BRITISH CHAMBER OF COMMERCE KENYA

BREXIT FORUM

An interactive discussion on our trading future

Forum Report

First photo is The Rt. Hon. Greg Hands, MP, the UK Minster for International Trade, United Kingdom of Great Britain and Northern Ireland and Betty Maina MBS, the Principal Secretary, State Department of Investment and Industry, Ministry of Industry, Trade and Cooperatives, exchange documents during the signing of a MoU on Trade and Investment extending current arrangements until December 2020, on April 12, 2018.

Contents

Joint Statement on Discussions Between Kenya and the United Kingdom on Trade Relations Post-Brexit	4
Executive Summary	5
Pull out quotes:.	6
The UK and Kenya sign a MoU on Trade and Investment extending current arrangements until December 2020	7
It's time to talk	8
KEPSA, trade negotiations and Brexit.	9
Kenya's preferred status post-Brexit	10
BCCK Guide to common trade terms .	11
Brexit as an opportunity	12
Table 1 – Kenya's Trade Pattern	13
Start now, businesses urge Kenya and UK	14
Current exports and finance	14
Currency fluctuations	14
Uncertainty	14
British banks in Kenya support exporters	15
New areas of UK trade and investment	16
Complexity, increased costs	16
Disrupted access to funding	16
Investment slow down	17
Kenya's national trade policy and new trade partnerships	19
Celebrating the UK's flourishing economic relationship with Kenya	21

Joint Statement on Discussions Between Kenya and the United Kingdom on Trade Relations Post-Brexit

On Wednesday June 20, 2018, senior trade officials from Kenya led by Dr. Chris Kiptoo, the Principal Secretary for Trade, and the United Kingdom (UK) led by Mr. Paul Walters from the Department for International Trade, with the British High Commissioner, Mr. Nic Hailey, met in Nairobi to continue discussion about their trade relationship.

The talks built on Ministerial meetings at the World Trade Organization (WTO) conference in Buenos Aires (December 2017) and the UK Trade Minister Hands' recent visit to Kenya (April 2018). They also made further progress following meetings between senior trade officials, most recently at a meeting in London around the Commonwealth Summit (April 2018).

The UK and Kenya agree that the East Africa Community (EAC) and European Union (EU) Economic Partnership Agreement (EPA) could provide a sound basis for our future relationship. Kenya continues to be in discussion with EAC partners on their immediate option to join the EAC-EU EPA.

As the UK is in the process of exiting the EU, Kenyan officials welcomed the UK's intention to avoid any disruption to trade. In particular, both parties welcomed the significant progress made so far in discussions to ensure continuity for over £1 billion in trade between the two countries.

The officials also welcomed the agreement over the terms of the Implementation Period reached between the EU and UK at the March 2018 European Council. The Implementation Period will be legally finalised through the Withdrawal Agreement later this year. This provides further certainty to both British and Kenyan businesses that there will be no disruption to the existing trading relationship during the Implementation Period.

Executive Summary

Trade and investment between Kenya and the UK are vital to both countries' long-term interests. Brexit presents both risks and opportunities. The opportunities are for new and expanded trading relationships, as Kenya builds its agricultural and manufacturing base and the UK looks beyond its traditional European markets.

The risks are the uncertainties around Brexit and how business and investors respond to them. Furthermore, a change to Kenya's duty free and quota free access to the UK will affect many thousands of livelihoods in both countries. It could also disrupt the UK's food supply.

The April 12, 2018, signing of a Memorandum of Understanding on Trade and Investment between the UK and Kenya extends our trade and investment relationship under current terms until December 2020. We must grasp this window of opportunity to work with our respective governments to shape our future relationship, in a way that recognises the strategic priorities of our peoples and businesses and how our respective economies have evolved.

As British and Kenyan businesses we are calling on our respective governments to recognise these issues and to ensure that the right conversations are taking place to address them. The clock is ticking.

Brexit formally commenced in March 2017, following the invoking of Article 50. As it stands for the UK, European Laws and Treaties will cease in March 2019. On March 19, 2018, the UK and EU agreed to put in place an implementation period from March 29, 2019 to end of Dec 2020. Whilst subject to a final withdrawal treaty being agreed, the implementation period would provide additional time to transition from the EU, and enable the UK to negotiate its own trade agreements.

Kenya has a very dynamic economy, with a hardworking workforce. As Kenya's economy has developed, education, financial services, fintech, ICT, renewable energy and professional services are driving growth. It has plenty of interested investors from all over the world. It is particularly well positioned to be a vibrant trading partner for Britain and as a signatory to the African Continental Free Trade Area (AfCFTA) Agreement, a gateway to the rest of Africa

For this to become a reality, we need to ensure that Brexit does not disrupt existing trade relationships and livelihoods. As substantive conversations get underway, The British Chamber of Commerce Kenya is committed to doing its part to build on the bilateral relationship and negotiate a modern trade and investment policy between our two countries.

Quotes

"The United Kingdom and Kenya have a long and special relationship and with the signing of the MoU, our trade and investment relationship can continue under current terms until December 2020. In the context of Brexit, this is an opportunity to improve our current agreement so it recognises the changes our respective economies are undergoing internally and how we are positioning ourselves regionally and globally."

The Rt. Hon. Greg Hands, MP, the UK Minster for International Trade, United Kingdom of Great Britain and Northern Ireland.

"In 2016 and 2017, Kenya was feted as the third most reformed economy globally and for the first time ever, the most improved in Africa by the World Bank. The Kenya Investment Authority has been working in close collaboration with the British High Commission for a while now and formalization of this working relationship will strengthen our economic ties with the UK."

Moses Ikiara, Managing Director, Kenya Investment Authority.

"I would like to take this opportunity to invite UK investors and UK companies to partner with their Kenyan counterparts and the Government of Kenya in implementing His Excellency, President Uhuru Kenyatta's Big Four Agenda on food security, affordable housing, manufacturing and affordable healthcare. Furthermore, as Kenya works to ratify the African Continental Free Trade Area (AfCFTA) Agreement, UK companies should work with KenInvest to position Kenya as their access point to the wider regional market."

Betty Maina MBS, the Principal Secretary, State Department of Investment and Industry, Ministry of Industry, Trade and Cooperatives.

"It is therefore imperative that Kenya strengthens and builds on the existing bilateral relations with the UK and explores potential new areas for cooperation."

Hon. Adan Mohamed, EGH, Cabinet Secretary for Ministry of Industry, Trade and Cooperatives, Republic of Kenya.

"We have a huge opportunity to shape the health, wealth and prosperity of the nation in a way that grows and protects the economy of the UK too. Our development, diplomatic and commercial investment here has helped to create a self-sufficient economy and a powerful trading partner for the future. The UK should be enormously proud of that."

The Rt. Hon. Penny Mordaunt MP, Secretary for International Development, United Kingdom of Great Britain and Northern Ireland.

"There is a huge opportunity there for UK capital, for UK investments to come and get behind good, solid, African-based, Kenyan, UK, international companies."

Wayne Hennesy-Barrat, CEO, 4G Capital.

The UK & Kenya sign a MoU on Trade & Investment extending current arrangements until December 2020

The BCCK welcomes the Memorandum of Understanding (MOU) signed between the Department for International Trade (DIT) and the Kenya Investment Authority (KenInvest) on April 12, 2018.

It aims to promote bilateral trade and investment, improve investor services and enhance the overall investment environment. Just as importantly, both KenInvest and DIT now have teams responsible for driving forward the agreed points and mobilising other government departments.

Brexit will be on the agenda, as are wider bilateral policies (for example, the effectiveness of Double Taxation Treaties). The BCCK will be meeting with both teams to understand how it can support projects to examine policy issues and showcase investment opportunities in Kenya.

The MOU also sets the stage for producing better investor information, establishing dedicated UK investor account managers and building on the success of the One Stop Centre at KenInvest.

It's Time to Talk

By Graham Shaw, Chairman, British Chamber of Commerce Kenya (BCCK)

We welcome the new MOU on trade and investment between Kenya and the UK signed in April 2018. We still need to talk candidly about what Brexit means, and its potential long-term impact on UK-EU-Kenya-EAC trade and investment. We also need to ensure that policymakers are aware of the potential risks and opportunities it presents.

There are several important areas in which the UK's business influence has grown in Kenya. The first is economic value. 15% of Kenya's GDP is generated from UK capital.

In terms of employment, UK businesses in Kenya employ between 200,000 and 250,000 Kenyans directly, the largest employers being Finlays and G4S, at 13,000 and 18,000 employees respectively.

UK influence is felt in Kenya's public finances. Seven of the country's top ten taxpayers are British companies.

British companies in Kenya are setting the bar in the areas of supply chain ethics and employment standards. East African Breweries Ltd (EABL) and Unilever are great examples.

The BCCK has a membership of over 230, both Kenyan and British, operating everywhere from the Export Processing Zone (EPZ) in Athi River, to SMEs and larger companies with British shareholding.

With UK-Kenya trade and investment ties being so strong, Brexit affords the BCCK's members the opportunity to begin the conversation on a new, long-term mutually beneficial UK-Kenya trade and investment agreement.

We need to start having this conversation today and as BCCK, we are ready to help bring the key stakeholders together.

KEPSA, trade negotiations and Brexit

By Rita Kavashe, Vice-Chair, Kenya Private Sector Alliance (KEPSA)

On Brexit, we have tried to understand the potential ramifications that the UK's divorce from the EU will have on Kenya's trade with the UK. We have developed briefing notes to help our members understand the implications, the new opportunities and challenges.

In June 2017, we evaluated a paper developed by the Commonwealth Secretariat on the implications of Brexit on UK-Kenya trade and economic relations. Our inputs in the paper helped to inform the possible alternatives, Kenya should consider in order to ensure continued access to the UK market for her exports at preferential rates and in order to be competitive.

Currently, the UK accounts for nearly one third of Kenya's goods and services exports to the EU. These comprise mainly food and beverage products and cut flowers. Under the terms of the EPA signed between Kenya and the EU, Kenya has duty free and quota free access to the EU market.

We think that the current focus of the UK's aid on boosting prosperity provides potential opportunity for Kenya to address policy barriers, enhance supply capacity, and build long term competitiveness. These are issues which will be featuring prominently in our third National Business Agenda.

We also know that Brexit provides us with an opportunity to expand and consolidate trade with the UK on potentially 30 product lines. Kenya has been identified as being more competitive than the current exporters dominating the UK market in these products.

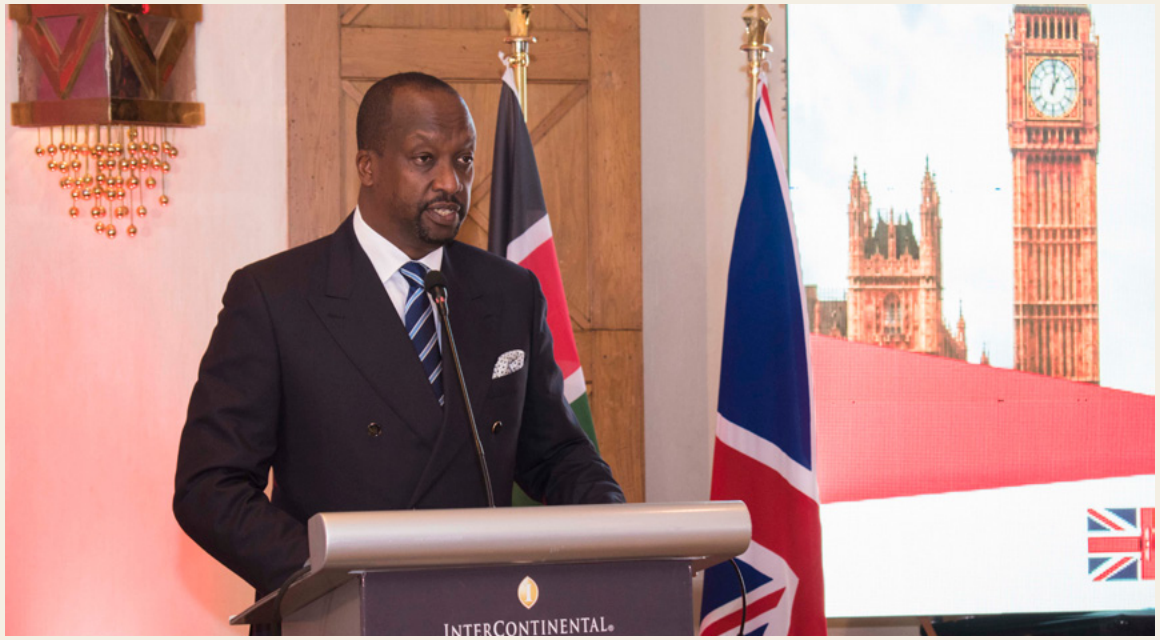
The potential market share which Kenya could gain in these 30 products, stands at about USD 5 billion. Yet in 2015, Kenya's exports to the UK in these products amounted to only USD162 million while the UK's imports in these products amounted to around USD 10.6 billion. We have also identified potential opportunities for UK-Kenya trade and investment in the services sector.

In conclusion, compared to other countries in the wider EAC-COMESA region, Kenya represents a stable investment destination with strong economic fundamentals. In particular, our relative strength in innovation and sophistication, coupled with the presence of air and sea ports as well as access to the wider East and Southern Africa region, positions us to be the hub for a wide range of manufactured goods and services.

From Kenya's point of view, the UK is an important export market and a vital source of FDI. Similarly, from the UK's perspective, Kenya is a key partner not only for traditional services such as tourism, but also for '21st century services' such as technology, media and telecommunications.

But, there are fundamental challenges we need to address to realise the potential benefits that Brexit may bring to Kenya. These include availability of infrastructure and credit and low levels of productivity. While Kenya's exports to the regional market are becoming increasingly diversified, the country's exports to the EU are largely unprocessed food and beverage products, as well as cut flowers. We hope that with Brexit, the UK could focus more efforts to help build on the existing good trade and development relationship with Kenya.

Kenya's preferred status post-Brexit



By Kiprono Kittony, Chairman Kenya Chamber of Commerce & Industry

Kenya is determined to find the silver lining in this development. Kenya shares a long history with the UK and out of that history has emerged a strong and mutually beneficial trade and investment relationship. The two countries also enjoy extensive bilateral relations in the areas of trade, investments, and tourism, and cooperation in the areas of defence and security, anti-piracy, counter-terrorism, and climate change, among others.

Brexit gives Kenya the opportunity to export more flowers, coffee, tea, and other agricultural produce to the UK without having to contend with another trading bloc.

Kenya has several trade advantages to commend it including cheaper labour costs. These advantages make Kenya a highly competitive market and, therefore, a good candidate for preferential trade status with the UK in the post-Brexit scenario.

Brexit provides an opportunity to shape a new trade and investment deal with the UK that responds to Kenya's development goals, as articulated by President Uhuru Kenyatta. These goals are food security, affordable housing, affordable healthcare, and manufacturing.

The British agricultural sector was heavily involved in creating the base of our country's large-scale farming. There is room to scale our agriculture further.

An estimated Shs. 2.6 trillion is going to be deployed to provide low-cost housing in this country. That is a big opportunity for British developers.

The Chamber is committed to organizing business forums and to conducting B2B meetings with British companies. In this regard, we are planning a big trade mission to the UK. The Chamber is planning to bid to host the World Chamber Congress in Kenya in 2021. We will conduct shuttle diplomacy and we hope that the London Chamber of Commerce and the British Chamber of Commerce Kenya will support our bid.

Kenya respects the decision of the British people to pull out of the European Union. We see plenty of opportunities for business in both our countries. We hope that, we shall enjoy preferred trading status with the UK.

BCCK Guide to Common Trade Terms

Term	Explanation
Common Market for Eastern and Southern Africa (COMESA)	The Common Market for Eastern and Southern Africa (COMESA) formed in 1994 to replace the former Preferential Trade Area (PTA). The current member states of COMESA are, Burundi, Comoros, Democratic Republic of the Congo, Djibouti, Egypt, Eritrea, Ethiopia, Kenya, Libya, Madagascar, Malawi, Mauritius, Rwanda, Seychelles, Sudan, Swaziland, Uganda, Zambia and Zimbabwe.
Duty Free, Quota Free Access (DFQF)	Duty-free and quota-free (DFQF) market access for products originating from least developed countries (LDCs). There are currently 47 least-developed countries on the UN list, 36 of which to date have become WTO members. They are Afghanistan, Angola, Bangladesh, Benin, Burkina Faso, Burundi, Cambodia, Central African Republic, Chad, the Democratic Republic of Congo, Djibouti, Eritrea, Gambia, Guinea, Guinea-Bissau, Haiti, Kiribati, Lao People's Democratic Republic, Lesotho, Liberia, Madagascar, Malawi, Mali, Mauritania, Mozambique, Myanmar, Nepal, Niger, Rwanda, Senegal, Sierra Leone, Solomon Islands, Tanzania, Togo, Tuvalu, Uganda, Vanuatu, Yemen and Zambia. Eight more least-developed countries are negotiating to join the WTO. They are: Bhutan, Comoros, Ethiopia, Sao Tomé & Principe, Somalia, South Sudan, Sudan and Timor-Leste.
Economic Partnership Agreement (EPA)	Economic Partnership Agreements are intensive alliances, signed by two or more countries, that provide for reciprocal economic integration and participation.
EU Generalised System of Preferences (GSP)	GSP offers lower tariffs or completely duty-free access for imports from 178 developing countries and territories into the EU market. The EU's scheme grants special benefits for countries listed by the UN as least-developed and to countries implementing certain labour or environmental standards. The EU grants the preferences without asking for concessions from the beneficiary countries.
EU Generalised System of Preferences + (GSP+)	GSP+ is one of the EU's primary tools to promote sustainable development in vulnerable developing countries. GSP+ countries benefit from easier trade with the EU, with the condition that they effectively implement the 27 core international conventions on human and labour rights, environmental protection and good governance.
Everything But Arms	Tailor-made to the specific needs of least developed countries, the EU's "Everything But Arms" arrangement (EBA) was born in 2001 to give all LDCs full duty free and quota-free access to the EU for all their exports with the exception of arms and armaments. This makes it the most generous form of preferential treatment to LDCs globally.
Most Favoured Nation (MTN)	Most favoured nation status is when a country enjoys the best trade terms given by its trading partner. That means it receives the lowest tariffs, the fewest trade barriers, and the highest import quotas (or none at all).

Brexit as an opportunity

Dr. Patrick Low,

Former Chief Economist at the WTO (1997 – 2013)

The challenge for Kenya after Brexit is to maintain Duty-Free, Quota-Free (DFQF) access for its exports to the UK, in line with what it currently enjoys with the EU. For Kenyan exporters it would be a highly damaging scenario if WTO tariffs were to kick-in with the UK after Brexit.

Table 1 – Kenya's Trade Pattern

Kenya's Trade Pattern (circ. 2016)

	Commodities composition of exports (%)	Kenya's total exports (Million US$)	Share of total exports to EU (%)	Share of total exports to UK (%)	Share of EU's imports to UK (%)
Kenya's exports		5,747	26.5	10.6	27.8
Tea	25.3				80.0
Cut flowers	15.7				16.5
Coffee	5.2				
Fruit and vegetables	5.7				>60.0
Dried fruit/veg	3.7				

The numbers in Table 1, show Kenya's export dependency on certain commodities and the importance of the UK market. The good news is that tea and coffee will be largely unaffected by Brexit because they come into the WTO for DFQF access.

The situation is more complicated for other major exports, like cut flowers, fruits, vegetables and dried fruit. The implications of moving from DFQF to Most Favoured Nation (MFN) tariffs, would be the equivalent of putting a 5.3 per cent tariff on all of Kenya's exports to the UK. A move to the EU Generalised System of Preferences (GSP) would put in a 4.3 per cent tariff.

These tariffs would be damaging for the export sector.

Producers would likely discontinue certain export lines and tens of thousands of jobs could be at risk.

At the point of going to print, the UK was talking about transferring all the relevant provisions that exist currently within the EU, into the UK context. In particular, the UK has stated its position to transfer existing Economic Partnership Agreements (EPA).

The issue for Kenya is that The East Africa Community (EAC) EPA has still not been signed by all the member states. This has a knock-on effect for Kenya insofar as it would be the only EAC member state to not enjoy Everything-but-Arms. Everything-but-Arms is the DFQF deal for least developed countries and it is not available for middle-income countries – which Kenya now is.

The EU Generalised System of Preferences (GSP) is a potential compromise. GSP has a lot of products covered for DFQF, but as we can see in Table 1 it would be a poor compromise from Kenya's perspective.

Under a GSP+ arrangement Kenya would get better DFQF access for its major exports. To qualify for GSP+ countries must sign up to 27 recognized UN and ILO conventions on human and labour rights. At the time of writing, Kenya has only signed up to 25 of the 27 conventions.

So the risk for Kenya is being caught in a situation where the existing EPA arrangement is not transferred and it fails to get GSP+. On the other hand, Brexit could be an opportunity for Kenyan exporters.

> *"Under a GSP+ arrangement Kenya would get better DFQF access for its major exports. To qualify for GSP+ countries must sign up to 27 recognized UN and ILO conventions on human and labour rights."*

If you look just at the agricultural sector, there has been a lot of talk about the implications of a disruption to the existing EU and UK fruit and vegetable supply chain. With borders and customs checks potentially in place from the EU, Kenya would become an even more attractive source market for the UK.

As Kenyans, we need to focus on this, take initiative and take leadership. Propose. Counter-propose. Furthermore, the business community in Kenya needs a unified voice to make the case for action, form views about the possibilities and to talk to both parties.

Start now, businesses urge Kenya and UK

Panel discussions at the BCCK Brexit Forum on 18 January 2018 called for early talks between the UK and Kenyan governments – as being essential to minimizing disruptions to business and exports. All agreed that a poor deal or no deal by March 2020 would be disastrous for businesses involved in Kenya UK trade.

Current Exports and Finance

- Steve Scott, General Manager of Finlay Flowers
- Gareth Harrison, Tax Director at PriceWaterhouse-Coopers (PWC) Kenya
- Lamin Manjang, Managing Director and Regional CEO of Standard Chartered Bank Kenya.
  - » Moderated by Kate Westbrook, Partner in charge of Commercial Contracts at UK law firm, Thrings.

Currency fluctuations

Steve Scott, explained the supply chain and the effect Brexit has already had on Finlays Flowers.

"Shortly after that decision, due to the devaluation of the pound, the pound went from 160 Shs. to 133 Shs. Now, you can imagine that's a drop of 17 per cent currency fluctuation in a business [where] at the time we were supplying 80 per cent of our flowers into the UK. Imagine 17 per cent of your revenue literally wiped off the top." Steve Scott, General Manager, Finlays Flowers.

For Scott, some clarity in trade relations during the transition period and post Brexit, between the UK, the EU, Kenya and the EAC is key to a return to a reasonable exchange rate that would, in turn, protect the profits of exporters to the UK:

He added *"A deal that creates some kind of certainty in the British economy, which then leads to a strengthening of the Pound, is absolutely critical by March 2020, in order that we as exporters can get back to a reasonable exchange rate."*

Further, he recommended a *"soft"* Brexit deal with the UK's trading partner countries. *"A free and open trading relationship is what the UK needs.".*

Uncertainty

For Gareth Harrison, the main effect of Brexit on business has been to introduce uncertainty in the tax regime between the UK and Kenya.

The advent of Brexit has necessitated a renegotiation of the long-standing tax treaty between the two countries, making it difficult for exporters to plan and forecast effectively.

He said, *"When exporters are budgeting for future years, they need to know how much it's going to cost, how long it's going to take and what is the paperwork and administration required."*

Further adding to the climate of uncertainty, Harrison said, is the ongoing income tax overhaul in Kenya. The existing law dates back to the late 1970s and does not cater for the growth Kenya has seen in its financial and tech sectors.

While he welcomed the development, he said the new proposed Income Tax Act law does not allow either country to access certain existing treaty benefits, making it potentially unprofitable to both countries. He recommended more talks on the issue.

Harrison warned that while the UK economy could withstand any potential shocks and disruptions brought on by Brexit, the Kenyan economy could not. Therefore, he emphasized, informal government-to-government engagement to achieve a mutually beneficial post-Brexit trade and tax deal must take place long before March 2020, as a matter of urgency.

British banks in Kenya support exporters

Lamin Manjang, said British financial institutions and the UK government's Department for International Development (DFID) have an established history of underwriting innovation in Kenya's financial sector and supporting trade. He listed several examples, including M-PESA, the mobile payment system popularized by telecommunications provider, Safaricom – which is part owned by the UK's Vodafone Group.

New areas of UK Trade and Investment

- Bridget Wachira, Managing Director of GlaxoSmithKline (GSK) Pharmaceutical Kenya
- William Sykes Co-Founder and Business Development Director of Sunbird Group
- Pauline Githugu, Corporate Affairs Head, M-KOPA
  - » Moderated by Joanna Turner, Partner, East Africa, Control Risks

Increased operating costs, loss of market share and an inability to fund expansion are possible threats to emerging businesses from Brexit.

Complexity, increased costs

A complex global supply chain makes it possible for GSK to bring life-saving medicines and vaccines into Kenya. The pneumococcal vaccine that goes from Singapore, to Belgium, to Barnard Castle in the UK before finally arriving in Kenya, is a process that lasts 18 months and involves 400 steps.

Bridget Wachira, Managing Director, GlaxoSmithKline (GSK) Pharmaceutical Kenya said any disruption to that supply chain in terms of new license requirements or new tariffs due to Brexit would mean increased costs, which cannot not be passed onto patients. She worried that any increase in the running costs of the GSK's local operation due to "complexity" brought on by Brexit could see GSK divest from Kenya in favour of a cheaper location.

She was emphatic: the status quo must continue for GSK's Kenyan affiliate to continue to operate. *"We would like, as much as possible, to continue to do that [provide medication] but without an increase in tariffs in goods, with minimal customs controls, procedures, change in licensing and certifications".*

Wachira was equally emphatic that in order for the status quo to remain, negotiations must begin now for a transition period after March 2020. That transition period would allow time to understand the implications of a new UK-Kenya-EU trade and investment deal on the pharma care industry, and allow stakeholders to plan for the change.

She continued *"Our first ask is really for there to be negotiated proactively and very early on, a programmatic approach to a status quo transition period that allows people to process what the change is and how it impacts the flow of medicines and patients and especially life-saving medicines. We would not like to see the cliff-hanger... it has implications on people's lives."*

Much of the medical research GSK relies on takes place in partnership with UK and US-based academic institutions, Wachira said. Brexit could result in a disruption in funding to those institutions, a further threat.

Standing in the way of proactive action to minimize the impact of Brexit, Wachira said, is a lack of awareness in Kenya about the benefits pharma care in the country enjoys as a result of the existing UK-Kenya relationship and what is at stake if Brexit should change that relationship.

Disrupted access to funding

For a services provider like the Sunbird Group, the threat of Brexit is in the uncertainty it creates. This uncertainty could make it difficult for Sunbird to raise funds to finance its aggressive expansion plans. Nonetheless, Sykes said Brexit presents an opportunity:

William Sykes said, *"We have a chance now in the UK and Kenyan relationship to slightly reset it and make sure that we are thinking long-term about what is best served for both our countries."*

Skyes added that, even with the uncertainty of Brexit, there were plenty of opportunities for UK service providers and construction companies in Africa, two sectors where the UK excels.

Investment slow down

For M-KOPA, a provider of pay-as-you-go solar home systems that serve homes in off-grid areas, the threat from Brexit is a possible slowdown in the level of UK investment in the company, which would have a knock-on effect on the millions of low income, off grid customers who rely on the company for essential power and assets.

Pauline Githugu, M-KOPA's director for External Affairs, explained that the firm has funding from CDC, while DFID has supported its research and development through the Shell Foundation in the UK. Githugu said it is not yet clear how these arrangements could be impacted by Brexit.

Githugu said, *"If the momentum [of UK investment and product development] falls, then other countries will come in and take that space and run with it."*

Wayne Hennessy-Barrett, CEO of 4G Capital, a fintech firm specialising in financial inclusion for micro, small and medium (MSME) entrepreneurs, called on UK investors to look up from the Brexit conversation and see the huge opportunities available in Kenya's innovative and fast-growing tech space.

He urged Kenyans to invite UK knowledge-based industries and workers, application developers and blockchain programmers to Kenya, to "be part of the [ongoing] technological revolution" and to serve the needs of entrepreneurs in the informal economy.

He referred to these entrepreneurs as "the largest and most important market segment in the world". The growth of this market segment, he said, provides "an amazing market for technology, for services and for knowledge-based products, education [and] trade" he said.

"There is a huge opportunity there for UK capital, for UK investments to come and get behind good, solid, African-based, Kenyan, UK, international companies" Wayne Hennessy-Barret, CEO, 4G Capital.

Dr. Chris K. Kiptoo CBS (PhD, AKIB, MEFMI Fellow), Principal Secretary, State Department of Trade, Ministry of Industry, Trade and Cooperatives, responding to questions at the BCCK Brexit Forum, on January 18, 2018.

Kenya's National Trade Policy and New Trade Partnerships

By Hon. Adan Mohamed, EGH, the then Cabinet Secretary for the Ministry of Industry, Trade and Cooperatives, Republic of Kenya

The Government of Kenya appreciates and acknowledges the long standing warm and cordial political, cultural and economic relations between Kenya and the UK and I wish to reiterate our commitment in ensuring that the relations are strengthened and broadened going forward.

The UK is one of the most significant trading partners of the EAC Members in the EU Bloc. In particular, 27.8 per cent of Kenya's exports to the EU are destined for the UK market, while 17 per cent of Rwanda's exports end up in the same market. The other three countries all have less than 6 per cent of their total exports to the EU going to the UK.

The UK is the fourth leading export destination for Kenya's products, coming after Uganda, the Netherlands and the USA. Trade, inclusive of services, between Kenya and the UK was valued at over Stg. £1.5 billion in 2016. Equally the value of British investment in Kenya was valued at around Stg. £2.5 billion in 2016.

At present there are over 220 British companies with a presence in Kenya, investing across almost all sectors of the economy. The UK is also the leading source of tourists to Kenya and also home to a significant number of Kenyans studying, living and working in the United Kingdom.

In view of the foregoing, Kenya is keenly keeping track of the on-going Brexit negotiations as the outcome is expected to have far reaching implications on our economy. It is not certain whether or not the post- Brexit UK will continue to be party to the EU-EAC-EPA by the virtue of having signed the EPA in its own individual capacity. It is therefore imperative that Kenya strengthens and builds on the existing bilateral relations with the UK and explores potential new areas for cooperation.

The UK will have many competing priorities to negotiate during Brexit, including transitional arrangements that should bridge the gap to more comprehensive and progressive trading arrangements. Kenya desires to be part of any such transitional arrangements in order to safeguard as well as to continue having Duty Free Quota Free access to the UK market after the UK exits the EU.

In July, 2017. Kenya launched its National Trade Policy whose theme is “Transforming Kenya into a Competitive Export Led and Efficient Domestic Economy”. This National Trade Policy covers both domestic and international trade. Domestic trade encompasses wholesale trade, distribution, retail trade and informal trade while also entailing the sale and distribution of goods within and between Kenya’s 47 counties.

Kenya’s competitiveness in the international market is highly dependent on the competitiveness of domestic trade.

The Policy recognizes the importance of international trade and the key role it plays in Kenya’s economy as illustrated by the share of trade in goods in total GDP, which averages 43 per cent.

As a country, we seek to unleash our full potential by strengthening our participation in multi-lateral, regional and bilateral trade. Effective trade negotiation is being enhanced through the formation of the National Trade Negotiation Council. We are also on track in implementing the Trade Facilitation Agreement as well as seeking to protect the Kenyan economy from unfair international trade practices through the National Trade Remedies Agency.

The policy also addresses itself to advancing trade in services, and going forward, we will be devising strategies and policy interventions that will enhance the performance of this burgeoning sector. Finally, the policy considers complementary support policies and measures that will stimulate the trade sector.

The most significant of these sectors are identified in this policy with a view to stimulating alignment of the sector-specific policies to the National Trade Policy goals and objectives. Therefore, the various sector policies are seen as complementary policy measures that are considered necessary catalysts in driving the development of the trade sector.

Celebrating the UK’s flourishing economic relationship with Kenya

By the Rt. Hon. Penny Mordaunt MP, Secretary for International Development, United Kingdom of Great Britain and Northern Ireland

The UK must move away from a relationship with Africa that is dominated by aid, and towards one that embraces the power of economic growth and delivers mutual prosperity.

Sustained, job-creating growth will play a vital role in lifting people out of poverty, and allow Kenya to realise its ambition of economic independence. Great changes are underway, both here in Kenya and at home.

This is a really exciting moment for the UK’s partnership in Africa and around the world. As we prepare to leave the EU and enter a new phase of international engagement, we will renew our focus on our African relationships. For both the UK and Kenya, this presents a tremendous opportunity.

When we talk of growth in Africa, we risk limiting our outlook to the large economies at either end of the continent. But Kenya should not be overlooked. In recent years, it has dramatically improved its ‘ease of doing business’ rankings, rising 30 places in the last three years on the World Bank’s global index. It has an immense appetite for economic expansion and diversification.

Kenya acts as a critical regional hub, providing trade access to 200 million people across seven countries. Its reputation for innovation spreads across the continent. It is leading the charge in sectors, such as mobile money, and transforming lives across Africa.

We know that there are still hurdles to jump. But no one can deny that Kenya is a profound success story – the largest and most diverse economy in East Africa. Throughout this journey, the UK has stood beside Kenya every step of the way.

The British government’s support has driven essential policy and regulatory changes that have helped Kenya and its neighbours power ahead in recent years. We have delivered transformational reforms to the country’s ports, borders and infrastructure; to facilitate trade across the region; and have helped harness the use of technology to improve services and help businesses to reach their customers, including those who might otherwise have been left behind.

Our commercial impact in Kenya is without equal.

The UK is the largest cumulative investor in Kenya, and the fourth largest consumer of Kenyan goods. British companies, both local and global, rank among Kenya's most successful and respected firms.

Seven of the top ten corporate tax payers in this country are British companies, and the revenue they generate delivers investment across the breadth of the Kenyan government's priorities, changing the lives of Kenyans as their country grows. Across the UK government, we are determined to ensure that we support British companies abroad in every way possible, to boost the economies of both countries and the lives of Kenya's people.

UK aid is partnering with the government to create more comprehensive Special Economic Zones, allowing companies – not only those who export – to flourish and grow, bringing jobs and wealth to Kenya.

We want British commercial and government expertise to play its part in preparing Kenya's economy for its next phase of growth. We will continue to invest and scale up our trade initiatives to tackle barriers and to increase the potential for trade success across the region.

We will increase our infrastructure development funds, building the crucial pathways for trade and investment and removing obstacles to the economic expansion we all want to see.

We will launch our five-year urban programme to unlock both development and commercial opportunities at the sub-national level, responding to the opportunities that Kenya's devolution brings. And we will enhance our modern partnership with the Government of Kenya to strengthen the bilateral economic relationship and long-term prosperity of both countries.

We are building a great team to do this work, including experts on trade policy, export finance and investment.

I am delighted that many government colleagues and implementing partners are here with us today, demonstrating our commitment to a multipronged government approach on this important issue. The support of the British business community will be crucial to the success of a new, modern UK-Kenya partnership.

We need you to keep doing all that you are doing. Keep growing the economy, keep creating jobs, and keep setting world class standards. Please share your success stories.

The British are famously bad at 'blowing our own trumpets' – but I ask you to promote your successes. This will build confidence in Kenya's potential and show others what can be achieved. And tell us what you need. If there are changes that need to be made or areas where you need support, talk to our team. They are there to help.

We have a huge opportunity to shape the health, wealth and prosperity of the nation in a way that grows and protects the economy of the UK too. Our development, diplomatic and commercial investment here has helped to create a self-sufficient economy and a powerful trading partner for the future. The UK should be enormously proud of that.

Kenya now stands strong and we must transition our relationship to a new, modern footing, for the mutual prosperity of our two great nations. Thank you for the part that you are playing in that and the part you will play in the future.

BRITISH CHAMBER OF COMMERCE KENYA

BREXIT FORUM

An interactive discussion on our trading future

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