NTPA

NEXUS TECH POLICY ADVISORS

SHAPING THE FUTURE OF TECHNOLOGY, ONE POLICY AT A TIME

Kenya's Economic Policy and Technology Sector Regulation Overview

Q1–Q2 2025 Update

Executive Summary

Kenya's tech sector regulations are evolving rapidly in 2025, as the government prioritizes growth in the digital economy. The sector is expanding at an impressive annual rate of 9.2%, outpacing overall GDP growth. This positions the country favorably to scale innovation and support the diverse needs of other sectors, contributing to national fiscal objectives, which are currently driven by increased austerity measures and efforts to reduce the fiscal deficit and inflation rate.

Despite this growth, the country continues to face mounting pressure to raise internal revenue, aligned with its economic policy objective of reducing the fiscal deficit to 4.5%, down from 5.1% in the previous financial year.

Key policy and regulatory developments are currently underway in the following sectors:

- **E-Commerce:** With an estimated growth of US$898.71 million by the end of the year, the risk of unbalanced regulatory priorities looms on the horizon. From proposals to amend tax laws to commitments aimed at addressing existing policy gaps and driving sector growth, the potential to fully realize this projected growth remains at risk. While efforts by the Ministry of ICT are underway to address challenges affecting the sector, such as connectivity and last-mile delivery systems, these initiatives present a valuable opportunity for stakeholders to engage and inform policy development. However, they also underscore the need for cohesive and coordinated efforts by different government agencies to ensure that Kenya's e-commerce sector achieves its full potential.

- **Fintech**: The fintech landscape in Kenya is undergoing rapid transformation, backed by a **14.1% compound annual growth rate (CAGR)** and a projected market value of **US$14.54 billion** by **2028**. The sector is experiencing major shifts aimed at improving regulatory oversight and enhancing interoperability, which are critical for advancing system integration and overall efficiency. While these reforms are a step in the right direction, proposed tax amendments present a significant risk to the sector, potentially reversing progress made in driving uptake and achieving financial inclusion objectives.

- **E-Health:** The sector is projected to reach **US$245.85 million** in **2025**, driven by the increasing adoption of digital health solutions to bridge resource gaps in the healthcare system and expand access, particularly in rural and underserved areas. However, legal challenges to the **2023 Digital Health Ac**t remain a pressing concern. In response, the **Ministry of Health** is developing a comprehensive **Digital Health Strategy (2025–2028)** focused on enhancing accessibility, fraud prevention, and health data management. These efforts are further supported by the newly enacted **Digital Health (Data Exchange Component) Regulations**, **2025**, which aim to strengthen interoperability and governance across the health ecosystem.

Energy: As a key enabler of Kenya's digital infrastructure and the expected growth in the sector, the demand for efficient and cost-sustaining energy supply is projected to rise. In light of global energy crises and rising climate commitments, the push for renewable and green energy solutions is gaining momentum, with efficiency and affordability at its core. In response, Kenya's energy sector is undergoing key regulatory reforms, including new energy management regulations, the introduction of a licensing framework for **Energy Service Companies (ESCOs)**, and increased support for **smart grid technologies** and **IoT-enabled systems**. These measures aim to strengthen infrastructure resilience and align energy systems with the needs of an increasingly digital economy. However, proposed **tax amendments** targeting renewable energy equipment could increase deployment costs and potentially slow the transition toward clean, affordable energy, posing a challenge to sustaining digital transformation at scale.

Cross-Cutting Initiatives: The landscape is also being shaped by a series of cross-sector proposals that will significantly impact the governance and accessibility of digital services. Key among these is the ongoing development of a **Cloud Computing Policy**, aimed at promoting data sovereignty, interoperability, and cost efficiency for both public and private sector platforms. In addition, draft amendments to the **Kenya Information and Communications Act** (**KICA**), which propose far-reaching changes, including the introduction of metered services by I**nternet Service Providers** (**ISPs**), user registration using national IDs to access social media platforms, and the separation of telecom services from financial services. These proposals raise critical questions about data protection, user rights, surveillance risks, and the potential impact on innovation and digital inclusion. With Q3 2025 expected to be a decisive period for stakeholder consultations, strategic engagement will be vital to shaping balanced outcomes that uphold user protections while fostering digital growth.

This evolving regulatory landscape reflects Kenya's ambition to remain a technology leader in Africa while navigating the delicate balance between taxation, innovation, and consumer protection.

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INTRODUCTION

In 2025, Kenya's economic policy continues to focus on promoting growth and development through various initiatives. The government has introduced several measures to attract foreign investment, stimulate domestic production, and create employment opportunities. Additionally, efforts have been made to enhance the country's tech sector through regulations to ensure that it remains competitive and innovative in the global market. These policies and regulations are crucial for positioning Kenya as a hub for technology and innovation in Africa.

The technology sector has become increasingly central to Kenya's economic development strategy, with digital transformation serving as a cross-cutting enabler across multiple industries. Kenya's digital economy is growing at an estimated annual rate of 9.2%, significantly outpacing the overall GDP growth. This rapid expansion necessitates a robust and adaptive regulatory environment that can both facilitate innovation and ensure consumer protection, data privacy, and market stability.

The regulatory landscape in early 2025 reflects the complexity of digital governance, with an increased focus on interoperability between systems, cross-border integration, and leveraging digital services as a revenue source through taxation. These regulations aim to strike a balance between the sometimes-competing objectives of revenue generation, market growth, and consumer welfare in an increasingly digital economy.

Kenya's position as a regional technology leader continues to shape its regulatory priorities, with several initiatives aimed at harmonising the country's approach with regional and international standards while addressing unique local challenges and opportunities. The implementation of these regulatory frameworks will significantly impact Kenya's technology ecosystem and its contribution to economic growth in the coming years.

This update provides insights into key economic policy changes and sector-specific regulatory developments from the first two quarters of 2025. While this review extends into Q2, it does not encompass the full quarter, offering an early analysis of emerging trends and regulatory shifts that will continue to evolve over the next few months.

ECONOMIC POLICY

Kenya is taking significant fiscal and monetary policy steps in 2025 to reinforce economic stability, restore investor confidence, and build a resilient foundation for long-term growth, particularly in the face of rising debt and global economic pressures. Two key developments highlight this shift:

Fiscal Deficit Cap:

The government has announced plans to cap the fiscal deficit at 4.5% of GDP for the 2025/26 fiscal year, down from 5.1% in the previous year. This forms part of a broader austerity and fiscal consolidation plan aimed at enhancing public debt sustainability and improving the efficiency of public expenditure. The medium-term goal is to reduce the deficit further to 3% of GDP by 2028. These efforts are expected to create more space for private sector investment, improve Kenya's credit outlook, and reduce borrowing costs for both government and businesses.

Inflation Rate:

As of April 2025, Kenya's year-on-year inflation rate increased to 3.8%, down from 4.1% in April. The decrease remains within the Central Bank of Kenya's target range of 2.5% to 7.5%. The central bank has expressed confidence that inflation will remain below the midpoint target range in the near term, supported by stability in the food and energy prices and exchange rate.

"Kenya's Inflation Rate Drops to 3.8% as Government Moves to Cut Fiscal Deficit to 4.5%."

These macroeconomic reforms are not occurring in isolation; they are directly shaping the regulatory agenda for Kenya's fast-growing technology sector. As the government seeks to broaden its tax base and reduce reliance on external borrowing, there is increased focus on digitally driven revenue measures, such as taxation of e-commerce, digital financial services, and virtual assets. At the same time, broader regulatory frameworks are being accelerated to formalize and align the tech ecosystem with fiscal and governance priorities. These reforms signal a shift in how the state views the digital sector: not only as a driver of innovation and inclusion but also as a strategic contributor to national economic resilience and public finance sustainability.

OVERVIEW OF THE REGULATORY DEVELOPMENTS

Significant regulatory shifts have occurred across the tech sector between January and May 2025, reflecting the government's ongoing effort to balance revenue generation with digital innovation.

These developments highlight the inherent tension within Kenya's Bottom-Up Economic Transformation Agenda, where taxation measures aimed at expanding the revenue base can sometimes conflict with initiatives intended to stimulate digital entrepreneurship and technology adoption.

The evolving regulatory landscape reveals a government under fiscal pressure yet determined to maintain Kenya's position as Africa's technology leader.

This report examines four critical tech subsectors where major policy developments have emerged

- e-commerce,
- e-health, and
- fintech

In addition, regulatory changes in energy and taxation have been assessed as key cross-sector drivers that play a pivotal role in shaping the trajectory of Kenya's digital economy.

Energy has been analyzed as core sector infrastructure, while tax policy is assessed across all subsectors as a foundational element influencing growth, investment, and compliance.

Energy is addressed as a separate cross-cutting issue through a detailed analysis of the evolving regulatory frameworks, while other cross-cutting regulatory developments are discussed collectively in our Infrastructure Impact Outlook.

Each area reflects both enabling regulations designed to enhance digital infrastructure and market access, as well as taxation frameworks that may introduce new compliance burdens.

As global tech companies expand their regional footprint and local startups continue to scale, Kenya's regulatory decisions are reshaping market dynamics, carrying immediate implications for businesses, investors, and consumers across the country's digital economy.

1 E-COMMERCE

> ***"Kenya's E-commerce landscape in 2025 is undergoing Regulatory Changes with an estimated growth of US$898.71M"***

Kenya's e-commerce market is projected to experience significant growth, reaching an estimated $898.71 million by the end of the year and growing to $1.06 billion by 2029. The number of e-commerce users is expected to rise to 5.7 million by 2029. This growth will be largely driven by increasing internet penetration and smartphone usage in the country.

Implementation Focus Areas

In response to this momentum, the sector is projected to prioritize the implementation of mobile-first strategies, the expansion of digital payment infrastructure, and the facilitation of cross-border trade. These efforts will be complemented by targeted interventions aimed at addressing persistent infrastructure gaps and strengthening digital literacy to support inclusive digital transformation.

Mobile-First Approach

Kenya is prioritizing mobile commerce (M-commerce) development, leveraging the country's high mobile penetration and mobile-first shopping trends. E-commerce platforms are focusing on optimized mobile experiences, including one-click purchasing, streamlined checkout processes, and responsive design that accommodates varying network speeds. Mobile payment solutions integrated with established e-commerce platforms are being enhanced to facilitate seamless transactions, reducing friction in the purchasing process and improving conversion rates for online retailers.

Digital Payment Infrastructure Enhancement

The sector is implementing interoperable payment systems to enhance the ease and safety of online transactions across different platforms and service providers. New embedded finance solutions are being integrated into e-commerce platforms to streamline transactions and improve overall shopping experiences, enabling features like buy-now-pay-later options and integrated loyalty programs. This infrastructure development supports both domestic and international transactions while maintaining security standards that build consumer confidence in e-commerce

Cross-Border Trade Facilitation

Kenya is positioning itself to capitalize on African Continental Free Trade Area (AfCFTA) opportunities through enhanced cross-border e-commerce capabilities. Investment in digital trade infrastructure, includingimproved broadband connectivity and specialized e-commerce logistics networks, to support regional trade expansion and enable Kenyan businesses to access broader African markets. This includes developing digitized customs clearance and harmonized trade documentation systems that reduce barriers to cross-border commerce.

Government Support and Policy Framework

Government initiatives, including the Universal Service Fund (USF) are being leveraged to bridge the digital divide by expanding courier and postal services while promoting digital skilling programs across urban and rural areas. Comprehensive policy frameworks are being developed to create conducive environments for e-commerce growth, including regulatory structures that support fair competition, strengthen data protection, and enhance consumer rights. These policies aim to balance innovation with appropriate consumerprotection measures.

Infrastructure Gap Resolution

The National Addressing System implementation is being prioritized to enable accurate GPS mapping and facilitate reliable deliveries across Kenya, addressing one of the key logistical challenges that has limited e-commerce expansion beyond urban centers. This standardized addressing infrastructure will significantly enhance last-mile delivery capabilities essential for e-commerce growth (see detailed regulatory framework discussion under National Addressing System in the Regulatory Changes section).

Digital Literacy and Capacity Building

Comprehensive digital literacy programs are being implemented to enhance consumer confidence and participation in e-commerce activities, particularly targeting rural populations and older demographics. Training initiatives for small and medium enterprises focus on e-commerce platform utilization, digital marketing strategies, and online payment system management, enabling broader business participation in the digital economy and supporting the sector's inclusive growth objectives.

REGULATORY CHANGES

The e-commerce landscape is undergoing significant regulatory changes aimed not only at supporting the implementation of priority areas but also at addressing consumer risks, closing regulatory gaps, and enhancing the sector's contribution to the Kenyan economy. These shifts are expected to reshape the industry's tax structure and digital infrastructure, and include:

The Kenya National E-Commerce Strategy 2022-2025.

As the strategy nears its conclusion, stakeholders are preparing for a comprehensive evaluation of its achievements and challenges. The current strategy prioritizes enhancing digital trade infrastructure, promoting consumer protection in online commerce, and supporting micro, small, and medium-sized enterprises (MSMEs).

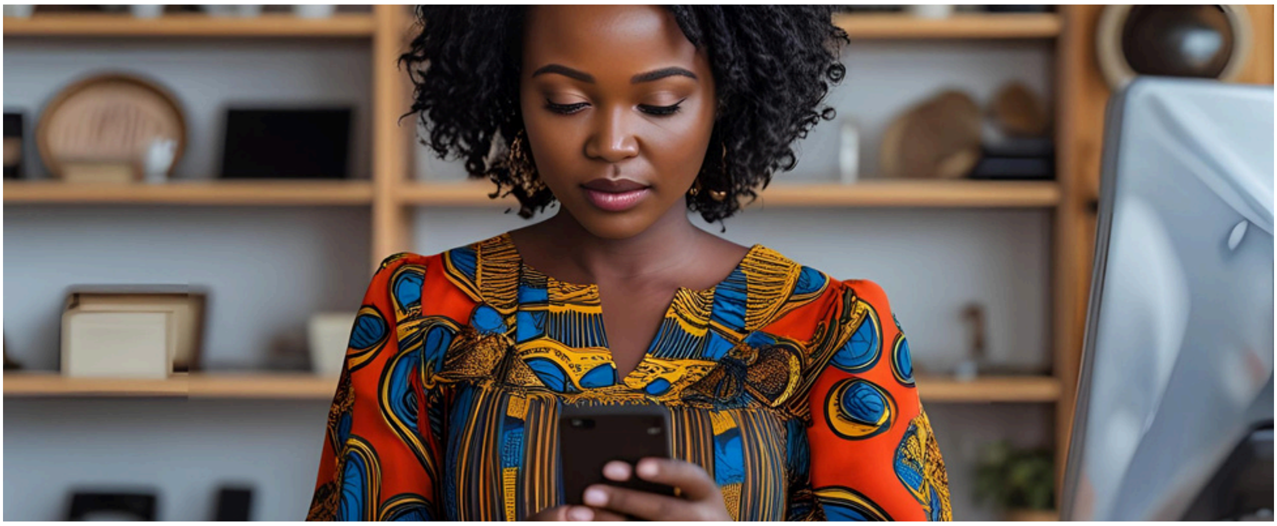
Although no official review period has been announced, planning for the next phase of the national e-commerce agenda is anticipated to begin in Q3, with stakeholder consultations expected by late 2025 or early 2026. This upcoming strategic planning cycle is expected to align with Kenya's broader digital transformation agenda, including the Kenya National Digital Master Plan 2022-2032 and the ICT Authority's Strategic Plan 2024-2027, ensuring coherent policy alignment across Kenya's digital economy initiatives.

This next phase presents an opportunity to build on current progress, address newly emerging challenges, and integrate global best practices to better position Kenya's e-commerce sector within the evolving digital economy.

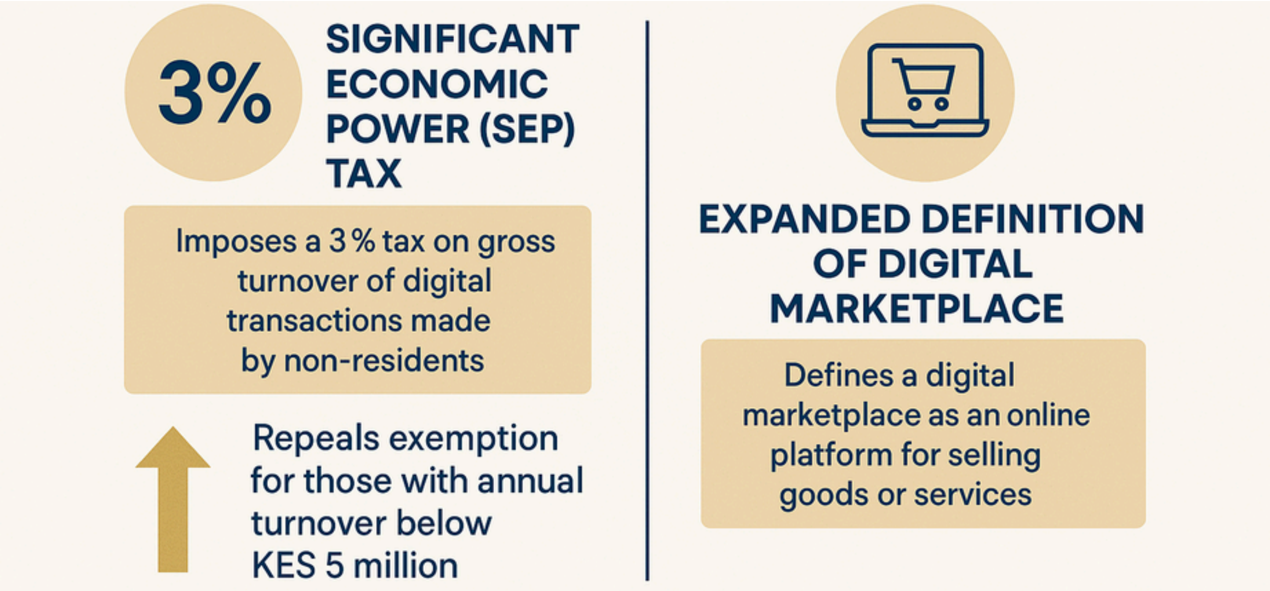
National Addressing System:

The draft National Addressing System standards, policy, and bill are currently awaiting consideration and approval by the relevant government agencies.

These frameworks are designed to standardize and implement a unique address for every property, building, and physical feature across the country.



The system aims to enhance logistics, emergency response, service delivery, and data accuracy across multiple sectors. The NAS is guided by the principles of uniqueness, consistency, and nationwide coverage, encompassing both urban and rural areas.



Taxation

Significant Economic Power Tax Implementation and Proposed Tax Amendments:

The [Significant Economic Power (SEP) Tax,]() which took effect on December 27, 2024, replaced the Digital Service Tax (DST) and imposes a 3% levy on the gross turnover of digital transactions by non-resident service providers targeting Kenyan consumers. This aligns with the [OECD's Pillar 2 framework]() and is intended to broaden Kenya's digital tax base, primarily affecting international digital platforms.

The [Finance Bill 2025]() proposes clarifications to the SEP Tax framework, including updated language to reflect that it applies to businesses conducted "over the internet or an electronic network." This amendment would explicitly bring all online-based transactions by foreign non-resident companies within the scope of SEP tax obligations.

In addition, the Bill seeks to remove the small business exemption under Section 12E, subsection 3(d) of the Income Tax Act, which previously excluded non-resident entities with an annual turnover below KES 5 million. This amendment would require all non-resident digital service providers to comply with the SEP Tax, irrespective of their revenue.

While these changes aim to strengthen revenue collection and close existing compliance gaps, they may also impose greater administrative and financial burdens, particularly on smaller foreign entities. The removal of the turnover threshold could discourage new entrants and limit investment in Kenya's e-commerce sector due to the increased taxation requirements.

Expanded Scope of Royalty Definition under the Income Tax Act

The Bill also proposes an amendment to the definition of "*royalties*" under Section 2 of the Income Tax Act. Specifically, it seeks to expand paragraph (b) to include the distribution of software where regular payments are made for the use of the software through a distributor. This change would bring such payments within the scope of withholding tax as royalty income.

This amendment has significant implications for the e-commerce and digital services sectors, particularly for software vendors and distributors operating under licensing arrangements. It introduces additional tax compliance obligations and may increase the cost of software distribution in Kenya. Moreover, it could affect contractual terms between foreign software developers and local partners, potentially discouraging distribution partnerships and limiting access to global software solutions.

Expanded Definition of Digital Marketplace:

The Finance Bill 2025 further proposes an amendment to the Excise Duty Act by introducing the definition of "digital marketplace" as referring to "*An online platform that enables users to sell goods or provide services to other users.*"

The Bill also proposes to have the phrase "through a digital platform" in Section 5, Subsection 1(d), which brought non-residents digital service providers under the mandate set out in the Act, replaced with this broader definition: "*over the internet, an electronic network, or through a digital marketplace.*"

These changes align with the requirements set out in the VAT Act for the same category of service providers. This means these providers will have to register and charge both VAT and excise duty. This broader definition will expand the scope of taxable digital transactions, including previously exempt peer-to-peer business models. It, however, also creates ambiguity on how to calculate taxable value for excise duty purposes, where the services are subject to both excise duty and VAT.

2 E-HEALTH

Kenya's e-health sector currently plays a crucial role in advancing healthcare to Kenyans by leveraging technology to enhance service delivery, especially with the government's focus on Universal Health Coverage.

The country's e-health market is projected to reach US$245.85 million in 2025 and expand to US$284.70 million by 2029. This growth will be driven by increasing internet penetration, mobile phone usage, and government initiatives aimed at enhancing healthcare delivery. The increasing demand for telemedicine services in Kenya is also expected to contribute to this growth.

Demand for e-health and telemedicine solutions became popular at the advent of Covid-19. This demand necessitated the need for a regulatory framework to address e-health systems, security, and data protection requirements. The result of this was the enactment of the Digital Health Act, passed in 2023.

"Kenya's e-health market projected to grow as regulatory framework undergoes transformation to reach"

US$284.7M

However, the Act was declared unconstitutional by the Kenyan High Court in July 2024 due to a lack of public participation and violation of constitutional provisions.
The Court of Appeal has granted a stay of the High Court's decision, allowing interim implementation pending the appeal's outcome by the Cabinet Secretary for Health.
Prior to the 2023 legislation, there was no specific law governing digital health in Kenya.

Implementation Focus Areas

The e-health sector is currently focused on six key implementation areas aimed at strengthening healthcare delivery, improving data quality, and enhancing financial sustainability. These areas include:

Strengthening Community Health Systems

Kenya is prioritizing the enhancement of community health system, with a focus on supporting and supervising Community Health Promoters(CHPs) to ensure high- quality service delivery. The Electronic Community Health Information System (eCHIS) undergoes regular data quality assessments to improve accuracy and enhance the accountability of health data collection at the community level. Training on the national CHP registry and revised training modules aligned with emerging health needs are being rolled out to improve the skills and knowledge of community health workers.

Digital Payment Integration

The government is integrating digital payment systems to streamline healthcare processes and improve access to services, particularly at the community level. This integration includes leveraging mobile money platforms, developing digital health information systems, and streamlining payment processes for both patients and healthcare providers.

Data Quality and Management Enhancement

Targeted efforts to improve the accuracy and reliability of health data, particularly through the eCHIS system, are being prioritized. These include comprehensive data protection measures to ensure compliance with the Data Protection Act of 2019. The government is placing strong emphasis on regular data quality audits and protection protocols to safeguard patient privacy while enabling effective health information sharing across healthcare systems.

Training and Capacity Building

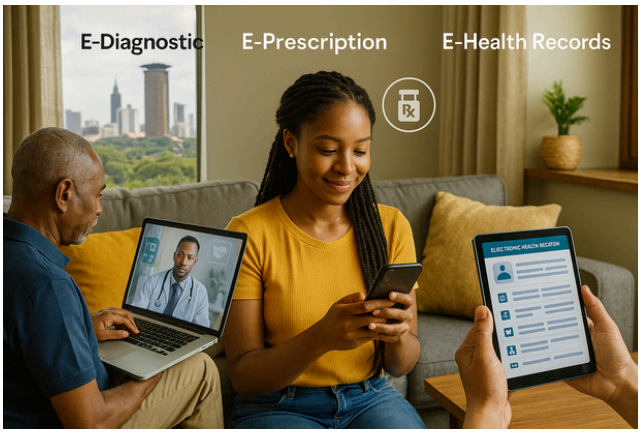
Comprehensive training programs target both community health workers and digital health professionals to effectively utilize digital health technologies. Training on the national CHP registry and revised modules improves community-level service delivery, while specialized programs equip healthcare professionals with skills needed for digital health implementation, ensuring sustainable adoption of new technologies and systems.

Legal and Regulatory Framework Development

The proposed Digital Health Bill establishes a robust framework for digital health services, including patient registration, health record tracking, and healthcare process streamlining. The Ministry of Health is developing complementary regulations to define health information management, health application usage, technology standards, and data quality and protection audit requirements, creating comprehensive governance structures for the sector.

Interoperability and Data Exchange Systems

Kenya is working toward standardizing hardware and software systems to ensure interoperability and establish common standards for mHealth systems across different providers. The Digital Health Bill addresses data exchange components to facilitate seamless information sharing between healthcare providers and systems, reducing data transfer costs and eliminating delays that currently hinder efficient healthcare delivery.



Regulatory Changes

To support the implementation of these priority areas and respond to the growing digital health landscape, Kenya is advancing several regulatory frameworks and strategic initiatives aimed at streamlining and strengthening the sector. These frameworks include:

Kenya Digital Health Strategy 2025-2028:

The Ministry of Health (MOH), with support from PATH and the US Centers for Disease Control and Prevention's Technical Assistance Platform (CDC TAP), is developing a comprehensive and costed digital health strategy. This strategy is being developed through an inclusive process involving extensive stakeholder consultation at both national and county levels. A key component of this process has been the comprehensive stakeholder identification and categorisation effort led by the MOH Directorate of Digital Health, Informatics, Policy, and Research (DHIPR), which ensures all relevant voices are included in the strategy development. The development is guided by the Principles for Digital Development, ensuring ecosystem understanding, human-centered design, and inclusivity.

Digital Health Regulation 2025:

The Digital Health Regulations 2025 represent a comprehensive regulatory framework designed to govern digital health services and ensure a robust, secure, and integrated healthcare system in Kenya. Currently at the prepublication stage, these regulations are part of the government's broader effort to modernize the healthcare system and support key initiatives, including Universal Health Coverage (UHC) and the Social Health Insurance Fund (SHIF).

Led by discussions under Cabinet Secretary Hon. Aden Duale in April 2025, this regulatory framework aims to:

- Improve healthcare accessibility by streamlining healthcare processes and facilitating seamless data exchange
- Combat healthcare fraud and address challenges posed by unqualified practitioners
- Enhance patient data management to improve continuity of care and healthcare delivery outcomes

These regulations are positioned to transform Kenya's digital health landscape by establishing clear governance structures for digital health services while supporting the country's commitment to achieving universal health coverage through modernized, technology-enabled healthcare systems.

The evolving digital health regulations and strategy signal a strong commitment to modernizing healthcare through technology. If effectively implemented, these reforms will support national priorities like UHC and SHIF, while positioning the country as a regional leader in inclusive, tech-enabled health systems.

3 FINTECH

Kenya’s fintech sector continues to be a driving force in the country's digital economy, with innovations in mobile money, digital lending, and virtual assets positioning the country as a regional fintech hub. The industry is experiencing strong growth, with a projected CAGR of 14.1% between 2024 and 2028, bringing the market value to US $14.54 billion by 2028. The sector is expected to reach 13% fintech penetration by 2025, one of the highest globally, with potential for $30 billion in revenue.

This remarkable growth has necessitated a more comprehensive regulatory approach to balance innovation with consumer protection and financial stability. The regulatory landscape is evolving to address emerging technologies and business models while ensuring adequate oversight and risk management.

Implementation Focus Areas

The fintech regulatory and policy environment in 2025 will focus on several key areas that will shape the sector's development throughout the year. These implementation areas will include:

“Kenya's fintech sector growth projected to reach a potential revenue of **US$30B”**

Streamlined Regulatory Oversight

Kenya is harmonizing fintech regulations across agencies by establishing clear jurisdictional boundaries between the CBK, CMA, and other regulators. Strengthened coordination mechanisms include formal information-sharing protocols and joint supervisory frameworks, creating more predictable compliance environments while reducing regulatory fragmentation.

Enhanced Enforcement Capabilities

Regulatory bodies are investing in advanced RegTech solutions for real-time transaction monitoring, market surveillance tools, and specialized training on emerging technologies. These capabilities aim to foster confidence among stakeholders while requiring companies to develop sophisticated compliance management systems.

Innovation Support Mechanisms

The CMA continues expanding its regulatory sandbox program, allowing fintech companies to test innovative products in a controlled environment. This approach has proven valuable for novel business models, enabling startups to validate concepts and address regulatory concerns iteratively before transitioning to full licensing.

Cross-Border Payments for Regional Integration

Kenya, in collaboration with other EAC member countries, has developed a robust cross-border payment framework focused on regional integration. Key initiatives include harmonized governance and regulatory frameworks with international standards to build trust in cross-border transactions. Advanced infrastructure will deliver efficient, interoperable payment systems, including a pivotal regional instant retail switch. The plan champions inclusivity with robust consumer protection and technology-driven oversight while building regional capacity, spearheading innovations like CBDCs and cultivating expertise for sustainable digital trade transformation.

This framework aims to make cross-border transactions faster, safer, and more affordable, particularly for MSMEs who account for 70% of intra-regional trade. Built on four strategic pillars—policy harmonization, infrastructure modernization, inclusivity, and capacity building—the framework addresses persistent barriers like high transaction costs and limited interoperability that have hindered adoption of formal systems like the East African Payment System launched in 2014, aligning with the region's 2031 single currency ambition. This implementation focus is particularly crucial for Kenya's fintech sector, as it positions local fintech companies to expand their services across regional markets and leverage enhanced cross-border payment infrastructure to drive innovation and growth.

National Payment Strategy Renewal

As the current strategy concludes in 2025, CBK has initiated the development of a new framework through extensive stakeholder engagement. This strategy will emphasize digital public infrastructure, payment system security, financial inclusion, cross-border integration, and emerging technologies including virtual assets. The modernization is supported by the new Fast-Payment System enabling instant money transfers between financial institutions, representing a shift from siloed approaches toward a more integrated ecosystem.

REGULATORY CHANGES

As the sector experiences rapid growth, substantial regulatory transformation is underway through the implementation of key frameworks and policy initiatives introduced in the first quarter of 2025. These comprehensive changes include:

Legislation of Virtual Asset Service Providers (VASPs):

The government is developing a comprehensive regulatory framework for virtual assets and their service providers through the Virtual Asset Service Providers (VASPs) Bill and Policy. This legislation aims to regulate entities involved in virtual asset activities, including cryptocurrencies and digital tokens. The bill establishes detailed licensing requirements, operational standards, and consumer protection measures specific to virtual asset businesses. It addresses key risks in the sector, including money laundering, terrorism financing, and consumer fraud, while creating a structured environment for legitimate businesses to operate.

In parallel, a National Policy on Virtual Assets and VASPs has been developed to provide a broader strategic direction for the sector. This policy framework outlines Kenya's approach to virtual asset innovation, establishing clear objectives for market development, risk management, and international cooperation. The policy incorporates insights from global best practices while adapting to Kenya's unique financial ecosystem and development goals.

National Payment System

Kenya's National Payment System (NPS) is undergoing a comprehensive modernization through two critical initiatives. First, CBK has engaged consultants through the World Bank-funded SAFER project to update the NPS Act of 2011 and Regulations of 2014.

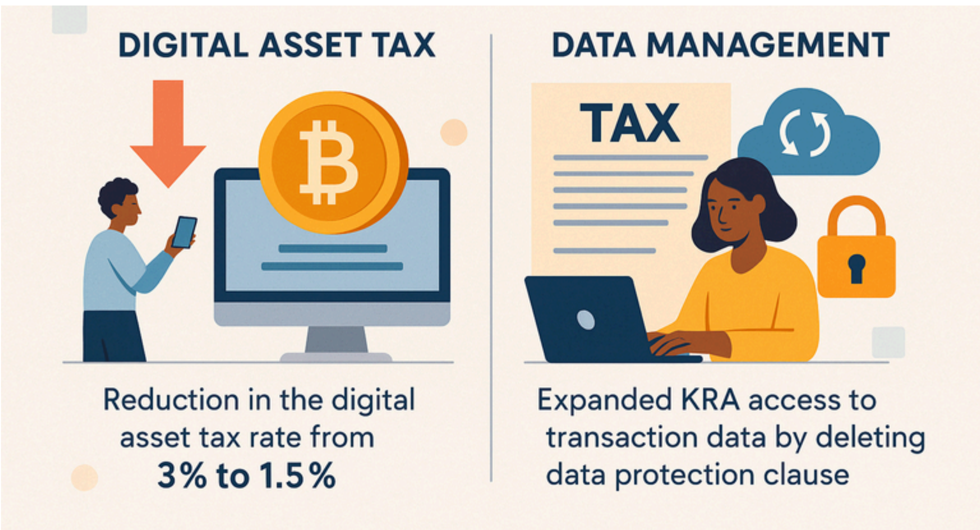
This review, initiated in early 2024 with an 8-12-month timeline, targets governance structures, technical standards, risk management frameworks, and consumer protection mechanisms.

Key objectives include addressing regulatory gaps and enhancing provisions for new business models, technology adoption, data governance, AML/CFT compliance, and cybersecurity. However, specific dates for draft legislation release remain unannounced, creating uncertainty about stakeholder consultation timing.

Second, CBK is developing a financial sector-wide interoperability system through a Fast-Payment System (FPS) enabling instant money transfers between different financial institutions. This transformative initiative represents a shift from currently siloed systems and will integrate services across banks and payment providers.
The FPS will create significant impacts: for customers through faster transfers and lower costs; for institutions through improved customer experience and eliminated bilateral agreements; and for financial inclusion by enhancing integration of mobile money services with traditional banking.

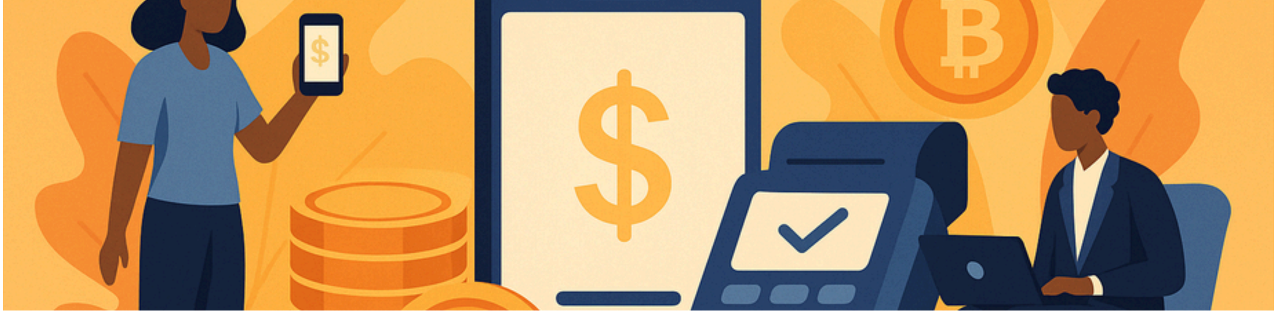
CBK has been consulting with the Kenya Bankers Association and Payment Service Providers since early 2024, though no specific FPS launch timeline has been announced. Additionally, cabinet approval has been granted for integrating Savings and Credit Cooperative (SACCO) Societies into the NPS, significantly expanding financial access through their extensive membership networks across Kenya. This integration will allow SACCOs to participate more actively in the digital payments landscape, potentially reducing costs for end users and supporting grassroots economic growth.

Taxation



Digital Asset Tax:

The Finance Bill 2025 proposes a significant reduction in the digital asset tax rate from 3% to 1.5% on the transfer or exchange value of digital assets. This tax adjustment aims to stimulate greater activity in Kenya's cryptocurrency and digital asset markets by lowering transaction costs for traders and investors.



The move represents a strategic shift to position Kenya competitively in the global digital asset landscape, potentially attracting international players and encouraging domestic innovation.

Alongside this tax reduction, the Kenya Revenue Authority (KRA) is enhancing its enforcement capabilities through technological integration with digital financial services platforms. Based on the Finance Bill 2025, the government has proposed deleting key data access limitation provisions under clause 59A of the Tax Procedure Act, which would allow the KRA greater access to transaction data from crypto platforms and other digital financial services for monitoring and compliance purposes.

Data Management Reporting System Amendments

The Finance Bill 2025 proposes the deletion of a data protection clause (subsection 1B) from the Tax Procedure Act, which currently prohibits the KRA from requiring businesses to share sensitive customer data. This change would substantially expand KRA's access to business and customer financial data, prompting discussions about balancing regulatory oversight with privacy principles.

Industry stakeholders have raised significant concerns about these amendments, warning that the greatest impact could be on financial inclusion, with many businesses, especially MSMEs, potentially opting to revert to cash-based transactions to avoid transaction scrutiny and evade the potential of over-taxation requirements.
This shift could undermine years of progress in digitizing Kenya's economy and bringing more transactions into the formal financial system. The implications for fintech companies are particularly significant, as they may face reduced transaction volumes and user adoption if businesses and individuals withdraw from traceable digital platforms.

The Office of the Data Protection Commissioner (ODPC) has published draft guidance notes on data protection for the public sector, which will further cement KRA's justification for requiring access to the data. The guidance note aims to inform the collection, processing, and storage of data by government entities, providing clarity on legitimate interests and the rights of citizens over the processing of data by such entities, and it is currently up for public participation.

While this represents a step toward ensuring appropriate protection, there remains uncertainty about whether these guidelines will effectively balance the government's interest in increasing tax compliance with maintaining trust in digital financial services.

4 ENERGY

The energy sector is a key enabler of Kenya's digital economy, and for 2025, the sector is focused on expanding electricity access, transitioning to renewable energy sources, and promoting energy efficiency. The government aims to connect 10 million more customers to the electricity grid by the end of 2025, as it works toward its goal of 100% electricity connectivity by 2030.

Renewable energy is expected to generate 10.85 billion kWh this year, highlighting Kenya's commitment to sustainable energy development. This robust energy infrastructure serves as a critical foundation for technological advancement across Kenya's economy, enabling digital transformation, supporting data centers, and powering the telecommunications networks that underpin the country's growing tech ecosystem.

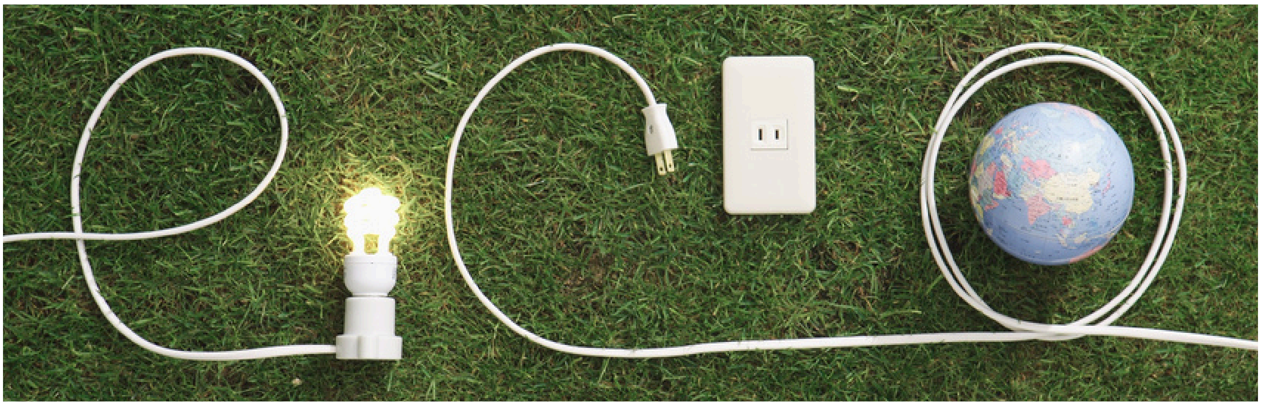
Meanwhile, the sector has seen growing interest in renewable energy investments, particularly in solar, wind, and geothermal projects. This growth is driven by Kenya's abundant renewable resources, declining technology costs, and supportive government policies.

Building on this foundation, the convergence of energy innovation and technology development has positioned Kenya as a leader in integrating smart grid technologies, Internet of Things (IoT) applications for energy management, and mobile payment systems for utility services, all of which contribute to the country's broader technological advancement.

Implementation Focus Areas:

Kenya's energy sector strategy for 2025-2030 focuses on six key areas:

- **Expanding Electricity Access:** The Ministry is implementing last-mile connectivity projects, renewable mini-grids for remote areas, and standalone solar systems, targeting 100% connectivity by 2030 with 10 million new connections by 2025.
- **Renewable Energy Development:** Kenya expects to generate 10.85 billion kWh from renewables in 2025, with expansion of geothermal in the Rift Valley, wind farms in Turkana, and nationwide solar projects supported by private sector frameworks.
- **Energy Efficiency:** New regulations establish standards for buildings and appliances, with energy labeling, mandatory audits, and financial incentives driving conservation efforts across sectors.
- **Green Hydrogen Development**: The government is creating regulatory frameworks for hydrogen production with pilot industrial applications while building capacity for carbon market participation.



- **E-Mobility:** Kenya's strategy includes reduced import duties, public charging infrastructure, and electric public transport pilots in major towns, supporting technological advancement and positioning the country as a regional leader in sustainable transportation technology.

- **ESCO Framework**: Energy service companies must be licensed by EPRA under new regulations that establish performance standards and consumer protection measures, creating a transparent market that drives investment and supports the growing tech ecosystem.

Regulatory Changes

In response to evolving energy needs and global climate commitments, Kenya has implemented several key regulatory frameworks and policy initiatives in 2025:

Energy Management Regulations:

The Kenyan Parliament passed comprehensive Energy Management Regulations in February 2025, introducing significant changes to the energy services market.

These regulations align with policy recommendations from UNEP Copenhagen Climate Centre and the Global ESCO Network operating framework for Energy Service Companies (ESCOs) and mandates that designated facilities conduct thorough energy audits to identify efficiency opportunities.

Additionally, these facilities must now prepare detailed energy investment plans outlining specific measures for implementing conservation strategies, timelines for implementation, and expected energy savings.
The regulations create a structured approach to energy management across industrial, commercial, and institutional sectors.

National Energy Policy 2025-2034:

The Ministry of Energy and Petroleum has developed a comprehensive energy policy outlining Kenya's energy development roadmap for the next decade. This policy emphasizes universal access to electricity and clean cooking by 2030, with specific targets and implementation strategies for each year of the policy period. It focuses on optimizing Kenya's abundant renewable energy resources through strategic investments and public-private partnerships.

The policy promotes clean energy solutions across all sectors of the economy, including transportation, manufacturing, and buildings, while ensuring energy security through diversification of energy sources and enhancement of local production capacity.

Draft Regulations from EPRA:

The Energy and Petroleum Regulatory Authority (EPRA) has introduced six draft regulations aimed at enhancing safety, reliability, and consumer protection in the energy sector. They include:

- **The Draft Energy (Incident and Accident Reporting) Regulations, 2025,** establishes comprehensive electricity incident and accident reporting protocols, requiring energy service providers to document and report incidents within specific timeframes and following standardized procedures.

- **The Draft Energy (Electricity Reliability, Quality of Service) Regulations, 2025,** introduces rigorous service quality standards with detailed performance metrics and monitoring frameworks to ensure consistent energy supply, including provisions for reporting planned and unplanned outages and penalties for non-compliance.

- **The Draft Energy (Electric Power Undertaking Licensing) Regulations, 2025,** revises licensing procedures for energy service providers, streamlining the process while enhancing due diligence requirements to ensure only qualified entities operate in the sector, addressing the comprehensive licensing framework for various energy undertakings.

- **The Draft Energy (Electricity Supply and Installation Work) Regulations, 2025,** focuses on promoting safe and reliable electricity supply and installation practices, including provisions for licensing electrical installers and contractors with proposed new categories.

- **The Draft Energy (System Operations) Regulations, 2025**, aims to ensure efficient, safe, and reliable operations of the Kenya National Transmission System and Interconnected Transmission System, outlining specific requirements for system operations and defining the roles of system operators.

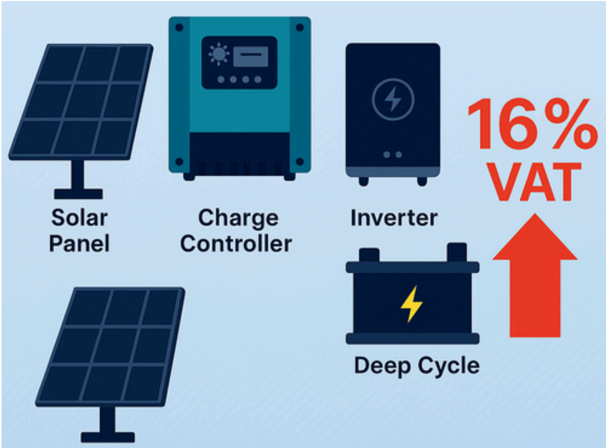
- **The Draft Energy (Energy Management) Regulations, 2025**, promote energy management in commercial, industrial, and institutional facilities to reduce energy consumption per unit of production while addressing designated facilities and obligations related to Kenya Standards, health, environmental, and safety considerations.

Taxation

Despite the government's commitment to renewable energy transition, the Finance Bill 2025 proposes significant changes to the taxation of renewable energy equipment. Specialized equipment for solar and wind energy development and generation, including photovoltaic modules, direct current charge controllers, direct current inverters, and deep cycle batteries, will no longer be tax-exempt under the new provisions. Instead, these items will become subject to the standard **VAT rate of 16%**, representing a substantial increase in acquisition costs for renewable energy systems.

This tax policy shift poses a significant challenge to the renewable energy transition, as it will likely increase the cost of renewable energy equipment and potentially slow down adoption rates among households and businesses. Industry stakeholders have expressed concern that these changes could undermine progress toward Kenya's renewable energy and climate goals, particularly affecting small-scale solar installations and rural electrification efforts. The impact may be especially pronounced for lower-income households and small businesses that are sensitive to upfront costs when considering renewable energy investments.

Implementing this tax change requires a recommendation to the Commissioner by the Cabinet Secretary responsible for energy matters, which provides a potential avenue for mitigating its impacts through careful implementation.



Energy sector advocates are urging the government to consider alternative approaches that could raise revenue without hampering renewable energy adoption, such as phased implementation, selective application based on system size, or offsetting incentives in other areas.

The ongoing regulatory developments in Kenya's energy sector represent critical steps toward achieving energy security, sustainability, and universal access. However, the proposed taxation changes for renewable energy equipment will require careful monitoring to ensure they don't counteract the positive impacts of the other regulatory initiatives.

The tension between fiscal objectives and energy transition goals highlights the complex policy balancing act facing Kenya as it pursues both economic development and environmental sustainability.

IMPACT OVERVIEW

Foreign Digital Service Providers:

The proposed SEP Tax amendments create a hybrid regulatory framework combining OECD Pillar 2 structural alignment with comprehensive revenue capture exceeding the international framework scope. While large multinational digital service providers would benefit from a predictable, internationally compliant structure, the proposed removal of the KES 5 million threshold would subject all foreign digital providers to immediate tax obligations regardless of size. This could create disproportionate impacts with substantial operational costs that represent higher proportions of revenue for smaller entities lacking established African operations infrastructure.
Small international fintech companies, emerging SaaS providers, and innovative digital platforms face potential market entry barriers that could contradict Kenya's innovation hub positioning. Unlike large Multinational Enterprises (MNEs) that can absorb compliance costs, smaller providers may withdraw from the Kenyan market rather than navigate complex tax obligations for limited revenue streams, potentially limiting service access and competitive pressure for Kenyan users. The expected July 1st implementation timeline would compound challenges for smaller providers lacking the legal infrastructure to quickly establish compliant operations.

E-Health Regulatory Development and Market Impact
Kenya's focused regulatory development in e-health will significantly support sector growth by providing clear operational frameworks that encourage more companies to establish operations. The proposed Digital Health Regulations 2025 and Kenya Digital Health Strategy 2025-2028 create comprehensive guidelines that reduce regulatory uncertainty for health tech companies seeking to enter or expand in the Kenyan market.

This regulatory clarity, combined with strong market growth projections to US$284.70 million by 2029, positions Kenya as an attractive destination for health technology investment and innovation.

The development of harmonized data collection systems with interoperability capabilities will transform healthcare delivery by enabling seamless consumer access to health services across different providers. This interoperable framework reduces data transfer costs and eliminates delays that currently hinder efficient healthcare delivery, creating significant value for both providers and patients. The multi-stakeholder approach involving extensive consultation at national and county levels ensures inclusive development that addresses diverse healthcare needs across Kenya's varied demographic and geographic landscape.

However, the sector's growth potential depends on addressing critical gaps in consumer awareness of data rights and enhancing cybersecurity practices to protect sensitive health data. The intersection of data protection requirements under the Data Protection Act 2019 with health sector regulations creates complexity that requires robust cybersecurity frameworks and comprehensive consumer education programs. As health data falls under sensitive data categories requiring enhanced protection, success in achieving the sector's growth projections will depend on building consumer trust through transparent data handling practices and strong security measures that meet international standards.

E-Commerce and Digital Growth

Kenya's e-commerce sector demonstrates resilience with a projected 12.86% annual growth, outpacing Nigeria's 11.82% and positioning Kenya competitively regionally. The National Addressing System addresses last-mile delivery challenges constraining East African e-commerce growth, creating substantial competitive advantages over Tanzania and Uganda's addressing standardization struggles. E-mobility infrastructure integration, particularly e-bikes and electric vehicles for delivery, positions Kenya ahead of regional peers in sustainable logistics solutions.

The proposed expanded digital marketplace definitions under Finance Bill 2025 would require platforms to navigate complex VAT and excise duty obligations, while the potential threshold removal for SEP Tax could capture even small international e-commerce facilitators. This comprehensive taxation approach may deter emerging international platforms that could enhance market competition and service diversity, potentially favoring established players with greater compliance resources over innovative market entrants.

Fintech Regulatory Development and Market Impact

Kenya's comprehensive VASPs regulation represents a welcome development that addresses persistent fraud issues in the virtual asset space by ensuring legitimate providers operate under full licensing and established standards. This regulatory approach aligns with ongoing global practices, with South Africa, Nigeria, and other African markets implementing similar VASP frameworks to create structured environments for digital asset businesses. The development of interoperability frameworks and digital identity regulations positions Kenya significantly closer to having the necessary infrastructure to support Digital Public Infrastructure (DPI), establishing a foundation for comprehensive financial services integration.

The National Payment System modernization through the Fast-Payment System and SACCO integration creates substantial opportunities for sector expansion, particularly supporting e-commerce growth through improved payment infrastructure and enhanced financial inclusion. The regulatory sandbox program continues enabling innovation testing while harmonized oversight across CBK and CMA reduces fragmentation, and the digital asset tax reduction from 3% to 1.5% demonstrates regulatory responsiveness to market competitiveness needs. These positive developments collectively strengthen Kenya's position as a regional fintech hub with robust infrastructure and clear operational guidelines.

However, the proposed expanded tax measures and data access provisions pose significant risks that could erode these positive regulatory gains. The deletion of data protection clauses from the Tax Procedure Act, combined with enhanced KRA enforcement capabilities and increased compliance requirements across multiple regulatory entities, creates excessive government scrutiny that may deter investment and innovation in the space. Industry stakeholders warn this comprehensive oversight approach could undermine business confidence in digital financial systems, potentially driving regression to cash-based transactions and reducing the willingness for continued innovation that has driven Kenya's fintech leadership, ultimately contradicting the supportive regulatory infrastructure being developed.

Data Privacy and Business Operations

The proposed removal of data protection clauses from the Tax Procedure Act creates fundamental conflicts between data protection obligations and tax compliance requirements, risking a shift toward cash-based operations that could undermine financial inclusion achievements. While South Africa maintains stronger data protection frameworks and Ghana prioritizes digital inclusion, Kenya's proposed aggressive data access approach could undermine its regional fintech leadership position and deter privacy-conscious international partnerships.

Proposed expanded data access requirements would create significant interoperability challenges as businesses integrate systems with KRA's infrastructure. Financial institutions and fintech companies would face substantial system upgrade and ongoing compliance costs that represent higher proportional burdens for smaller entities. International investors operating under GDPR and similar frameworks may view Kenya's proposed requirements as incompatible with global compliance standards, potentially redirecting investments to more accommodating regional markets like Rwanda or Mauritius.

Energy Sector Transformation

Kenya's comprehensive energy regulatory framework positions the country as a regional leader, surpassing Uganda and Tanzania in regulatory sophistication. Independent power generation allowances for tech companies address critical infrastructure constraints limiting data center development, enabling substantial operational cost reductions compared to grid dependency while achieving carbon neutrality objectives. This particularly benefits large technology companies establishing regional operations requiring substantial energy infrastructure.

However, proposed 16% VAT on renewable energy equipment creates policy contradictions mirroring Nigeria's challenges, where similar policies slowed adoption. Unlike South Africa's continued incentives attracting substantial annual investments, Kenya's proposed tax shift may significantly reduce small-scale solar adoption, particularly affecting rural electrification and small business investments while requiring careful calibration to avoid undermining 100% connectivity targets.

Regional Competitive Analysis

Kenya's regulatory approach reflects a complex hybrid strategy combining OECD Pillar 2 structural compliance with broader revenue maximization objectives that diverge from international framework intentions. While Kenya aligns its SEP Tax framework with OECD standards, the proposed removal of the KES 5 million threshold creates contradiction with Pillar 2's focus on large multinational enterprises, positioning Kenya between Nigeria's comprehensive unilateral approach and South Africa's strict Pillar 2 compliance. This strategic positioning creates mixed signals for international investment—claiming OECD compliance while proposing broader taxation than international frameworks contemplate.

The proposed hybrid approach may attract large MNE regional headquarters seeking structural compliance predictability while simultaneously creating barriers for emerging fintech startups and innovative digital platforms that historically drove Kenya's technology ecosystem growth. Unlike regional competitors with clear positioning, Kenya's proposed approach may confuse market positioning and complicate investment decision-making for different categories of digital service providers.

Regulatory convergence across fintech, energy, and digital services creates opportunities requiring strategic navigation, with the National Addressing System supporting both e-commerce growth and energy digitalization. However, the proposed comprehensive taxation approach through SEP threshold removal and data access requirements may favor larger, well-resourced players across all sectors while creating barriers for smaller, innovative companies that drive cross-sector innovation and competitive pressure.

The fiscal context of targeting a 4.5% GDP deficit reduction while maintaining inflation creates pressure for revenue maximization that may conflict with innovation ecosystem development. Success depends on balancing immediate revenue generation with long-term competitiveness, ensuring proposed regulatory frameworks support rather than hinder the diverse digital economy participants that have driven Kenya's technology leadership while maintaining international credibility through structural compliance with global standards.

Q3 PRIORITY AREAS

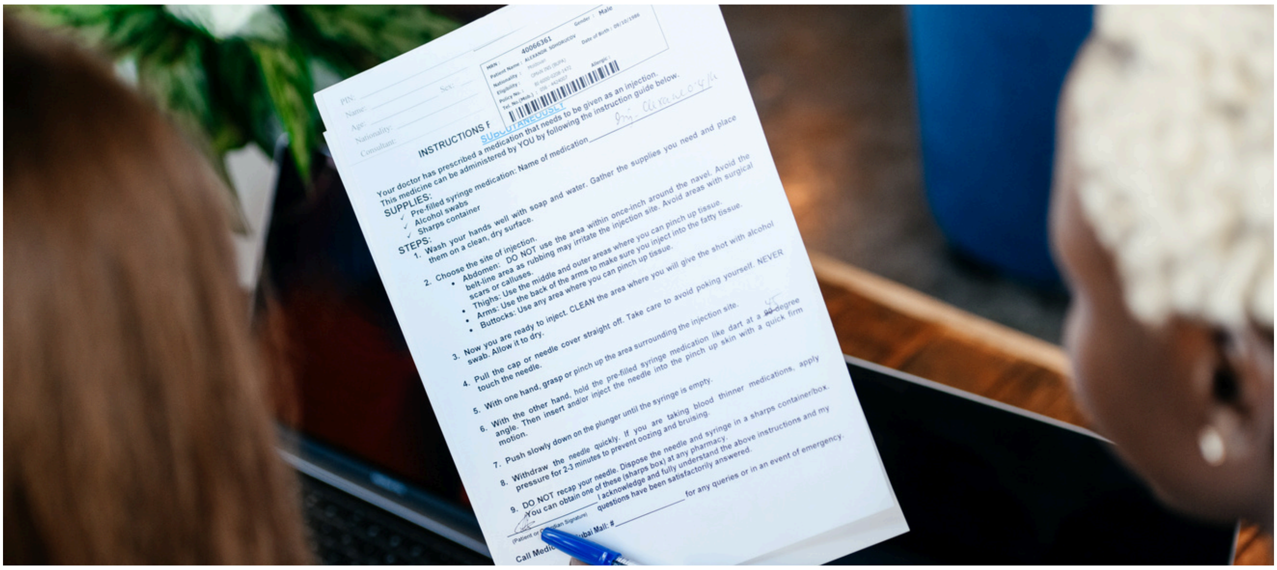
The second quarter of 2025 presents critical regulatory and legislative developments that demand strategic monitoring, collaboration, and proactive engagement from stakeholders across Kenya's technology, financial, and energy sectors. Organizations should prepare to adapt compliance frameworks, realign business strategies, and capitalize on emerging opportunities as these priority items advance through various implementation stages. Monitor these key developments closely to anticipate market shifts and position effectively in response to Kenya's evolving regulatory landscape.

Regulatory Developments

- Track the progress of **Digital Health Regulations** towards parliamentary approval.
- Monitor Parliamentary progress of the **Virtual Asset Service Providers Bill**
- Prepare for announcements regarding the Central Bank of Kenya's National Payments Strategy
- Implement changes required by new **Energy Management Regulations** guidelines

Legislative Priorities

- Assess impact of the **Finance Bill 2025** provisions on digital taxation, cryptocurrency operations, and VAT compliance
- Evaluate implications of parliamentary debates on data protection clauses in the **Tax Procedure Act**
- Anticipate requirements from the **National Addressing System** and **Communications Amendment Bill 2025**
- Adapt to implementation guidelines from Kenya Revenue Authority on **digital goods and services taxation**



Outlook of Key Infrastructure Regulation

Strategic infrastructure regulations across energy, telecommunications, and cloud computing sectors demand immediate attention as they near implementation phases in Q3 2025.

- The quarter represents a critical window for technology stakeholders to influence the developing **EPRA Regulations** before they advance to the final review stages. The draft regulations, currently under consideration, propose significant pathways for tech companies to establish their own renewable energy solutions. Technology companies should prioritize submissions to the regulatory working groups, focusing on technical specifications for self-generation projects, proposed incentive structures, and measurement methodologies for carbon reduction initiatives.

- Forward-thinking organizations should simultaneously begin internal readiness assessments, including energy consumption audits and renewable investment feasibility studies, to position themselves for early adoption once regulations are approved later in 2025. Companies that establish cross-functional energy transition teams in Q3 will gain a competitive advantage through strategic preparedness while helping shape regulations that support both sustainability objectives and operational requirements for technology infrastructure.

- The telecommunications industry faces significant restructuring as the **Kenya Information and Communications Amendment Bills** progress through parliamentary review in Q3. Stakeholders should engage in consultation sessions and review the bills, focusing on implementation timelines for new metering requirements and technical standards for Internet service monitoring systems.

- Companies should form technical working groups to develop compliance roadmaps that address the bill's proposed user verification capabilities, usage monitoring systems, and consumption-based invoice requirements. Satellite internet service providers should prepare market entry documentation as the licensing framework takes shape, with particular attention to spectrum allocation provisions and universal service obligations contained in the latest drafts. Early engagement in these policy development processes will enable companies to influence final regulatory requirements while positioning their operations for the anticipated implementation phase in late 2025.

- The public consultation period for Kenya's **Cloud Policy** continues through Q2 2025, creating an essential opportunity for technology providers to shape Kenya's cloud governance framework. Organizations should submit comprehensive feedback on the proposed "**cloud first**" approach, data classification guidelines, and decision-making frameworks for hosting sensitive information.

- Companies should analyze the policy's implications on their service offerings, focusing particularly on data residency requirements and the proposed Cloud Adoption Committee structure. Stakeholders should develop position papers on implementation timelines, technical standards for security compliance, and proposed transition support for organizations migrating to cloud environments.

- Early engagement with policy architects will position companies to navigate future requirements effectively while helping to create a balanced regulatory environment that promotes both innovation and appropriate governance.

Conclusion

Kenya's evolving economic and sectoral regulatory environment in 2025 reflects a decisive push toward formalizing its digital economy, strengthening fiscal sustainability, and improving public service delivery through technology. With the digital economy growing at 9.2% annually and inflation managed within the 2.5%-7.5% target range, the government's approach, anchored in ambitious fiscal deficit reduction to 4.5% of GDP and a drive for digital taxation, demonstrates an urgent need to balance revenue generation with innovation, consumer protection, and equitable access to services.

Across all focus areas, including e-commerce, e-health, fintech, and energy, the regulatory frameworks being introduced are reshaping the operating landscape. From the introduction of the SEP Tax to the modernization of national payment systems and the implementation of comprehensive energy management regulations, Kenya is laying the groundwork for a more resilient, inclusive, and interconnected economy. The EAC Cross-Border Payment System Masterplan particularly positions Kenya as a regional integration leader.

However, the pace of regulatory change and the widening scope of compliance requirements pose operational and strategic challenges for businesses, particularly startups and SMEs. The Q3 2025 priorities outlined in this report highlight critical implementation windows where stakeholder engagement, clear implementation timelines, and harmonization across agencies will be essential to ensure reforms are both impactful and sustainable.

Going forward, success will depend not only on the robustness of these new frameworks but also on their practical execution. As regional competitors like Ghana repeal digital taxes while others like Nigeria introduce new fintech legislation, Kenya's comprehensive approach to regulatory modernization, despite inherent tensions between fiscal and growth objectives, provides a solid foundation for sustained technological leadership. Collaboration between government, the private sector, and civil society will be vital to refine emerging policies, manage unintended consequences, and position Kenya as a model for digital economy governance on the continent.

GLOSSARY

- **AML/CFT**: Anti-Money Laundering/Combating the Financing of Terrorism - Regulatory frameworks designed to prevent financial crimes.
- **BETA**: Bottom-up Economic Transformation Agenda - Kenya's economic development framework focusing on grassroots growth initiatives.
- **CA**: Communications Authority of Kenya - The regulator responsible for the communications sector including telecommunications, broadcasting, and postal services.
- **CAGR**: Compound Annual Growth Rate - A measure representing growth over multiple time periods, taking into account the effect of compounding.
- **CBK**: Central Bank of Kenya - The national banking regulator responsible for monetary policy and financial sector oversight.
- **CBDC**: Central Bank Digital Currency - A digital form of a country's fiat currency issued directly by the central bank.
- **CDC TAP**: Centers for Disease Control and Prevention's Technical Assistance Platform - Organization supporting Kenya's digital health strategy development.
- **CGC**: Credit Guarantee Company - Entity established under the SAFER project to manage Kenya's partial credit guarantee schemes.
- **CMA**: Capital Markets Authority - Kenya's regulatory body overseeing capital markets and securities.
- **DCP**: Digital Credit Provider - Entities regulated under the CBK Act that provide credit services through digital channels.
- **DHIPR**: Directorate of Digital Health, Informatics, Policy, and Research - The MOH directorate leading digital health strategy development.
- **DMRS**: Data Management Reporting Systems - Legal provisions regarding data access limitations, particularly in the Tax Procedure Act.
- **DST**: Digital Service Tax - Previous tax framework for digital businesses operating in Kenya, replaced by the SEP Tax.
- **EAC**: East African Community - The regional intergovernmental organization comprising Kenya, Tanzania, Uganda, Rwanda, Burundi, and South Sudan.
- **EPRA**: Energy and Petroleum Regulatory Authority - Kenya's regulator for the energy and petroleum sectors.
- **ESCO**: Energy Service Company - Organizations that provide energy efficiency-related services, now subject to licensing by EPRA

GLOSSARY

- **FPS**: Fast-Payment System - CBK's planned financial sector-wide interoperability system for instant money transfers.
- **IoT**: Internet of Things - Network of interconnected devices embedded with sensors, software, and connectivity to collect and exchange data.
- **KBA**: Kenya Bankers Association - The banking industry's umbrella body representing member institutions.
- **KRA**: Kenya Revenue Authority - Agency responsible for tax administration and collection in Kenya.
- **MCDA**: Ministry, County, Department, Agency - General term for public sector organizations.
- **MOH**: Ministry of Health - Government body responsible for Kenya's healthcare policy and regulation.
- **MSME**: Micro, Small, and Medium Enterprise - Small business classification based on factors such as employee count and revenue.
- **NDTC**: Non-Deposit Taking Credit Provider - Financial institutions providing credit services without taking deposits, newly regulated under the Business Laws Amendment Act 2024.
- **NPS**: National Payment System - The infrastructure enabling funds transfer between accounts at financial institutions.
- **ODPC**: Office of the Data Protection Commissioner - Kenya's data protection regulatory authority.
- **OECD**: Organisation for Economic Co-operation and Development - International organization developing policy standards, including the Pillar 2 tax framework.
- **PSP**: Payment Service Provider - Entities that facilitate electronic payment transactions.
- **RegTech**: Regulatory Technology - Technology solutions that help businesses comply with regulatory requirements efficiently.
- **SACCO**: Savings and Credit Cooperative - Member-based financial cooperatives that provide savings and credit services.
- **SAFER**: Supporting Access to Finance and Enterprise Recovery - World Bank-funded project supporting Kenya's financial sector development.
- **SEP**: Significant Economic Presence - Tax framework for digital businesses with substantial economic activity in Kenya, replacing the DST.
- **VAT**: Value Added Tax - Consumption tax placed on products and services at each stage where value is added.
- **VASP**: Virtual Asset Service Provider - Entities involved in virtual asset activities, including cryptocurrencies and digital tokens.

ACKNOWLEDGEMENTS

This report was made through detailed research by the Nexus Tech Policy Advisors team. Our multidisciplinary group of regulatory specialists, legal experts, and technology analysts has worked diligently to compile, analyze, and synthesize the complex regulatory developments across Kenya's technology landscape.
The findings, analysis, and recommendations presented in this report are based entirely on our independent research, regulatory monitoring, and market analysis. We have maintained strict independence in our assessment to provide an objective overview of Kenya's evolving technology regulatory framework.

While we have made every effort to ensure the accuracy and comprehensiveness of this regulatory overview, we acknowledge that the rapidly evolving nature of technology regulation means that some developments may have occurred after our research concluded in April 2025.

The Nexus Tech Policy Advisors team is available to support any organization navigating this regulatory landscape. We offer customized impact assessments, compliance roadmaps, and strategic advisory services to help your organization not only adapt to these regulatory changes but leverage them for competitive advantage. We also provide end-to-end support for regulatory submissions and facilitate constructive engagements with relevant government agencies, ensuring your voice is effectively represented in ongoing policy consultations. For a deeper analysis of how these regulations affect your specific business model or for implementation support, please contact our advisory team

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