Accelerating Kenya's tech sector growth

Insights sharing session

April 2026

UKaid from the British people

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Scaling Kenya's Technology Sector 10x – close collaborating of government and leading tech players to unlock growth, create jobs, and attract FDI

I

Kenya today – Strong position to accelerate growth of tech sector

- Kenya is a **leading digital economy in Africa, with ~$7Bn Tech revenue** and high adoption across mobile, internet, and digital services
- **Sustained investment in infrastructure** (connectivity, data centres) has enabled scale and reliability
- A **growing, skilled talent base and vibrant startup ecosystem** continue to support innovation and growth

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Tech accelerator programme – scaling the sector 10x by 2040

- To build on this a **Tech Accelerator Programme to scale the sector >10x by 2040** was launched
- The **programme targets 10 priority opportunities** (incl. device assembly, smartphone assembly, BPO/GCC), with **$50Bn+ revenue and 400K+ jobs potential**
- Steering Committee with leaders from private sector and government established to drive initiative implementation

III

Highlights of achievement to date

- Early execution has build **pipeline of 120+ investment opportunities** with $100mn size
- Traction is building across priority sectors, including **BPO, digital infrastructure, and assembly / manufacturing**
- **Regulatory and ecosystem actions are underway**, demonstrating a shift from strategy to delivery

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Kenya – Africa's strong tech destination

Kenya is one of Africa's **fastest-growing and most stable democracies**, with **4.2% p.a.** GDP growth over the last 25 years, **>95%** youth literacy, a **90%** green power grid, and **>100%** mobile phone penetration

Kenya is rated...

Number 1

- Greatest investment momentum in Africa in 2024[1]
- Funding to start-ups in Africa (~$638M in 2024)[2]
- Highest ChatGPT use (42%) globally as of July 2025
- Greenfield projects in East Africa in 2023[3]

Number 3

- Ease of Doing Business in sub-Saharan Africa[4]
- Women's financial and economic inclusion in Africa[5]

Number 6

- Largest economy in Africa

1 fDi Intelligence 2024 | 2 Africa: The Big Deal Report 2024 | 3 UNCTAD | 4 World Bank 2020 | 5 African Center for Economic Transformation | Note: As of August 2025

Kenya's unique value proposition as starting point to scale the Technology sector in manufacturing/assembly and related areas

Gateway to Africa and beyond

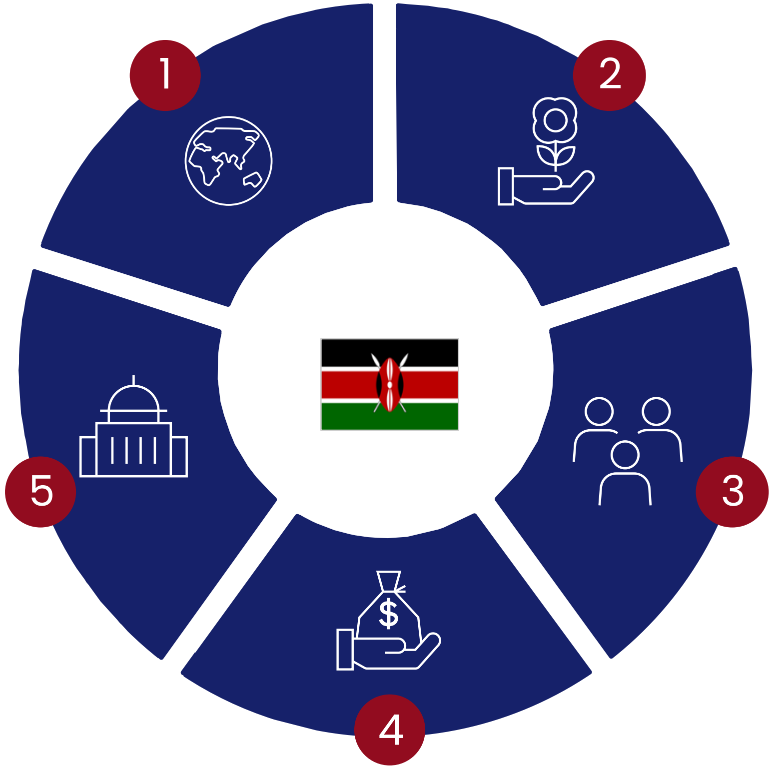
Linkages to Pan-African markets (~1.3 Bn population, >3 Tn GDP)

Preferential access to global markets (inc. U.S., EU, U.K. and Middle East)

40+ bilateral trade agreements and **15+ double tax treaties**

Supportive government and business environment

Pro-business government focused on fiscal stability, infrastructure, and private sector growth



Green powered growth

>90% renewable power generation (inc. **50%** from stable, **low-cost geothermal**)

On track for fully renewable grid by 2030

Young, trainable and productive workforce

>**80%** literacy, strong schooling system and robust tertiary and vocational training

+70% of population working age, providing **large and growing labour pool**

Investor friendly ecosystem

Comprehensive investor protection (inc. **100%** profits repatriation)

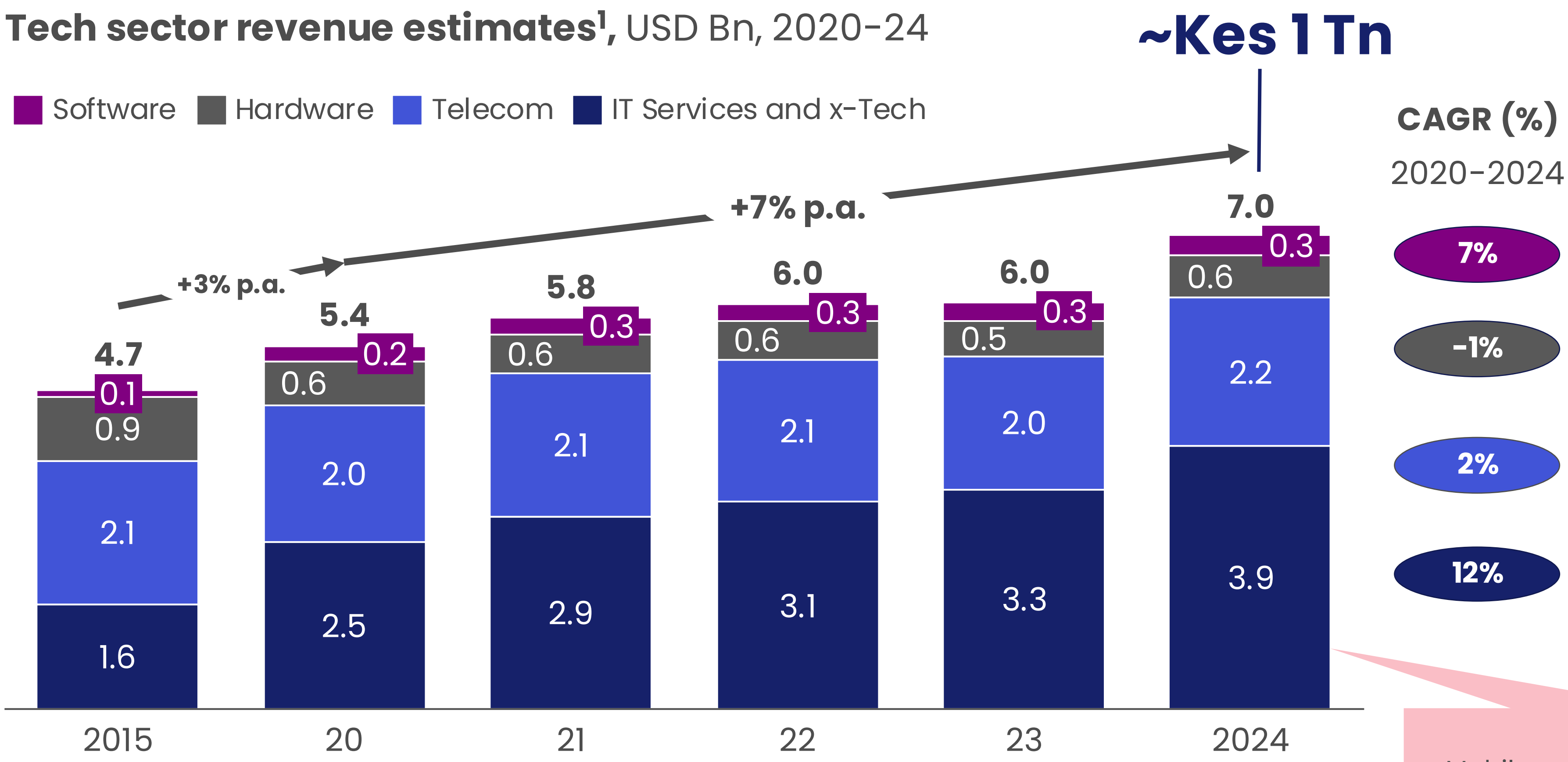
Streamlined investment facilitation process through Invest Kenya

140+ economic zones with incentives for investors (inc. corporate tax holidays, excise duty exemptions, 100% capex allowances)

Kenya Tech sector's revenue is estimated to be ~$7 Bn (~Kes 1 Tn) as of 2024

PRELIMINARY **ESTIMATED FIGURES – TO BE REFINED**

Tech sector revenue estimates[1], USD Bn, 2020-24



In addition to directly measurable revenues, Tech has a significant indirect impact across sectors by driving productivity and innovation

Mobile-money including M-Pesa separated from Telecom and estimated under IT Services and x-Tech

1. Approach used – Total Tech output was calculated by aggregating the core Tech sector (telecommunications, IT services, Software) and assessing Tech-related activity embedded within non-Tech industries, such as Tech manufacturing, Tech export, and x-tech

Source: Oxford Economics, KNBS, Statista, CAK, ECDB, Analysys Mason

Kenya's "Silicon Savannah" is a thriving technology ecosystem with diverse, multidisciplinary players

Kenya's thriving "Silicon Savannah" ecosystem is home to:

Notable 'tech leaders'
including global tech leaders, who have chosen Kenya for their regional HQ

Google, ORACLE, IBM, Microsoft

Fast-growing local and global manufacturing tech companies
spanning BPO, hardware assembly and manufacturing

CCI KENYA, Teleperformance (each interaction matters), Nia Fiber

Leading home-grown telcos
powering one of Africa's most advanced mobile and digital ecosystems

Safaricom, Telkom, JTL Jamii Telecom (Your Trusted Business Partner)

>400 active startups
spanning sectors from the world-renowned M-Pesa to startups creating locally adapted, AI-first solutions

ILARA HEALTH, LipaLater, m-pesa

Kenya attracted >$600 million in VC funding in 2024
the highest in Africa, reflecting high investor confidence and a robust VC ecosystem

BASIGO, M-KOPA, ROAM

The ecosystem is reinforced by:

World-class digital infrastructure
- 8+ subsea cables (>22 Tbps capacity), extensive land fibre
- ~97% 4G and growing 5G penetration
- 10+ commercial data centres; planned 150 MW capacity by 2028

High digital adoption and world-leading AI uptake
- ~140% mobile phone penetration (including smartphones at ~84%, feature phones 56%), 30+ Mn digital public service users
- 42% ChatGPT adoption, the highest globally (July 2025)

Deep talent pipeline
- 60k+ university graduates annually, inc. ~15k in STEM

Strong policy backing
- Technology-oriented regulatory and policy environment with global-standard Data Protection regulation and Cloud policy
- Forward-looking National AI Strategy

Government ambition to digitise equitably
- Delivering against target to roll out 100k KM fibre-optic cable
- Deployment of public Wi-Fi in dense zones
- Digital hubs in all 47 counties
- Investment in tech parks, innovation hubs, and upskilling

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Manufacturing Africa Tech Acceleration Programme

To capitalise on this opportunity, we set out to define how Kenya can scale its tech sector by

>10x by 2040

$100 billion

Annual sector revenue by 2040

800,000+

Jobs by 2040

Goals for the programme

- **Identify clear set of high-value segments for Kenya's tech sector** defining granular investable opportunities
- **Establish of group of committed executives** focused on championing initiatives, forming partnerships and driving investment into high-value areas
- Progress in **positioning Nairobi as a global tech hub**, with near-term announcement of 2-3 signature investments and momentum in attracting major global players

Tech accelerator steering committee journey to-date

August 2025 | **January 2025** | **April 2026**

Phase 1: Steering committee and opportunity definition

- **SteerCo established** with 17 members
- **Rapid diagnostic** of Kenya's current situation and potential opportunity areas, incl. sizing (jobs, investments)
- Target vision definition, based on 10 priority opportunity areas (**~400K jobs, $50Bn+ sector revenue, investments of $5Bn+ by 2040**), incl. concrete set of initiatives for implementation
- **AI startup gathering,** engaging >35 key startup stakeholder engaged

Phase 2: Implementing prioritized opportunities

- **Initiative implementation in first wave** of opportunity areas:
  - Data centres & AI device manufacturing
  - Smartphone assembly
  - Global BPO destination
- 4 main **regulatory interventions** unlocked, with potential to unlock further growth of the Tech Sector and **create 100k+ jobs**
- **120+ investment deals** identified with over **$100M** in size
- **BPO event** at KIICO

Phase 3: Implementing prioritized opportunities

- **Drive implementation of initiatives** in prioritized opportunity areas to scale tech sector and **unlock FDI & job creation**, incl.
  - Company outreach in UK and across EU
  - Initiatives to build skills required to scale Tech Sector
- Support MTech and coordinate broader GoK stakeholders in implementation of **regulatory changes in**
  - **BPO/GCC**
  - **Device assembly**
  - **Smartphone assembly**

...

SteerCo dates: Oct 2025 · Nov 2025 · Dec 2025 · Feb 2026 · March 2026 · April 2026 · June 2026

Steering Committee members

Programme Sponsors

John Tanui

Principal Secretary, State Dept. for Tech Digital Economy

Dan Wilcox

Economic Counsellor, Head of Prosperity and Climate, BHC

SteerCo members

Alexander Fierley
Deputy Ambassador to Kenya, German Embassy

Catherine Muraga
Managing Director, Microsoft Africa Development Centre

Christopher Mwangi
East Africa CTO, Liquid Intelligent Technologies

Henrik Pedersen
Manufacturing, Agribusiness and Services Director for Africa, IFC

Ifeanyi Odoh
Country President, Schneider Electric

John Mwendwa
CEO, Kenya Investment Authority (KenInvest)

Juliana Rotich
CEO, Electronic Citizen Solutions

Meg Whitman
Former US Ambassador to Kenya, former CEO for eBay, HP

Peter Ndegwa
Group CEO, Safaricom PLC

Philip Thigo
Office of the President, Special Envoy on Technology

Qimiao Fan
Country Director, World Bank

Rishi Jatania
CEO, CCI Kenya

Sarah Kabira
Director Technology, Equity Group Holdings PLC

Snehar Shah
CEO, iXAfrica Data Centres

Sven de Cauter
CEO, Teleperformance, East Africa

10 prioritised opportunity areas to scale Kenya's Tech sector, each with set of initiatives driven by SteerCo sub-committees

Prioritised opportunities	Opportunity description	Revenue through 2040, $ Bn	New jobs expected by 2040, '000s
1 Data center and AI engine – and electrical devices	Position Kenya as a 2–3 GW regional data centre hub serving East Africa and the Middle East, incl. assembly of electrical DC devices	8-12	2-3
2 Global BPO and GCC destination	Position Kenya as a competitive GCC and AI-enabled BPO hub for global firms,	7-10	160-200
3 Electric / electronic devices assembly and components manufacturing leader	Build Kenya into a top-10 global electronics assembly and components manufacturing hub	15-25	60-80
4 National AI and Digital Skills and Jobs Accelerator	Launch a National AI and Digital Skills Accelerator to train and certify 1M+ Kenyans annually	Enabler towards the 10x opportunities' numbers	
5 Digital transformation of every Kenyan enterprise	Accelerate the digital transformation of Kenyan startups and SMEs to boost productivity, resilience, and competitiveness	TBD	TBD
6 Kenya Stack	Develop a "Kenya Stack" of interoperable digital public infrastructure	As separate project with World Bank, triggered out of the Tech Accelerator programme	
7 Growth capital and incubator platform for x-Tech scaleups	Catalyse a growth capital and incubator platform to scale Kenyan tech ventures	4-6	14-20
8 80%+ broadband connectivity across Kenya	Scale broadband to 80%+ nationwide, mobilising $1.5–2B in investment to connect 53–60M people by 2040	Enabler towards the 10x opportunities' numbers	
9 Enabling regulation	Enabling regulations across all 10 identified opportunity areas	Enabler towards the 10x opportunities' numbers	
10 Tech-focused University Ecosystem	Build a tech-focused university ecosystem to develop world-class Tech talent and innovation	Enabler towards the 10x opportunities' numbers	

SteerCo sub-committees driving initiatives in each opportunity area

Owner / Co-owner

	Opportunity	Sub-committee
1	Data center and AI engine – and electrical devices	Snehar Shah, Qimiao Fan, Guy Wilner, Boniface Mungania, Riyaz Bachani
2	Global GCCs and BPO destination	John Mwendwa, Rishi Jatania, Sven de Cauter, Catherine Muraga, Gatsby working group
3	Global Electronics devices assembly and Components manufacturing leader	Ifeanyi Odoh, John Mwendwa
4	National AI and Digital Skills and Jobs Accelerator	*Being established* - interest expressed from Catherine Muraga, Snehar Shah, Sarah Kabira
5	Digital transformation of every Kenyan enterprise	*To be established*
6	Kenya Stack	John Tanui, Aneliya Muller, Peter Ndegwa, Qimiao Fan
7	Growth capital and incubator platform for x-Tech scaleups	*To be established*
8	80%+ broadband connectivity across Kenya	*To be established*
9	Enabling regulation	John Tanui, Philip Thigo, Snehar Shah, Ifeanyi Odoh, Rishi Jatania, Sven de Cauter, MoICT team (Oscar Raha, Ben Waweru, Mary Kerema, Samuel Kiprop, John Kiria, Washington Okoth, Richard Kerich)
10	Tech-focused university ecosystem	*Being established* - interest expressed from Catherine Muraga, Snehar Shah, Sarah Kabira
11	Company reach outs across opportunities 1, 2, 3	German delegation: Christoph Zipfel, Alexander Fierley, Olaf Seidel, Jorg UK delegation: Dan Wilcox, Tertia Bailey EU delegation: Ondrej Simek, Milou Vanmulken (coordinating across countries)
+	*Additional sub-committee on fundraising / future of steerco*	*Tertia Bailey, Kartik Jayaram, further key stakeholders to be defined*

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Tech acceleration SteerCo impact at a glance

14

MA Kenya transactions with **>$400M** FDI amount

10

Identified opportunities areas to be pursued with potential for **~400K jobs**, **$50Bn+ Tech sector** revenue and attract investments of **$5Bn+** by 2040

ORACLE

iXAfrica DataCentre

120+

Investment deals in deal Pipeline with over **$100M** in size

>20

BPO deals with ~**1500 seats**

5

SteerCo meetings, created an eco-system of **>35 stakeholder** during the AI start-up event

4

Enabling regulations to unlock further growth of the Tech Sector with potential to create **>100K direct and indirect jobs**

Example deal opportunities across priority areas

Example deal opportunities

Ties to the UK through parent company or UK-based shareholder

NON-EXHAUSTIVE

There are **120+ investment deals** in the pipeline, totaling **over $100M**

These investment deals have potential to **generate ~50-56 thousand jobs** in Kenya

Data centres, digital infrastructure, and AI

ORACLE
- Kenya's first public cloud region

Safaricom (UK ties)
- Building AI-ready infrastructure

airtel (UK ties)
- East Africa's next hyperscale data centre
- $150 mn

CASSAVA sciences
- NVIDIA-backed African AI factory buildout
- ~$100-$150 mn

BPOs and GCCs

Lufthansa
- Piloting IT/tech services GCC

BDO (UK ties)
- Regional delivery hub for advisory services

SIEMENS
- Establishing cybersecurity GCC hub

concentrix
- Establishing customer care operations in Kenya

TECHNO BRAIN Empowering Lives (UK ties)
- Scaling tech capabilities for GCCs in Kenya

Device and electrical equipment manufacturing

M-KOPA (UK ties)
- Scaling local smartphone assembly

MIKA
- Setting up refrigerator and cookers' assembly plant
- $20 mn

SUN MOBILITY
- Expanding charging stations network to 200+
- $60 mn

Schneider Electric
- Local assembly of electrical & power equipment

Transsion
- Investing in local smartphone assembly

Achievement to date of the Tech accelerator steering committee

1. 2-3 GW data centre region and AI Engine

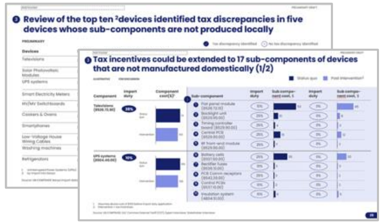
- **20+** DC deals pipeline with estimated value of **~ $70+Mn**
- Conducted AI start up event system event with **35+** start up players
- Unlocked significant expansion of **local electrical device assembly** for regional datacenters

2. Global BPO and GCC destination for industrial players

- **~25+** BPO deals with **>2000** seats
- Engaged **50+** European, German companies on outsourcing opportunities in Kenya
- Launched systematic company outreach campaign, including showcasing Kenya at **Hannover Industrial Fair, GITEX Berlin**

4. Electric / electronic devices assembly and components manufacturing

- Engaged **10+** global and regional companies on assembly opportunities in Kenya
- Supported **2** domestic manufacturers setting up local assembly; expected capital investment of **~$20Mn**



6. Kenya Stack

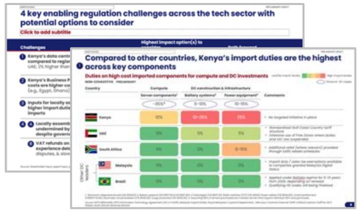
- Defined design choices and initiatives across **5** key areas (sovereignty, roles & responsibilities, reference architecture, utilities, domain prioritisation) to progress implementation and funding actions
- Engaged **10+** stakeholders across GoK, development partners and private sector to obtain input and build consensus on design choices

As separate project with World Bank, triggered out of the Tech Accelerator programme

9. Enabling regulation

4 regulatory areas to unlock further growth of the Tech Sector for discussion with PCS and other regulatory facilities, including:

- **Data centre capex** duty/tariff exemptions
- **BPO-GCC cost-to-serve** levers
- **Power equipment duty discrepancies** between imported finished goods and component
- **Grey channel imports and VAT refunds**



New Oracle Cloud Region hosted by iXAfrica; shows step change in Kenya's cloud and data centre markets

DEAL SPECIFICS ARE CONFIDENTIAL

ORACLE

iXAfrica DataCentre

L4 *Pipeline deal stage*

The deal	Oracle and iXAfrica have signed a deal to **deliver Kenya's first public cloud region** • Cloud region will **start with 1 MW** – expected to scale up thereafter • Plan to **go live in H1 2026**
Implications for Kenya's DC & AI sector	**Kenya becomes domestically "cloud-native"** • Enables compliance of data-resident and regulated workloads • Improves performance for latency-sensitive use-cases • Supports local AI development closer to end users **Anchor hyperscaler catalyses follow on demand** • Entry of tier-1 hyperscaler de-risks the market for global cloud players • Crowds in additional hyperscalers and global cloud service providers • Validates Nairobi as a regional cloud and AI hub **Accelerates infrastructure investment and enterprise adoption** • Triggers incremental investment in cloud, AI and carrier-neutral DC capacity • Establishes a self-reinforcing growth loop between cloud adoption and infrastructure build-out

"Around the world, governments and enterprises rely on OCI for its security, scalability, and ability to run mission-critical workloads that enable innovation at scale"

– David Bunei, country leader Kenya, Oracle

KENYA NEWS

iXAfrica Selected To Host Oracle Cloud Infrastructure Region In Nairobi

By Kevin Namunwa | January 27, 2026 | 2 min read

iXAfrica Data Centres has been selected as the host partner for the Oracle Cloud Infrastructure (OCI) region in Nairobi

AI

iXAfrica to host Oracle's first public cloud region in Kenya

27 January 2026 2 minutes

iXAfrica Data Centre Limited has been selected by Oracle as the host partner for the Oracle Cloud Infrastructure (OCI) region in Nairobi, marking the launch of Kenya's first public cloud region.

AI engine opportunity: Highlights from the Kenya Tech Acceleration SteerCo AI ecosystem gathering

Thursday, 27 November 2025

Key takeaways from the session

- The gathering convened **38 participants** across the ecosystem (including smartphone assembly players, AI startups, infrastructure providers, financial institutions and government stakeholders)
- We collectively identified **areas for action** across **demand, financing, infrastructure and talent** to boost Kenya's AI startup ecosystem
- Ecosystem players in the room expressed **strong enthusiasm to translate high-potential ideas into action**

Structured company reachout, example Germany: Structured and progressed engagement with industrial companies

Archetype	**Large industrial enterprises establishing local operations**	**Mid-sized companies leveraging platform companies**	**Roadshows linked to industrial fairs**
Description	Through Large enterprises that expand into new markets by leveraging their existing enterprise scale	Mid-sized companies that source talent through existing platform and eco-systems	Partnering with large BPO companies that are already set up serving across several sectors
Reach out approach	Large industrial enterprises establish operations leverage BPO services to cater to needs and capabilities	• Engage with platform outsourcing companies for existing skills and talent needed to get talent sourced • Leveraging industry leaders can serve as a strong pull factor, particularly for stakeholders influenced by peer actions	• Approaching BPO's/GCC's through through events and roadshows • Create interest and excitement by bringing Kenyan companies to Germany and vice versa
Companies spoken to/ Event planned	Lufthansa Industry Solutions SIEMENS	• Multiple companies through import promotion desk • Bavarian cluster companies	HANNOVER MESSE GITEX EUROPE Berlin
Update	**Lufthansa Industry solutions** • Engaging with German team to define next steps beyond the pilot phase	• 6 German companies coming to Kenya through import promotion desk • Ongoing discussions with Bavarian cluster companies	**Two upcoming events** • Hanover Industrial Fair – 20 -24th April 2026 • Gitex Europe Berlin - 30 June – 1st July

A pipeline of tech manufacturing and assembly investments to be built and progressed, unlocking significant job creation and revenues

Focus area	Companies	Opportunity
Smartphone assembly	M-KOPA, sun king, EADAK	Scale smartphone assemblers with existing distribution channels in Kenya and appetite to keep expanding production to meet **Kenya's 42mn smartphone demand**. Current capacity: • **M-Kopa:** ~4.5 mn p.a. • **EADAK:** ~3 Mn p.a • **Sun King:** ~0.7 mn p.a.
	Transsion, BBK, xiaomi	Engage global smartphone OEMs with large local footprint across entry- and mid-range brands (Oppo, RealMe, Teco, Infinix etc.) and potential to localise assembly of their regional demand • Ongoing interest from **Transsion** to set up local assembly plant in Kenya
Consumer electronics	MIKA Appliances for life, Hotpoint, ARMCO, Ramtons	Local distributors with **strong regional footprint** (own-name brands, with contract manufacturing in Turkey, China etc.). Potential to localise assembly of their regional brands to serve **regional consumer spend of ~$395mn** • **Hotpoint** is piloting a cookers' assembly line in Nairobi, with additional capacity planned dependent on pilot success • **Mika** is setting up **$20 Mn+** refrigerator and cookers' assembly plant with planned expansion into televisions and hand-held appliances
E-mobility and EV infrastructure	SUN MOBILITY, ARC RIDE, RIVIAN, ROAM, AMPERSAND	Roll out of at-scale charging & swapping networks in Kenya/EAC to meet **projected demand for 200mn E2W by 2035** • Sun-Mobility expanding its network of charging stations in Kenya to 200+ by 2027 Building an Africa-ready fleet platform + software stack (i.e., telematics, service etc.) • Rivian to **pilot EV products for the regional market e.g., e-bikes** (likely 2027 launch) Scaling regional e-mobility and EV-infrastructure players (e.g., Roam, ARC, Ampersand)
Power and electrical equipment	Schneider Electric, imexolutions, METSECI, TANELEC, SWITCHGEAR LTD	Establish local partners with Schneider Electric (global OEM) to expand domestically assembled power equipment focusing on high-demand and feasibility categories • Working with Schneider and Imexolutions to pilot domestic assembly expansion of prioritised power and electrical components

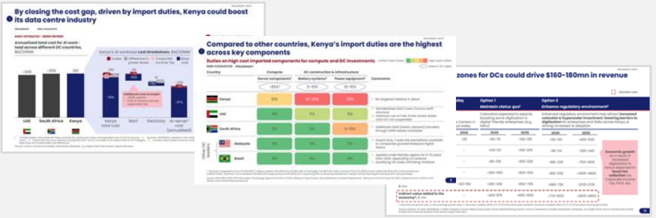
PRELIMINARY DRAFT

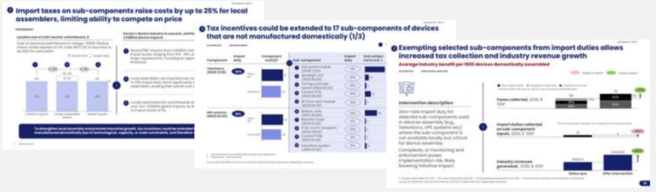
4 key enabling regulation challenges across the tech sector with potential options to consider

● Deep dive next

Challenges	Highest impact option(s) to consider	Revenue uplift[3], $mn 2030	Job uplift[2], 000's 2030
1 **Kenya's data centre costs are higher compared to regional markets** (5% higher than UAE; 2% higher than South Africa)	DC-specific SEZ designation	~400	~0.3-0.8
2 **Kenya's Business Process Outsourcing (BPO) costs are higher compared to regional markets** (e.g., Egypt, Ghana)	BPO-specific SEZ designation	~140	~13-19
3 **Inputs for locally assembled devices face higher import duties vs fully assembled imports**	Reduce import duty charged on select sub-component imports	~575	~30
4 A **Locally assembled smartphone market undermined by grey-channel imports despite government import duty incentives**	KRA-CAK draft IMEI registry system	~103	~6
4 B **VAT refunds on smartphone imports experience delays** due to unresolved tax disputes, & slow payment reimbursement	"Zero-zero" VAT charge on smartphones (i.e., charge 0% VAT on component imports)		

30+ page fact pack created for each regulatory intervention





1. Deadline for the finance bill is 28th March; 2. Includes direct and indirect job creation; 3. Direct revenues generated only

4 Smartphone manufacturers in Kenya face 2 key challenges

INDICATIVE **FOR DISCUSSION**

Challenge	Grey-channel smartphone imports	Delayed VAT refund reimbursements
Description	**~70% of the local market is served by devices imported through grey channels**, that bypass import duties and regulations	**VAT refunds originating from VAT paid on smartphone component imports experience delays** (e.g., ~$5Mn+ in delayed refunds to smartphone assembly players in 3+ years). This is often caused by unresolved tax disputes, and payment reimbursement delays
Key implication	Grey-market smartphones **erode the economics and business case for local smartphone assembly**, as they are widely available and typically only 5-10% more expensive than locally assembled devices	**Smartphone assemblers' experience working capital constraints**, due to capital reimbursement delays, increasing financing costs and limiting production scale and competitiveness

Source: Industry stakeholders' interviews

4a Government incentives currently drive competitiveness of locally assembled smartphones in Kenya

Normalised unit economics of smartphones in Kenya (i.e., % of price of a smartphone imported through official channels – China rates)

Cost category	Imported phone (official channel)	Kenyan assembled smartphone	
Components	41	49	• 0% import duties (reduced from 10%[1]) • 8% additional logistics cost for Kenya
Labour	5	3	• Kenya's labour rates are 20% lower • Productivity is estimated ~60% lower than China
Electricity and overhead	8	13	• Kenya's current power tariff is $0.09kWh • Comparatively lower scale drives higher overheads per unit for Kenya
Margin	5	5	• Average margin used is 10%
Smartphone cost	60	71	• Sum of input costs
Tariffs + taxes	34	0	• Custom + excise duty increased from 25% in 2023 to 35% in 2025 for imported phones
Logistics costs	7	6	• 5-7% cost per device for in-country logistics
End-user price	100	77	• Tariffs on imported phones drives Kenya competitiveness

As a result:

Local players have set up assembly capacity in Kenya (e.g., M-Kopa, EADAK, Sun-King)

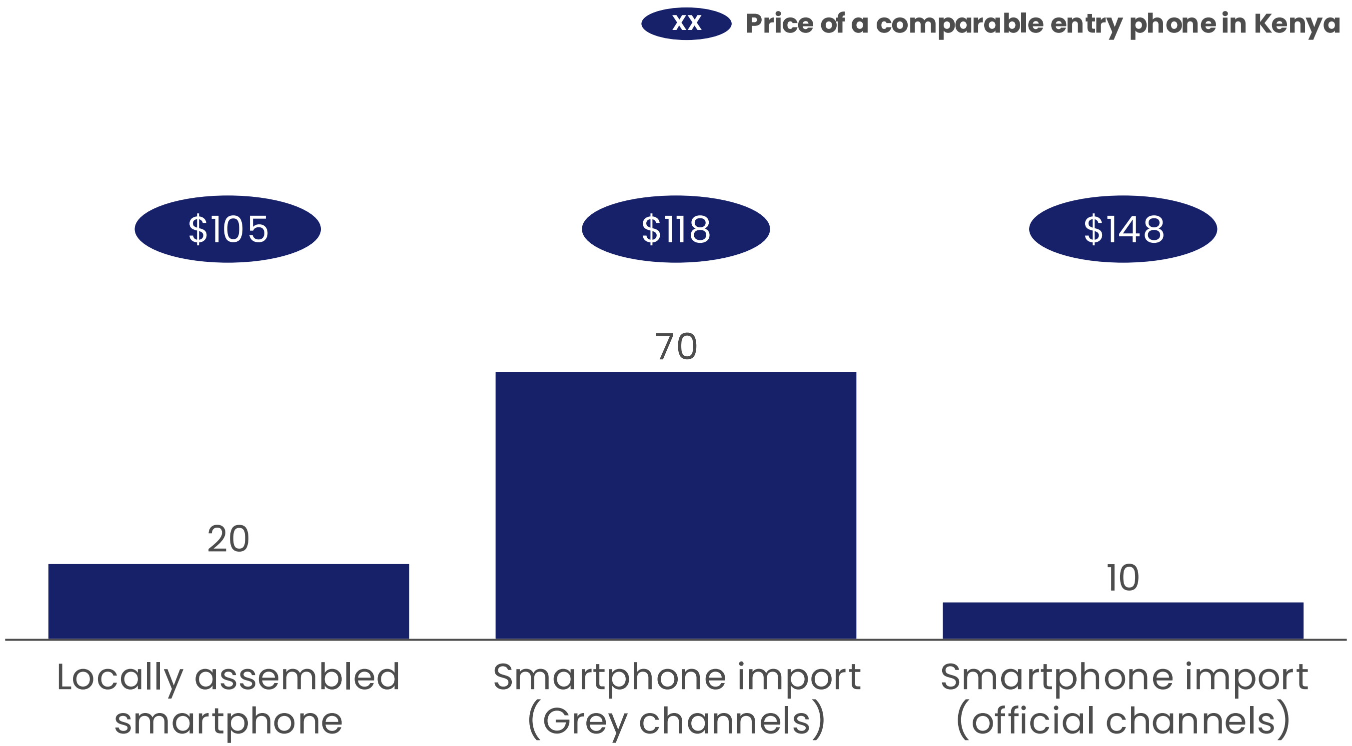
However, **investment uncertainty remains.** Incentives may change year on year, making long-term investment decisions difficult

1. Import duty typically applied to intermediate electronic goods in the EAC Common External Tariff

Source: Expert interviews; Press search; Communications Authority of Kenya (CAK); Kenya revenue authority

4a Grey-channel smartphone imports, however, comprise 70% of the Kenyan market, challenging the viability of local assembly

Smartphone import channels market share (as of today), %



Majorly distributed through informal wholesale hubs, independent retail stores and online shops without official receipts or local warranties

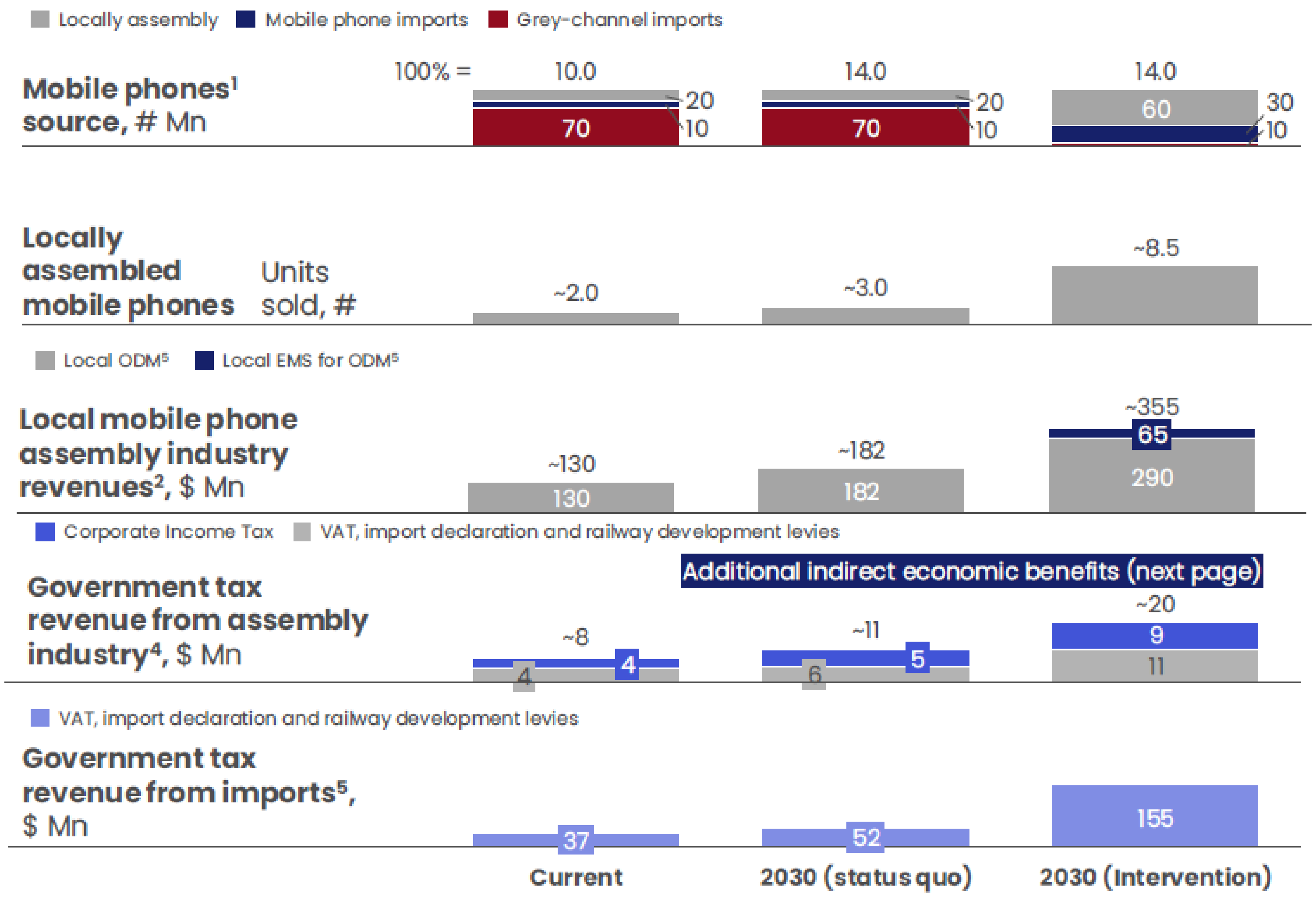
Key insights

- **~70% of the local market is served by grey-market devices** that bypass duties and regulations (under- or mis-declared at ports or airports)
- Grey-market smartphones **erode the economics for local assembly**, as they are widely available and typically only 5-10% more expensive than locally assembled devices
- Market could see competition from large scale players in COMESA region (e.g., Egypt)

Source: Industry practitioners' interviews

4 Interventions in the smartphone assembly ecosystem could potentially unlock ~$350+ mn of revenues and~ 5000 jobs (1/2)

INDICATIVE FOR DISCUSSION



Key takeaways

The IMEI whitelist registry and zero-rating smartphone components' VAT initiatives **could unlock a ~3x uplift in government tax revenue**[3] and **local smartphone assemblers revenues**

Reducing grey imports and refund delays **shifts smartphone sales into formal, transparent and effective channels,** creating a level playing field for domestic mobile phone assemblers and building confidence among local and global manufacturers

Streamlined VAT treatment **eliminates KRA's refund-processing tasks**, and limits opportunities for false claims, a critical target area for GoK's 2024-2025 medium-term review strategy

1 The average price of all mobile phone in Kenya is KES 20,000 (~$155), while the average price of a locally assembled mobile phone is currently KES 5,000 - 6,500 (~$40-50) | 2. In 2030 (Intervention) scenario, Assembler revenue is achieved on ODM sales (~1.5Mn units) and 5% charged for electronic manufacturing services (EMS) for global ODMs (~7Mn units) 3. Comprises of direct tax (corporate tax) and Indirect tax (VAT and customs (import declaration & railway development levies)) | 4. 100% of import tax revenue realized is from sub-component imports; used in domestic smartphone assembly | 5. Original Device Manufacturer (ODM); Electronic Manufacturing Services (EMS) | 5. Includes VAT 16%, RDL 3.5%, IDF 2%, excise duty 10% and import duty 25%

Source: Industry stakeholder' interviews; Press Search

Interventions in the smartphone assembly ecosystem could potentially unlock ~$350+ mn of revenues and ~5000 jobs (2/2)

PRELIMINARY **NOT EXHAUSTIVE**

1 Attracts global OEM Capex investment

Eliminating VAT on smartphone subcomponents and curbing grey imports **formalizes demand, strengthens assemblers' cash flow, and paves the way for scalable domestic assembly**. This strategy attracts international OEM investment, fueling industry growth and innovation

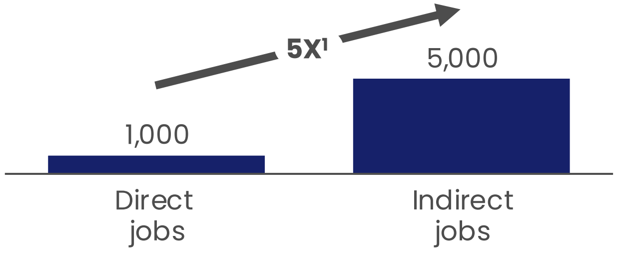
$10-20Mn average capex investment for a consumer devices assembly facility in Kenya

2 Increased industrial capacity expansion and job creation

Enhanced economic performance for compliant assemblers drives production expansion, facilitates new facility investments, and fosters supplier development

This growth **creates direct manufacturing jobs and stimulates indirect employment** within logistics, retail, and technical services, strengthening the broader economic ecosystem

Smartphone assembly job creation, 2030



3 Enhanced consumer protection and market integrity

Reducing grey imports enhances compliance with safety, quality, and warranty standards, safeguarding consumers from subpar devices

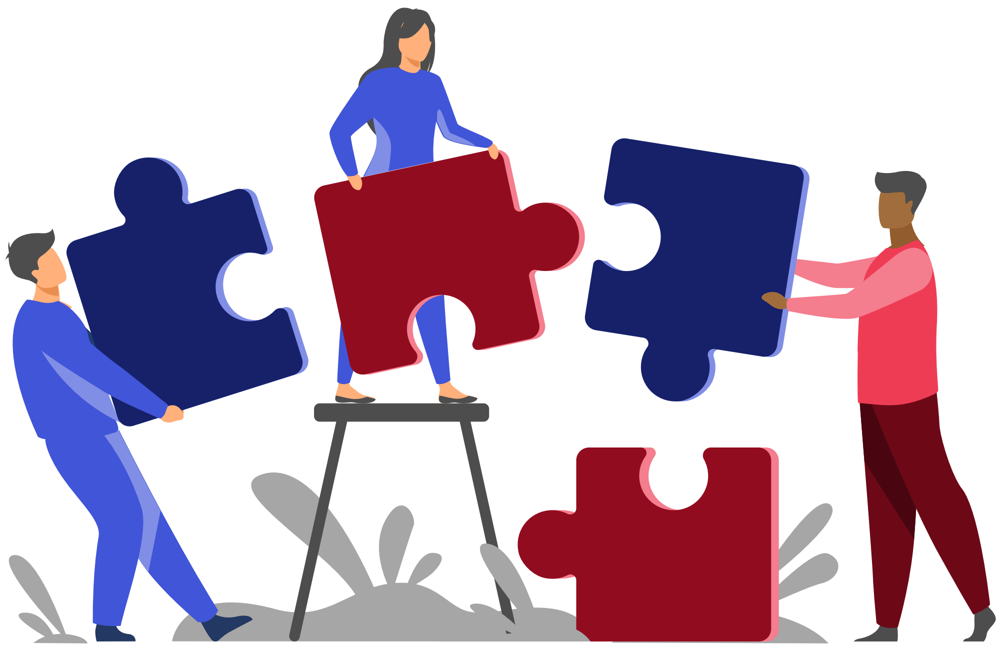
It also fortifies formal retail channels and supports structured after-sales service ecosystems, **ensuring reliable and consistent customer experiences**

1 Direct and indirect jobs multiplier for devices manufacturing in emerging nations

Source: BPO Sector Growth and Inclusive Development in the Philippines, Genesis analytics, press search

Lessons Learnt

Four critical lessons learned in driving success and impact



Broad SteerCo representation
with C-level leaders from government, private sector (Tech players, manufacturing, financing), and development partners

Focus on high-impact opportunities
based on fact-based prioritization, to unlock job creation and fuel sector revenue

SteerCo member ownership
members take ownership of the programme success, and actively drive initiative implementation

Early wins
concrete deals and regulatory unlocks build self-reinforcing momentum

Central team as back-bone
creating fact base, supporting to drive initiative implementation, coordination across workstreams and manage interdependencies