



THE NATIONAL TREASURY AND PLANNING STATE DEPARTMENT FOR PLANNING

PRESENTATION ON POST-COVID-19 ECONOMIC RECOVERY STRATEGY

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Introduction

- The WHO declared Covid -19 as a global pandemic on 11th March 2020. Kenya reported it's first case on the 13th of March 2020
- The Covid -19 pandemic is a global health crisis which has also created a global social and economic crisis.
- The pandemic has affected key economic sectors of Kenya's economy including tourism, exports of horticulture, MSMEs, manufacturing, transport, and domestic and external trade.
- It has also overstretched our country's health care system and led to closure of schools.

Macroeconomic Impact of Covid-19 Pandemic

- The IMF projects a 4.9 % contraction of the global economy in 2020
- In 2020, Sub-Saharan Africa is projected to register 3.2 % decline in growth
- Kenya's economy is projected to grow by 2.9 % in 2020 compared to 5.4 % in 2019.
- The fiscal deficit as a percentage of GDP is projected at 8.9 % in FY 2020/21 which is higher than 7.8 % recorded in FY 2019/20
- The Kenya shilling exchange rate viz the US dollar has depreciated from kshs.101 at end of February 2020 to kshs.109 in November 2020.
- A recent KNBS Survey showed significant job losses over the pandemic period
 - reflected a sharp increase in the unemployment rate between the first quarter (Jan-March) and second quarter (April-June) of 2020 from 5.2 % to 10.4 %

Macroeconomic Objectives of ERS

The key macroeconomic objectives of ERS include:

- Increasing GDP growth from 2.9 % in 2020 to 5.9 % in 2022;
- Reducing the fiscal deficit as percentage of GDP from 8.3 % in FY 2019/20 to 5.3 % in FY 2022/23;
- Increasing national savings as a percentage of GDP from 7.6 % in 2019/20 to 12.3 % in 2022/23;
- Increasing investment to GDP ratio from 13.1 % in 2019/20 to 17.2% in 2022/23;
- Targeting fiscal support to the key sectors of the economy to re-employ Kenyans who have lost their jobs within the period of the pandemic and creating additional formal and informal sector jobs;

MACROECONOMIC OBJECTIVES OF ERS

- Increasing diaspora remittances and investments from Kshs.280 billion 2020 to Kshs.500 billion per year ;
- Increasing private sector financing of infrastructure to at least 2 % of GDP annually; and
- Restructuring public debt to lengthen the maturity structure of domestic and reducing the share of commercial debts as well as refinancing it to obtain better pricing terms

Key Pillars of ERS

The key elements and focus of the ERS include:

- ▶ Enhancing budgetary allocations to strengthen health care systems
- ▶ Investment in ICT and digital infrastructure
- ▶ Facilitating a green and resilient recovery and growth
- ▶ Support to MSMEs
- ▶ Full and timely implementation of the ESP
- ▶ Enhancement of targeted social protection
- ▶ Strengthening the national capacity for disaster risk management
- ▶ Mainstreaming diaspora financial and intellectual resources
- ▶ Enhanced budgetary support to police and security related services to enforce compliance to Covid-19 containment rules and regulations
- ▶ Strengthening governance and economic management
- ▶ Expediting the implementation of policy, legal and institutional reforms

ERS Resource Mobilization Strategy

The ERS Resource Mobilization Strategy will place emphasis on:

- ▶ Restructuring and refinancing public debt;
- ▶ Engaging creditor nations and multi-lateral institutions to secure debt servicing moratorium and debt cancellation to free up resources and provide the requisite budgetary flexibility;
- ▶ Removal of non-beneficial tax exemptions ;
- ▶ Strengthening KRA capacity to increase revenue collection;
- ▶ According the private sector a larger role in financing infrastructure;
- ▶ Accessing and utilizing green climate financing mechanisms including carbon offsets;
- ▶ Fiscal incentives to attract diaspora investments;
- ▶ Expanding and diversifying the donor base to include international philanthropic organizations and non-state actors; and
- ▶ Enhancing mobilization of resources from individuals, civil society, corporates and private sector organizations to support the Covid-19 Emergency Response Fund.

Key Policy and Legal Measures to Support Economic Recovery

To facilitate successful implementation of the ERS the Government will:

- ▶ Roll out the implementation of the MSME Credit Guarantee Scheme to support MSME businesses and enterprises;
- ▶ Expedite amendment of the investment guidelines under the Insurance Act to allow insurance companies to invest up to 10 percent of their assets in debt instruments and affordable housing projects;
- ▶ Enact legislation on Road Toll fees to facilitate private sector investment in construction and maintenance of roads and highways;
- ▶ Expedite amendments to the Retirement benefits Act to allow scheme members to use 60 percent of their benefits to purchase a house under the affordable housing program ;

Key Policy and Legal Measures to Support Economic Recovery

- ▶ Expedite amendment of the PPP Act (Amendment) Bill 2017 to remove unnecessary approvals and redundant processes;
- ▶ Fully operationalize the SEZ Act 2015 to attract domestic and foreign investment in Special Economic Zones;
- ▶ Enact Business Laws (Amendments) Act 2020 to improve ease of doing business; and
- ▶ Expedite implementation of the Public Service Superannuation Scheme, County Government Retirement Scheme and National Micro Pension Scheme to facilitate increase in domestic saving and investment.

ERS Implementation Framework

- ▶ It will utilize the institutional framework for co-ordination and implementation of government development programmes and projects at the national and county level.
- ▶ It will prioritize close collaboration and co-ordination and active participation of the private sector, development partners, non-governmental actors and communities.
- ▶ An ERS implementation Committee chaired by Cabinet Secretary National Treasury and Planning will be set up to steer the follow up, tracking and reporting on the implementation of ERS to the Cabinet on a monthly basis.

Way Forward in Finalization of ERS

- ▶ The Draft ERS to be circulated to Council of Governors, Development Partners and private sector for validation given their role in the implementation;
- ▶ Official launch by mid- December, 2020

THANK YOU