REPUBLIC OF KENYA
THE NATIONAL TREASURY & PLANNING

PRESS STATEMENT

17th July, 2022.

FOR IMMEDIATE RELEASE

STATEMENT ON KENYA'S INVESTMENT CLIMATE

Kenya remains an attractive destination for investors seeking to establish regional and pan-African operations. This is as a result of the Government's sustained commitment to establish and sustain a conducive investment climate.

Specifically, the Government has maintained a stable macroeconomic environment by pursuing prudent fiscal and monetary policies, as follows:

- **Inflation Rate**
  This has remained low and stable. In June 2022, the year-on-year inflation rate edged up slightly above the upper bound target due to higher food and fuel process due to global increases in prices of imported commodities.

  The increase was moderated by the Government's interventions to **stabilize fuel prices** and **lower electricity tariffs**. Additionally, further measures to **waive import duty** on maize and subsidize fertilizer prices are expected to further moderate domestic prices.

- **Interest Rates**
  Interest rates have remained low and stable with the 91-day Treasury Bills rate at **8.0%** and the interbank rate at **5.1%** in June, 2022.

- **Private Sector Lending**
  Banking sector lending to the private sector remains strong, registering a growth of **11.5%** in the 12 months to April, 2022.

- **Foreign Exchange**
  The foreign exchange market remains largely stable despite the tight global financial conditions attributed to the strengthening of the US Dollar.

  The official reserves increased to **USD 9, 033.10 million** or **5.2 months of import cover** in April, 2022 compared to **USD 7, 841.90 million** or **4.8 months of import cover** in April, 2021, providing an adequate buffer against short-term shocks in the foreign exchange market.

- **Current Account Deficit**
  The current account deficit was at **4.9%** of GDP in April, 2022 compared to **4.3%** of GDP in April, 2021, reflecting increased imports of oil and other intermediate goods. It is projected to remain stable in 2022 supported by increased remittances.

Response to Eastern Europe Conflict

The ongoing conflict in Eastern Europe, has presented global shocks and challenges in the form of rising global energy, fertilizer and food prices. The Government has responded to these challenges by taking measures to reduce the cost of doing business and support local enterprises and industries:

- Subsizing **fuel pump prices**;
- Waiving of **taxes, fees and charges** on maize and animal feeds imported into the country;
- Setting aside KES 3.0 billion in April-June, 2022 for a **fertiliser subsidy** to support farmers during the last planting season, with a

further EKS 2.7 billion set aside for the next planting season in October, 2022.

- Reducing **electricity tariffs** by 15% to lower the cost of power.

Resilience

Driven by effective Government interventions, the Kenyan economy has demonstrated remarkable resilience to the COVID-19 shock and expanded by **7.5% in 2021** from a contraction of **0.3% in 2020**.

Similarly, the first quarter of 2022 saw a further expansion of **6.8%** from a growth of 2.7% during the same period in 2021. The economy is expected to remain resilient over the medium-term growing by an average of **6.0%.**

Enhanced Revenue Collection

The economic recovery underway coupled with improved business environment has also resulted to a strong rebound in revenue collection. As at end June 2022, ordinary revenues amounted to **Ksh 1.919 Trillion** recording an above target collection of **Ksh 67.5 billion**. This performance is a growth of 22.9% over the previous year.

Improved Competitiveness

The Government's business regulatory reforms and infrastructure investments over the years have improved Kenya's competitiveness and ease of doing business. In 2020, Kenya was ranked **4th in Africa** with a score of 72.3 in the World Bank's Ease of doing business report.

Growth in Foreign Direct Investment

Foreign Direct Investment (FDI) rose from **Ksh 56.7 trillion in 2013** to **Ksh 75.1 trillion in 2017**. Like in many other economies around the world, the COVID-19 pandemic coupled with the ongoing conflict in

Eastern Europe and the tightening of the US monetary policy, has negatively affected FDI inflows. The country, however, remains resilient in promoting investor confidence and subsequent recovery of the FDI inflows through measures to support industries and promote economic recovery.

The ongoing economic recovery will be supported by continued interventions under the **"Big Four" Agenda** on universal health coverage, food and nutritional security, affordable housing and job creation under the manufacturing sector.

Economic Recovery Strategy

Growth enabling investments will be fostered through the implementation of the Economic Recovery Strategy supported by the International Monetary Fund (IMF) whose objectives are:

1. **Scaling-up** the COVID-19 response;
2. **Reducing** debt vulnerabilities through revenue-driven fiscal consolidation plan that targets to stabilize the debt to GDP ratio and subsequently put it on a downward path;
3. **Supporting** structural and governance reforms while addressing weaknesses in state-owned enterprises; and,
4. **Strengthening** monetary policy framework and support financial stability.

Kenya has successfully concluded two reviews under the 38-month programme with the IMF and is on track to positively finalize the third review. The IMF staff team and the Kenyan authorities have reached a staff-level agreement on the third review, which now awaits approval of the IMF Executive Board.

Under the Economic Recovery Strategy, the Government is implementing the third phase of the **Economic Stimulus Programme** worth **KES 20.6 billion.** This phase targets key productive and service sectors in strategic interventions that cover: agriculture, health, education, drought response, policy, infrastructure, financial inclusion, energy, and environmental conservation. This will also provide the necessary impetus to businesses to foster a strong recovery.

Assurance

The National Treasury wishes to assure Kenyans of the Government's continued commitment to pursuing policies that foster an **appropriate and attractive environment for investment and growth**. Recent media reports ranking Kenya as the world's second-most uncertain investment destination are not only inaccurate, but unreliable, and have since been disowned by the International Monetary Fund (IMF), in a statement posted on their website on 16th July, 2022.

We, therefore, call on *The Standard* to **retract** their misleading story published on 15th July, 2022. Kenya continues to be one of the **most competitive destinations** for investments in the region and the continent as a whole.

Hon. (Amb.) Ukur Yatani, EGH
Cabinet Secretary, National Treasury and Planning

NAIROBI, 17th July, 2022.

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