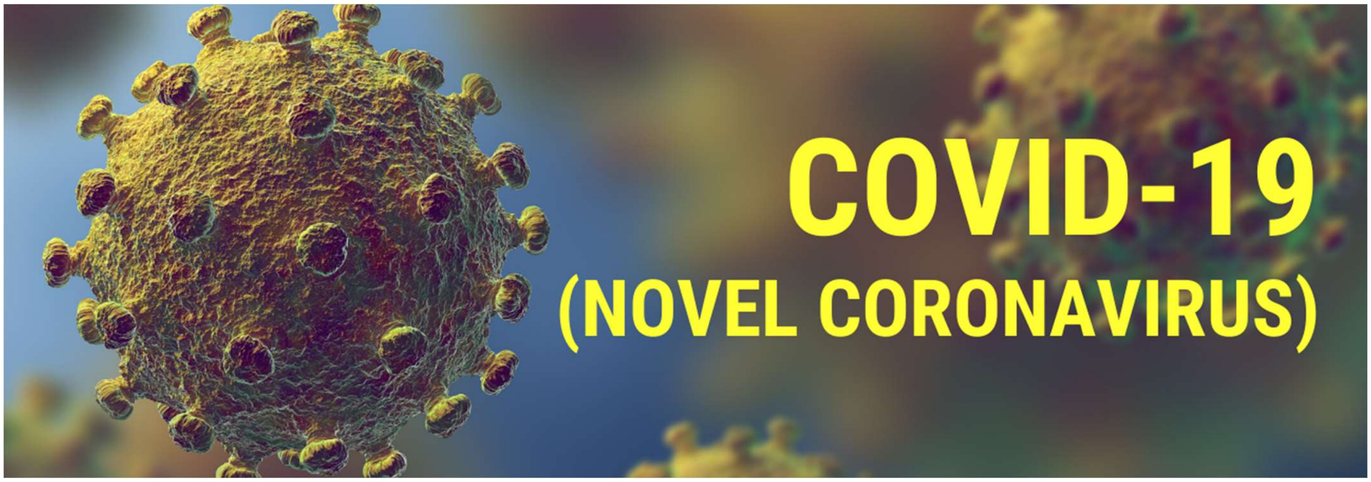
PROPOSALS FOR ECONOMIC SUPPORT SCHEME TO CONTAIN THE REPERCUSSIONS OF COVID-19 PANDEMIC IN KENYA

INTRODUCTION

The World Health Organization has declared COVID-19 novel coronavirus, a global pandemic, meaning that it will have a sustained global impact. The Virus has spread in over 180 countries and territories around the world. In a bid to contain the spread of the virus through human contact, many Governments have enforced stringent measures such as travel restrictions, total national lockdowns, self-isolation and quarantine measures of entire populations. As a consequence, business activity has fallen sharply and supply chains have been disrupted significantly. Global markets, monetary and fiscal authorities are reacting to the spread of the virus in different ways that are having a huge impact on people's lives, families, communities, economies and markets. Thus, COVID-19 poses a serious risk of sending many countries into recession given that a number of the economies across the globe had already started to slow down before the pandemic.



According to World Health Organization (WHO), by March 19, 2020, the number of confirmed cases worldwide had exceeded 200,000. The statistics indicate that it took over three months to reach the first

100,000 confirmed cases, and only 12 days to reach the next 100,000 cases. The exponential growth is unprecedented.

The spread of the Corona Virus has directly affected international trade resulting in a decline in the performance of key sectors in affected economies such as hospitality, aviation, capital markets and retail trade among others. Small and medium enterprises that rely on daily sales have been especially hit hard and are bearing the brunt of the economic slow-down and are unable to meet their costs including paying their employees, servicing their debts and paying other monthly overheads such as rent. In Kenya, a majority of the citizens who are casual labourers will have their livelihoods significantly impacted if they are unable to leave their homes to go to work in such of their daily bread.

ECONOMIC IMPACT OF COVID-19

IMF in its World Economic Outlook in January 2020 had projected a rise in global economic growth to 3.3 percent in 2020 up from 2.9 percent in 2019. However, with COVID-19, it is increasingly becoming clear that protracted subpar global growth will remain in 2020. Stronger multilateral cooperation and national-level policies that provide timely support could foster a sustained recovery to the benefit of all. Across all economies, a key imperative—increasingly relevant at a time of widening unrest—is to enhance inclusiveness, ensure that safety nets are indeed protecting the vulnerable, and governance structures strengthen social cohesion.

According to the OECD Economic Outlook Interim Report March 2020, several international organizations have issued reports of their studies on the aspects of the economic impact of the coronavirus epidemic. For instance, UNCTAD has calculated that the impact of the coronavirus in China has cost global value chains 50 billion USD in exports1. Foreign Direct Investment (FDI) could shrink by 5- 15%. The Asian Development Bank suggests an impact of between 0.1 and 0.4% of global GDP. The IMF has published a number of blogs with reflections on the expected effect and policies required2. In particular, these highlight that while the drop in manufacturing is comparable to the start of the 2008 global financial crisis, this time the decline in services appears greater, reflecting the consequences of lockdowns and social distancing, especially in urban settings. It has thus been suggested that the Global GDP growth rate will be the lowest in 30 years at around 2%.

Production declines in China have been quickly felt by businesses around the world, given China's key role in global supply chains as a producer of intermediate goods, particularly in computers, electronics, pharmaceuticals and transport equipment, and as the primary source of demand for many commodities. Temporary supply disruptions can be met by using inventories, but inventory levels are lean due to just-in-time manufacturing processes and alternative suppliers cannot easily be obtained for specialised parts. A prolonged delay in restoring full production in affected regions would add to the weakness in manufacturing sectors in many countries, given the time it takes to ship supplies around the world. Travel restrictions, and the cancellation of many planned visits, flights, business and leisure events are severely affecting many service sectors

According to the Centre for Strategic and International Studies, tourism and travel-related industries will be among the hardest hit as authorities encourage "social distancing" and consumers stay indoors. Equally, shares of major hotel companies have plummeted in the last few weeks, restaurants, sporting events, and other services will also face significant disruption. Industries less reliant on high social

[1] https://unctad.org/en/PublicationsLibrary/ditcinf2020d1.pdf?user=1653
[2] https://blogs.imf.org/2020/03/09/limiting-the-economic-fallout-of-the-coronavirus-with-large-targetedpolicies/?utm_medium=email&utm_source=govdelivery

interaction, such as agriculture, will be comparatively less vulnerable but will still face challenges as demand wavers[3].

According to Economic Commission for Africa (ECA), Africa may lose half of its GDP with growth falling from 3.2% to about 2 % due to COVID 19. Important to note is the fact that remittances and tourism will also be affected as the virus continues to spread worldwide, resulting in a decline in FDI flows; capital flight; domestic financial market tightening; and a slow-down in investments and eventual job losses.

Containment efforts of COVID 19 have involved quarantines and widespread restrictions on labour mobility and travel, resulting in disruption to global supply chains, weaker final demand for imported goods and services, and the wider regional declines in international tourism and business travel. Risk aversion has increased in financial markets, with the US 10-year interest rate falling to a record low and equity prices declining sharply, commodity prices have dropped, and business and consumer confidence have turned down. These measures imply a sizeable output contraction whilst the effects of the outbreak persist has virtually affected all lines of the economic supply chains:

Impact on the Economic channels

Containment measures:	Supply	Demand
Quarantines	Factory Closures	Loss of confidence
Travel Bans & Restrictions	Cutback in service provisions	Business and Tourism travels
Closure of public spaces / lock-down	Supply Chain Disruptions	Education and entertainment services

In the near term, given considerable uncertainty, businesses and households are unlikely to behave as if the future was known with certainty, even if policymakers take action to lower the chances of a prolonged downturn. This makes spending choices more heavily dependent on current conditions rather than future expectations.

According to OECD report on COVID-19 SME responses 2020, the Corona pandemic has affected the SMEs both the on the supply and demand sides in the following ways:

a) On the supply side, companies could experience a reduction in the supply of labour, as workers are unwell or need to look after children or other dependents while schools are closed and movements of people are restricted. Measures to contain the disease by lockdowns and quarantines lead to further and more severe drops in capacity utilisation. Furthermore, supply chains may be interrupted leading to shortages of parts and intermediate goods.

b) On the demand side, a dramatic and sudden loss of demand and revenue for SMEs could severely affect their ability to function, and/or cause severe liquidity shortages. Furthermore,

[3] Centre for Strategic and International Studies https://www.csis.org/analysis/global-economic-impacts-covid-19

consumers may experience loss of income, fear of contagion and heightened uncertainty, which in turn reduces spending and consumption. These effects may be compounded when workers are laid off and firms are not able to pay salaries. Some sectors, such as tourism and transportation, may be particularly affected, also contributing to reduced business and consumer confidence.

The impact of the virus could have potential spill-overs into financial markets, with further reduced confidence and a reduction of credit. These various impacts are likely to affect both larger and smaller firms. However, the effect on SMEs may be especially severe, particularly because of higher levels of vulnerability and lower resilience related to their size.

EFFECT OF COVID19 TO KENYAN ECONOMY

Kenya has maintained a stable and consistent economic growth for the past six years. However, it has fallen short of the double-digit growth to meet its Vision 2030 target. The Budget Policy Statement 2020 had projected the economy to expand to 6.1 percent in 2020 up from 5.6 percent in 2019, and 7.0 percent over the medium term. However, this outlook is bound to change in the wake of COVID-19 pandemic.

The following extracts, from the Economic Survey 2019, shows Kenya's international trade with selected countries for the past 5 years:

Value of Imports by Origin in Kshs. Millions

Country	2014	2015	2016	2017	2018
China	248,648.3	320,815.5	337,450.1	390,622.3	370,826.4
Japan	86553.6	88239.2	82409.6	81662.8	99822.7
Singapore	14623.8	9612.3	6794.6	5829.2	10105.0
Germany	47, 408.6	47,380.8	43,353.4	42, 988.8	46,599.2
United Kingdom	47,037.4	47,290.0	33,487.1	30,050.2	31,555.4

Source: Economic Survey 2019

Value of Exports in Kshs. Millions

Country	2014	2015	2016	2017	2018
Netherlands	40, 614	42,041	43,492.3	43,891.8	46,365.2
USA	38, 289.8	40,724	43,353.9	47,269.9	47,341.0
United Kingdom	35, 868	40,668	37,581.7	38552.7	40, 192.1
Germany	10,786.6	12, 507	11,864.5	11,740.9	11,160.4
China	6, 597.4	8,470.7	10,061	9997.5	11, 132.9

Source: Economic Survey 2019

Free movement of people, goods and services is one of the key success factors in international trade. This pandemic will therefore impact and disrupt on the Kenyan economy in many ways including through:

i. Plunge in key sectors of the economy such as manufacturing, tourism and hospitality, horticulture and diaspora remittances

ii. Closure of companies to observe social distancing likely to cause job losses, affect wage earners and Small and Micro Enterprises
iii. Worsened liquidity challenges which were already there before COVID19
iv. Eventually loss of tax revenue and eventual slow-down in government expenditure and investments
v. Low Production caused by idleness and ineffective use of the factors of production – Capital, labour, entrepreneurship and land
vi. Lower business investment caused by lower discretionary expenditures by consumers

RECOVERY OPTIONS

In realization of the brunt of COVOD 19, different governments, policymakers and international organizations including the European Commission, Australia, USA, Canada, UK, South Korea, Japan, and the UAE, have proposed a raft of interventions to support citizens and businesses during the pandemic period. Such measures have included wage subsidies, postponement or suspension of tax filings and payments, tax relief packages, credit facilities, injection of liquidity into the economy. It is still too early to comment on the effectiveness of the stimulus efforts.

While countries' first concern is public health, increasingly measures are being introduced to mitigate the economic impact of the coronavirus on smaller businesses. Such policies take various shapes, for instance:

- General policies that have the potential to cushion the blow for the economy and for all businesses.
- SME-specific measures such as provision of information to SMEs on how to help prevent the spread of the coronavirus, including via SME agencies or associations and actions to help SMEs adopt new work processes and find new markets
- Provision of flexibility and relief for companies and workers in the reduction of working hours, temporary lay-offs and sick-leave
- Measures specifically aimed at the self-employed
- Inclusion of financial instruments (such as tax relief, guarantees and grants) to reduce the impact of the outbreak.
- Central Banks and Monetary Authorities taken targeting liquidity, interest rates and easing conditions for loan repayment

The policy brief assesses the economic stimulus measures adopted by different countries in contain the repercussions of COVID-19 pandemic.

KENYA GOVERNMENT'S RESPONSE

The Central Bank of Kenya, in partnership with the private sector, has taken the following steps:

1. *Free Mobile money Transfers:*

   The commercial banks waived all charges for mobile money transactions up to Kshs 1,000 until 30th June 2020. Transaction limits were further increased to Kshs 150,000, the daily limit for mobile money transactions increased to Kshs 300,000 with no monthly limit for mobile money transactions.

   This was in line with the presidents' recommendation on the use of cashless transactions such as mobile money and credit cards in order to avoid the risk of transmission through physical handling of money.

2. *Extension and restructuring of the loans by Commercial Banks*

   Commercial Banks made provisions to extend relief to borrowers on their personal loans based on their individual circumstances arising from the pandemic and will review requests from borrowers for extension of their loans for a period of up to one year.

   SMEs and corporate borrowers can contact their banks for assessment and restructuring of their loans based on their respective circumstances arising from the pandemic. Banks will meet costs arising from the extension and restructuring of the loans.

3. The Central Bank of Kenya (CBK) released Shs 7.4 billion from the demonetization excise to support Government efforts to contain the spread of Coronavirus in the country. The government further committed Shs 1billion towards hiring of more health workers needed to increase the country's capacity to deal with the Coronavirus pandemic

4. To support the manufacture and provision of hand sanitizers to the public, the Government released 400,000 litres of ethanol, impounded by the multi-agency team on contraband goods, to oil companies for the blending of hand sanitizers to be distributed free of charge to the public.

STIMULUS OPTIONS FOR KENYA

To cushion Kenyans and Kenyan businesses from the negative economic impact of Covid-19, we, at the Institute of Certified Public Accountants (ICPAK), proposes the following measures:

1. **Tax Concessions**: For a short period and to help businesses affected by the impact of coronavirus to maintain reasonable cashflow to keep the businesses afloat and to prevent companies from going under leading to job losses, the Government should provide the following tax concessions:

   a. Tax payments

   i) **Balance of Tax Payments:** A number of taxpayers are required to pay their tax balances by 30th April 2020. The Tax Procedures Act provides for deferral of such payments. However, the taxpayer has to apply to the Commissioner for approval. Where such an approval is granted, taxpayers are liable to any late payment interest arising from the original date the tax was due for payment. At this time, we propose that any tax income tax payments due during this period are deferred to July 2020 without attracting any late payment interest.

ii) **Instalment Taxes.** Similarly, we propose that instalment taxes that are due during this period are deferred to July 2020 to cushion taxpayers. In addition, KRA should encourage taxpayers to pay instalment taxes based on their current year performance.

b. VAT Concessions

i) **Tax Point for VAT purposes:** The tax point for declaration and payment of VAT to KRA be amended to declare the time of supply of goods and services as the date on which payment is received either in whole or in part. This will require a temporarily suspension of Section 12(a), (b) and (c) of the VAT Act 2013.

ii) **VAT Refunds**: The government to consider promptly processing VAT refunds for companies that have huge VAT credits that are not arising from zero rated supplies that have been unutilized over a year. This will go a long away in boosting their liquidity and keeping them afloat.

iii) **VAT on the Hospitality and Tourism Industry** – Taking into account that this sector has been significantly affected by the current pandemic, KRA should expedite the refund of VAT paid on sales of trips that have been subsequently cancelled. The hospitality industry is required to make refunds to tourists and without receiving the refunds from Government, their cashflow position will continue to be significantly impacted. We further propose the reduction of VAT rate for this industry in order to encourage local tourism.

In addition, we propose that the VAT rate for the sector is temporarily reduced to 6% during this period of the pandemic and catering levy is reduced to 1% to keep the industry afloat.

iv) **VAA Assessments** – We note the significant increase of VAT Assessments raised by I Tax based on discrepancy of information in the VAT returns of both the supplier and recipient of goods and services. These assessments require time, printing of documents and visits to the Revenue Authority in order to have the same resolved. Considering that the Government encourages minimal movement and for associates to work from home, our recommendation is that the VAA Assessments be halted until December 2020. In addition, during this period. KRA should work together with taxpayers to resolve the current challenges of the VAA Assessments.

c. Personal Tax

i) **PAYE –** For the period of the pandemic, PAYE be deferred for a period of 6 months without attracting any late payment interest. This will enable employers to reduce the number of intended redundancies.

ii) For employees rendered redundant during this period, our proposal is a waiver of tax on any final dues payable resulting from the redundancy.

iii) **Waiver of NSSF and NHIF:** In addition, we propose a waiver of NSSF and NHIF for a period of 6 months.

iv) **Taxation of Internet and telephone benefit:** Considering that most employees are now working from home, it is expected that telephone bills and internet costs will increase. Our proposal is that these benefits are not treated as taxable benefits as they ensure business continuity during this period.

d. **Filing of Tax Returns for year 2019.** The date of filing tax returns together with audited accounts be extended for three months from 30th June 2020 to 30th September 2020, subject to containment of the pandemic. Due to quarantine measures, there will be very limited number of employees to facilitate completion of the returns and audits.

Late filing of returns during this period should not attract any penalties.

e. **Rebate on Capital Gains Tax** – During this period of the pandemic, families may be forced to sell property to meet medical costs. To cushion such families, we propose that capital gains tax is waived in such cases.

f. **Pension Withdrawals:** As employers face tough economic times, we expect an increase in the number of redundancies during this period. This will trigger pension withdrawals by employees who have lost their jobs in order for them to meet their day to day expenses. We propose and increase in the tax-free limit of withdrawals from the current rate of 60,000 for every year worked to 150,000 or a maximum of KShs 1,500,000 for the period upto December 2020.

g. **Enforcement action by KRA**

There are a number of taxpayers who have entered into tax payment plans with KRA. During this period of reduced cashflows for businesses, taxpayers may not be able to honor the agreed payment plans. KRA should hold off any enforcement action towards taxpayers and instead renegotiate the payment plans based on the tax-payers payment plans.

In addition, KRA should not stop consignments at the port due to valuation disputes. Instead, KRA should be encouraged to carry out valuation audits within five years from the date of importation of the goods. This will ensure that collects more revenue from a corporate tax perspective since taxpayers will either have sold the finished goods imported into the country.

h. **Lowering of excise duty rate on telephone and internet data services**

To protect employees from the coronavirus, employers are encouraging employees to work remotely. For many employees, this will require access to the internet and internet costs for businesses will rise significantly. To support businesses to enable employees to work remotely, the Government of Kenya should reduce the excise duty rate on telephone and internet data services from 15% to 10%.

2. **Support to MSMEs**

Consider the following measures in regard to Micro and Small and Medium Enterprises (MSMEs):

a) **Suspend consumer and small business loan payments:** Principal loan obligations by directly affected persons be deferred for a period of three months or until the pandemic is contained and a moratorium on interest payment be extended to all loans and credit notes during the period of the pandemic. This bold step will enable consumers and small businesses, including small farms, to weather the crisis by eliminating debt payments for the duration of the crisis at a time when many Kenyans will be confined to their homes and unable to work or bring in income.

Borrowers with payment suspensions should not accrue any interest or fees during the payment suspension period and should be provided with affordable options to repay arrearages. Any loan or credit payments during this period, should be applied to the borrowers account immediately

b) **COVID-19 Loan scheme to ALL directly affected businesses, Institutions and Persons**
The National Treasury through selected Commercial Banks to make available guaranteed interest free business loans to businesses and institutions directly affected by the pandemic with a moratorium of six months or for the duration of the pandemic, whichever is earlier. The loans to strictly be utilized in paying salaries to workers and other fixed overheads during the disruption period. The amount of loans for each business, institution or person can be determined by the National Treasury and banks through an evaluation that takes into account effect, size and nature of the respective businesses**.** The Ksh 7.5 billion released by CBK could be partly utilized.

c) **Guaranteed Loan Credit**. All employed persons directly affected by being laid off or on unpaid leave be availed an immediate guaranteed loan credit **equivalent to 3 months' salary** to be repaid and recovered by employers through a check off system once the pandemic is contained. The National Treasury to work on the criteria with the banks. The Ksh 7.5 billion released by CBK could be partly utilized.

d) **Additional grants for small businesses** to negatively affected small businesses, including minority, women, Youth and PwDs-owned small businesses.

e) **Tax rebates for small businesses**. This provision would rebate 50% of payroll taxes paid by small businesses this year.

f) **Suspension of Auction of property for six months or during the pandemic whichever is shorter.**

3. Regulatory timelines -
4. **Loan Repayment and restructuring:** Through the CBK, clear interim directive should be made to guide all financial institutions in provision of grace period and or restructuring of loans. This will cushion borrowers facing financial challenges occasioned by the pandemic. At the moment, any restructuring is at the discretion of the relevant commercial bank.

5. **Settle all Pending bills owed by the National and County Governments:**
The balance of Kshs 18.34 Billion pending bills due by Counties and 370 Million owed by Ministries, Departments & Agencies of the National Government be settled immediately. This money is owed to MSMEs and individuals and will go a long way to improve liquidity in the economy.

6. **Increase stock of medical supplies**: The Government should ensure there is adequate medical supplies by supporting local manufacturing of pharmaceuticals through appropriate credit facilities. Pharmaceuticals not manufactured locally should be identified and the government should directly negotiate with governments of the countries which can manufacture such drugs and medical equipment keeping in mind the critical shortage of such supplies globally. This will ensure there is no shortage of medical supplies or increase of prices for critical medical supplies.

7. **Domestic borrowing**: The government should reduce the amount of money raised from the local market to allow business access loans from the commercial banks.

8. **Support to County Governments**: National government should release emergency funds to the counties immediately so that they can prepare early and put in place measures to mitigate the risk of the virus.

9. **Revise Development Budgets**: To conserve required cash the National and County governments should immediately revise their development budget estimates for FY 2019/2020 (the remaining months of April, May and June). Any development plans that have not been procured or contracted should be suspended and the procurement halted. The National Treasury and Parliament should revise the equitable share due to counties accordingly

10. **Vigilance on other risks and threats to the Nation:** while significant, COVID-19 is not the only threat on the horizon —often organizations are at their most vulnerable when dealing with a crisis that dominates their attention. The many other risks that the country faces are not diminished by the pandemic. The country should remain vigilant to cyber-attacks, threat of terrorism and other internal economic shocks.

11. **Sectoral Interventions**:
    a) Identify what are the critical sectors to keep running so that people have access to key essentials e.g telecoms, primary food processing, sanitization products

    b) Identify which sectors and roles could be run remotely (from home, etc...) using technology. Those sectors that need to run because they fall under critical essentials, the Ministry of Health can provide clear guidelines how to operate a business, office or factory in this critical sector while practicing access to those who are well, social distancing at workplace, personal and workplace hygiene, etc... so that these companies don't create a second wave of potential infections. These sectors may need to be supported through targeted supply chain prioritization (eg. Fuel, Electricity, Raw Materials, Port Clearance, etc.)

    c) Those sectors that don't fall under the critical essentials can be further evaluated to see where is makes sense to provide targeted fiscal stimulus to help employers keep employees retained and give salary advances.

12. **Embrace technology:** Every crisis is an opportunity in waiting.

    a) Through innovation and creativity, the government should utilize this moment to promote remote working, remote collaboration, video conferencing using technology-enabled tools such as Microsoft Teams, Google Apps for Business, Zoom, etc. This will work in the era of social distancing and isolation as well as provide an opportunity for taxation of the digital marketplace and broadening of the tax base in future.

    b) In future, digitize most government and private sector operations to enable over 50% of the workforce to work remotely or from home. The ability of workers to work from home is actually quite worrying because a lot of sectors can't work from home including hospitality industry, horticulture and manufacturing. Only 15% of workers can work from home. Even in public administration, finance, 30%. Through technology, these numbers can be enhanced. This will help in fiscal consolidation by managing government utilities such as rent, administration costs, water and electricity bills among others.

    c) Cement and limit the use of cash to aid in the fight against corruption

13. **Suspend negative consumer credit reporting during the pandemic.** There would be a total moratorium on negative reporting during the pandemic and for three months thereafter. Consumer credit reporting agencies should also be prohibited from lowering a consumer's credit score during the same period.

14. **Prohibit debt collection, repossession, and garnishment of wages during the pandemic.** This provision would ban the collection of all consumer debt, including medical debt, and prohibit the garnishment of wages or repossession of assets during the pandemic, and for 3 months after the pandemic ends

15. **Student Loan Payments:** the government should consider placing a six-month interest-free moratorium on the repayment of Higher Education Student Loans for all individuals currently in the process of repaying these loans

SOURCES OF FUNDS FOR PROPOSED COVID -19 STIMULUS AND INCENTIVES PACKAGE

COVID 19 coronavirus presents difficult times in terms of budget implementation of programmes in all the countries affected. Some countries like the UK and USA have utilized their emergency kitties to supplement existing efforts to combat and contain this pandemic. Equally, Kenya needs to make tough choices. From the Controller of Budget National Budget implementation report, Half Year 2019/2020 released in February 2020, the revised gross estimates for FY 2019/20 amounted to Kshs.3.2 trillion comprising of Kshs.2 trillion for recurrent expenditure, Kshs.762.2 billion for development expenditure and Kshs.378.5 billion towards financing county governments

In the first half of FY 2019/20, total exchequer issues to MDAs and County Governments amounted to Kshs.1.2 trillion, representing 44.2 per cent of the revised net estimates. An analysis of total exchequer issues to MDAs indicate that Kshs 112.8 billion out of Kshs.762.9 billion was issued representing 26.8% of Revised Net Estimates *(see table 1 below).* The country should therefore make a decision and re-allocate part of the remaining 73.2% to support combat and contain spread of COVID 19 in Kenya. Specifically, the proposes that 30% of development allocation FY 2019/20, that is, Kshs. 228.87 billion be allocated to COVID 19 related expenses. The country should forego part of development funding for the wellbeing and health of its population.

Table 1: Revised Development Estimates and Exchequer Issues by Sector (Kshs. Billions)

Name of the Sector	First Half FY 2019/20				First Half FY 2018/19			
	Revised Gross Estimates	Revised Net Estimates	Exch. Issues	Exchequer Issues as % of Revised Net Estimates	Revised Gross Estimates	Revised Net Estimates	Exch. Issues	Exchequer Issues as % of Revised Net Estimates
Agriculture, Rural & Urban Development	40.4	22.2	8.8	39.5	37.0	31.5	8.4	26.5
Education	28.3	20.9	3.2	15.4	31.4	24.7	8.2	33.3
Energy, Infrastructure and Information Communications Technology	370.6	152.5	48.6	31.8	321.9	144.1	63.9	44.4
Environmental Protection, Water and Natural Resources	70.0	35.6	11.6	32.6	56.0	28.9	5.2	17.9
General Economic and Commercial Affairs	18.1	16.8	3.5	21.0	20.3	11.0	2.5	22.9
The Governance, Justice, Law and Order	17.9	16.3	3.5	21.5	23.7	21.9	4.2	19.1
Health	52.4	36.8	5.4	14.8	40.9	28.2	5.6	19.8
National Security	17.1	4.0	0.3	7.7	15.0	4.0	-	-
Public Administration and International Relations	106.3	87.2	20.9	21.4	80.6	66.9	13.2	19.8
Social Protection, Culture and Recreation	41.8	28.4	7.0	24.5	23.8	21.2	5.7	26.9
Total	**762.9**	**420.8**	**112.8**	**26.8**	**650.6**	**382.4**	**116.9**	**30.6**

Source: National Treasury and OCOB

The Institute acknowledges that the cost of the proposed Covid-19 stimulus and incentive package will be steep, however the cost of inaction might be more severe. As such we propose the following road map to raise funds:

1. The Counties and National Government to immediately review and revise downwards their overall Budget estimates for FY 19/20 (April-June 2020) to free up any unspent cash. The FY 20/21 overall budget estimates to be revised to take into consideration the anticipated reductions in revenue collections for FY19/20 and FY20/21.

2. The National and County governments to revise their development budget estimates for FY 2019/2020 (for the remaining months of April -June 2020) to free up cash earmarked for unspent development expenditure. The development budget estimates for FY 2020/2021 to also be reviewed and revised taking into consideration reduced revenue collections.

3. The National Treasury and Parliament to revise the equitable shares due to Counties appropriately.

4. To review and revise the Division of Revenue Bill 2020/2021 taking into account the changes in the budget estimates at both the County and National Government levels.

5. The National Treasury to sponsor COVID-19 stimulus Bill 2020 to bring into effect the needed miscellaneous legislative framework amending various Acts and legislating on the stimulus package and any incentive schemes to directly affected businesses, institutions and persons i.e. The Vat Act 2013, Income Tax Act Cap 470, the Tax Procedures Act 2015, and the Banking Act.

6. To seek moratorium of national debts that are due to development partners and other sovereign nations such as China during the period of the pandemic and a further 6 months to allow the cash that would have gone to debt service to be directed to protecting the local economy.

7. Any grants that are available from international bodies such as WHO.

We have seen severe impacts to human lives, communities and the economy in countries such as Italy and China, it is our belief that if we work together and act quickly, safeguard the use of public funds, and strictly follow the guidance of the health authorities we will come out of this more united as a country.

Signed

FCPA Rose Mwaura, MBS
Chairman
Institute of Certified Public Accountants of Kenya

Appendix 1

COMPARATIVE ANALYSIS -COUNTRY STIMULUS PACKAGES FOR COVID-19

ECONOMIC STIMULUS RESPONSE FROM OTHER JURISDICTIONS

Figure 1: Comparative analysis - Country Stimulus Package for COVID-19

Area of Intervention	Stimulus Package	Country / Region
Corporate	▪ Wage subsidies, suspension of payments of corporate and value added taxes or social contributions ▪ Help companies cope with liquidity shortages and needing urgent rescue aid.	European Commission[4]
	Payroll tax support ▪ If one's business has been affected by COVID-19, one may be able to apply for a relief package to defer lodging and paying payroll tax returns until 31 July 2020. The person is eligible for the relief package if: He or she is an employer (or part of a group of employers) who pays $6.5 million or less in Australian taxable wages, and current turnover, profit, customers, bookings, retail sales, supply contracts or other factors—compared with normal operating conditions—have been directly or indirectly affected by COVID-19	Australia
	▪ unlimited loans and guarantees to support firms and help them manage cashflows through this period (an initial £330 billion of guarantees – equivalent to 15% of UK GDP) ▪ £30 billion of support to the economy to deal with the crisis by investing in public services, increasing support for vulnerable people and providing business with tax reliefs and loans ▪ support for liquidity amongst large firms, to help them bridge Coronavirus disruption to their cash flows through loans ▪ increasing the amount businesses can borrow through the Coronavirus Business Interruption Loan Scheme from £1.2 million to £5 million, and ensuring businesses can access the first 6 months of that finance interest free, as Government will cover the first 6 months of interest payments	United Kingdom
	▪ Credit and liquidity support through financial Crown corporations, Bank of Canada, OSFI, CMHC and commercial lenders (e.g., Domestic Stability Buffer, Insured Mortgage Purchase Program, Banker's Acceptance Purchase Facility)	Canada
Micro, Small and Medium Enterprises (MSMEs)	increasing grants to small businesses eligible for Small Business Rate Relief from £3,000 to £10,000	United Kingdom
	Payments to small businesses to encourage hiring; ▪ Support is available for impacted small and medium businesses to build resilience, grow and succeed. This includes financial workshops in partnership with local bodies, business mentoring and a dedicated small business hotline to access information and referral to support services.	Australia

[4]See https://ec.europa.eu/commission/presscorner/detail/en/ip_20_459

Area of Intervention	Stimulus Package	Country / Region
	Small business interruption loans: $300 billion. ▪ Employers with 500 employees or fewer would be eligible and would have to keep paying all their workers for eight weeks from the date of the loan. ▪ The government would guarantee 100% of six weeks of payroll, capped at $1,540 per week per employee, with the Treasury to set interest rates and other terms.	South Korea
	Italy announced a $28 billion plan on March 11 to be divided over two separate spending packages. Among other things, it includes: ▪ Adding money to a fund guaranteeing loans to small and medium businesses ▪ Money to companies who have been hit especially hard by the virus ▪ Help for workers who are facing layoffs	Italy
	Japan has passed two packages of small business loans, one $4.6 billion package in February, and a $15 billion one on March 11	Japan
	▪ The Central Bank of UAE is reducing the amount of capital banks have to hold for their loans to SMEs by 15 to 25 percent. This change will facilitate further access of SMEs to financing. ▪ CBUAE will adopt new regulations with the objective to reduce fees incurred by merchants when their customers pay by debit or credit cards. ▪ The CBUAE will also issue new regulations which will limit fees banks charge to their SME customers, and stipulate that banks cannot require larger minimum account balance that AED 10,000. ▪ Additionally, the CBUAE will mandate all banks to open accounts for SME customers within a maximum timeframe of two days, provided acceptable documentation is in place and that the risk is acceptable in view of the AML and CTF obligations.	UAE
	Temporary Business Wage Subsidy ▪ To support businesses that are facing revenue losses and to help prevent lay-offs, the government is proposing to provide eligible small employers a temporary wage subsidy for a period of three months. The subsidy will be equal to 10% of remuneration paid during that period, up to a maximum subsidy of $1,375 per employee and $25,000 per employer. Businesses will be able to benefit immediately from this support by reducing their remittances of income tax withheld on their employees' remuneration. Employers benefiting from this measure will include corporations eligible for the small business deduction, as well as non-profit organizations and charities.	Canada
	▪ South Korea announced a $9.8 billion stimulus package on March 3, 2020.Among other things, it includes: Small and medium business subsidies to help companies pay workers	South Korea
Fiscal Incentives	▪ Flexibility for individual and corporate taxpayers (tax payment deferral until September) ▪ Canada Revenue Agency will defer the filing due date for the 2019 tax returns of individuals, including certain trusts. ▪ For individuals (other than trusts), the return filing due date will be deferred until June 1, 2020. ▪ For trusts having a taxation year ending on December 31, 2019, the return filing due date will be deferred until May 1, 2020.	Canada

Area of Intervention	Stimulus Package	Country / Region
	▪ The CRA will allow all taxpayers to defer, until after August 31, 2020, the payment of any income tax amounts that become owing on or after March 16 and before September 2020. This relief would apply to tax balances due, as well as instalments, under Part I of the *Income Tax Act*. No interest or penalties will accumulate on these amounts during this period. ▪ In order to reduce the necessity for taxpayers and tax preparers to meet in person during this difficult time, and to reduce administrative burden, effective immediately the Canada Revenue Agency will recognize electronic signatures as having met the signature requirements of the Income Tax Act, as a temporary administrative measure. This provision applies to authorization forms T183 or T183CORP, which are forms that are signed in person by millions of Canadians every year to authorize tax preparers to file taxes. ▪ The CRA is adapting its Outreach Program to support individuals during COVID-19. Through this service, the CRA offers help to individuals to better understand their tax obligations and to obtain the benefits and credits to which they are entitled. Traditionally available in-person, this service is now available over the phone, and through webinar, where possible. ▪ The CRA will allow all businesses to defer, until after August 31, 2020, the payment of any income tax amounts that become owing on or after today and before September 2020. This relief would apply to tax balances due, as well as instalments, under Part I of the Income Tax Act. No interest or penalties will accumulate on these amounts during this period. ▪ The CRA will not contact any small or medium (SME) businesses to initiate any post assessment GST/HST or Income Tax audits for the next four weeks. For the vast majority of businesses, the Canada Revenue Agency will temporarily suspend audit interaction with taxpayers and representatives. ▪ The Liaison Officer service offers help to owners of small businesses to understand their tax obligations. Traditionally available in-person, this service is now available over the phone and will be customizing information during these challenging times by ensuring small businesses are aware of any changes such as filing and payment deadlines, proactive relief measures, etc	
Monetary Policy Incentives	▪ The Federal Reserve cut the policy rate in an emergency action on March 3, and on March 9, in coordination with other U.S. bank regulators, it encouraged financial institutions to "meet the financial needs of customers and members affected by the coronavirus," a move aimed at supporting financial conditions to prevent the growth shock from turning into a broader financial crisis; ▪ U.S. Treasury approved the Federal Reserve's creation of a "Commercial Paper Funding Facility," (CPFF) which allows the Fed to create a corporation which can purchase commercial paper, short-term, unsecured loans made by businesses for everyday expenses ▪ The Federal Reserve announced the Money Market Mutual Fund Liquidity Facility (MMLF). This is a new program, to lend money to banks so they can purchase assets from money market funds	United States of America

Area of Intervention	Stimulus Package	Country / Region
	▪ All Banks operating in the UAE will have access to loans and advances extended at zero cost against collateral by the CBUAE. This will allow the banks to free-up their regulatory capital buffers to boost lending capacity and support the UAE economy ▪ The purpose of the targeted scheme is to facilitate provision of temporary relief from the payments of principal and interest on outstanding loans for all affected private sector companies and retail customers in the UAE. ▪ Effective from 15 March 2020 and for a period of 6 months, the CBUAE has waived all fees which it charges for the payment services provided to banks operating in the UAE through its payment and settlement systems.	UAE
	▪ Lowering capital requirements for U.K. banks, allowing them to use a reserve they call a "counter-cyclical capital buffer," which is money kept in reserve to increase banks' resistance to global financial shocks	United Kingdom
Consumer Protection and welfare	▪ Grant financial support directly to consumers, for example for cancelled services or tickets that are not reimbursed by the operators concerned	EU
	▪ Mortgage lenders have agreed they will support customers that are experiencing issues with their finances as a result of Covid-19, including through payment holidays of up to 3 months. ▪	United Kingdom
	▪ Introducing the Emergency Care Benefit providing up to $900 bi-weekly, for up to 15 weeks. This flat-payment Benefit would be administered through the Canada Revenue Agency (CRA) and provide income support to: ▪ Workers, including the self-employed, who are quarantined or sick with COVID-19 but do not qualify for EI sickness benefits. ▪ Workers, including the self-employed, who are taking care of a family member who is sick with COVID-19, such as an elderly parent, but do not qualify for EI sickness benefits. ▪ Parents with children who require care or supervision due to school or daycare closures, and are unable to earn employment income, irrespective of whether they qualify for EI or not	Canada
	▪ One-time payment to people collecting government benefits such as old-age or veterans' benefits;	Australia
	▪ A $1200 cash subsidy to all adult permanent residents ▪ Paying one month's rent for people living in public housing ▪ Cutting payroll, income, property, and business taxes ▪ Low-interest, government-guaranteed loans for businesses ▪ Extra month's worth of payments to people collecting old-age or disability benefit	Hong Kong
	▪ Canada Student Loan Payments ▪ Placing a six-month interest-free moratorium on the repayment of Canada Student Loans for all individuals currently in the process of repaying these loans	Canada
	▪ Payouts to individual Americans: $500 billion. ▪ This would be done via two separate checks of equal amounts, one on April 6 and one on May 18.	United States of America

Area of Intervention	Stimulus Package	Country / Region
	▪ The specific dollar amounts would be means-tested, meaning it would be based on income level and family size. ▪ Each round of payments would be identical in amount, per the Treasury.	
Unemployment	▪ protect workers from unemployment and loss of income to avoid permanent effect. The Commission stands ready to support Member States in particular short-time work schemes, upskilling and reskilling programmes that have proven effective in the past	EU
Sectoral Incentives	▪ providing further £25,000 grants to retail, hospitality and leisure businesses operating from smaller premises, with a rateable value over £15,000 and below £51,000	United Kingdom
	▪ Business subsidies to businesses in industries such as a tourism, which have been hit hardest by the coronavirus.	Australia
	▪ Airline industry bailout: $50 billion. ▪ This would take the form of secured loans to passenger and cargo air carriers, with the Treasury to set interest rates and other terms. ▪ Limits would be placed on executive pay increases until the loans were repaid. ▪ Other affected industries bailout: $150 billion. ▪ Secured loans or loan guarantees would be extended to "other critical sectors of the U.S. economy experiencing severe financial distress due to the COVID-19 outbreak." ▪ Among the sectors raising their hands for bailouts, largely or wholly for the purpose of paying workers: Hotels ($150 billion requested), casinos, cruise line operators and shopping mall operators.	United States of America
Legislative Support	▪ including new legal powers in the Covid Bill enabling us to offer whatever further financial support we think necessary to businesses ▪	United Kingdom
	▪ President Trump signed an $8.3 billion spending bill, currently called "Phase One" of stimulus efforts, to fund efforts to fight the pandemic including funding research on a vaccine, giving money to state and local governments to fight the spread of the virus and allocating money to help with efforts to stop the virus's spread overseas ▪ House of Representatives passed a stimulus bill, currently called "Phase Two" of the stimulus, to support	United States
Support to Devolved units	▪ over £3.5 billion in additional funding will be provided to the devolved administrations for support to businesses in Scotland, Wales and Northern Ireland	United Kingdom

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