was agenda setting and policy formulation but the judges said housing is a shared function and by carrying out the mandate together, both levels of government were promoting interdependence. Employees are deducted 1.5 percent of their gross salary and is remitted together with the employer's contribution of similar percentage. Taking into the account the principles set out and the burden of proof, we are satisfied that there was adequate public participation before the enactment of the Act," said the judges. Treasury defends affordable housing program in court. The judges also ruled that the petitioners challenging the imposition of the tax failed to prove that the levy was discriminatory and imposes an extra burden on the taxpayer. Dr Magare Gikenyi and others had argued that the levy was discriminatory as it targeted those in formal employment while excluding those in informal employment.

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government was agenda setting and policy formulation but the judges said housing is a shared function and by carrying out the mandate together, both levels of government were promoting interdependence.

Creditors to pay trader Sh 860, 000 for rushed sale of lorry in debt row.

A micro-lender, MyCredit Limited has been ordered to pay a Homa Bay county-based businessman \$h860,000 for the rushed sale of a lorry that had been charged as security of a loan defaulted by the trader. The Micro and Small Enterprises Tribunal said the creditor unfairly rushed to repossess and sell Lawrence Jagiro Otieno's lorry at below market price without giving him sufficient notice and hearing. T

he hurried repossession, unnotified sale, transfer, and registration of the subject motor vehicle by the 1st and 2nd Defendants to an innocent third party was not justified given the circumstances of this case and the status of the Plaintiff at the time. The motor vehicle was not sold at the market value and the defendants were duty-bound. The Tribunal considers the forced market value of Sh860,000 as the least the defendants would have accepted in the circumstances," the tribunal said in ruling. The case began when Mr Oueno, a potato farmer in Karachuonyo, Homa Bay County, applied for a Sh200,000 loan from MyCredit Limited on April 26, 2023. The loan, secured by his truck, was to be repaid in six monthly instalments of Sh43,334 each. Mr Otieno received \$h169,400 after deductions and later encountered financial difficulties and fell sick. This resulted in him making only a partial payment of Sh100,000 on September 14, 2023. He subsequently sought to restructure the loan, citing health issues, but MyCredit declined his request. Mr Otieno's truck was repossessed by David Moruri, an auctioneer, acting on behalf of MyCredit, despite earlier assurances that the visit was only for inspection of the vehicle's tracker. This repossession occurred in October 2023 while Mr Otieno was away from his home, undergoing medical treatment. He contended that the repossession was hurried and 'unprocedural and ultimately resulted in the illegal sale of the vehicle at h500,000, well below its market value. In their

defence, MyCredit and Mr Moruri maintained that the repossession and sale were lawful, arguing that Mr Otieno breached the loan agreement by failing to make timely repayments. They cited contractual provisions allowing the immediate realization of collateral upon default. The defendants contended that the vehicle was sold fairly, given its deteriorated condition. They emphasized that Mr Otieno failed to exercise his right of redemption within the provided grace period. The tribunal determined that while Mr Otieno breached the loan agreement, the repossession and subsequent sale were unjustifiably rushed. The Tribunal criticized the lender's failure to notify Mr Otieno of their intent to sell the vehicle, as required under the Movable Property Security Rights Act.

Kenya gets relief on borrowing costs on IMF Policy

Kenya will be relieved from paying millions of shillings in surcharges to the International Monetary Fund (IMF), following a policy review by the multilateral lender to help countries cope with the impact of higher interest rates globally, that have pushed up borrowing costs. Surcharges are additional fees levied by the IMF on loans to countries with outstanding credit to the IMF. Surcharges are designed to discourage large and prolonged use of IMF resources by sticking to repayment timelines and borrowing quotas. Currently, the IMF-set threshold is 187.5 percent of the quota-- meaning that a country that borrows beyond this level pays extra interest on their loans by at least two percent. According to the IMF database, Kenya has been paying the surcharges since February 2024 after breaching the allowed threshold of 187.5 percent of the quota in outstanding credit owed to the multilateral lender. Kenya eyes big IMF disbursement on fund delay Kenya currently is at 247 percent of its debt quota—way above the IMF limit and has had to be surcharged. This will change from November 1, 2024, after the IMF raised the quota threshold to 300 percent—which means that Kenya would be within the compliance bracket and not subject to surcharges. IMF is currently one of Kenya's top creditors, with about \$433.5 billion owed to the lender as of April this year, according to the latest statistics from the Treasury. This year alone, Kenya

has paid a total of Sh600 million in surcharges (\$h3.4 million Special Drawing Rights [SDR]) in three different transactions in February, May, and August, data from the IMF database shows.

Banks anxious as term depositors opt for direct T- bills bonds purchases.

An option granted to investors by the Central Bank of Kenya (CBK) to directly purchase government securities, including Treasury bills and bonds, through a digital portal has rattled commercial banks amid an exodus of clients. CBK in July 2023, launched an improved over-the-counter trading platform dubbed DhowCSD that has allowed investors to open and transact on the central security depository (CSD) accounts from the convenience of smartphones and the internet. has eliminated the previously lengthy process of physically visiting the CBK to open securities trading accounts. The banks said that the switch has resulted in competition for deposits, raising their cost of funds, and are now asking the State to intervene to manage the loss of their intermediary role. Buyers of Treasury bills and bonds previously bought T-bills and bonds through banks before the CBK introduced the direct-window option. CBK seeks Sh30bn from reopened September bonds sale Bank respondents indicated that there was a need for intervention by the government to manage disintermediation of banks as fixed-term deposit customers switch to the purchase of T-bills and T-bonds and thus increasing the cost of deposits, heightening aggressive competition for wholesale deposits between banks and crowding out lending to the private sector," commercial banks told CBK in survey responses. High interest rates on Treasury bills and bonds along with the liberalization of government securities access through the DhowCSD platform, has increased the participation of retail investors in the direct purchase of the securities. Yields on government securities reached new highs this year as the CBK raised its benchmark lending rate and the government's risk profile soared, lifting the return on Treasuries. February' tax-free infrastructure bond for instance delivered a coupon/interest rate of 18.46 percent making it the highest-grossing asset in 2024. The upgraded CDS infrastructure- DhowCsD which went live on July 31 last year, boosted efficiency in investing in

government securities by allowing retail investors to buy T-bills and T-bonds through their smartphones.

Signups to the platform crossed the 80,000 mark by June this year with the number of CDS accounts doubling in the past year. Holdings of government domestic debt by retail investors have increased after the launch of DhowCSD reaching a share of 13.53 percent as of October 9, 2024, or \$h730 billion compared to a share of 7.13 percent, or \$h342 billion as at the end of June last year. The retail investors who are categorized as other investors currently hold a greater share of government domestic debt than insurance companies and parastatals combined. Commercial banks have responded to the attraction of government securities to retail investors, by sweetening their return on time and savings deposits/term deposits. Retail investors overtake insurers, parastatals in bond holdings. The average commercial bank deposit rate for instance soared to a peak of 11.48 percent in June this year, compared to 7.8 percent at the same time last year. Fixed deposit balances rose to surpass \$h2 trillion for the first time in July, anchored on the sweetened returns despite the banks' fright of the switch to government securities. The balances touched \$h2.02 trillion, representing a 13.6 percent growth rate from Sh1.76 trillion in July 2023. Commercial banks have previously lamented the crowding out of the private sector in credit disbursements.

[Ruto's order on Parastatals cash mop up e citizen nets Sh 65 bn in three month](#)

Collections from non-tax revenue sources climbed nearly two-fold in the first quarter of the current financial year, on the back of President William Ruto's directive to parastatal chiefs to surrender surplus cash amid the increased digitalization of payments for government services. The receipts hit a record \$h65.32 billion in the three-month period ended September, Treasury's monthly exchequer disclosures show, a 183 percent jump over \$h23.08 billion a year earlier. 'The record non-tax revenue inflows into the exchequer, the government's main account, reflects the performance of receipts arising from the provision of government services, surplus funds from SAGAs [Semi-autonomous Government Agencies] as well as dividend

income', according to a senior official at the Treasury. This has come at a time when the government has increased scrutiny on the collection and expenditure of cash by State departments and agencies. State dividend income hits Sh80bn on Ruto directive. The government has in recent years been moving services to the online portal- the e-Citizen, in a bid to improve efficiency and seal loopholes for corruption. Treasury says about 16,000 government services have been on-boarded to the e-Citizen platform in a bid to streamline access to government services and official payments into a single pay bill. Some of the key State departments and agencies that have moved most of their services to e-Citizen include the Immigration and Citizen Services Department, the Kenya Revenue Authority, the Business Registration Service, the National Safety and Transport Authority, the Kenya Wildlife Services, Kenya Ports Authority and Competition Authority of Kenya. The single payment bill has worked well, and the visibility of our transactions has improved,' Treasury Cabinet Secretary John Mbadi told lawmakers earlier in the month. The platform has managed to stop leakages. The MPs have also piled pressure on State agencies to account for projected \$h400 billion ministerial appropriations-in-aid (A-i-A) for the current financial year ending June 2025. Others include a Road Maintenance Levy charged at Sh25 per liter of petrol and diesel, a Railway Development Levy at L5 percent of the value of imports, a Housing levy at 15percent of gross personal earnings matched by employers, a Petroleum Development Levy, and University Fees. Non-tax revenue from parastatals post biggest increase on mop-up Revenues such as royalties, investment income as well as fines and forfeitures go into non- tax revenue pot. By 31st December 2024, the National Treasury is to submit to the National Assembly recommendations on the review of legal frameworks or laws governing SOEs [State-owned enterprises] to require the remission of excess funds to the exchequer for application to the needy areas or reduction of public debt."

[Wholesale retail sectors Saddle banks with Sh 143.7 bn bad loans](#)

The wholesale and retail sector has affected the banking sector, contributing to a fifth of all Joan

defaults as the shaky economy took its toll on traders. New data by the Central Bank of Kenya (CBK) shows that the segments contributed to the highest proportion of banks' bad loans by sector at \$143.7 billion loans as of June 2024, or 21.8 percent or all defaults compared to \$121.9 billion at the same time last year. Total commercial bank non-performing loans, meanwhile, rose by 14.1 percent over the same period to \$657.6 billion from \$576. billion previously and have further expanded to a record \$674.9 billion in August or 16.7 percent. Businesses in wholesale and retail have faced headwinds for most of the year including reduced spending from consumers and high interest rates on credit facilities. The trade sector has turned to banks for a lifeline despite the jump in defaults to access much-needed working capital. Cash flow crisis drags down private sector activities. The perceived increased demand for credit in trade and personal and household sectors is mainly attributed to increased working capital requirement due to increase in interest costs increased cost of doing business and increased demand to finance goods," CBK indicated in its June credit survey. The manufacturing sector held the second highest proportion of non-performing loans at \$129.5 billion from \$117.5 billion last year. Bad loans in the real estate sector meanwhile stood at \$114. billion from \$96 billion prior as the sector, remains subdued on the low demand for commercial and residential units as some organizations moved to virtual offices. This situation has been compounded by rising interest rates which has made mortgages more expensive. The sales, purchases, rental and occupancy rates of residential, office, retail and hospitality slowed in 2023 and in the first half of 2024 compared to 2022 due to decline in demand and increasing shift from office to working from home and selling online," the CBK added. Defaults by individuals and households stood at \$94.6 billion having grown from \$81.4 billion in June 2023. Total banking sector gross loans rose by 15 percent to \$4.04 trillion from \$3.98 trillion in June last year as higher borrowing costs and impairment squeezed the private sector appetite for new loans. Private sector credit growth slumped to just 1.3 percent in August, the lowest growth rate since the stay of interest rate caps. The CBK is betting on its reduction of the benchmark lending rate from 12.75 percent to 12 percent earlier this month to

reinvigorate the demand for credit by both households and enterprises. The apex bank was expected to hold meetings with bank executives in October to push for lower lending rates to borrowers.

Individual investors hold 79 pc of DhowCSD bonds accounts.

Individual investors control more than three-quarters of government bonds trading accounts, revealing the success of the Central Bank of Kenya (CBK)'s improved over-the-counter trading platform dubbed DhowCsD. The web-based DhowCSD platform has allowed investors to directly purchase Treasury bills and bonds from their smartphones with the new system shortening the previously lengthy signup process. BK data shows that the individual investors held 73,585 accounts or 79.4 percent of the 92,677 total DhowCSD accounts open as of September 6, 2024. The number of CSD accounts has grown from 41,125 to 31,203, since the launch of DhowCD on July 31, 2023, as the platform grows new accounts by 112 percent on efficient trading. Investors are now buying government securities from both primary and secondary markets anytime, anywhere. This has transformed the market through operational efficiency and expansion of digital access; market deepening for broader financial inclusion and contributed to improved monetary policy operations," CBK stated. Private companies hold the second highest proportion of DhowCSD accounts at 6.7 percent or 6,209 beating other investors to third place with a 6.5 percent share or 6,024 accounts. Commercial banks, meanwhile have a lower share of DhowCSD accounts at 2.5 percent or 2,317 accounts. Money market funds (MMEs) which represent the most popular type of collective investment schemes (CISs) held a 2.2 percent share of the bond trading accounts or a respective 2,039 accounts. The balance of 1.3 percent of accounts or 1,205 accounts were held by non-profit organizations including churches.

High Court decline to stop SHIF roll

The High Court has declined to suspend the roll out of the Social Health Insurance Fund (SHIF), which was launched by the government on October 1.

Instead, Justice Bahati Mwamuye on Tuesday certified the petition by Busia Senator Okiya Omtatah and two others as urgent, and directed the case to be mentioned next week for further directions and a hearing date. Mr Omtatah, together with lawyer Eliud Matindi and Dr Magare Gikenyi, sought a temporary order, suspending the planned rollout of the program, which replaced the National Health Insurance Fund (NHIF). The notice of motion application dated 30/09/2024 be and is hereby certified urgent and it shall be heard on a priority basis," said the judge. The court directed Mr Omtatah to immediately serve the court papers on the respondents, including Health Cabinet Secretary Deborah Barasa, Attorney General Dorcas Oduor, Safaricom and Apeiro Limited. The case will be mentioned on October 9. How workers' take-home pay will shrink on SHIF deductions In the petition, Mr Omtatah faulted the government for rolling out the program without enacting the subsidiary legislation required to operationalize the Social Insurance Health Act. The petitioners reiterate that the SHIF cannot be rolled out in the absence of enabling subsidiary legislation issued under the SHA Act and approved by Parliament to operationalize it," Mr Omtatah said. The petitioners have also questioned the procurement of the Safaricom consortium to provide an Integrated Healthcare Information Technology System (IHITS) for Universal Health Care (UHC) at a cost of \$104.8 billion. Apeiro Limited, the largest shareholder in the Safaricom consortium, was awarded the tender for the technology-based system for the UHC program.

NSSF Collections quadplex on higher member contribution

Monthly collections by the National Social Security Fund (NSSF) have grown nearly five times over, reflecting the impact of enhanced contributions from workers in Kenya. NSSF is now netting an average of Shé.5 billion a month, up from Sh14 billion previously, new disclosures by the Ministry of Labour and Social Protection show. This means that the NSSF now nets a mean of \$78 billion per year,

compared to Sh16.8 billion previously. The higher deductions, implemented from February last year, are expected to increase the pool of pension monies available to Kenyans upon retirement with the NSSF envisioning to improve the social security of workers in old age.

The maximum mandatory pension contribution is currently set at Sh 2,160 based on an upper earning limit of Sh 18,000 while the lower earnings limit is set at Sh 6000 putting the maximum tier 1 contribution at Sh 720. All tier 1 Contributions must be submitted to the NSSF while employers with occupational schemes can opt out the tier 11 contributions by applying to the Retirement Benefits Authority (RBA). The RBA had cleared 84 private pension schemes to handle the tier 11 contributions as of June last year including CIC Life Assurance, Octagon Africa, Enwealth Financial services, Britam, CPF financial Services, Zimele and Old mutual. Funds held in the NSSF breezed past the Sh 400 billion mark in the year ended June 2024 in the backdrop of the higher deductions. The monthly average contributions have increased from Sh1.4 billion to Shé.5 billion and at the same time, the benefits processing time has reduced from an average of 82 days to an average of 10 days," the ministry noted.

Pension fund assets up Sh127bn on NSSF new rates. The fund began implementing the NSSF Act, 2013 in February 2023 following a Court of Appeal Ruling clearing the legislation. The higher contributions are categorized into two- Tier I contributions which represent pensionable earnings up to the lower earnings limit and Tier II- earnings between the lower earnings limit and the upper earning limit. The lower earnings limit is set by the Cabinet Secretary in the Ministry of Labour, Social and Services based on the average statutory minimum monthly basic wage for the year. The upper earnings limit is meanwhile the average wage earnings per employee as published by the Kenya National Bureau of Statistics (KNBS) in the economic survey for the prior year.

More than half of private hospitals yet to transition to SHA

42 percent of private hospitals in the country have fully transitioned to the Social Health Authority (SHA) portal, leaving a majority of the premium health facilities out of the new insurance plan. A survey conducted by the Rural Urban and Private Hospitals Associations (Rupha) indicated that 75 percent of the transitioned private hospitals are able to access the new system, whose roll-out has been characterized by technical hitches. Rupha has rated the success rate for registration and patient verification at 50 percent, adding that incorrect details of family member registration remain a problem. Lack of formal training in pre-authorization and claims management for surgical patients, as well as pre-approval for emergency and maternal health cases, are among the key factors holding back the ongoing transition from the National Health Insurance Fund (NHIF) to the SHA, the report states. The inaugural scorecard report released by Rupha shows that pre-authorization is still disabled for most services, except for renal treatment, and that the benefits list has not been fully uploaded. Hospitals bare weak points in chaotic SHIF transition. The report highlights SHA capitation, e-contracting, billing, and financial burden as the worst-performing in the transition process. These sectors scored 30 per cent, highlighting the need for urgent attention to ensure a smoother transition and continuity of care for patients.' The Status report provides an assessment of the ongoing transition from NHIF to SHA as of October 9, 2024. It outlines the key issues being tracked and assesses SHA performance on a scale of 0-100 per cent, along with a grade (A-E) to reflect progress and effectiveness in addressing these issues. The transition has introduced several challenges in system access, claims processing, capitation, and financial management for healthcare providers. This assessment highlights areas of improvement and those requiring urgent attention to ensure a smoother

Transition. The report shows that as of October 6, less than 10 per cent of healthcare providers were able to complete electronic contracts due to website errors. This contradicts an earlier report

Banks eight – month profit up 12 pc to Sh 181 bn amid defaults

Commercial banks have posted an 11.58 percent rise in pre-tax profits to Sh 181.1 billion in the first eight months of the year, defying an environment of rising loan defaults and a reduced appetite for borrowing. Central Bank of Kenya (CBK) data shows that January of August earnings grew from Sh 162.3 billion posted in the same period last year.

Data share by CBK Governor Kamau Thugge during the post -monetary policy briefing showed that March was the best month for banks, with a pre -tax profit of sh 27.3billion August was a slower month with profits of Sh 17.6 billion becoming the only month since January with earnings below Sh 20 billion

The performance shows that banks are on track to maintain a growth trajectory in profitability, defying a tough year in which floods between March and June, anti-government demonstrations in July and generally tight liquidity have hit other sectors of the economy. Kenyan economy slows to four-year low on mining, construction slump Kenya National Bureau of Statistics data showed that the finance and insurance sector grew by seven percent in the first quarter of the year before slowing to 5.1 percent in the second quarter. BK projects the sector's full-year growth to be six percent, in what will mark the slowest growth since the 5.9 percent that was posted in 2020 as Covid-19 battered the economy. The banking regulator has even lowered its forecast for overall economic growth to 5.1 percent from 5.4 percent, after the second quarter growth decelerate to 4.6 percent, down from 5.6 percent in the same quarter of last year.

Private sector credit growth declared to 1.3 percent in August – the slowest pace in over five years- while the non-performing loan (NPL) ratio surged to 16.7 percent, the highest in 18 years'

Patient stranded in hospital during chaotic SHIF Rollout

Chaos, confusion, tears and hopelessness engulfed patients in hospitals, which disabled the National Health Insurance Fund (NHIF) before systems to support the new Social Health Insurance Fund (SHIF) were installed. The first day of transition to SHIF rollout turned out to be a total disaster for patients and hospital administrators around the country. Last evening before midnight, most health facilities including Kenyatta National Hospital, the biggest public referral hospital in the region, Kenyatta University Teaching, Referral & Research Hospital, Mathari National Teaching and Referral Hospital, Kakamega County Referral Hospital as well as The Nairobi West Hospital and many others discharged patient hours before the shutdown of NHIF systems. According to hospital administrators who spoke to the Business Daily they were hoping to re-admit the patients in the new SHIF system yesterday morning but to their shock and surprise the government up to now is yet to activate the new system it has been touting day and night since July 1st this year when registrations commenced. Secondly, a memo from acting Social Health Authority (SHA) CEO Elijah Wachira seen by the Business Daily sent via email to all public and private health facilities is silent on the fate of patients who had been admitted under NHIF as the country moved to SHIF starting today.

A third reason hospital administrators give is that they do not trust the President William Ruto's Kenya Kwanza government to reimburse them for services rendered during the transition and so they are not relying on memos and word of mouth in the media to provide their services without any legal binding document. Speaking to Nation in an interview, Kapenguria County Referral

Hospital medical superintendent Simon Kapchanga said they are grappling with major challenges as the new system is yet to be implemented plus they have not signed any contract with SHA. Omtatah seeks to block new national health cover plan .

Dr Kapchanga pointed out that they are not allowed to handle some patients if they are not at Level 2 or 3 hospitals. A nationwide spot-check by the Business Daily on Tuesday found that the Health ministry, counties as well as public and private

health facilities are not ready for the transition from the 57-year-old NHIF to SHIF.

In fact, almost 80 percent of public and private health facilities are yet to complete their onboarding to SHIF with some disclosing to the Business Daily that they intend to finalize their partnership with SHIF soonest. Hospital administrators also blame the State for the mess that has seen cancer patients who have been depending on their NHIF cards and are in dire need of chemotherapy and radiotherapy sent away from the facilities with some settling on 'Fuliza loans' to offset the vital treatments are now only being offered upon paying out of pocket. We have just been told to register patients and make sure they join SHIF, no further directions on things like billing or how to process claims when we take in patients. There is also no explanation or road map to do anything else apart from generating subscriptions. Honestly, after Kenyans subscribe, what next? We are in the dark," said a senior hospital administrator who runs a government health facility in Kiambu County.

A second hospital administrator in Kakamega who admitted that they are even detaining expectant mothers who delivered as from 12.01am when NHIF went off last evening while agreeing with the Kiambu Loans to businesses and households collapsed in August to low levels registered in the interest-rate cap era seven years ago as high interest rates turned away borrowers. New data by the Central Bank of Kenya (CBK) showed that private sector credit growth dropped to 1.3 percent in August, a level close to the 1.4 percent rate recorded in June 2017 when the country had interest rate caps in place. Growth in commercial bank lending to the private sector stood at 1.3 percent in August 2024 compared to 3.7 percent in July, partly reflecting exchange rate valuation effects on foreign currency denominated loans following the appreciation of the shilling, and the lagged effects of monetary policy tightening. Growth in local currency-denominated loans stood at 5.2 percent in August as foreign currency-denominated loans contracted by 10.6 percent. Kenya shilling loan facilities accounted for 74 percent of the banking sector loan book with the balance being foreign-denominated. The collapse in private sector credit

partly drove CBK's monetary policy committee to cut its benchmark lending rate by 0.75 percent or 75 basis points to 12 percent on Tuesday having observed the sharp deceleration in credit to the businesses and households. Interest rates on commercial bank loans have remained elevated despite the previous 0.25 percent cut to the benchmark lending rate in August from 13 percent. Falling lending rates raise hope for cheaper loans. The average weighted overall interest rates for the 38 licensed banks, for instance, edged higher by 0.1 percent during the month to rise to 16.78 percent from 16.67 percent in July, according to secondary CBK data.

The marginal 0.25 percent rate cut in August was deemed as inadequate to nudge domestic lending rates lower with banks calling for a sharper cut in the benchmark at the October meeting. Higher lending costs have further resulted in a spike in the banking industry non-performing loans (NPLs) which hit 16.7 percent of the overall industry book in August compared to a lower ratio of 16.3 percent in June. Increases in non-performing loans (NPLs) were observed in the transport and communication, personal and household, trade, real estate, and manufacturing sectors. CBK however noted that banks continued to make adequate provisions for NPLs with the industry remaining stable and resilient with strong liquidity and capital adequacy buffers. Private sector credit growth has largely stuck above double digits since the end of controls on commercial bank interest rates in November 2019 when the maximum lending rate was capped at no more than four percent of the Central Bank Rate (CBR)-CBK's benchmark.

New vehicle purchases dip for third year on tough economy

In the post-pandemic period, the industry's sales were hit by a raft of shocks, such as disruptions in the global supply of some vehicle units and spare parts, a shortage of dollars amidst a weakening shilling, rise in import duty, and elevated inflation, which hurt purchases. Car buyers turn to cheaper models on elevated costs. The elevated cost of loans, which has crossed the 20 percent mark on

average, has, compounded the challenges, sending the price of new cars out of reach for most households and businesses. The KMI data shows Simba Corporation, which holds multiple franchises including Mitsubishi and Proton brands, posted the biggest fall in sales amongst the three dealers — along with Isuzu and CFAO — which control about 90 percent of new vehicles market share. Simba Corp's sales dropped 7.62 percent in the nine months through September to 800 units from 866 units a year ago. Market leader Isuzu witnessed a 6.84 percent contraction in orders to 3,676 vehicles, while CFAO, which a year ago bucked the industry trend of flagging sales, suffered a 6.68 percent drop to 2,698 units. The data, however, shows the three dealers grew their shares of the market despite reduced purchases of their vehicles, reflecting an industrywide struggle to drive sales. Isuzu—which sells pick-ups, buses, trucks, and sport utility vehicles (SUVs)—grew its market share to 46.14 percent from 45.28 percent share in the prior year. CFAO, which deals in multiple brands such as Toyota, Mercedes, Volkswagen, and Hino under one roof, also increased its share marginally to 33.86 percent from 33.17 percent, while Simba Corp's share rose to 10.04 percent from 9.94 percent in the review period.

Whole retail sectors saddle banks with sh 143.7bn bad loans

The wholesale and retail sector has affected the banking sector, contributing to a fifth of all loan defaults as the shaky economy took its toll on traders. New data by the Central Bank of Kenya (CBK) shows that the segments contributed to the highest proportion of banks' bad loans by sector at \$143.7 billion loans as of June 2024, or 21.8 percent of all defaults compared to \$121.9 billion at the same time last year. Total commercial bank non-performing loans, meanwhile, rose by 14.1 percent over the same period to \$657.6 billion from \$576.6 billion previously and have further expanded to a record \$674.9 billion in August or 16.7 percent. Businesses in wholesale and retail have faced headwinds for most of the year including reduced spending from consumers and high interest rates on credit facilities. The trade sector has turned to banks for a lifeline despite the jump in defaults to

access. much-needed working capital. Cash flow crisis drags down private sector activities.

The perceived increased demand for credit in trade and personal and household sectors is mainly attributed to increased working capital requirement due to increase in interest costs increased cost of doing business and increased demand to finance goods," CBK indicated in its June credit survey. 'The manufacturing sector held the second highest proportion of non-performing loans at Sh129.5 billion from Sh117.5 billion last year. Bad loans in the real estate sector meanwhile stood at Sh114. billion from \$h96 billion prior as the sector, remains subdued on the low demand for commercial and residential units as some organizations moved to virtual offices. This situation has been compounded by rising interest rates which has made mortgages more expensive. 'The sales, purchases, rental and occupancy rates of residential, office, retail and hospitality slowed in 2023 and in the first half of 2024 compared to 2022 due to decline in demand and increasing shift from office to working from home and selling online," the CBK added. Defaults by individuals and households stood at \$h94.6 billion having grown from Sh81.4 billion in June 2023. Total banking sector gross loans rose by 15 percent to \$h4.04 trillion from \$h3.98 trillion in June last year as higher borrowing costs and impairment squeezed the private sector appetite for new loans. Private sector credit growth slumped to just 1.3 percent in August, the lowest growth rate since the stay of interest rate caps. The CBK is betting on its reduction of the benchmark lending rate from 12.75 percent to 12 percent earlier this month to reinvigorate the demand for credit by both households and enterprises. 'The apex bank was expected to hold meetings with bank executives in October to push for lower lending rates to borrowers

Nine commercial banks minted Sh 110.39 bn from government securities

Kenya's nine tier 1 banks made a total of Sh110.39 billion in interest income from their investment in government securities in six months. Disclosures from the lenders 'unaudited financial statements show that the interest income they earned from their investment in government securities increased by 17.87 percent to Sh110. 37 billion in the six months to June 30, from \$h93.67 billion in the same period last year. The greatest beneficiaries included KCB Group which earned Sh25.47 billion returns from government securities during the period under review, followed by Equity group (Sh28.32billion), Diamond Trust Bank (Sh12.72 billion), Co-operative Bank (Sh12.6 billion) and 1&M group (Sh6.92 billion). Nine banks staring at Sh 68 bn liquidity gap On the other hand, NCBA group, Absa Bank Kenya saw their interest income on government securities decline by Sh250 million, Sh410 million and Sh550 million respectively. In FY2023/24, domestic borrowing by the government via Treasury bills and bonds rose by 13.3 percent to Sh 5.24 trillion from Sh 4.63 trillion with commercial banks holding 43.5 percent of domestic debt. Treasury bonds constituted 85.5 percent of the government domestic debt followed by Treasury bills at 11.4 percent.

The stock of Treasury bonds rose by 15.3 percent to Sh4.63 trillion in June 2024 from Sh 4.01 trillion in June 2023 while bonds rose by a meagre 0.1 percent to sh632.5 billion. This is consistent with government objectives of managing refinancing risk and lengthening the domestic debt maturity profile by gradually reducing the stock of Treasury in the 2023 Annual public debt report.

Why Treasury cleared outstanding central bank overdraft

The National Treasury paid off the outstanding Overdraft balance at the Central Bank of Kenya last week to free up borrowing space for huge payments to bondholders this week, a top official said. 'The CBK disclosed in the latest weekly bulletin that the Treasury cleared \$h63.35 billion in emergency loans last week, pushing the outstanding debt via a window to nearly zero, a rarity last witnessed more than four years ago in July 2020. The emergency loans were repaid to create room for larger

borrowing from the window in the wake of mounting cash demand pressure, including ShS6 billion bond repayments which were due this week. We cleared the overdraft balance last week to create space for some big Treasury bond maturities that were due on Monday," Bernard Ndung'u, the director-general for accounting services at the Treasury, said. Section 46(3) of the CBK Act limits the amount the Treasury can access from the facility to five percent of the most recently audited exchequer revenues. Treasury repays \$h63 billion CBK emergency overdrafts. The Treasury is still using the \$h97.05 billion cap for the last financial ended June 2024 pending a fresh audit of the government accounts. The resultant fiscal space enabled the Treasury to tap the overdraft facility to retire Sh31.95 billion, a 15-year bond that matured on Monday. The matured bond, sold in October 2009, had a fixed coupon of 12.5 percent. The remainder of the cash was taken from the window to pay interest on the three-year bond which was issued in April 2022 at a fixed rate of 11.766 percent and which will mature in April next year. The Treasury uses the overdraft window at the CBK as a cash management tool for settling priority payments such as interest and principal sums due to bondholders at a time when public coffers run dry. Proceeds largely from monthly bond sales are usually tapped to reimburse cash taken from the emergency loans window.

Mps vote to impeach deputy president Rigathi Gachagua.

Kenya's National Assembly has overwhelmingly voted to impeach Deputy President Rigathi Gachagua. 281 members of Parliament voted in favor of the motion, while 44 voted against. One MP abstained. Mps vote to impeach deputy president Rigathi Gachagua. At least 233 legislators, or two-thirds of the 349-member House, were required to impeach the DP. This is the first time under the 2010 Constitution that the National Assembly has voted to remove a State official from office. Now, DP Gachagua's fate will be in the hands of the Senate, the trial House which is the next battlefield of the vicious fight that epitomizes the fallout between Mr Gachagua and his boss President William Ruto elected on Kenya Kwanza/UDA ticket in August 2022. National Assembly Speaker Moses

Wetang'ula is expected to notify his Senate counterpart Amason Kingi latest by Thursday of the development. The Clerk is directed to prepare the necessary documentation to enable this," Speaker Wetang'ula said shortly after 9pm after announcing the results.

Treasury sends sh 32.8 bn to counties after clearing legal hitch that held cash

Funding to counties was not a problem of the exchequer as such as was largely a legal issue. There are legal experts who felt that we couldn't give the counties money unless Parliament passes the county revenue allocation bill and the division of revenue bill, Treasury Cabinet Secretary John Mbadi said. Counties hit as Treasury delays cash disbursements [personally wrote to the Attorney General to get her opinion, and it is in concurrence with my thinking and so we've started disbursing funds. I am aware that we will be releasing the August allocation this week so we will only be in arrears for September. The statement of actual exchequer revenues and net exchequer issues covering the period to September 30, 2024, reveals the fresh funding which complements \$h30.8 billion sent to the units earlier in this financial year to cover arrears from the 2023/24 fiscal period. Counties have now received a combined Sh63.5 billion since July 1 including the arrears for June 2024. The initial allocation to counties under the equitable share amounted to \$h400.1 billion in the original budget and was amended to \$h380 billion following the withdrawal of the Finance Bill, 2024. The County Governments Additional Allocations Bill, 2024 provides a further \$h55.4 billion. To the units with the amount to be disbursed through ministries, departments, and agencies according to the exchequer.

Hospitals get Sh 3bn as SHA Woes.

President William Ruto has said that the Social Health Authority (SHA) has received Sh3 billion from the government, to pay hospitals for patient treatment. Speaking during the commissioning of the Sh4.5 billion cardiothoracic center at Tenwek

Hospital in Bomet County, Dr Ruto said that billions of shillings that the defunct National Hospital Insurance Fund (NHIF) owes various private hospitals will be paid. Penwek Hospital for example, have learnt, is owed Sh\$50 million by NHIF. I want to assure you that part of the money will be paid in the interim. You will not get a lump sum, but [can tell you that you will be paid \$200 million, The President expressed optimism that the majority of Kenyans would soon be covered under the new medical insurance system. Digitization, he said, will play a key role in ensuring efficient patient registration and claim processing, eliminating the corruption that plagued NHIF. Dr Ruto said that NHIF had been riddled with inefficiencies, including more accountants than medical personnel in some hospitals, which led to inflated claims and mismanagement. More than half of private hospitals yet to transition to SHA. The president also addressed the ongoing debate about salary deductions and contributions under SHA.

Many people ask why they have to pay for the treatment of others, our goal is to eliminate the need for village harambees for medical expenses and ensure everyone has access to healthcare,” he said. President Ruto hailed the new facility saying it will make the region a medical tourism hub. This center represents a new era for healthcare in Kenya, where world-class care is accessible to all. It will also serve as an institution of specialized learning, contributing to the training of future healthcare professionals. Dr Russ White, the Director of the cardiothoracic center said that the hospital has been a leader in rural heart surgery for 15 years, increasing its annual surgeries from 12 to 250 patients, We have an average of 850 patients in the waiting list annually, and a number of them die. He added that the hospital would now raise the number of patients to be attended annually to 3,000 as a result of the opening of the center, Edward Graham, the chief operating officer at Samaritan Purse, which provided most of the funding for the project, said the center was the only one of its kind in sub-Saharan Africa when it comes to heart surgeries. Globally 20.6 million people die of heart related health complications with 75 per cent being in sub-Saharan Africa, which is what we are seeking to reversed. He supported the hospital’s vision to invest in education and training, research and

development, innovation and transformation in health care. through collaboration with institutions such as the College of Surgeons of East, Central and Southern Africa, the center will foster research innovation and medical tourism, further positioning Kenya as a leader in specialized health care” Dr Ruto said. The President emphasized the value of preventive actions and the importance of promoting early diagnosis, public awareness and healthy habits in reducing the disease burden. He added that his administration was keen on reinstating the people's trust in the public health care system.

[More than 8,300 agents ditch m-pesa on restricted till location](#)

Safaricom’s M-Pesa has recorded its first ever decline in the number of agents following the introduction of a new policy that locks tills to specific locations to combat fraud. Under the concept known as geo-locking, Safaricom only allows M-Pesa agents to operate tills within designated geographical locations. This means that should an operator relocate from a designated location, the till automatically shuts down and customers cannot withdraw or deposit cash. A new disclosure by the telco shows that 8,344 M-Pesa agents closed down in the year to March 2024, ostensibly disillusioned by the new policy, which forces them to operate in a specific location at all times. We experienced a decline in active agent numbers [in the 2024 financial year] due to the introduction of geo locking for tills” Safaricom said in a new report. The number of M-Pesa agents declined to 262,016 in March 2024, a three percent drop from last year’s 270,360, an unusual drop in what has been a source of livelihood or income for thousands in the country.

For Safaricom, while the drop in agents may not be a good indication for the M-Pesa business, new policy will help it deal with the longstanding fraud menace, which has cost agents and customers millions of shillings. While this has led to a reduction in active agents, it has effectively curtailed fraud. The geo-locking of tills “has in turn led to increased compliance from a regulatory point of view and has also enabled the identification of areas of opportunity based on the current tills operating in a market. The

telco has recorded a surge in the number of fraud cases investigated, more than tripling {from 33 last year to 103 this year, partly due to the inclusion of its Ethiopian unit in the tally. However, the number of cases of asset misappropriation, which includes theft of tills, declined to zero, while the majority of the fraud cases it investigated were related to breaches of policies and unauthorized access by staff. In general, the number of mobile money agents over the same period declined by only 873, meaning that while Safaricom's M-Pesa agents dropped, other mobile money service providers ~ Airtel Money and T-Kash, saw a rise in the number of agents. Cash handled by mobile money agents up 10 percent to Sh8.6trn the number of mobile money subscriptions, transactions, and the total value of transactions also grew over the same period, indicating that the industry has remained resilient despite M-pesa agent.

Half of firms face delisting in secret owners crackdown

More than half of the 794,741 registered companies in Kenya risk delisting for failing to disclose the identities of their secret shareholders who control more than 10 percent stakes in the firms. As of last week, 0.28 percent or 399,595 registered companies had not revealed the details, including names, phone numbers and residential addresses, of the beneficial owners to the Attorney-General through the Business Registration Service (BRS). the firms must disclose the secret shareholders by November 30 or risk deregistration. The details required for filing include names of the substantial shareholder, Kenya Revenue Authority (KRA) PIN, national ID or passport copies, postal address, residential address, occupation, telephone number and the date when the investor became a beneficial owner. Most high net worth shareholders at the Nairobi Securities Exchange (NSE) hold shares through nominee accounts, with the list of top 10 shareholders in a majority of blue chip firms dominated by anonymous investors. Company dissolutions rise on KRA clampdown 49.72 percent of private limited companies have complied with the requirement to submit a copy of their beneficial ownership register the registrar of companies, told the Business Daily in emailed responses last week. as of October 24, 2024, the total number of

private limited companies registered in our index of entities is 794,741, and these are being actively monitored for compliance. Whereas the number of LPs registered in our index of entities is 3,988. The fresh regulations bar companies from making public the personal details of the beneficial owners, but opens the window for the KRA, security agencies and the Financial Reporting Centre to tap the information. This is a pointer that the State is keen to use the information to track money launderers, corrupt individuals and tax cheats via the data. The burden of providing the details to the State rests with companies, who risk fine of Sh\$00,000 and penalty of Sh50,000 for every day in breach,

KRA Mulls returns exempt for employment only income workers.

The Kenya Revenue Authority (KRA) is considering exempting workers without extra income from filing tax returns, as part of reforms aimed at improving efficiency and compliance. Proposals showed that workers in the informal sector who use mobile phone-based invoicing solutions, would also be spaced from filing tax returns under a planned new tech-based revenue tax system. No filing will be required for specified TP (taxpayer) segments e.g employment income only and mobile-based approach for the informal sector," the taxman revealed, noting that it is procuring a new tax system that would support this new arrangement. Insiders said the implementation of the exemptions would however depend on ongoing evaluations on compliance risks. Currently, millions of employed workers are compelled to file annual tax returns with the KRA even in instances where they have no extra income other than from employment. Bonus freeze, layoffs hit PAYE tax collections. In the current arrangement, workers are required to file employment income returns as Captured in a Tax Deduction Certificate popularly known as a Pg form issued to them by their employer. ' The certificate gives a breakdown of the employee's salary and the tax that was deducted {from their gross pay and paid to KRA every month for the months the employee worked. Failure to meet the tax filing deadline is an offence that attracts a Sh2,000 fine. Companies pay a Sh10,000 penalty or five percent of the tax payable in the year the return captures or whichever

is higher. However, under the planned changes by the KRA, an employer would inform the taxman how much a worker earned and this would be pre-filled in the tax return schedules as it happens. KRA said that its new tax system will support returns based on real-time compliance checks. Filing returns is one of KRA's main strategies for netting tax cheats and growing income tax collections. The law demands that anyone with a KRA personal identification number file returns irrespective of employment status. Taxes on salaries, wages, and allowances paid to workers grew at a single-digit rate in the financial year that ended in June. The Kenya Revenue Authority netted Sh543.19 billion in payroll taxes for the year ended June 2024, 9.76 percent growth over \$494.90 billion in the year before. The growth of pay-as-you-earn (PAYE) receipts remained in the single-digit territory from the second year running even after the Ruto administration raised tax rates for the high-salary earners in the review fiscal year

Kenya's governance progress slows on rule in law security concerns.

Progress in democratic governance in Kenya has slowed over the past five years to 2023, a new report shows, signaling a deterioration in human rights and security conditions for. The annual index of African Governance (JAG) report found that despite positive Progress in various segments such as access to energy, internet and decent housing, overall governance in Kenya has slowed in the five years to 2023, mainly hurt by deteriorating adherence to the rule of law and safety and security. In overall governance, Kenya's progress (+2.5) is above the continental average, albeit the pace slows from 2019, The most significant improvement is made in infrastructure (+17), with Kenya being the most improved country over the decade, mainly due to advancements in access to energy (+30.9) and internet and computers (+30.8)" the report said. Kenya's ranking on decent housing performance metrics has also more than doubled over the past decade increasing by +33.4 points, Kenya is also the 6th most improved country in inclusion and equality with a +12.1-point increase in equal socioeconomic opportunity. However, Kenya has strongly declined in security and safety, particularly in the absence of violence against civilians (-31.7) indicator, which

plummeted since 2022," the report. According to the report, Kenya's safety and security indicators dipped by 8.7 points, while the fight against corruption fell by 18 points, Kenya has been hit by a wave of security and human rights abuse concerns, with rights groups decrying abductions as the government cracks down on protests and dissent. Police fire teargas as Kenya anti-tax protesters demonstrate nationwide 2024 has particularly been dark for many households with about 60 people killed, dozens abducted, and hundreds arrested following intermittent youth-led protests that have upended Kenya since June. Human rights groups have blamed Kenya's intelligence services for the extrajudicial arrests. The LAG, first published in 2007, assesses governance across African countries over the 'most recent 10-year period (2014-2023). It defines governance as the provision of political, social, economic, and environmental public goods to which every citizen is entitled. The 2024 IAG contains over 265,000 data points, collected from 49 data sources and organized into 96 indicators under 16 sub-categories, grouped into four main categories: Security & Rule of Law, Participation, Rights & Inclusion, Foundations for Economic Opportunity, and Human Development. The index showed that Africa's overall governance indicators declined in 2023, with coups and wars. The report found that despite positive progress in 33 countries, overall governance was worse in 2023 than in 2014 in 21 countries, representing just under half of Africa's population.

KRA starts integrating tax system with banks telcons

The Kenya Revenue Authority (KRA) has started integrating its system with banks, money remittance firms and payment service providers like M-Pesa in fresh efforts to weed out tax evaders and boost revenue by billions of shillings. The taxman has started sending letters to chief executives of the institutions demanding the firms link the is systems to that of the KRA for real-time visibility of financial transactions in line with a law that passed via the Finance Act, 2023. Telecommunications firms offering e-money and banks expected to provide names and addresses of each person to whom a

payment has been made as well as the value and why the expense is being done. To shore up revenue, President William Ruto's administration has deepened its crackdown on tax cheats and it is expected to be more aggressive following the withdrawal of this year's Finance Bill after the June-July protests that left over 50 people dead. Half of firms face revocation in secret owners crackdown. The purpose of this letter is to notify you of the implementation of the KRA system and to inform you that you are required to integrate your system with it for real-time transmission of sale transactions and financial transaction," KRA said in a letter to a chief executive of a top bank and seen by the Business Daily.

The transmission of the electronic data will be at the point of payment through a digital payment service or at the point of undertaking a financial transaction. The letter did not give more details on the plan but the government has previously said the financial accounts of tens of millions of mobile phones in Kenya offered a chance to boost. KRA is targeting to integrate with commercial banks, payment service providers (PSPs), microfinance and money remittance. The numbers 107 at the moment," said a KRA manager, who asked not be named. The Finance Act changed the law in 2023 allowing the KRA to integrate its system with any company for real-time monitoring of financial transactions. The Commissioner may establish a Data Management and Reporting System for the submission of electronic documents, including detailed transactional data," says section 59A of the Tax Procedures Act reads.

Global Market economists see mild pressure on shillings in 2025

Research analysts at leading global banks, consultancies and think-tanks see the shilling weakening modestly against the US dollar next year on mounting investor jitters after Collapse of Finance Bill 2024. The Kenyan currency has remained steady for large parts of this year largely on increased dollar inflows from Kenyans living abroad, export earnings, and foreign loans from institutions such as the World Bank Group. The shilling has hovered around 129 levels against the greenback, but some pressure could start creeping

in next year as risk-averse investors look to move investments to dollar denominated assets. Global banks cut Kenya's growth outlook on political instability fears. Our panel expects the shilling to lose ground on the USD by end-2025 on an arrowing positive interest rate differential with the US and deteriorating investor sentiment; since the new tax bill was scrapped, fears of a wider-than-previously-expected fiscal deficit have mounted," analysts at Economics wrote in November 2024 outlook report.

Analysts at HSBC, the largest bank in Europe, see the Kenyan shilling weakening to 150 units against US dollar by end of 2025, the most projected depreciation amongst researchers from leading global banks, consultancies and think-tanks. Researchers at the UK's Euromonitor International expect the Kenyan currency to trade at 149 units followed by Oxford Economics (142 units) and Standard Chartered Bank of UK (140 units). America's Citigroup Global Markets has forecast the dollar to exchange for Sh138 per unit, Fitch Solutions at Sh137, Fitch Ratings at Sh136, while Moody's Analytics and Capital Economics see the rate at Sh135 per unit of US. The shilling has gained about 22 percent since Kenya in mid-February repaid \$1.44 billion of the \$2 billion of the debut 10-year issue ahead of maturity in June, cooling fears of sovereign debt default which had swelled since 2023. High interest rates, which the Central Bank of Kenya employed to battle inflation, helped attract inflows from foreign investors, in addition to growing cash sent home by Kenyans in foreign countries and exports earnings from tea and fruits such as avocado helped boost dollar supply. This has helped the CBK build official foreign exchange reserves by \$1.14 billion (about Sh47.52 billion) to \$8.49 billion (nearly Sh1 trillion), or 4.4 months of import cover, \$7.35 billion (Sh949.47 billion), or 3.8 months of import. International market economists see shilling weakening to 145 levels. The same can be said when there is a need to intervene on the other side when the exchange rate starts to weaken. A depreciating shilling generally raises the cost of goods in a net import economy, putting pressure on overall inflation. Inflation in September fell to its lowest level since December 2012 at 3.6 percent, keeping the cost of living measure within the government targets of between

2.5 percent and 7.5 percent in the medium term. Kenyan motorists have benefited from a drop in Brent crude prices in recent months, which has filtered through to domestic pump prices,” Shani Smit-Lengton, an analyst at Oxford. Economies was quoted in the in the Focus Economics outlook report. Given that we forecast global oil prices to remain on a downward trajectory in the near term, we expect fuel price inflation to remain subdued. “Pump prices have a big effect on inflation in an economy that relies heavily on diesel for transport, power generation, and agriculture, while motorists largely use petrol. Fuel prices have fallen to lowest levels in 19 months.

Jubilee and DTB Launch flexible insurance premium pay option

Jubilee health insurance in partnership with diamond Trust bank (DTB) has launched digital system for payment of insurance premiums. The option, known as Lipa Pole pole, allows customers to pay premiums in flexible installments that match their budgets until completion. This innovation is a game-changer for the industry,” said Njeri Jomo, chief executive of Jubilee Health Insurance. We understand that today's customers need Flexibility, convenience, and affordability. Our solution delivers all of these, allowing them to get the coverage they need without the burden of upfront payments. This milestone reflects our commitment to making healthcare accessible to everyone, regardless of their financial situation,” she added. Jubilee said the payments would be processed through an online portal. Now, with this online process, customers can complete their health insurance transactions in just five easy steps using their mobile phones. Whether purchasing a new health insurance policy or renewing an existing one, customers can apply, select an installment plan, and receive instant approval—ensuring they are covered right away,” the company said. Insurers in Kenya step up AI shift for business boost. In the partnership, DTB will provide the financial

infrastructure for managing installment payments, ensuring customers experience a smooth and reliable payment process. We are proud to collaborate with Jubilee Health Insurance on this transformative solution, which directly addresses the challenge of affordability in health insurance. At DTB, we are committed to driving financial inclusion by offering flexible payment options that make it easier for more Kenyans to access essential healthcare services” said Nasim Devji, Group chief executive of DTB. This partnership allows us to leverage our financial expertise to provide solutions that reduce the financial burden on individuals and families, ensuring that health coverage is, within reach for a larger portion of the population,” she added. The Kenya Demographic and Health Survey 2022 report released by the KNBS earlier this year shows that an estimated 95 percent of men and women in Kenya don't have health insurance—illustrating the magnitude of the financial pain whenever they fall. A separate study by the World Bank shows that cash payments make up a big ratio of health spending a million Kenyans into poverty each year.

Treasury relief as Finance Act, 2023 reinstated.

The Treasury has won a major relief after the Supreme Court reinstated the Finance Act 2023, allowing the government to continue collecting higher taxes using the law amid financial challenges. The decision has stopped the top rate for Pay As You Earn (PAYE) reverting to 30 percent and the VAT on fuel going back to eight percent. The Act introduced new taxes and raised others, including doubling VAT on petroleum products to 16 percent and additional raids on pay slips of those earning from Sh500,000 per month. It introduced a new tax band of 32.5 percent for income of between Sh500,000 and Sh800,000. For income exceeding Sh800,000, a new top tax band of 3 percent was also introduced. The Treasury had pleaded with the apex court to reverse a decision by the Court of Appeal, arguing that the government would lose \$214 billion if the judgment is upheld. The full bench of the Supreme Court presided by Chief Justice Martha Koome found that Parliament adhered to the required legislative process of public participation and concurrence, when enacting the

Finance Bill, 2023. The Court of Appeal had quashed the entire Act, declaring it unconstitutional on the basis that the legislative process that led to its enactment was fundamentally flawed and in violation of the Constitution. However, the Supreme Court judges said the legislative process was followed in accordance with the constitutional edicts. [Effective public participation begs for defined process. In particular, we find that Bill underwent the concurrence process under Article 100(3) of the Constitution; the Bill being a money Bill did not require consideration by the Senate and the Bill was subjected to public participation, which was adequate and satisfactory taking into account the circumstances of enacting a Finance Act.] CJ Koome, Deputy Chief Justice Philomena Mwili and Justices Mohammed Ibrahim, Smokin Wanjala, Njoki Ndung'u, Isaac Lenaola and William Ouko said the Court of Appeal ought to have gone a step further and fashioned a remedy to suit the peculiar circumstances.

Unpaid state revolving fund loans hit Sh 18.4 bn

The government is owed Sh18.4 billion in unpaid loans disbursed to Kenyans through its three revolving funds, Hustler Fund, Uwezo Fund and Women Enterprise Development Fund. Details about the loans disbursed through the Youth Enterprise Development Fund, another revolving fund, however, remains sketchy after its chief executive Josiah Moriasi declined to respond to our inquiries. Of the money still in the hands of Kenyans, Hustler Fund accounts for Sh7 billion, Sh7.5 billion in Uwezo Fund, Women Fund \$h2. billion and Youth Fund Sh1. billion. This is despite Auditor-General Nancy Gathungu raising questions on the administration of the fund, that has been previously mired in corruption and other irregularities. Although the government is planning to raid the M-Pesa accounts and airtime of Kenyans who have defaulted repaying the Hustler Fund to recover the money, it hasn't outlined the measures to recover the unpaid billions in Uwezo Fund, the Women Fund and the Youth Fund. Youth Fund budget cut by half to Sh225m. Already, lawmakers want the Hustler Fund wound up after it emerged that the billions the government invested in the fund were not insured and that the fund operated

without stall, raising questions on its prudent management. Hustler Fund acting chief executive Elizabeth Nkuku, while appearing before the Special Funds Account Committee of the National Assembly said the fund has reached a dead end and is now considering forceful recovery means. The beauty of this fund is that we have the phone numbers and the unique identifiers of the defaulters, the national ID. They are people of means, they are people who just don't want to repay," Ms Nkuku told the committee chaired by Migori County Woman Rep Fatuma Mohamed. What we are looking at is to get money from their M-Pesa or airtime. We are also in the process of considering appropriate legal provision. The Hustler fund is a digital financial inclusion initiative and was one of President William Ruto's campaign mantra ahead of the August 9, 2022 general election to improve access to financial services for a majority of poor Kenyans. Ms Nkuku noted that the 13 million Kenyans who borrowed from the fund, have defaulted in repayment of the Hustler fund and are mostly people who borrowed in the first and second months.

Workers take – home bleach one third basic rule on SHIF deduction.

Thousands of employees this month risked breaching the legal requirement that demands they pocket at least a third of their salary, following a deduction of 2.75 percent of gross pay towards the Social Health Insurance Fund (SHIF), the employees paid higher rates to the SHIF, which replaced the National Health Insurance Fund (NHIF). Previously, workers have been parting with between Sh150 and 1700 towards NHIF, The switch to SHIF saw those earning Sh100,000 part with an additional sh1,050 while those earning Sh200,000 pay an extra \$h3,800. According to Kenya National Bureau of Statistics (KNBS), 12.8 million Kenyans (42 percent), in the formal employment earned less than Sh50,000 while 1.735 million (58 percent) earned \$h50,000 and above. Notably, the bulk of

those earning 100,000 and above was, 371,894 Kenyans.

More than half of private hospitals yet to transition to SHA. Contributions to SHIF hit the most, those employees whose salaries ranged between Sh100,000 to Sh1 million, as they parted with an additional Sh1050 to Sh25,800 for the state backed insurance-accounting for the largest share of deduction after Paye. Additional deductions for employees on \$h450,000 was about Sh10,675, while those on Sh800,000 and Sh 1million had an extra obligation of sh20,300 and Sh25,800 respectively.



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