



## LEASE CONVENTION 2014

The Leasing Association of Kenya held a two day convention “Lease Convention 2014” under the theme: *Leasing the Game Changer*, on the 27th & 28th of May 2014 at the Kenya School of Monetary studies. The lease convention 2014 was a first of its kind and it aimed to fulfill the following within the leasing sector in Kenya:

- Enhance capital formation for both public and private sector
- Job creation via deepening of financial transactions to support various sector growth initiatives
  - » **Education** – skill development via training of devolved government resources
  - » **Agriculture** – extend limited financial resources to support irrigation schemes
  - » **Manufacturing** – enhance local assembly and servicing of increased equipment use
  - » **Health** – enhance proliferation of new innovations across the counties
  - » **Energy** – drive the implementation of green energy solutions and sustainability
  - » **Public sector** – enhance implementation of Vision 2030 & Jubilee Manifesto via enhanced access to finance for SME’s, value for money public finance through leveraged limited financial resources

## THE CONVENTION

### Day 1:

The first day of the convention acted as the opening ceremony with the Honorable cabinet secretary for the National Treasury Mr. Henry Rotich officially opening the convention. A speech from Ms Edna Kihara (LAK Chairman) kicked off the convention followed by the opening remarks from the guest of honor Mr. Henry Rotich, thereafter the were presentations from the following guests:

- a. **Peter Wanjala** – Managing Director of Planning, Toyota Kenya
- b. **Rafael Castillo**- Triana

In the afternoon a panel discussion was held with the above speakers and:

- c. **Riadh Naouar** - International Finance Corporation (IFC)
- d. **Silas MacOpiyo** – Deputy Commissioner of Kenya Police & Director of Planning, Research and Development in the Kenya Police Service
- e. **Sharad Rao** – Chairman of Judges and Magistrates Vetting Board
- f. **Vijay Kumar** – Head of Finance, Nakumatt Holdings
- g. **James Olubayi** – Executive Director, Alexander Forbes
- h. **Stella Kilonzo** - Division Manager - Financial Sector Development Department, African Development Bank

### Day 2:

The second day was solely for training; Mr. Rafael Castillo-Triana took the delegates through a course in Public Leasing while Mr. Magan Jugurnauth trained the audience on Private sector leasing.

## The following are some of the key points that were raised in the Convention:

» Rafael Castillo -Triana speaking from their experience in South America mentioned that leasing has shown over the years in different jurisdiction that is an excellent tool to provide access to capital, and that access to capital fuels jobs creation and that job creation generates income, at large, for the economy, for the individuals and for the governments. So it's the road from poverty to prosperity, that's something we are leasing really, it has proven to be a gamechanger.

» In 2009 the whole economy in America went down but the leasing participation remained and even improved, which shows again that leasing is also counter cyclical - which means even if the economy goes bad, leasing is going to help the economy to recover faster than anything else and it's because it generates revenues.

» Our association is mandated to create awareness of leasing products and its benefits, to train and build capacity among lease professionals, to self-regulate and promote ethical behaviour among industry players, to improve the local industry environment through advocacy and partnerships, and to promote cooperative social responsibility as part of the associations efforts to contribute to the overall wellbeing of society beyond leasing. (Edna Kihara, Chairman LAK.)

» Leasing also acts as credit risk due to the fact the if one fails at their proposal then the provider can recover their investment through the proceeds of the sale of the equipment.

» The government stands ready to partner with you in this important endeavour, and this convention comes at the most opportune time as it complements our efforts to entrench leasing in Kenya. This initiative also dovetails within the overall government policy framework which aims at promoting lease financing in Kenya, so as to improve service delivery, deepen financial sector and grow our economy. As part of this policy stands we have implemented a number of policy and tax related measures to improve leasing environment and facilitate private sector growth. Hon. Henry Rotich, Cabinet Secretary – The National Treasury)

» As you are all aware, leasing of assets provides a means for expanding domestic capital and the equipment investment in the economy, which is vital to increasing economic growth. It provides alternative financing to traditional borrowing and enables acquisition and deployment of assets on a much larger scale than would have been the case for assets finance solely by public borrowing and taxes. (Hon. Henry Rotich)

» The Cabinet Secretary also mentioned that plans are underway to expand leasing to other assets starting with the lease of medical equipment and other plans and machinery including ICT related equipment. In the next financial year, we have set aside about 4 billion for leasing of medical equipment and this will cover about 94 hospitals countrywide.

» Leasing is high and growing Market in Africa as per the statistics presented in 2010-2011, the market rose by 35%.

» If you really want to make a difference and show to the public that leasing is not Anglo Leasing, that leasing is something that really helps the government and the country to prosper, then you need to do volume. The way to do volume is getting into the funding markets and being able to structure the leases in a way that is acceptable to the markets.

» Leasing, financing is an alternative framework for improving service delivery, locking in value addition to grow our industries and associated supply chain services while at the same time deepening our financial services. The working goal is to expand economic opportunities to create employment and reduce poverty. It provides alternative financing to traditional borrowing and enables acquisition and deployment of assets on a much larger scale than would have been the case for assets finance solely by public borrowing and taxes. Furthermore long term leasing and investment in equipment and assets not only transfer risks but have the potential to spur economic growth and expand the tax base and future tax revenues.

## ADVANTAGES OF LEASING

- » The leasing capital is more affordable than investing in capital goods.
- » Allows room for maintenance of the equipment which results in customer satisfaction
- » It also acts as a means of property financing.
- » Controls the Budget.

## RECOMMENDATIONS:

- » The law needs to encourage lease financing and make it more amenable.
- » Create awareness of leasing benefits (give pros and cons)
- » Create leasing rules that allow for capital growth so as to aide in financing.

## WHAT TO KNOW IF YOU ARE TO GET INTO LEASING

- » You must be credible to banks
- » There must be a tax favourable frame work for leasing to work.
- » Try not to depend on banks to fund SME's for leasing.
- » Leasing in the public sector and the private sector differ.

# Sponsors

The Lease convention was sponsored by the following companies:



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# Exhibitors

Other than training, members and other companies in the leasing industry were given the opportunity to exhibit their products and equipment at the convention. The exhibitors were:



# New Members

Since the beginning of the year, we would like to welcome our new members:

- a. Pewin Motors
- b. RentCo EA Ltd.
- c. Mustek EA Ltd.
- d. FMD East Africa
- e. Quip Bank
- f. Trans Africa Leasing Co. (Honda)
- g. McLeod & Co EA Ltd
- h. Alexander Forbes
- i. General Motors Kenya
- j. RMA Motors
- k. Foton Motors

Karibuni Sana!!



## Tender Submission

The Government of Kenya published a tender on the 18th of June 2014 requesting for supply of leased vehicles for the Kenya Police Service. This second tender elicited great interest from the LAK members who requested to meet in order to discuss the challenges and lessons learnt from the first tender.

Following to the meeting, the association submitted a letter to the National Treasury highlighting the challenges the members faced in the first tender and recommended ways to improve on some of the tendering requirements to driver faster uptake of leasing in the Kenyan market. This forms part of the LAK key objectives of lobbying and advocacy for regulatory reforms to increase use of leasing in the country.



## Intermediate Training

The Leasing Association of Kenya is planning an intermediate training for both members and non-members, this training will be on 8th and 9th October 2014 at KSMS.

The trainer Mr. Vinod Kothari will focus on the topic of Leasing and Asset Backed Lending touching on the following subtopics:

- Basic modes of asset backed financing and differences between the same
- Understanding leases
- Key financial mathematics of asset backed financing transactions Pricing of asset-backed financing transactions
- Legal issues in asset backed financing transactions
- Managing operating lease transactions and residual value risks
- Accounting aspects of leasing
- Securitization of operating leases