AFRICA RECOVERY AND RESILIENCE PLAN

Kenya - The Diversified Manufacturing Gateway into East and Central Africa
Equity Group Holdings Plc Headquarters
Equity Centre, Upperhill, Nairobi
The Africa Recovery and Resilience Plan

...an implementation plan to capacitate, connect, coordinate and finance African value chains to transform Africa’s wealth
Background to the “Africa Recovery and Resilience Plan”

Africa remains a continent of significant but nascent economic opportunities underpinned by secular growth drivers of:

- **Natural resources** – arising from agricultural land and extractives that will fund future growth, has potential to catalyse inclusive growth and support comparative advantages for industrialisation
- **Productivity gains** – arising from improving access to healthcare, education, finance, infrastructure and technology. At the same time a brain gain is taking place.
- **Growing Consumption** – driven by large, young, urbanizing and growing population
- **Rising intra-continental trade** – that expands regional market opportunities and access to regional / on the ground skills
- **Formalizing and more connected value chains** – stemming from technological advances, improving coordination and integration resulting in deeper and richer ecosystems.

However, social and economic constraints persist (at the individual level to the household level to the business level to the value chain level to the macro level), with policymaking tools constrained, especially post global pandemic stimulus and Ukraine-Russia war.

To ensure continued social and economic development on the continent and ultimately realize Africa’s nascent economic opportunities, local private sector will need to play a more prominent and intentional role in the recovery and resilience of the African continent. Equity Group’s corporate strategy, as an African-grown and African-focused plan, is to be a catalyst of wealth transformation for the African continent. The plan ultimately aims to capacitate, finance and connect East African Community value chains to global supply chains. Equity Group will leverage off a region that; (i) gives access to critical raw materials; (ii) can support industrial capacity needs and an entrepreneurial and innovative local workforce; and (iii) provides a sizeable market that is increasingly becoming more integrated.
Overview of the “Africa Recovery and Resilience Plan”

The Plan

The Africa Recovery and Resilience Plan is aimed at catalysing a demand complementarity-led transformation of Africa, underpinned by: (i) capacitating and enhancing productivity of raw material producers, (ii) integrating primary producers to more co-ordinated African productive / manufacturing capacities; and (iii) connecting these primary and secondary sectors to global supply chains (and capital markets) that are now more focused on reducing concentration risks with increased focused on assurance of accessibility.

Equity Group’s execution of the “Africa Recovery and Resilience Plan” will be underpinned by its Social and Economic Engines that capacitates value chains (Social Engine) and provide holistic financial solutions to productive ecosystems (Economic Engine).

Equity Group’s excess liquidity (currently ~2% of cumulative GDP of east and central Africa) will be redirected to the private sector across various value chains.

6 Pillars of the Plan

The Plan comprises 6 strategic pillars that ensure a systematic, co-ordinated and holistic framework for execution:

- **A more coherent and productive natural resource ecosystem in agriculture and extractives** – more coordinated, connected and capacitated primary supply chains will drive higher productivity and throughput
- **Manufacturing and logistic anchors** – Africa has an opportunity to leverage off its natural endowments to anchor expansion of productive capacities and manufacturing capacity. More importantly, a coherent primary sector which is integrated to pan-African productive capacities will drive demand complementarities across regional blocs over the medium- to long-term
- **Trade and investment to give broader market access and support factor mobility** – expanded markets and access to technology, capital and skills will enhance offtake of African products and services
- **MSMEs** – connectivity of small businesses into formal primary and secondary sector value chains will enrich and drive more integrated domestic value chains / demand complementarities
- **Social and environmental transformation** – capacity building of value chain stakeholders, especially amongst smallholder farmers and MSMEs will drive sustainable productivity gains and improve ease of factor mobility
- **Technology-enabled economy** – online businesses will accelerate connectivity and velocity in ecosystems

Objectives of the Plan

The first phase (end-2025) objectives of the plan include:

1. **Inclusivity of 100 million online businesses and consumers:** Economic and social inclusion of more productive households and financially enabled value chains
2. **Multiplier effect of 5 million borrowing businesses and 25 million borrowing consumers:** borrowing businesses to drive value chain expansion and employment, whilst consumer borrowing to enable household aspirations and livelihoods
3. **Employment of 50 million:** 25 million direct jobs to be created as businesses grow and a further 25 million indirect jobs created as value chains expand and deepen
4. **Additional private sector lending of ~2% of regional GDP:** loan book to be directed towards agriculture [30%], manufacturing [15%], MSMEs [65%]
Framework and objectives

Equity Group’s 2025 strategy is a multi-pronged and holistic solution to achieve social and economic transformation of Africa. The strategy comprises 6 strategic pillars that will be operationalized through a collaborative, deliberate and ecosystem-centric approach. The plan was conceived with execution in mind and with no economic and financial assumptions, only targets!
Overview of strategic pillars and pillar programmes

EGH strategic plan has 6 pillars each comprising programmes which in turn comprise various initiatives that aim to: (i) systematically link, enrich and deepen value chains; and (ii) together provide sequential, holistic and coordinated solutioning towards social and economic transformation of Africa.

<table>
<thead>
<tr>
<th>PILLAR 1(A&amp;B): PRIMARY SECTORS</th>
<th>PILLAR 2: MANUFACTURING &amp; LOGISTICS</th>
<th>PILLAR 3: TRADE &amp; INVESTMENT</th>
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<tbody>
<tr>
<td>DRIVE HIGHER PRODUCTIVITY</td>
<td>SUPPORT VALUE-ADDIING ECOSYSTEMS</td>
<td>STIMULATE INTRA-CONTINENTAL TRADE</td>
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<tr>
<td>ENHANCE VALUE CHAIN CAPACITATION, LINKAGE &amp; COORDINATION</td>
<td>SCALE VALUE CHAIN ANCHORS &amp; ENHANCE SUPPLY CHAIN LINKAGES</td>
<td>INCREASE REGIONAL AND INTERNATIONAL LINKAGES</td>
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<td>INCREASE DOMESTIC MARKET ACCESS</td>
<td>ESTABLISH MANUFACTURING &amp; SERVICES HUBS</td>
<td>ATTRACT FOREIGN DIRECT INVESTMENT</td>
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<tr>
<th>PILLAR 4: MSMEs</th>
<th>PILLAR 5: SOCIAL &amp; ENVIRONMENTAL TRANSFORMATION</th>
<th>PILLAR 6: TECHNOLOGY-ENABLED ECOSYSTEM</th>
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<tbody>
<tr>
<td>CATALYSE ENTREPRENEURSHIP</td>
<td>CHAMPION SOCIAL &amp; ENVIRONMENTAL TRANSFORMATION</td>
<td>ENABLE A MORE DIGITAL ECONOMY</td>
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<td>CAPACITY BUILDING</td>
<td>PRODUCTIVITY GAINS</td>
<td>DIGITISE VALUE CHAINS</td>
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<td>ACCELERATE LINKAGE OF MSMEs TO FORMAL VALUE CHAINS</td>
<td>SUPPORT ENVIRONMENTAL TRANSFORMATION</td>
<td>DRIVE DIGITAL VELOCITY</td>
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The world is resetting and Africa has an opportunity to significantly improve its position in the new world order.

...Africa has the attention of the world that is seeking solutions to a more sustainable future.
How the world views the current relevance of Africa...access to Covid vaccines very low

Data source: Bloomberg
Opportunity statement: The pandemic has put the spotlight on a highly concentrated global manufacturing supply chain that requires diversification.

40% of global chemical product exports come from 5 countries

Three largest exporters of chemical products spread across Europe (Germany, 11%), Americas (US, 10%) and Asia (China, 8%)

48% of global machinery & transport equipment exports from 5 countries

Three largest exporters of machinery and transport equipment spread across Europe (Germany, 14%), Asia (China, 13%) and Americas (US, 8%)

63% of finished electronic goods exports come from 5 countries

56% of finished electronic goods exports concentrated in Asia

65% of global electronic parts and component exports from 5 countries

59% of global electronic parts and component exports from 5 countries

65% of electronic parts and components exports concentrated in Asia

Source: UNCTAD data
Opportunity statement: Ukraine - Russia war has put the spotlight on highly concentrated agricultural production that requires alternative sources

92% of palm oil production takes place in 5 countries
68% of sunflower oil production takes place in 5 countries
72% of olive oil production takes place in 5 countries
89% of soybeans production takes place in 5 countries
67% of canola production takes place in 5 countries
54% of wheat production takes place in 5 countries
70% of maize production takes place in 5 countries
72% of rice production takes place in 5 countries

Data source: FAO
A relevant Africa is a coordinated and integrated Africa

The Africa Recovery and Resilience Plan aims to position EAC to become an anchor to a One Africa
Integration and coordination between African countries has potential to improve significantly...EAC positioned to be the anchor

Trade with own members

<table>
<thead>
<tr>
<th>Region</th>
<th>African trade with members</th>
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<tbody>
<tr>
<td>Africa</td>
<td>16%</td>
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<tr>
<td>SSA</td>
<td>19%</td>
</tr>
<tr>
<td>COMESA</td>
<td>8%</td>
</tr>
<tr>
<td>EAC</td>
<td>16%</td>
</tr>
<tr>
<td>ECCAS</td>
<td>2%</td>
</tr>
<tr>
<td>ECOWAS</td>
<td>11%</td>
</tr>
<tr>
<td>SADC</td>
<td>20%</td>
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Data source: FAO
Kenya

The diversified manufacturing gateway into East and Central Africa
Kenya growth – located in one of the highest growth regions in the world with neighbours’ accelerating growth a tailwind for Kenya

Kenya’s neighbouring countries are amongst the highest growing in the world. This provides a significant tailwind for Kenya.
Kenya market potential – neighbouring markets expand Kenya’s access to USD316bn GDP / 309m population market and significant trade potential

Kenya’s growth potential is the extent to which it has soft and hard infrastructure that connects it with 5 neighbouring countries. As a member of EAC, Kenya is well positioned to be the gateway to East and Central Africa.

5 neighbouring countries

Source: UNCTAD, World Bank data
Kenya’s position as a diversified manufacturing gateway into East and Central Africa positions it for increased cross-border trade and investment therefore accelerating growth of its domestic private sector.

### Kenya trade corridors – 48% of Africa trade is with its 5 neighbours

- **48% of Kenya’s merchandise trade in Africa is with its neighbours**
  - Total trade (USD’000): 79,164 - 1,093,223
  - Merchandise total trade with neighbours (USD2.2bn)

- **54% of Kenya’s Africa exports is with its neighbours**
  - Total trade (USD’000): 69,427 - 753,028
  - Merchandise exports with neighbours (USD1.4bn)

- **40% of Kenya’s Africa imports is with its neighbours**
  - Total trade (USD’000): 561 - 400,274
  - Merchandise imports with neighbours (USD752m)

Source: UNCTAD data
Kenya trade corridors – Northern Corridor (19 counties) generate 78% of GDP, 54% of population, 62% of MSMEs and is a key regional trade corridor
Kenya trade corridor – Kisumu-Isibania Corridor (4 counties) generate 9% of GDP, 5% of population, 11% of MSMEs
Kenya trade corridors – Nairobi-Namanga Corridor (2 counties) Excl. Nairobi generate 2% of GDP, 2% of population, 2% of MSMEs
Kenya trade corridor – Mombasa-Taiveta/Lunga Corridor (3 counties) generate 28% of GDP, 54% of population, 62% of MSMEs
Kenya trade corridor – Nairobi-Moyale Corridor (13 counties) – excl. Nairobi generate 28% of GDP, 54% of population, 62% of MSMEs
Kenya productive capacities – make it relatively attractive as an east coast manufacturing hub and gateway

With global supply chains broken Kenya has the opportunity to position itself as an alternative to locate/relocate agro-processing/manufacturing capacity. With access to agricultural and extractive raw materials and continued investment in infrastructure Kenya is well positioned to be connected to global supply chains.
Kenya productive capacities – economic clusters

**MANUFACTURING**

Manufacturing clusters (Country manufacturing GDP contribution > 5%)

- Manufacturing

**TRANSPORT & STORAGE**

Transport & storage clusters (Country T&S GDP contribution > 10%)

- Transport & Storage

**NCP8 storage**

- NCP8 warehouses
  - 1
  - 88

**KPC storage**

- KPC storage
  - 000 litres
  - 30,553
  - 333,582
Kenya agriculture – expansive agricultural land makes the country a potential net exporter
Kenya agriculture – economic clusters
Kenya

Catalysts to unlock accelerated wealth transformation
Catalyst 1: Kenya can accelerate wealth transformation through enhanced productive capacities...needs to attract FDI, technology and skills

Continued investment in hard and soft infrastructure required to ensure enhanced domestic industrial capacity and competitive connectivity to neighbours (vs. Tanzania)

Measures political stability and efficiency through regulatory quality, effectiveness, success in fighting criminality, corruption and terrorism, and safeguard of citizens' freedom of expression and association.

Measures the availability, sustainability and efficiency of power sources. Composed of the use of and access to energy, losses in distribution and renewability of energy components and sources, and includes the GDP generated by each unit of oil.

Measures the education, skills and health conditions possessed by the population, and the overall research and development integration in the texture of society through the number of researchers and expenditure on research activities.

Data source: UNIDO, UNCTAD
Catalyst 2: Kenya well positioned to be key Africa hub...needs continued infrastructure investment and businesses that can connect regionally

Whilst hard and soft infrastructure will ensure connectivity, throughput along trade corridors require businesses that are able to connect with regional opportunities...the need for private sector to regionalize

INDUSTRIAL HUBS
Southern Africa: South Africa
North Africa: Egypt, Morocco, Tunisia
West Africa: Nigeria, Ivory Coast
East Africa: Kenya, Tanzania

Data source: UNIDO, UNCTAD
Catalyst 3: Kenya has potential to be a net food exporter and be connected to global food production chains...needs agricultural champions

Data source: FAO
Equity Group

A history of regional social and economic transformation
Equity Group transformation impact and self-disruption

**EQUITY 1.0: DEMOCRATISED BANKING**
1994 - 2003
- Repositioned business model
  - Removed financial barriers for unbanked
  - Limited documentation to open an account
  - No minimum balances
  - Access to liquidity – abolished notices to withdraw & restriction on withdrawal amount
  - Affordable – no ledger fees, account maintenance fees
  - Remained a building society
  - Cultivated culture and philosophy
- Customers: 12,000 → 252,000
- Deposits: KES 115m → KES 3.4bn

**EQUITY 2.0: SCALED UP REGIONALY**
2004 - 2013
- Changed legal structure and enhanced customer access
  - Removed financial barriers for unbanked
  - Drive financial inclusion supporting increase in banked customers from 6% to current >80% in Kenya
  - Channel innovation with agency and mobile banking – made fit for purpose the distribution model of banking
  - Converted into a commercial bank and listed
  - Expanded across 4 other countries in the East Africa region
- Customers: 252,000 → 8.4m
- Deposits: KES 3.4bn → KES 195bn

**EQUITY 3.0: EVOLVING BUSINESS MODEL**
2014 - current
- Self-disruption
  - Conscious re-engineering of legacy bank value chain
  - Established Finserve to assist drive disruption
- Customers: 8.4m → 16.9m
- Deposits: KES 195bn → KES 402bn

**CUSTOMER EXPERIENCE AND FUNCTIONALITY**

**1994 – 2003**
- Disrupted ACCESS to financial services
- Creation of *24/7*
- Achievements
  - 1st bank in Kenya to adopt USSD banking

**2004 - 2006**
- Choose & Receive USSD Financial Services
- Merchant banking
- Agency banking
- Achievements
  - Largest acquirer in Kenya

**2007 - 2013**
- Payments
- Agency banking
- MVNO – Equitel
- EZay APP APIs
- Achievements
  - Established telco company to drive mobile money
  - One of the first banks to expose full set of APIs to 3rd parties & developer community

**2014 - current**
- Fintech: Mobile Insurance
- STK Financial Services
- 3G Financial Services APIs
- MVNO – Equitel
- EZay APP APIs
- Achievements
  - Established fintech company
  - Established e-commerce business
  - Driving last mile delivery of goods
  - Launched mobile insurance product

**Competition:**
- Mattress
- Banks, Telcos
- Cash, banks, Fintechs and increasingly the big techs
Equity Group inclusive and holistic solutioning business model... supportive of converting consumption into production

Source: Equity Group
Equity Group lending capacity can support a “Marshall Plan” for the East and Central Africa region

**Low credit penetration constraining private sector development and growth**

- **Equity Group credit capacity 1.5% ($4bn) of cumulative GDP of the countries it operates**
  - Kenya: 2.7%
  - DRC: 2.8%
  - Uganda: 0.0%
  - Rwanda: 0.1%
  - Tanzania: 0.0%
  - S. Sudan: 0.1%
  - Total: 1.5%
  - Marshall Plan - Western Europe: ~1%

**Equity Group credit capacity growing faster than cumulative GDP of the countries it operates**

- 10-year CAGR
  - Aggregate nominal GDP: 8%
  - Equity liquid assets: 26%

*Source: World Bank, Equity Group*
Formidable regional financial services platform
Appendix
Growth: Kenya operating in one of the fastest growing regions in the world

Global historical and future GDP growth

Drivers of economic growth in Sub-Sahara Africa

Sub Sahara Africa GDP growth

- 2011-2020
  - 2011-2020 GDP growth: 2.9%
  - Services: 2.9%, Manufacturing: 3.4%, Agriculture: 2.7%

- 2001-2010
  - 2001-2010 GDP growth: 6.6%
  - Services: 5.5%, Manufacturing: 5.4%

- 1991-2000
  - 1991-2000 GDP growth: 3.0%
  - Services: 3.0%, Manufacturing: 2.1%

- 1981-1990
  - 1981-1990 GDP growth: 2.4%
  - Services: 2.1%, Manufacturing: 1.4%
Economic structure: Kenya economy an agro-services driven economy with manufacturing potential
Spread of economic activity: Agriculture and services widespread, whilst clusters of manufacturing.
Distribution of economic activity: GDP highly concentrated
Distribution of population: Population more dispersed
Distribution of economic activity: GDP highly concentrated, whilst distribution of population and MSMEs more spread.
Low credit penetration: Kenya banking sector penetration remains low and points to significant potential for growth
Low agriculture penetration: Points to significant potential for growth in the agriculture sector

Kenya GDP composition

- Agri, 34%
- Manufact., 8%
- Education, 4%
- Construction, 6%
- Public admin., 4%
- Health, 2%
- Utilities, 2%
- Accom./Food, 1%
- Mining, 1%
- Trade, 8%
- Real estate, 7%
- Fin. Serv., 6%
- Trans./ICT, 10%
- Other, 9%

Kenya banking sector credit penetration

- Agri: 3%
- Fin. Serv.: 18%
- Construction: 20%
- Trans./ICT: 20%
- Total: 28%
- Mining: 29%
- Utilities: 44%
- Manufact.: 48%
- Real estate: 59%
- Trade: 69%
Economic clusters (continued)
Case Studies

The Equity business model is a leading case study in many business schools around the world. In addition, many business schools, organizations and institutions regularly visit the Group to learn firsthand about the brand, its evolution and business strategy. Many financial institutions from around the world make benchmarking exposure visits.

Online: Click link below to read Equity case studies:
equitygroupholdings.com/knowledge-resource/#tab_case-studies

Print: Scan QR code below to read Equity case studies:
Today we celebrate over 15 Million Members empowered across 7 African markets to Learn, Grow, Dream, Create, Lead and Harvest. This is our One Equity spirit!

**Online:** Click link below to view video on Equity’s celebration of its Members
[https://www.youtube.com/watch?v=7eQd71SPUx8](https://www.youtube.com/watch?v=7eQd71SPUx8)

**Print:** Scan QR code to view video on Equity’s celebration of its Members
Scan QR code below to download the Africa Recovery and Resilience Plan

Scan QR code below to download the Equity Group Holdings Plc 2021 Integrated Report and Financial Statements

Scan QR code below to view video:
Reflections on **how the private sector can build back better** by Equity Group Managing Director and CEO, Dr. James Mwangi in Arusha, Tanzania during the EAC Heads of State High Level Retreat for the Summit on the EAC Common Market

Scan QR code below to download the Equity Group Holdings Plc H1 2022 Investor Presentation
Contact Us

For more information about the Africa Recovery and Resilience Plan, write to africaplan@equitygroupholdings.com
Fireworks display during the official celebration of Equity’s 35 years of transforming lives on 2nd October 2019.