

ANNEX I



CENTRAL BANK OF KENYA			
POLICY MEASURES TAKEN IN RESPONSE TO THE COVID-19 PANDEMIC			
FOR THE PERIOD APRIL - JULY 2020			
	Date	Measure (description/link)	Objective/motivation
Monetary Policy Measures			
1.	23 Mar.	The lowering of the Central Bank Rate (CBR) to 7.0 per cent from 8.25 per cent.	To signal commercial banks towards lowering the interest rates on credit facilities and avail affordable credit to MSMEs across the country.
2.	27 Mar.	Monetary Policy Committee (MPC) reduced the Cash Reserve Ratio (CRR) to 4.25 percent from 5.25 percent, releasing KSh.35.2 billion (USD352 million) as additional liquidity to banks which would be availed based on their demonstrated requirement to directly support borrowers that are distressed as a result of COVID-19. Banks will be required to submit monthly updates on the utilization of the additional liquidity.	To avail KSh.35.2 billion (USD352 million) as additional liquidity to banks to directly support borrowers distressed as a result of the pandemic.
3.	27 Mar.	Extended the tenor for Reverse Repo instruments from 28 to 91 days.	To enable commercial banks access longer term liquidity secured on their holdings of government securities without having to rediscount them.

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Financial / Prudential Measures			
4.	16 Mar.	<p>Following a meeting with Payment Service Providers (PSPs), CBK on March 16 announced a set of measures (to apply for the period between March 16 and June 30, 2020) that will facilitate increased use of mobile money transactions instead of cash, including:</p> <ul style="list-style-type: none"> • No charge for mobile money transactions up to KSh.1,000/- (approx. USD 9). • The transaction limit for mobile money transactions is increased to KSh.150,000 (approx. USD 1,415) from the previous KSh.70,000/- (approx. USD 660). • The daily limit for mobile money transactions per mobile line is increased to KSh.300,000 from the previous KSh.140,000 (approx. USD 1,320). • The monthly total limit for mobile money transactions is eliminated. • The current tariff for mobile money transactions for KSh.70,000/- (approx. USD 660) will apply for transactions up to KSh.150,000 (approx. USD 1,415). • PSPs and commercial banks will eliminate charges for transfers between mobile money wallets and bank accounts. 	To reduce the risk of transmission of COVID-19 (Coronavirus) by handling banknotes, this will also reduce the use of cash in the economy over the medium term.

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5.	27 Mar.	<p>CBK provided guidance on loans classification and provisioning of extended and restructured loans to enable banks work with their customers during this period of the pandemic. CBK provided that the relief granted under the emergency measures will only apply to the borrowers whose loans were up to date as at March 2, 2020 and classified under normal category. Any extension granted should not exceed one year from March 2, 2020. The financial institutions are expected to cover the costs related to extension and report all restructured loans to CBK.</p>	<p>To enable banks work with their customers to alleviate the likely adverse economic effects that they may face from COVID-19 pandemic while safeguarding banking system soundness.</p>
6.	14 Apr.	<ul style="list-style-type: none"> • CBK directed that all banks, mortgage finance companies, microfinance banks and Sacco societies shall not submit to any credit reference bureau (CRB), any negative information on non-performing loans of a customer with effect from April 1, 2020. This only applies to loans that were performing as at March 31, 2020 but became non-performing from April 1, 2020. • Additionally, all third party credit information providers were directed not to submit any negative credit information to any credit reference bureau as from April 1, 2020. • No credit reference bureau shall include in any credit report any negative credit information covered by the directives above and shall be in force until September 30, 2020. • CRBs to stop receiving data from unregulated digital lenders and credit only Micro Finance Institutions (MFIs). 	<p>To cushion consumers from COVID-19 economic stress by preventing consumers from being locked out of accessing credit due to negative credit information sharing. This shall ensure that consumers can access facilities to ease their liquidity concerns.</p>

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7.	24 Jun.	<p>CBK extended the following emergency measures until December 31, 2020:</p> <ul style="list-style-type: none"> • No charge for mobile money transactions of up to KSh.1,000 (approx. USD 9). • The current tariff for mobile money transactions above KSh.70,000 (approx. USD 660) will be maintained. • No charge by Payment Service Providers (PSPs) and commercial banks for transfers between mobile money wallets and bank accounts. 	To reduce the risk of transmission of COVID-19 (Coronavirus) by handling banknotes, this will also reduce the use of cash in the economy over the medium term.
Measures to Facilitate Operational Continuity in Institutions			
8.	25 Mar.	<p>The Central Bank of Kenya (CBK) advised the financial institutions in Kenya to activate their precautionary measures which were to include:</p> <ul style="list-style-type: none"> • Creating two alternate teams to ensure business continuity. • Creating redundant teams for all critical functions and ensuring that the teams are facilitated to undertake requisite functions. • Ensuring that alternate recovery sites are ready. • Updating Business Continuity Plans (BCPs) as they mitigate the pandemic. • Reporting to CBK when they invoke their BCPs and any incident relating to the pandemic affecting their staff members/premises. 	To ensure continuity of operations while mitigating the risks caused by the pandemic.

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9.	27 Mar.	<p>CBK issued a guidance note on pandemic planning for the banking sector. All commercial banks, microfinance banks and mortgage finance companies were required to:</p> <ul style="list-style-type: none"> • Update their Business Continuity Plans (BCPs), strategies and framework and to include planning for pandemics such as COVID-19. • Formulate pandemic response plans for close monitoring of the implementation of BCPs. • Conduct Self-Risk assessment posed by pandemics. • Submit the Pandemic Response Plan and Self-Risk Assessments by April 6, 2020. 	To provide minimum standards to ensure that institutions have resilient frameworks to effectively address emerging pandemic risks in the banking sector.
Internal Administrative Measures			
10.	Ongoing	<p>CBK's internal measures include:</p> <ul style="list-style-type: none"> • International travel by staff put on hold. • Continuous staff sensitization on COVID-19 and measures to prevent and/or limit contagion. • Updating staff contacts to ensure that communication is channelled effectively. • Split working arrangements involving teams working from the office on alternate days. 	To protect the health and safety of staff to the bank while ensuring operational continuity and provision of services in the economy.
Fiscal Measures			
11.	Apr – June 2020	<p>The Kenya Government has instituted the following measures:</p> <ul style="list-style-type: none"> • Voluntary reduction of salaries of top Government officials by between 80 percent and 20 percent. • Transfer of KSh.7.4 billion (approx. USD 70 million) from CBK's General Reserve Fund to the Government's Consolidated Fund. • Implementation of tax reliefs and 	To ease the financial burden on citizens by increasing disposable income and promote business resilience.

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		<p>other measures aimed at increasing disposable income to the people of Kenya, through:</p> <ul style="list-style-type: none"> ○ 100 percent Income Tax relief for persons earning gross monthly income of up to KSh.24,000/- (approx. USD225). ○ Reduction of Income Tax Rate (Pay As - You - Earn) from 30 percent to 25 percent. ○ Reduction of Resident Income Tax (Corporation Tax) from 30 percent to 25 percent. ○ Reduction of Value Added Tax (VAT) from 16 percent to 14 percent effective April 1, 2020. ○ Immediate release of the VAT refund; ○ Reduction of the turnover tax rate on Micro, Small and Medium Enterprises (MSMEs) from the current 3 percent to 1 percent. ● Rollout of a KSh.56 billion (approx. USD 528 million) Economic Stimulus Programme (ESP) to spur economic activity and enable businesses recover from the adverse effects of COVID-19 Pandemic. The ESP targets a wide range of economic sectors including infrastructure, youth empowerment, MSME credit and liquidity support, health, agriculture and manufacturing. 	
12.		<p>The Government has also instituted the following measures:</p> <ul style="list-style-type: none"> ● Government employees aged 58 years and above allowed to take leave or work from home. ● Additional KSh.10 billion (approx. USD 95 million) to the elderly, 	To ease the financial burden on citizens by increasing disposable income and to assist in the fight against COVID-19 by stepping up preventive measures.

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		<p>orphans and other vulnerable members of the society.</p> <ul style="list-style-type: none"> • Voluntary reduction of salaries of top Government officials by between 80 percent and 20 percent. • Government Ministries and Departments to clear pending payments of at least KSh.13 billion (approx. USD122 million) to suppliers within three weeks. • Appropriation of KSh.1 billion (approx. USD 9.5 million) from the Universal Health Coverage kitty, towards the recruitment of additional health workers. 	

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