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# Navigating through uncertainty

**National budget bulletin**

June 2020



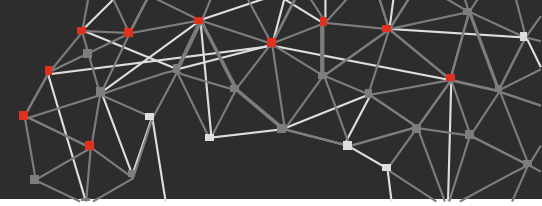
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# Navigating through uncertainty

## Foreword



Welcome to our 2020–21 national budget bulletin with the theme of ‘navigating through uncertainty’. This theme could not be more appropriate at a time when governments around the world — including Kenya’s — are balancing the needs of their citizens with the demands of resource constraints and competing priorities.

Indeed, COVID-19 has affected all sectors of Kenya’s economy. As much as the pandemic impacts our health systems, it also continues to have a profound impact on our economy. Already, many companies are not able to carry out business in their normal way and unemployment has risen as a result. Limited and restricted travel, both domestically and internationally, has compounded the effects for local and international trade. Many countries worldwide are projecting weaker GDP growth this year; Kenya’s prospects are not much brighter.

In this bulletin, we carefully review and analyse the budgetary allocation, measures and initiatives outlined by the Cabinet Secretary, National Treasury and Planning in his speech on 11 June 2020.

Unemployment, sectoral growth, public debt, food security, and safeguarding the overall well-being of citizens (including their health and safety) are a few of the areas that the Cabinet Secretary covered in his speech. He also emphasised the provision of basic services such as water, sanitation and health, which are so relevant to our current situation.

Our bulletin also reviews the government’s ability to raise revenues to finance budgeted expenditure, an ever-more critical issue given the weakening performance of the economy and consequently the government’s reduced ability to raise revenue. We should not be surprised to see the government borrow more both domestically and internationally to fund the gap, but we should still ask whether that borrowing remains within acceptable limits.

We also provide an in-depth review of various tax measures proposed by the government including changes to corporate and individual income tax, employment and personal taxes, value added tax, customs and excise duties. Our analysis is geared towards determining to what extent the measures proposed will stimulate growth, especially in the context of the Covid-19 pandemic. We also review legislative reforms proposed in the budget and their effectiveness in either facilitating investment or generally improving the attractiveness of Kenya’s business environment for investors.

Additionally, we examine sectors including financial services, infrastructure, agriculture, health, and technology. For each sector, we critically review whether proposals in the budget statement address the particularities or challenges in that sector. For example, food security is critically important to Kenya and therefore our bulletin reviews whether the budgetary allocations to agriculture and other measures will help to address it. In the health

sector, we analyse whether the budgetary allocation and other measures adequately address the requirements and the unique challenges that the COVID-19 pandemic presents, as well as Kenya’s broader objective of achieving universal healthcare.

Technology investment is a cross-cutting priority for all sectors in this era of online and remote working and consumption. We carefully review the extent to which budgetary measures will advance Kenya’s position as a technology-enabled economy.

Finally, we share some of the common themes that are emerging among East African countries as they each share their budget statements. Our economies are interdependent and therefore measures and pronouncements by one country affect others, especially in terms of taxes, trade and cross-border movement. It is also now clear that COVID-19 knows no borders, and so one country’s efforts to manage the pandemic can impact its neighbours near and far.

I hope that you enjoy reading PwC Kenya’s 2020/21 Budget Bulletin and find it useful. Please contact me or any of the PwC experts featured in the bulletin if you have any comments or if we can help to answer any questions.

### **Benson Okundi**

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# Economy



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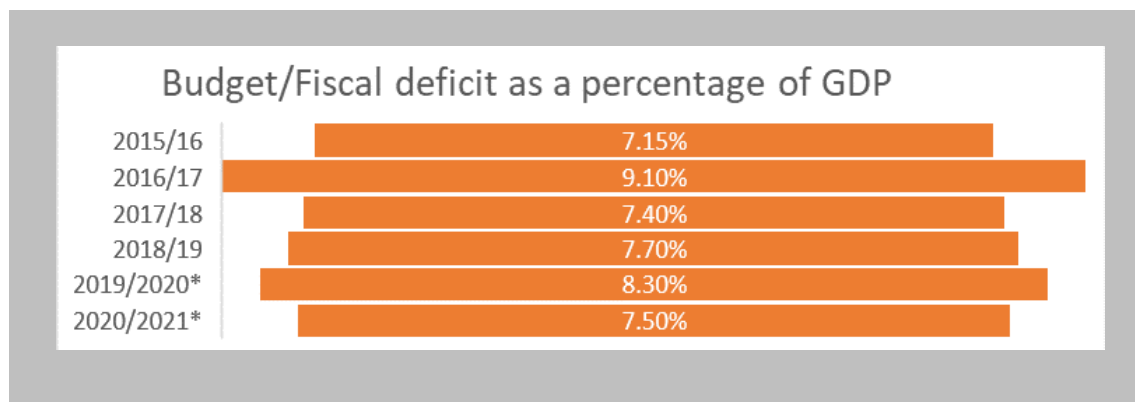
# Kenya's economy: a delicate balancing act

The 2020/21 budget statement from the Government is being presented against a backdrop of an economy battling with the novel coronavirus, food security threats from locust invasions and floods ravaging the country. In respect of these and other factors, the National Treasury has revised its economic growth estimates from 6.1% to 3%. The plan to achieve this is premised on revenue growth, decreased expenditure and reducing the pace of growth of public debt.

The government is intent on increasing its revenues to match the expenditures, since it is already operating in a limited fiscal space. Fiscal balance is key to maintaining macroeconomic stability, inspiring growth and reducing the pace of growth of public debt. The fiscal deficit for FY 2019/20 is targeted to be 8.3% of GDP while that of FY 2020/21 is

targeted to be at 7.5% of GDP. Prudent financial management is called for to achieve this objective.

**Table 1: The Budget/ Fiscal deficit as a percentage of GDP**



The National Treasury has revised its economic growth estimates from 6.1% to 3%

# Kenya's economy: a delicate balancing act

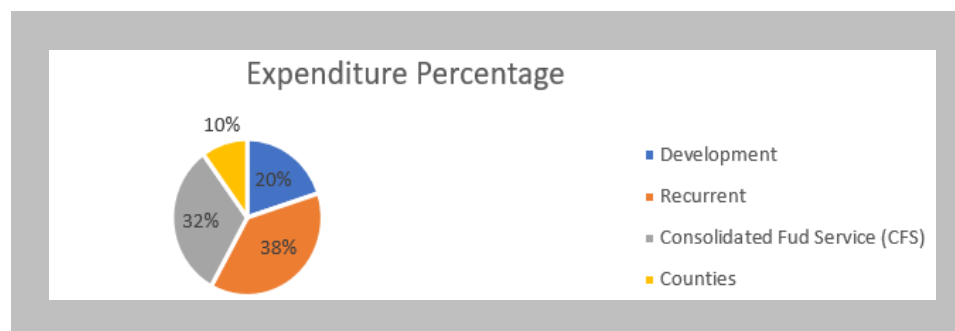
Data from CBK shows tripling in total government expenditure over the last 10 years from KES 792 billion in FY 2009/10 to KES 2.7 trillion in FY 2020/21. The biggest contributor has been recurrent expenditure which has accounted for 78% of total government expenditure in FY 2018/19, an increase from 68% in FY 2009/10, and is expected to account for 80% in FY 2020/21.

A key contributing factor is the public wage bill which has been on the increase possibly due to the current system of governance. Reducing non-essential expenditure is a key element for the Government.

The gradual development expenditure shrinkage in relation to the total annual expenditure budget should also be of concern. In the budget estimates for FY 2020/21 it represents 20% (KES

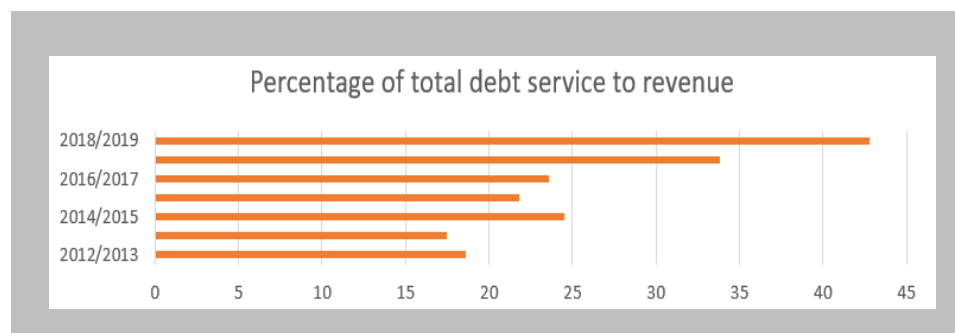
637 billion) of total government expenditure, against the requirements of the PFM Act of 30%.

**Table 2: Expenditure Percentage**



Interest payments for debt are increasingly taking a significant share of the revenues. The total debt service as a percentage of revenue has increased from 18.6% in FY 2012/13 to 42.8% in FY 2018/19.

**Table 3: Percentage of total debt service to revenue**



# Kenya's economy: a delicate balancing act



A debt repayment bill of KES 905 billion has been estimated in FY 2020/21 against an expected tax collection of KES 1.6 trillion. It should be noted that the Government might have to borrow to fund recurrent expenditure. Amid funding the various economic stimulus packages, the Government should endeavour to use debt for development expenditure.

The projected deficit for FY 2020/21 of KES 840.6 billion is expected to be covered by external debt of KES 347 billion and net domestic borrowing of KES 493.4 billion. This is hinged on enhancing revenue collection and containing recurrent expenditure. However, there are challenges in realising ordinary revenues through KRA collections which fell short of target by KES 60 billion in FY 2018/19 and KES 95 billion in FY 2017/18. A bigger shortfall is expected in 2019/20 with KRA having collected KES 1.33 trillion as at March 2020 against a target of

KES 1.54 trillion. This has resulted in a deficit of over KES 210 billion.

Given the prevailing economic conditions, it would be challenging to achieve revenue targets in FY 2020/21. The budget depends on tax measures, the stimulus package proposed in the budget and the resilience and innovativeness of Kenyans to achieve a revenue target of KES 1.89 trillion.

Various economic stimulus packages have been proposed by the budget to cushion Kenyans.

Funds have been set aside for the Youth Kazi Mtaani Program, enhancing liquidity to MSMEs, a credit scheme guarantee, tourism, pending bills, cash transfers to the elderly and persons living with disabilities and youth programmes. Certainly even more such interventions are needed to reach the key populations affected. Efficiency and effectiveness is also called for.



# Kenya's economy: a delicate balancing act

The Government continues on its quest to achieve its Big Four agenda as indicated by various budgetary allocations.

Funds have been set aside to enhance service delivery and servicing of Government projects, healthcare stability, affordable housing, manufacturing and local industry production, agriculture and food security and various infrastructure programmes.

Given the prevailing economic conditions, it would be challenging to achieve revenue targets in FY 2020/21

## Key points

- Efforts to cushion Kenyans against the effects of the COVID-19 pandemic should be applauded, but it should be noted that attaining revenue targets hinges on economic rebound, the effectiveness of economic stimulus packages proposed in the budget and the resilience and innovativeness of Kenyans.
- The Government should find ways to reduce recurrent expenditure as it could become unsustainable in the long-term. Leadership and accountability is called for.
- Concessionary loans and grants should be favoured to commercial loans.
- Debt should be geared towards development expenditure (instead of recurrent expenditure) and expenditure geared towards production.
- Government should seek innovative ways to raise revenue and plug holes that lead to losses in revenue collection.

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Tax



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# Navigating uncertainty in the Kenyan tax landscape



The National Treasury Cabinet Secretary Ukur Yatani read the fiscal year 2020/21 (“FY 2020/21”) budget at Parliament outlining his spending plans and tax collection measures. The Cabinet Secretary published the Finance Bill 2020 on 5 May 2020 before reading the Budget on 11 June 2020 which was a departure from previous years when the National Treasury would publish the Finance Bill after the reading of the Budget.

The reading of the FY 2020/21 Budget comes at a time when the world is facing the COVID-19 pandemic which has had an impact on the global and Kenyan economies. At the same time, the Kenya Revenue Authority (“KRA”) has been struggling to meet tax collections targets set by the National Treasury in recent years.

In that context, the National Treasury has reduced slightly the tax collection target of KRA to KES 1.621 trillion in FY 2020/21 compared to the target of KES 1.64 trillion in FY2019/20. Despite the National Treasury having reduced the tax collection target for FY 2020/21, KRA is still likely to struggle to meet the target due to the prevailing economic situation. Furthermore, in the short term, tax collections may be negatively

impacted by the reduction of the corporate tax rate from 30% to 25%, the reduction of the Value Added Tax (“VAT”) from 16% to 14%, the expansion of Pay As You Earn (“PAYE”) tax bands and the reduction of the marginal rate of tax from 30% to 25%.

The National Treasury has also reduced some of the tax incentives and exemptions that were available to taxpayers such as the 150% investment deductions available to manufacturers investing outside the major cities and the change of the VAT status of certain goods and services including insurance agency, insurance brokerage and securities brokerage services from exempt to standard rated.

In order to increase the collection of taxes, especially corporate income tax whose collection rate is considered lower than is typical amongst Kenya’s economic peers, the National Treasury has introduced a raft of new taxes such as a minimum tax and the digital service tax.

From a tax policy perspective, the minimum tax objective is intended to ensure that all taxpayers account for income taxes but in actual fact may result in unintended economic effects, especially where it represents an additional cost to businesses

rather than a tax on actual income earned by the businesses.

The National Treasury has also introduced a digital service tax. The tax applies to income arising from a digital marketplace. The introduction of such unilateral tax measures in other countries (particularly in Europe) has resulted in a backlash from the United States of America where many of the largest, global information technology companies are situated.

Kenya is a member of the Organisation for Economic Co-operation and Development Mutual Inclusive Framework and is currently party to discussions on the issue of taxation of digital services businesses. Although the process of finalising these discussions is far from over, in our view it would be prudent for Kenya to wait for the outcome of the discussions or implement a much more restricted form of a digital services tax.

# 2%

the reduction of Value Added Tax (VAT) from 16% to 14%

# Navigating uncertainty in the Kenyan tax landscape (continued)



Other measures the National Treasury is looking at in order to increase tax collections include:

Introducing the Voluntary Tax Disclosure Program where taxpayers will be granted waivers of penalties and interest, which is expected to promote tax compliance amongst taxpayers;

Fast tracking of Tax Appeals Tribunal cases and moving cases from Court to Alternative Dispute Resolutions in order to resolve tax disputes quickly and unlock tax revenues and Leveraging on information technology such as *i-tax* systems to improve collection efficiency.

In conclusion, we foresee a situation where ongoing unpredictability and uncertainty in the global economy will continue to translate into uncertainty in the local tax environment. We can expect that the Finance Bill, 2020<sup>1</sup> will not be the last tax legislative measure in the coming financial year.

This creates significant uncertainty for taxpayers, and it is therefore important for the National Treasury to instil confidence by restricting the number of tax changes in the financial year.

Secondarily, in this constrained environment there may be a reactive tendency by the KRA to intensify its aggressive tax collection efforts by engaging in heightened tax audits and tax demands. Again, it would be important to avoid such actions against taxpayers who are critical stakeholders in reviving our economy.

To read more about tax changes contained in the Finance Bill 2020\* please [click here](#) to read PwC Kenya's Finance Bill 2020 Tax Alert. For PwC's analysis on the Tax Laws Amendment Act, please [click here](#). The changes relating to customs are contained in this Bulletin.

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<sup>1</sup>Please note that the Finance Bill, 2020 discussed here relates to the copy submitted to Parliament on 5 May 2020.

# Customs duty

## Focus on manufacturing

### Duty remissions

The Cabinet Secretary has proposed the introduction of duty remission on raw materials/inputs for the manufacture or assembly of:

- Baby diapers;
- Textiles and apparel;
- Mobile phones;
- Masks, sanitizers, ventilators and personal protective equipment (“PPE”).

### Exemptions under the East African Customs Management Act (“EACCMA”)

Supplies for the diagnosis, prevention, treatment and management of epidemics, pandemics and health hazards will be exempted from import duty.

### Stays of application of import duty rates per the East African Community Common External Tariff (“EAC CET”)

The following duty rates will be applicable for one year:

- Iron and steel products – 35%
- Paper and paper board products – 25%
- Leather and footwear – 25%
- Electrical parts and accessories – 35%

### Proposed customs changes to become effective 1 July 2020 following publication of East African Community Gazette Notice



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# Legislative updates



The majority of the legislative reforms proposed in the FY2020/21 budget are covered in the Finance Bill, 2020 and summarized in our previous alert [here](#). Other proposals that are aimed at changes in law are as follows:

The Government has proposed the amendment of the **Public Private Partnerships Act** to remove unnecessary approvals and redundant processes, and to restructure the institutional framework around PPPs.

The Government has proposed a review of the **contracting framework** for infrastructure projects in order to ensure greater participation of local contractors in line with the *“Buy Kenya, build Kenya”* theme.

The Government is also working on developing a **Disaster Management legal framework** to harmonise the laws on disaster response.

The following policy initiatives have also

been proposed by the Government:

The Government has proposed the development of a national **Retirement Benefits Policy** to harmonise the currently fragmented pension laws.

The Government has also proposed the creation of a **Micro-Pension Scheme** to cover the marginalised informal sector.

The Government has proposed the operationalisation of the **National Credit Guarantee Scheme** to support the growth and recovery of MSMEs.

The Cabinet Secretary gave an update on the **Public Procurement and Asset Disposal Regulations, 2020**, which have been published and now await parliamentary approval.

The **Disaster Management Fund Regulations** are also being finalised. They are intended to facilitate a more effective response to disasters.

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# Devolution



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# Devolution: The journey continues, despite challenges



## Highlights from FY 2020/21 budget:

- Counties allocated a total of KES 369.9 billion in FY 2020/21, a reduction of KES 8.3 billion from the FY 2019/20 allocation.
- The Equitable Share allocated in FY 2020/21 of KES 316.5 billion remains the same as the allocation for FY 2019/20.
- KES 6.8 billion allocated to the Equalization Fund.
- Emphasis on need to settle pending bills.
- Enhancing own source revenues.
- Need for synergies between the two levels of government.
- Legislation on County Governments (Revenue Raising) Bill to be re-introduced.

## CRA Revenue Allocation Formula

The 3<sup>rd</sup> formula has been forwarded by CRA to the Senate for deliberation and approval. When approved, the formula will be applied from FY 2020/21 to FY 2024/25.

The formula has 10 indices to be used in revenue allocation, which is an expansion from the 2<sup>nd</sup> formula that had 6 factors. The new indices include health agriculture, urban, fiscal prudence, and roads.

The new formula will affect County revenue allocation. Based on equitable share of KES 316.5 billion, the biggest gainers and losers would be as shown in the two tables.

To cushion the biggest "losers", CRA has proposed a phased implementation of the 3<sup>rd</sup> formula, so that those affected counties can still deliver on their strategic plans with some level of financial stability. This is a matter that the two Houses of Parliament will need to manage with the utmost sensitivity.

Top 5 gainers			
County	2 <sup>nd</sup> basis allocation formula	3 <sup>rd</sup> basis allocation formula	Amount "gained"
	KES (millions)	KES (millions)	KES (millions)
<b>Kiambu</b>	9,444	10,752	1,308
<b>Nairobi City</b>	15,921	17,150	1,229
<b>Uasin-Gishu</b>	6,335	7,258	923
<b>Nandi</b>	5,360	6,149	789
<b>Kajiado</b>	6,419	7,184	765

Top 5 losers			
County	2 <sup>nd</sup> basis allocation formula	3 <sup>rd</sup> basis allocation formula	Amount "lost"
	KES (millions)	KES (millions)	KES (millions)
<b>Mandera</b>	10,228	8,137	(2,091)
<b>Wajir</b>	8,531	7,106	(1,425)
<b>Kwale</b>	7,787	6,573	(1,214)
<b>Kilifi</b>	10,440	9,332	(1,108)
<b>Marsabit</b>	6,767	5,783	(984)

# Devolution: The journey continues, despite challenges (continued)



## Own Source Revenue Performance

- According to a 2018 Own Source Revenue (OSR) Study commissioned by the World Bank, County Governments have the potential to collect between KES 125 billion and KES 173 billion annually.
- As of FY 2018/19, Counties collected only KES 40.3 billion OSR, against a target of KES 55 billion.
- In light of dwindling revenues at the national level, Counties should step up their revenue collection efforts by sealing loopholes, identifying new revenue streams, automating revenue collection, and expanding the revenue base for existing revenue streams.

## Austerity measures

In order to minimise the adverse effects of the projected lower revenue levels occasioned by the COVID-19 pandemic, County Governments should replicate the austerity measures announced by the National Treasury in 2019. This will free up funds to be channeled into more development projects and the COVID-19 response.

## Aligning with the Big Four

Two of the Big Four Agenda are devolved functions (Health and Agriculture).

Therefore, it is also expected that when Counties finalise their budgets, these two functions will be adequately financed to contribute to the Big 4 Agenda. There is need for a One-Government Approach to ensure that the Big Four Agenda is attained.



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# Sectoral analysis



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# Financial services



## Enhancing access to affordable credit

The banking industry has an important role to play in stimulating the economy and driving recovery post COVID-19. The Cabinet Secretary stated that the financial sector remains stable and resilient despite the shocks occasioned by the pandemic.

He noted that the monetary policy measures announced in response to the pandemic have had a positive impact. In particular, the reduction of the Cash Reserve Ratio from 5.25% to 4.25% had released additional liquidity of KES 35 billion to banks. Loans totalling KES 360 billion had been restructured since March 2020, following directives issued by CBK on accommodation to borrowers affected by the pandemic.

To further improve access to affordable credit, the Cabinet Secretary proposed the operationalisation of the National Credit Guarantee Scheme with KES 3 billion set aside as seed capital to a fund to support the provision of affordable credit to micro, small & medium enterprises (MSMEs). The Government will be seeking to get additional funding for the guarantee fund from development agencies. He also announced that the Kenya Mortgage Refinance Company (KMRC) had raised KES 2 billion and the National Treasury had mobilised an additional KES 35 billion from development partners. KMRC will offer fixed rate long term

loans at concessional rates to mortgage providers.

It remains to be seen whether the measures implemented so far and those proposed by the Cabinet Secretary will encourage lending in the current environment and post COVID-19.

## Strengthening Nairobi's position as a regional financial hub

The National Treasury is in the process of operationalising the Nairobi International Financial Centre (NIFC) to attract investments and private capital to support economic growth and mobilise financing for "Big Four Agenda" projects and Kenyan businesses. The establishment of the NIFC has been in the works since 2008 with the NIFC Act only enacted in 2017.



# Streamlining the operations of retirement benefit schemes and enhancing coverage



## Other measures

To enhance the safety and integrity of our financial system, the National Treasury together with other stakeholders will conduct Kenya's first National Risk Assessment on Money Laundering and Terrorism Financing.

This will assist the country to assign responsibilities for combating money laundering and terrorism financing to the relevant Government Agencies on the basis of identified risks and vulnerabilities.

# 20%

Pension coverage in Kenya according to the Financial Sector Stability Report, 2018.

## Retirement benefits

The Cabinet Secretary has proposed the following measures to ease the rising public pension budget and streamline the retirement benefits sector:

- Roll out of the Public Service Superannuation Scheme which will be a contributory scheme for public service employees from which benefits will be paid. This measure will reduce the government's rising pension liability which is currently unfunded and paid from Government revenue.
- Upgrade of the Government's pensions system in order to clear the pension payment backlog by the end of the year.
- Resolution of the legal hurdles relating to the establishment of the County Governments Retirements Scheme which will be an umbrella retirement scheme for county government employees. The Scheme was approved by Parliament in September 2019.

Additional measures have also been proposed for the wider retirement benefits sector as follows:

- Development of a National Retirement Benefits Policy which will harmonise all existing pension laws.
- Establishment of a National Micro-Pension Scheme that will be open to all marginalised informal sector workers. This is expected to enhance the overall national pension coverage.
- Amendment to the Retirement Benefits Act to impose a penalty on pension schemes that fail to submit actuarial valuation reports to the Retirement Benefit Authority on time.

# Streamlining the operations of retirement benefit schemes and enhancing coverage



## Capital Markets

The Cabinet Secretary proposed amendments to the Capital Markets Act to provide for the regulation of venture capital funds and private equity funds.

Pension schemes are allowed to invest up to 10% of their assets in these funds from 2015.

These measures will safeguard the assets invested in such funds.



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### Universal access to electricity

In a bid to attain universal access to electricity by 2022, the Government is in the process of implementing the fourth phase of the Last Mile Connectivity Project which aims to bring 280,000 more Kenyans to the national grid.

Further, the Government aims to construct 2,956km of transmission lines and 21 substations by 2023 and as such, it has allocated KES 50.8 billion towards these developments.

A lack of adequate transmission and distribution infrastructure has been one of the main challenges facing the energy sector, suppressing latent demand. Increased investment in this infrastructure will help enhance consumption and spur production.

### Diversification of generation mix

The Government continues to focus on the diversification of the generation mix and has allocated KES 9.3 billion towards the development an additional 87.7MW of geothermal power. The budget allocation represents an 8.1% increase from the FY 2019/20 budgetary allocation.

Unlike the previous year, the Government has allocated funds towards the development of nuclear energy and exploration of mining of coal.

## KES 63.3b

Total budget amount allocated for energy:

- **KES 50.8b** – Transmission and distribution of power
- **KES 9.3b** – Development of Geothermal Energy
- **KES 6.8b** – Electrification of public institutions.
- **KES 900m** – provision of transformers in constituencies; development of nuclear energy; and exploration and mining of coal.

### Water infrastructure

Water infrastructure is largely underdeveloped in Kenya with significant shortages in most cities and towns. The development of water and sewerage infrastructure was allocated KES 42.6 billion while management of water resources was allocated KES 10.6 billion. KES 10.4 billion was also allocated towards water storage, flood control and water harvesting for irrigation.

# Infrastructure



## Roads, bridges and rail infrastructure

# KES 172.4b

Funding towards roads, bridges and sea development, rehabilitation and maintenance.

### Development expenditure

The Government has shown determination towards developing the roads, bridges and rail networks within the country.

The budgetary allocation towards this infrastructure has however reduced by 4.7% from KES 180.9 billion in FY 2019/20 to KES 172.4 billion.

KES 18.1 billion has also been allocated to the Standard Gauge Railway (SGR) Phase 2 project running between Nairobi and Naivasha, compared to KES 55.8 billion which was allocated in FY 2019/20. Financing of the development expenditure could be achieved through the use of PPPs which would lower Government's cash commitment towards these projects.

### Economic stimulus programme and the Big 4 Agenda

The economic stimulus programme has also taken into consideration the importance of roads and bridges in the actualisation of the Big 4 Agenda.

Of the total KES 56.6 billion set aside for this programme, KES 5 billion has been allocated to rehabilitate and maintain access roads and foot bridges which have been damaged from the floods that occurred.

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# Infrastructure



## Roads, bridges and rail infrastructure

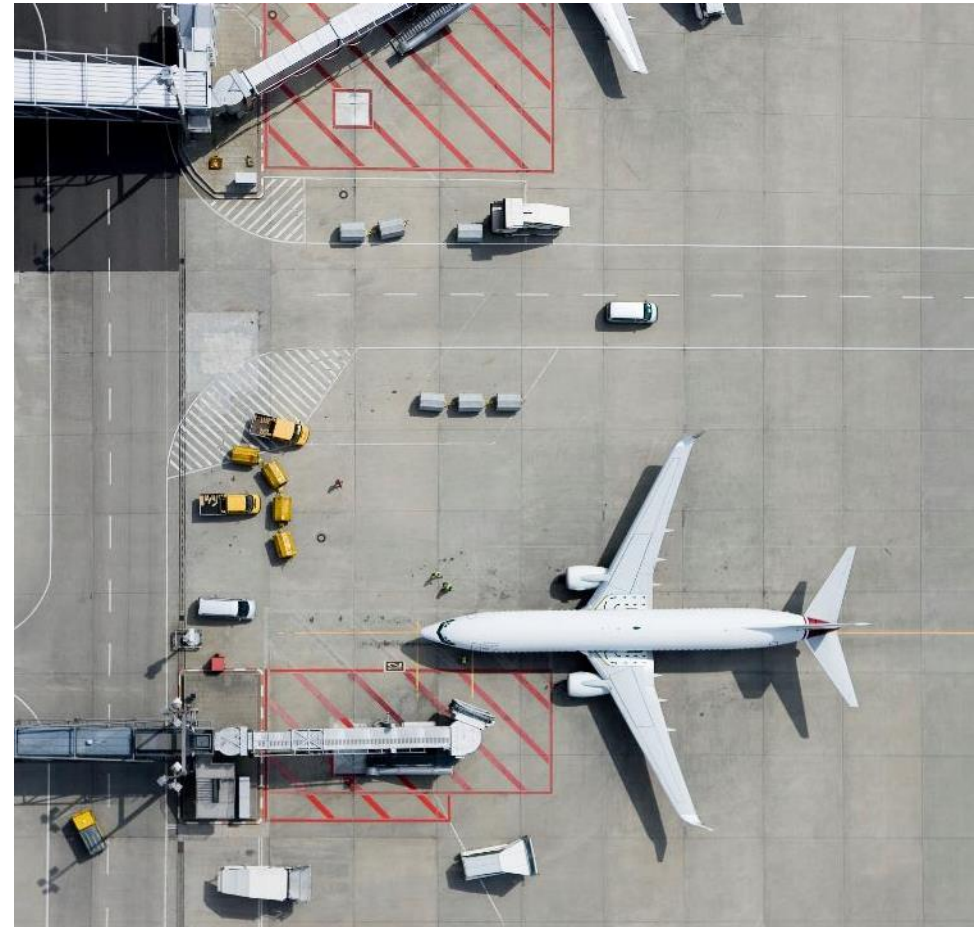
### Aviation, airports and ports

Aviation has been one of the most negatively impacted sectors in recent times, with worldwide grounding of aircraft and administration already a reality for a number of airlines. Being a regional aviation hub for both passenger and cargo traffic and perhaps in an effort to retain this status, the Cabinet Secretary has waived parking and landing fees in Kenya's airports in order to facilitate movement of cargo.

Similarly, Kenya and in particular Mombasa is a hub port for the region, serving Uganda, South Sudan, Rwanda and Eastern DRC.

With the continued growth in port traffic, the Cabinet Secretary allocated KES 5 billion towards the Mombasa Port Development Project.

LAPSSET, an initiative started under the Kibaki presidency, continues to be an area of focus, with an allocation of KES 6 billion (KES 11 billion in FY 2019/20) towards further development of the corridor. This allocation is expected to go towards berth development in Lamu as well as supporting road infrastructure.



# Infrastructure



## ICT, housing and proposed measures

### ICT for now and for the future

The Government has prioritised the development of the local ICT sector with allocations targeted at flagship projects and other measures.

Konza City, which has seen renewed attention recently, has been allocated KES 6.3 billion for Horizontal Infrastructure and KES 400 million for the on-going construction of Konza Technopolis Complex. In addition, KES 5.1 billion has been allocated for the Konza Data Center & Smart City Facilities project.

# KES 5.1b

## allocation for the Konza Data Centre & Smart City

### Housing for all

The Big 4 Agenda remains in focus with an expectation that it will be boosted by private sector participation, including through PPPs. For FY 2020/21 KES 128.3 billion has been availed for its development. The housing, urban development and public works sector is set to receive KES 15.5 billion, out of which KES 6.9 billion will cater for the Affordable Housing Programme. This measure alongside allocations to the Kenya Mortgage Refinance Company are expected to allow more Kenyans to own homes.

### Proposed measures

The Government has recognised that local contractors tend to be disadvantaged when being considered for the development of heavy infrastructure projects. As such, the Government has set out to review the contracting framework to enable them to take up more infrastructure opportunities.

The Government has recognised that there are a number of challenges in the realisation of PPPs in the country. In this regard, the Cabinet Secretary has proposed changes to the PPP Act to reduce the number of approvals before a project comes to fruition.

In addition, the CS has proposed to amend the Public Toll Roads Act with the aim of accommodating projects that are developed under the PPP framework.

Investors in PPPs in emerging markets typically require support/insurance in the form of guarantees.

In a bid to enhance the bankability of infrastructure projects, the Government will streamline and standardise credit enhancement tools including the Government letter of support, partial risk guarantees and the provision of viability gap funding, where required.



# Manufacturing

## Not business as usual

### The year that was...

By the year 2022 the Government aspires for the manufacturing sector to contribute 15% of Gross Domestic Product (GDP), up from the current contribution of 8%.

In FY 2019/20, the manufacturing sector grew by 3.2% which was lower than 4.8% in the previous year, attributed to the constrained supply of raw materials from agricultural activities.

In the FY 2020/21 budget, the government reconfirmed its support for the manufacturing sector as one of the key pillars of its Big Four agenda.



### COVID-19

According to the KNBS Economic Survey 2020 report, economic activities have slowed due **restrictions like** the containment and cessation of movement imposed on the population in certain areas, the nationwide curfew and disrupted international passenger travel.

This has adversely affected the manufacturing sector leading to:

- Disrupted supply chains, **leading to increased costs of inputs,**
- **Scaled-down manufacturing** operations due restrictions on movement of employees and slowed market demand and
- Cash flow liquidity challenges.

# Not business as usual

## Ease of Doing Business

The Government has continued to implement initiatives that foster a conducive environment for doing business as acknowledged by the World Bank's Ease of Doing Business 2020 report. One such measure is the strengthening of access to credit amongst micro, small and medium-sized enterprises (MSMEs).

In January 2020, the government lowered the Central Bank Rate from 8.25% to 7.0% to enhance credit access to the private sector.

However, government initiatives are being eroded by the COVID-19 pandemic whose impact has greatly affected MSMEs.

The lower CBR rate has not translated to benefits for many MSMEs that cannot access credit from banks as they lack the assets to support credit financing.

To remedy this situation, the government has set aside KES 3 billion as seed capital for the operationalisation of the credit guarantee scheme.

Additionally as part of the eight point economic stimulus programme, the government announced its support for the "Buy Kenya, Build Kenya" initiative.

- KES 600 million was allocated to the purchase of locally assembled vehicles and
- KES 712 million to provide credit to MSMEs.

# 56

Out of 190 countries reviewed, Kenya's ranking improved by 5 positions from the previous year, according to the World Bank's Ease of Doing Business 2020 report.

# Not business as usual

## Buy Kenya, Build Kenya

The Cabinet Secretary emphasised the need to revitalise and scale up industrial parks and Special Economic Zones by allocating resources targeted at the manufacturing sector as follows:

- KES 1.4 billion to the Kenya Industry and Entrepreneurship Project,
- KES 3.6 billion for the development of Special Economic Zone Textile Park in Naivasha, Kenanie leather industrial park and Athi River Textile Hub,
- KES 843 million to support modernization of RIVATEX and
- KES 3.0 billion for Dongo Kundu Special Economic Zone.

The government also expects the Customs measures agreed upon regionally shall, in accordance with East African Community practice, support **local manufacturing**.

Some of these measures include:

- 35% import duty on imported iron and steel product
- 25% on paper and paper board products,
- Inputs for assembly or manufacture of mobile phones will be imported duty free and
- KES 500 million to supply 20,000 locally made beds and beddings to public hospitals.



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# Tourism and hospitality sector

## Not business as usual

### Staying Afloat

According to the KNBS, tourism earnings grew by 3.9% from KES 157.4 billion in 2018 to KES 163.6 billion in 2019.

In 2019, the volume of passenger travel handled JKIA increased by 3.7% due to new routes, business related travel to Far East countries and reduced travel advisories.

However, this is expected to drastically decline due to the disruption of local and global travel by the COVID-19 pandemic.

The State Department for Tourism targets to collect KES 3.8 billion into the Tourism fund in FY 2020/21. This might be an unrealistic target due to the pandemic and its economic effects, with no foreseeable end in sight.



The Cabinet Secretary acknowledged that the tourism sector is one of the worst hit by the COVID-19 pandemic as a result of control measures taken by many governments worldwide to curb the spread of the virus.

In Kenya, these include the cessation of international passenger travel, working from home directives, prohibition of public gatherings, nationwide curfews and the closure of bars and restaurants (except for takeaway services) that have all adversely affected business operations.



Source: KNBS Economic Survey 2020

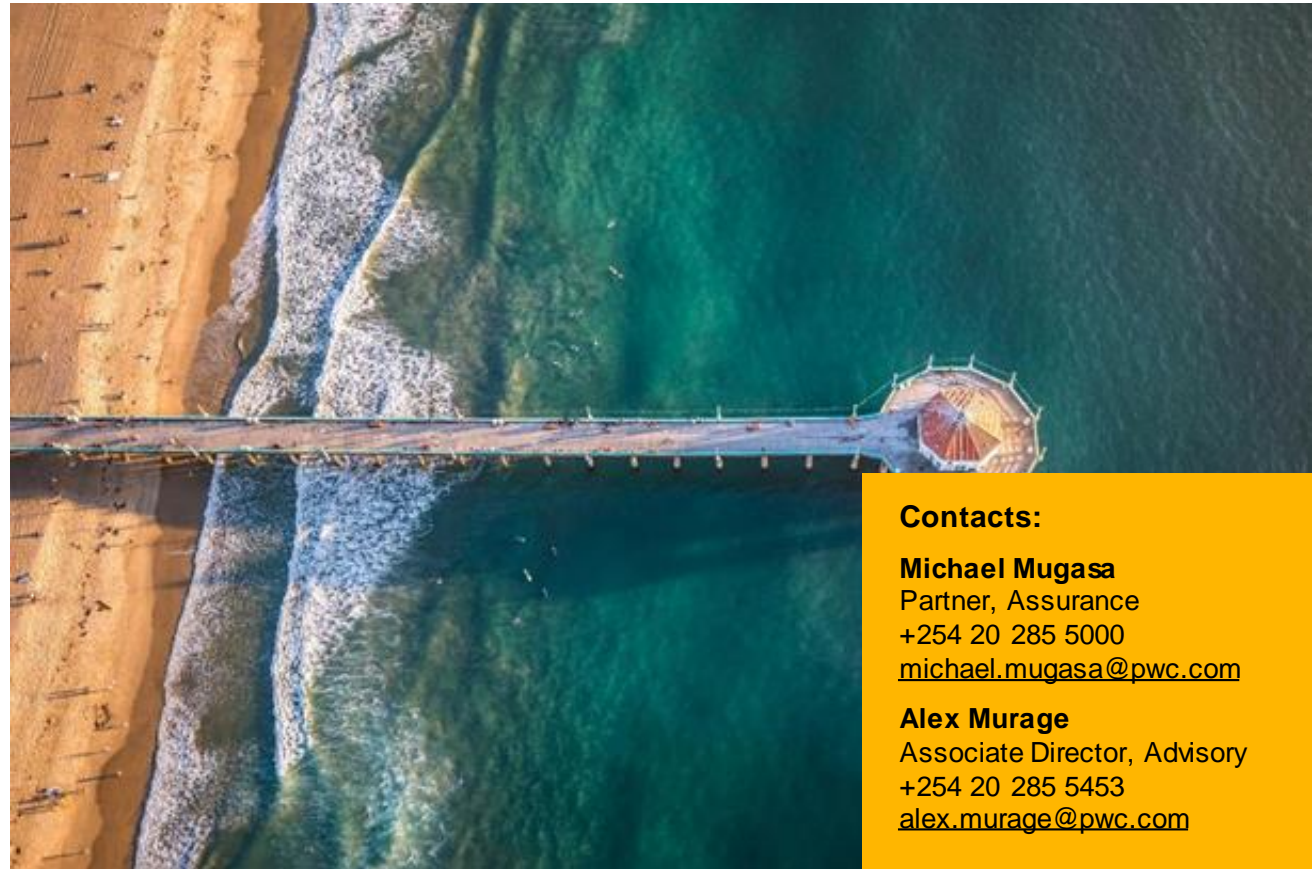
# Tourism and hospitality sector

## Not business as usual

### Proposed support to the tourism and hospitality sector

The Cabinet Secretary announced plans to support the recovery of the tourism and hospitality sector as follows:

- KES 3 billion to be channeled through the Tourism Finance Corporation towards renovation of facilities and restructuring of business operations,
- KES 2.5 billion for the Tourism Promotion Fund and
- KES 3.8 Billion for the Tourism Fund.



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# Healthcare

## Know your healthcare budget... 20% increase

Over the past financial years, the health sector budget has been steadily increasing; between FY 2017/18 and FY 2018/19 the budget rose to 29.9%. The National level budget increased by 49% and at the county level by 17.8%.

In FY 2019/20, the healthcare sector received a budgetary allocation of KES 93.04 billion which was intended to sustain the following healthcare programmes:

- Provision of universal health coverage (UHC) for all Kenyans;
- Reductions of the health financial burden for households, to enable them to attain the highest standard of health care;
- Scaling up of universal health initiatives including Linda Mama and subsidies for the poor, elderly and vulnerable groups, persons with mental illness, secondary school children and the informal sector.
- Expansion of health infrastructure including expanding specialised medical equipment and establishment of centres of excellence in health, health commodity storage centres, new specialised health facilities and laboratories throughout the country.



Healthcare Sector receives a marginal Kshs 18 billion increment.



Kshs1.8 billion set aside towards medical care of the elder who most vulnerable.



Kshs 19.2 billion set aside for the Fight against TB, HIV and Malaria



## FY20/21 Health Sector budget breakdown in perspective

### Where the money goes:

- There is a 19.7% increase of the FY 2020/21 budgetary allocation of UHC programme from the previous year;
- The current allocation of KES 50.3 billion is meant to sustain the initiatives of UHC programme across the 47 counties and more importantly broaden the number of beneficiaries in light of the current health situation and
- The FY 2020/21 budget has allocated KES 1.8 billion towards medical care of the elderly who are most vulnerable.

### Focus on the county healthcare budgets:

Healthcare being one of the 14 devolved functions, it's important to monitor the county budgetary allocations in the context of the COVID-19 pandemic.

- The FY 2020/21 budget has allocated KES 1.8 billion towards medical care of the elderly
- Additional KES 1.2 billion has been set aside in FY 2020/21 for the purpose of recruiting 5,000 local health staff;
- KES 4.3 billion has been set aside as conditional grants to the counties in FY 2020/21 to boost their healthcare systems;
- In regard to expansion of the healthcare infrastructure in the country, KES 6.2 billion has been set aside for the Managed Health Equipment Services (MES) in the FY 2020/21 budgetary allocation.
- Other allocations of KES 35.9 billion to National Referral hospitals, Kenya Medical Training Centres and Kenya Medical Research to improve health service delivery.

# 19.7%

Increase of the FY 2020/21 budgetary allocation of UHC programme from the previous year

## FY20/21 Health Sector budget breakdown in perspective

### Budgetary allocation towards COVID-19 response...

- Recruitment of 5,000 health personnel;
- KES 500 million to supply 20,000 locally made beds and beddings to public hospitals; and
- KES 25 million to support the establishment of 50 modern walkthrough sanitisers at our border points and main hospitals across the country.

# KES 500m

to supply 20,000 locally made beds and beddings to public hospitals

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# Agriculture



Impact of agriculture on the economy with respect to value addition and employment creation, food security and creation of aggregate demand in the economy



Agriculture is a major contributor to Kenya's GDP and the majority of citizens depend on it partially or fully for income and employment. The agricultural sector contributes about 33% of Kenya's total Gross Domestic Product (GDP). The sector contributes an additional 27% to GDP through linkages with other sectors such as manufacturing, distribution and services. It employs more than 40% of the total population and about 70% of the rural population. The agricultural output and value add comprise of 80% crops, 15% livestock, 2% fish and aqua culture and 3% others, such as forestry and support services.

Access to food and nutrition security is critical to the realisation of the Government's Big Four agenda. However, external shocks such as shifts in weather patterns, the desert locust and the notable low global demand for Kenya's main cash crop exports (cut flowers, coffee, tea and fruits) have adversely impacted growth within the agriculture sector.

The key barriers to agricultural productivity include limited access to farm inputs, limited arable land, climate change, natural disasters such as floods and limited involvement of the youth in farming. Inadequate entrepreneurial skills and limited

access to finance has further compounded low productivity among value chain players and an insufficient food basket.

The Government developed the 2019-2029 Agricultural Sector Transformation and Growth Strategy (ASTGS) as a move towards sustainable agricultural transformation and food security in Kenya.

This strategy focuses on the modernisation of own farm production, shifting production towards value addition and enhancing the engagement of smallholder farmers to improve their incomes.

# Impact of agriculture on the economy with respect to value addition and employment creation, food security and creation of aggregate demand in the economy



In addition, several interventions are being undertaken to stimulate sectors such as tea, coffee and horticulture including reforms in the National Cereals and Produce Board (NCPB) and the Strategic Food Reserves Trust Fund (SFRTF), with the objective of creating a revitalised system of strategic and commercial food stock management. The government has also put in place measures to increase local rice production through the Kenya National Trading Cooperation (KNTC) which is now empowered to buy rice from farmers and farmer cooperatives.

## From a budget perspective...

The FY 2020/21 agricultural sector allocation is KES 52.8 billion compared to KES 59.1 billion in FY 2019/20, representing a decline of KES 6.3 billion (11%). The FY 2020/21 allocation is 1.89% of the total national government budget compared to 2.2% of the total budget in FY 2019/20. In the spirit of a One Government approach, additional investment/allocation is expected from the county government contributions to support grassroots-level activities such as extension services, value addition and market linkages.

The current year allocation is geared towards expanding smallholder irrigation schemes, supporting the large-scale production of staples, increasing access to agricultural inputs, implementing programmes to support smallholder farmers and promoting the use of appropriate farming techniques. In addition, there is a focus on promoting climate smart agriculture that will support sustainable agricultural practices and protect the environment.

The economic stimulus package has allocated KES 7.9 billion for farm inputs subsidy through an e-voucher system and to enhance value creation. These interventions will support and sustain Kenya's farming communities so that they can provide employment to thousands of workers including the youth.



# Impact of agriculture on the economy with respect to value addition and employment creation, food security and creation of aggregate demand in the economy



## We also noted that:

Agriculture allocation in the current year's budget remains below the 10% Maputo Declaration in the context of the national government allocation at this stage. There was an expectation of a revamped allocation given agriculture's contribution to Kenya's economy and food security;

There is need for more focus on increased productivity, lower farm input costs, access to markets, reduced post-harvest losses and value addition. This is coupled with increased use of technology/mechanisation and access to finance and extension services; and

Limited access to capital within the agricultural sector was not addressed, particularly for small holder farmers and value chain players. Lending to agriculture comprises a small share of less than 4% of the total lending base, despite agriculture's significant contribution of 33% to the country's GDP.

In our view, the FY 2020/21 budget's measures and interventions for agriculture are not sufficient to inspire the kind of real change in the sector that would contribute substantially to economic growth, increased employment, more disposable income and higher demand.

There is need for more focus on increased productivity, lower farm input costs, access to markets, reduced post-harvest losses and value addition

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# Technology



The government continues to prioritize critical pillars of the digital economy blueprint

## The ICT sector allocation totals **KES 14.9 billion**

The future growth of Kenya's economy will be determined largely by the country's ability to take full advantage of rapid technological advances.

For this reason the government continues to invest in technology to improve digital literacy and skills as well as expanded digital infrastructure to facilitate access to affordable broadband connectivity. The government's investment is in line with the digital economy blueprint launched in May 2019.

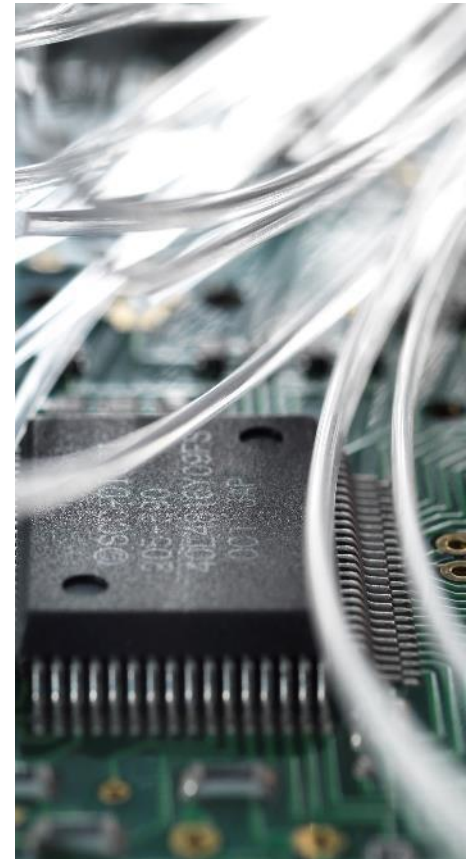
The blueprint defines five key pillars: continued digitisation of government services, facilitation of digital businesses, improvement of infrastructure, innovation-driven entrepreneurship and enhancement of digital skills.

Key budget allocations in line with this blueprint include:

- Government shared services – **KES 700 million**
- Digital Literacy Programme - **KES 800 million**
- Rehabilitation of the National Optic Fibre Backbone Phase 2 expansion – **KES 1.2 billion**

The government is also fast-tracking the establishment of the Konza Technopolis city which will position Kenya as a world class ICT hub. The allocations to Konza are as follows:

- Konza city horizontal infrastructure phase 1 – **KES 6.3 billion**
- The ongoing construction of the Konza Technopolis Complex phase 1B – **KES 400 million**
- Konza Data Centre and Smart City Facilities Project – **KES 5.1 billion**



The government also intends to leverage the ICT sector to increase revenue and streamline government operations



## E-procurement

The government has finalised an e-procurement strategy and will procure and roll out an end-to-end e-procurement system by December 2020. Benefits expected from this rollout include cost reduction, speed, transparency, accountability and visibility.

## National Integrated Identity Management System (NIIMS)

The government has set aside KES 1 billion for the implementation of NIIMS, popularly known as “Huduma Namba”. The system had stalled following court injunctions around data protection, and is now in progress after the enactment of the Data Protection Act, 2019.

## Digital service tax

Due to the nature of transactions executed via digital platforms, it is difficult to effectively tax the income derived from such

platforms. In this regard, the government intends to introduce 1.5% tax on transactions carried out through digital platforms.

The regulations follow the passing of provisions on taxing the digital market place through the Finance Act, 2019. Businesses targeted will include those that sell electronic event tickets, software programmes, web hosting services and downloadable digital content.



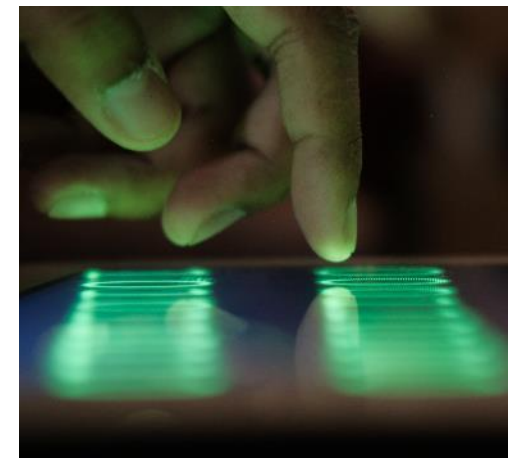
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# Workforce

## Creating employment at the centre



The theme of the FY 2020/21 budget articulates aspirations of safeguarding livelihoods such as through job creation, business support and faster industrial recovery. Key workforce initiatives to create employment include:

### Kazi Mtaani Programme

- KES 10.0 billion allocated for the programme that aims to employ at least 200,000 youth targeting the unemployed in the major cities and urban settlements of Nairobi, Mombasa, Kisumu, Eldoret, Nakuru and other major towns across the country.

### Health

- KES 1.2 billion is proposed for the recruitment of an additional cohort of 5,000 healthcare workers to support local health staff for a period of one year. This will enhance our capabilities and strengthen implementation of the universal health coverage programme.



### Sports, culture, tourism, and arts

- Allocation of KES 14.0 billion to the Sports, Arts and Social Development Fund to boost job creation for the youth and generate foreign exchange.

### Education System Reforms

- KES 2.0 billion proposed for the recruitment of 5,000 teachers and at least 10,000 teacher interns under the Economic Stimulus Programme. This will improve the teacher to student ratio and support the 100% transition in schools; and
- Allocation of KES 800 million for the digital literacy programme and competency based curriculum and KES 300 million for the recruitment of 1,000 ICT interns to support digital learning in public schools.

### Big Four agenda

- KES 128.3 billion set aside to support employment creation, youth empowerment, manufacturing activities, enhancing health coverage, improving food security and living conditions through affordable housing.

# Workforce

## Safeguarding livelihoods

The eight point economic stimulus programme unveiled by the President on May 23<sup>rd</sup> 2020 aims to support locally produced goods through the “build Kenya buy Kenya” initiative, amongst other objectives.

Locally fabricated desks in the education sector, as well as the KES 600 million allocated towards locally assembled vehicles in the manufacturing sector will help to create and safeguard jobs.

“Our focus is to roll out an Economic Stimulus Programme that will catalyse economic activity, provide livelihoods to Kenyans and enable businesses to recover from the adverse effects of COVID-19 pandemic”

*HON. (AMB.) Ukur Yatani, EGH,  
Cabinet Secretary for the National Treasury and  
Planning, Republic of Kenya*

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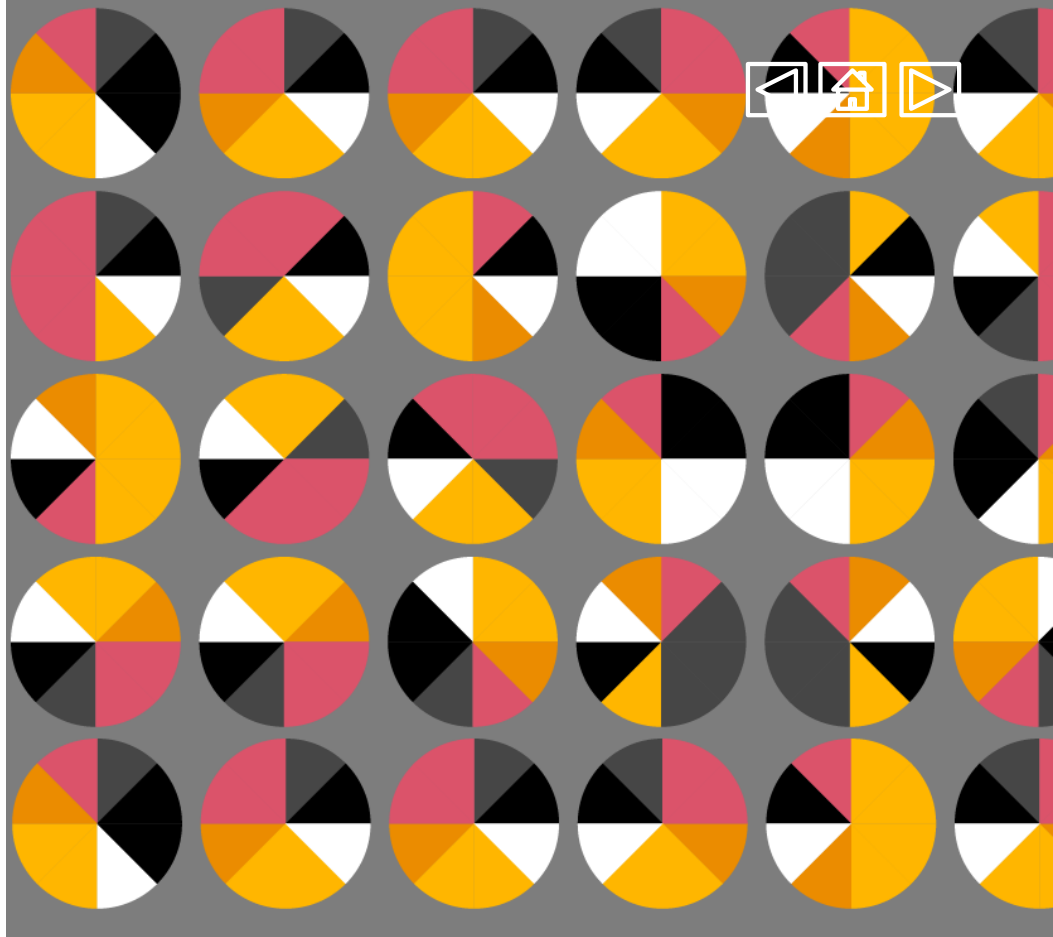
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# East Africa highlights



5



# East Africa highlights

## Kenya



### Summary of growth in 2020

- Kenya's GDP growth was 5.4% in 2019 compared to 6.3% in 2018. This represents a negative change in economic growth, year-on-year.
- Agriculture, forestry, fishing, and manufacturing sectors experienced a drop in growth compared to 2018. Financial, insurance and real estate experienced accelerated growth.
- The economy was projected to grow by 6.1% in 2020 which would have been an improvement from 5.4% in 2019. This expectation was premised on strong revenue growth, the reduction of non-core expenditures and a gradual slowdown in the growth of public debt.

- However, the National Treasury has revised projected growth to 3% for 2020 due to the adverse effects of the COVID-19 pandemic, the massive invasion of swarms of desert locusts leading to food security threats and floods which led to the loss of lives, displacement of people and the destruction of property.

### Economic drivers, 2020

- **Consumption and investment:** There was an increase in household consumption and investment. In addition, services such as, finance, insurance and real estate experienced some growth.
- The drop in GDP growth from 2018 to 2019 was caused mainly by unfavorable weather and reduced government investment.



# East Africa highlights

## Kenya (continued)

### Government priorities

Consistent with the previous year, the government continues to prioritise its spending towards the implementation of its “Big Four” agenda.

The key initiatives to achieve the agenda’s goals include:

- Employment creation;
- Youth empowerment;
- Supporting manufacturing activities;
- Enhancing health coverage and specifically containing COVID-19 and
- Improving food security and living conditions through affordable housing.

### Key tax highlights

#### **Value Added Tax**

- Proposed VAT exemption on maize (corn seeds) and
- Proposed VAT exemption on ambulance services.

#### **Income Tax**

- Imposition of a minimum tax of 1% on the gross turnover for taxpayers who are carrying out business and thus earning revenue but their tax payable is lower than 1% of their gross turnover;
- Introduction of a 1.5% digital services tax on income from services accrued or derived in Kenya through a digital marketplace and

- Tax on rental income: Expansion of the residential rental income tax bracket from KES 10 million to 15 million. This proposal will enable more people to utilise the simplified tax regime who were otherwise locked out due to the 10 million limit.

#### **Excise duty**

- Downward review of alcoholic strength of beverage categories for excise duty purposes aimed at earning more excise duty revenue.

#### **Customs**

- Duty remission on the inputs for the manufacture of baby diapers, textiles and apparel, mobile phones and masks, sanitisers, ventilators and personal protective equipment including coveralls and face shields;

# East Africa highlights

## Kenya (continued)

### Key tax highlights

#### *Tax administrative changes*

- To introduce amnesty in the form of a Voluntary Tax Disclosure Programme for a period of 3 years with effect from 1st January 2021.

#### *Miscellaneous fees and levies*

- Exemption from the Import Declaration Fee (“IDF”) and the Railway Development Levy (“RDL”) for all goods, including materials, supplies, equipment, machinery and motor vehicles for the official use by the Kenya Defence Forces and National Police Service;
- Exemption from RDL, the currency notes and coins imported by the Central Bank of Kenya;

- The Bill has proposed to subject to RDL any other goods as the Cabinet Secretary may determine are in the public interest, or to promote investments for which the value shall not be less than KES 200 million and
- The introduction of an ‘additional duty’ on goods entered for home use from EPZs.



# East Africa highlights

## Uganda

### Summary of growth in 2020

- The economy grew by 3.1% compared to an average of 5.4% over the last four years. This reduction in the growth rate is attributed to the COVID-19 pandemic and other crises (the locust invasion, floods) that slowed the economic growth rate.
- Inflation remained stable during 2019/20 at 2.9%.

### Government priorities

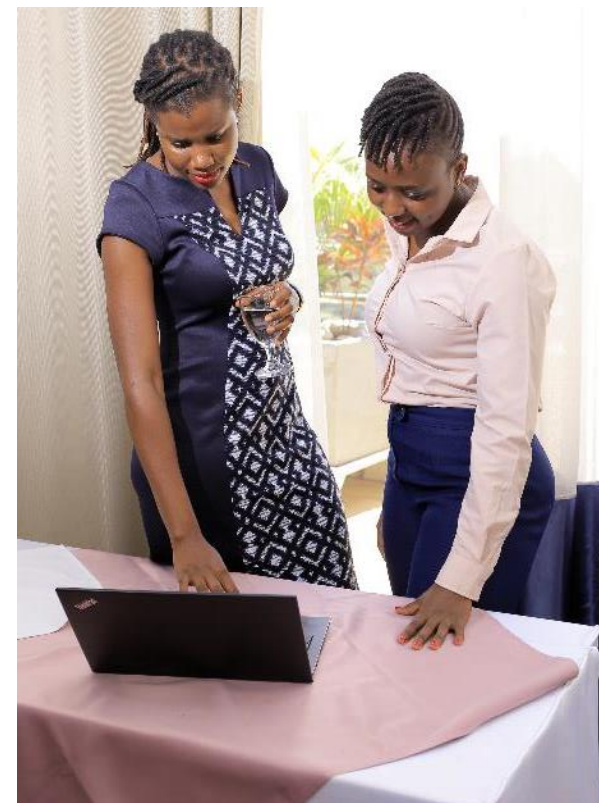
- Ensuring food security and good nutrition in light of the impact of the COVID-19 pandemic;
- Enhancing healthcare provision especially during and after the pandemic;
- Ensuring access to safe water, sanitation and utilities;
- Restoring household incomes and promoting job security;

- Re-igniting business activity after the recent emergencies; and
- Tax relief to be offered both to businesses and the working community so as to boost cashflows.

### Economic drivers, 2020

Economic drivers for FY 2020/21 as identified by the government include:

- Peace, security, good governance and an efficient and effective judicial system;
- Increased electricity generation coupled with the electrification of industrial parks and the rural electrification project;
- Railway and air transport development, which is seen in the expansion and construction of Entebbe and Kabale International airports, respectively;



# East Africa highlights

## Uganda (continued)

- Reviving the National Airline;
- Communications infrastructure;
- A healthy, well educated and skilled workforce and
- Progressing core projects in the science, technology and innovation sector.

### Key tax highlights

#### **Excise Duty**

- Increase of excise duty on fuel and
- Exemption for spirits used to produce sanitisers.

#### **VAT**

- Allowing manufacturers to claim input tax incurred 12 months prior to registration;
- Expansion of VAT exemptions to include additional items of agricultural equipment and the supply of processed milk produced in Uganda;

#### **VAT (continued)**

- Exemption for a range of PPE and medical items, as well as inputs to their manufacture;
- Expedited processing of VAT refunds;
- Roll out the use of digital tax stamps and expanding the range of products covered in order to deter under-declaration of production and importation and
- Gazetting of VAT withholding agents.

#### **Income Tax**

- Deferred payment until 30 September of taxes arising in the period April to June for Small and Medium Enterprises (SMEs) in certain sectors;
- Deferred payment until 30 September of PAYE arising in the period April to June for all employers;

- Waiver of interest and penalties for compliant taxpayers on tax arrears unpaid as at 30 June 2020;
- Full tax deduction for donations to the Government to assist with the COVID-19 response;
- Digital rental tax collection solution, and gazetting rental income tax chargeable in different geographical areas for taxpayers;
- Amendments to investment incentives to align criteria across different taxes and
- New withholding tax of 10% on commissions paid to insurance and advertising agents.

#### **Stamp duty**

- New duty on professional licences and certificates and
- Clarification of requirements for incentives for strategic investment projects.

# East Africa highlights

## Uganda (continued)

### *Customs*

- Import duty exemption on supplies for the diagnosis, prevention, treatment, and management of epidemics, pandemics and health hazards such as COVID-19;
- Increased import tariffs on refined sugar imports to encourage local sugar manufacturers to produce refined industrial sugar locally and
- General increase in import duty on agricultural products to 60% and other products to 35%.





# East Africa highlights

## Tanzania

### Summary of growth in 2020

Tanzania recorded a real GDP growth rate in 2019 of 7.0% which is consistent with the growth rate in 2018. GDP growth is projected to slow down to 5.5% from the initial projection of 6.9% in 2020. As per the budget speech, this decline is attributed to heavy rainfall destroying transport infrastructure and the impact of the COVID-19 pandemic which is negatively impacting economic activities.

### Revenue policies

The Government seeks to increase domestic revenue collections through a number of measures including:

- Widening the tax base,
- Fast-tracking resolution of tax disputes,
- Digitising tax collection mechanisms,

- Enhancing tax enforcement measures and
- Sensitising the public on purchases of Government securities.

### Government priorities

The main priority for the Government is to promote industrialisation for economic transformation and human development. The budget thus focuses on:

- Improving infrastructure, such as the standard gauge railway line (SGR), airports, ports, etc.,
- Friendly tax and financial policies,
- Agriculture and climate change,
- Industrialisation and manufacturing,
- Domestic funding of infrastructure projects and
- Enhancing research in medicine, virology etc. to combat COVID-19.

### Key tax highlights

#### ***Withholding tax***

The Government proposes to introduce withholding tax of 10% on commissions paid to banks and digital payment agents.

#### ***Income Tax***

Proposed changes include:

- Introduction of capital gain tax (CGT) on net gains from realisations of license or concessional right on reserved land.
- Increase minimum threshold of employment income not liable to tax from Tshs. 170,000/= per month to Tshs. 270,000/= per month (Tshs. 2,040,000/= per annum to Tshs. 3,420,000/= per annum);

# East Africa highlights

## Tanzania (continued)

### **Income Tax (continued)**

- Increase minimum threshold of primary cooperatives societies liable to income tax from Tshs. 50,000,000/= to Tshs. 100,000,000/= per annum;
- Exclude from list of exempt amounts, income derived by special economic zone (EPZ) operators whose all of their produce (100%) are consumed locally;
- Allow 100% deduction of the contributions made to the AIDS Trust Fund; and
- Enable the Finance Minister to exempt from income tax, strategic projects whose total income tax do not exceeding Tshs. 1 billion.

### **Value added tax**

- Exemption of agricultural crop insurance from VAT to reduce cost of insurance and encourage farmers to insure their agricultural crops to mitigate losses from tragedies like droughts and floods.
- Change to allow exporters of raw products recover input tax they incur. This is aimed at enhancing competitiveness of the products in the international markets.

### **Excise duty**

Proposed impositions include:

- Charge Tshs. 844 per kilogram of imported powdered beer with HS Code 2106.90.90; and
- Charge Tshs. 232 per kilogram of imported powdered juice with HS Code 2106.90.90.





# East Africa highlights

## Tanzania (continued)

### **Customs**

The Government proposes to:

- Remit import duty on COVID-19 pandemic equipment including mask, sanitiser, ventilators, personal protective equipment (PPE); packaging materials used by domestic manufacturers of UHT milk; corks used by local manufacturers of wines; packaging materials used by local processors of coffee; sacks and bags of polymers of ethylene used by domestic cashew nuts processors; and packaging materials used by domestic processors of cotton;
- Government also proposes to stay application of import duty rates as per the East African Community Common External Tariff (“EACCET”) of cash registers, electronic fiscal devices (EFDs), point of sale (POS) machines for use of Government revenue collection; ceramic tiles; importation of tea, whether or not flavoured; sacks and bags of jute or other textile bast fibres; and importation of cocoa powder to promote cocoa farming.



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# Thank you

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