# GOVERNMENT MOTOR VEHICLE LEASING PROGRAMME

## Impact Assessment

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## IMPACT ASSESSMENT

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Evaluation & Training Consultants

TASIL

The National Treasury

# PREFACE

The leasing programme for official government transport is technically and financially viable. Its viability can further be enhanced by managing key cost drivers as described in this report. As the country grapples with huge public debt and skyrocketing recurrent expenditure, leasing of transport functions provides a panacea for the country's budget deficit.

The tailwinds in economic stagnation witnessed in the country exacerbated by challenges such as economic induced uncertainty due to the 2022 elections, slowdown in credit growth to the private sector, inflation and general deceleration, implies restricted recurrent expenditure. Due to this, the government needs to seek innovative avenues for funding essential services such as public transport. In so doing, the government is able to deliver on its mandate without much strain. Leasing of government transport is therefore a perfect solution in an economy with competing priorities such as ours.

To enhance efficiency and value for money in interventions espoused under the programme, government of Kenya,through the National Treasury should ensure vehicles procured under the programme are locally assembled, electric vehicles deployed in non-operational functions and key cost drivers such as fuel and vehicle maintenance effectively contained.

The leasing programme for official government transport, therefore has the potential to create thousands of jobs, has capability to enhance the capacity for local content, saves the country from carbon emissions associated with dumping of second hand vehicles and saves the much needed foreign reserves. The programme benefits far outweigh its challenges and can therefore be up-scaled to other state agencies with operational mandate.

The programme is on the right trajectory

**Dr. Peter W. Makokha PhD.**
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# TABLE OF CONTENT


**CHAPTER I: INTRODUCTION** 1
Programme Context 1
Background and Historical Context 4
Local Vehicle Assembly Scenario 4
Global Benchmarks 4
The Programme Ecosystem 5
Lease Pricing 7

**CHAPTER II: METHODOLOGY** 8
Research Design 8
Sampling Technique 8
Target Population 8
Study Sample 9
Data Collection Process 10
Approach for Geospatial and Proximity Mapping 11
Data Analysis 11
Limitations of the Study 11
Quality Assurance 12

**CHAPTER III: FINDINGS AND RECOMMENDATIONS** 13
Response Rate 13
Value for Money Computation 29
Residual Value 23
Local Content 26
Job Creation 31
Fleet Management 32
Geo-spatial Mapping 35
Fuel and Fuelling Framework 39
Social Impact 39

**CHAPTER IV: CONCLUSIONS AND STRATEGIC OUTLOOK** 43
Conclusions 43
Strategic Outlook 44

**RESOURCES** 55
**ANNEXES** 55
Questionnaire For Users 56
Questionnaire For Dealers 59
Questionnaire For Assembly Plants 63
Interview Schedule For Accessory Manufacturers 65
Group Discusion Schedule For Community Members 66
List of Key Informants 67

# LIST OF FIGURES

Figure 1:Economic Benefits Expected from the Programme 2
Figure 2: Government Expenditure on Transport 3
Figure 3: Benefits of Leasing 4
Figure 4: Trends in Local Vehicle Assembly 4
Figure 5: Global Good Practice Parameters 5
Figure 6: The Leasing Ecosystem for the Programme 6
Figure 7: Technical Approach 8
Figure 8: Vehicle Demographics 13
Figure 9: Share of Insurance 14
Figure 10: Metrics for Fleet Management 32
Figure 11: Country-wide Distribution of Leased Vehicles 33
Figure 12: Rapid Deployment Process 33
Figure 13: Geofencing 34
Figure 14: Fuel Use Analysis 34
Figure 15: Mapping Proximity of Kiambu County 35
Figure 16: Mapping Proximity of Kisumu County 36
Figure 17: Mapping Proximity of Mombasa County 36
Figure 18: Mapping Proximity of Isiolo County 37
Figure 19: Mapping Proximity of Mandera County 37
Figure 20: Mapping Proximity of Kitui County 38
Figure 21: Average Fuel Consumption 39
Figure 22: Monthly Fuel Consumption 40
Figure 23: Crime Statistics for Kenya 41
Figure 24: Proposed Organogram of the FM Department 45
Figure 25: Framework for the Proposed Integration 47
Figure 26: Proposed Structural Architecture For Leasing 48

# LIST OF TABLES


Table 1: Demographics on Leased Vehicles 6
Table 2: Anchor Service Providers 6
Table 3: Lease Pricing Formula 7
Table 4: Target Population 9
Table 5: Sample Size 10
Table 6: Reliability of Research Instruments 10
Table 7: Fleet Composition 14
Table 8: Remittance of Insurance Premium 15
Table 9: Insurance Claims 16
Table 10: Insurance Outlook 17
Table 11: Actual Mileage 18
Table 12: Projected Mileage for the Lease Period 18
Table 13: Transport Expenditure Before Leasing 19
Table 14: Net Present Value Computation 20
Table 15: Local Benchmarks 20
Table 16: Global Benchmarks 20
Table 17: Lease Average Costs 21
Table 18: Lease Rentals 21
Table 19: Annual Rental Costs 22
Table 20: Vehicle Depreciation 23
Table 21: Estimated Residual Values 23
Table 22: Cost of Accessories 24
Table 23: Purchase to Lease Ratio 25
Table 24: Assembly Demographics at Kenya Vehicle Manufacturers 26
Table 25: Local Content Suppliers at Isuzu East Africa 28
Table 26: Orders to Sai Raj from the Programme 29
Table 27: Locally Manufactured Vehicle Parts 30
Table 28: Reccommendations on Local Content 30
Table 29: Typology and Distribution of Jobs Created 31
Table 30: Annual Expenditure on Fuel 39
Table 31: Fuel Available for Reallocation 40
Table 32: Parameters for Efficiency 44
Table 33: Comparison Between Current & Proposed Integration 46
Table 34: Results Measurement Framework 49

# ABBREVIATIONS AND ACRONYMS

| | |
|---|---|
| AA: | Automobile Association |
| AIG: | Assistant Inspector General |
| API: | Application Programming Interface |
| APS: | Administration Police Service |
| ASTU: | Anti-Stock Theft Unit |
| AVA: | Associated Vehicle Assemblers |
| BPU: | Border Police Unit |
| CBA: | Cost-Benefit Analysis |
| CIPU: | Critical Infrastructure Police Unit |
| CKD: | Completely Knocked Down |
| CMTE: | Chief Mechanical and Transport Engineer |
| CP: | Commissioner of Police |
| CTO: | Chief Transport Officer |
| CIT: | Contract Implementation Team |
| DCI: | Directorate of Criminal Investigations |
| DCC: | Deputy County Commissioner |
| FBU: | Fully Built Unit |
| FMS | Fleet Management Solution |
| FTE: | Full-Time Equivalent |
| GTP: | Government Transport Policy |
| GoK: | Government of Kenya |
| GSM: | Global System for Mobile Communication |
| IFMIS: | Integrated Financial Management Information System |
| IGP: | Inspector General of Police |
| ISPs: | Insurance Service Providers |
| KII: | Key Informant Interview |
| KPIs: | Key Performance Indicators |
| KPS: | Kenya Police Service |
| KVM: | Kenya Vehicle Manufacturers |
| LAK: | Leasing Association of Kenya |
| MDAs: | Ministries, Departments or Agencies |
| MFIs: | Micro Financing Intermediaries |
| MLA: | Master Lease Agreement |
| MITI: | Ministry of Investment, Trade and Industry |
| MSME: | Micro, Small and Medium Enterprises |
| NGAO: | National Government Administrative Officers |
| NMC: | Numerical Machining Complex |
| NPS: | National Police Service |
| NPV: | Net Present Value |
| NTSA: | National Transport and Safety Authority |
| OEM's: | Original Equipment Manufacturers |
| OSM: | Open Street Maps |
| QGIS: | Quantum Geographical Information System |
| RDU: | Rapid Deployment Unit |
| RV: | Residual Value |
| SPSS: | Statistical Package for Social Sciences |
| TOC: | Theory of Change |
| TNT: | The National Treasury |
| TVET: | Technical, Vocational Education and Training |
| VAELL: | Vehicle and Equipment Leasing Limited |

# EXECUTIVE SUMMARY

The leasing programme for official government transport was launched in 2013 and has since achieved remarkable milestones with profound impact on the economy. The programme provides an opportunity for officials particularly in the security sector to access tailor-made vehicles without the strain of the huge capital outlay associated with outright purchase model.

Designed to deal with perennial bottlenecks in government fleet operations including; fuel misuse, high maintenance and obsolescence, the programme has lived to its billing by supporting the creation of new jobs, enhanced the capacity for local content in accessory manufacturing, created important forward and backward linkages and widened tax-base. While significant strides have been realized in its nine years of implementation, the programme has the potential to accelerate economic growth.

To unravel the veracity of interventions under the programme, a meticulously designed study was undertaken through the ingenious participatory research where a structured survey, interviews and focus group discussions with 328 respondents was done. Respondents included officers from National Government Administrative Office (NGAO), prison warders, Kenya Police Service, Administration Police Service, the Directorate of Criminal Investigations (DCI), managers from Toyota Kenya, Isuzu East Africa , Subaru Motors, Urysia, Nissan Kenya, CMC, Simba Motor Corporation and DT Dobie, fleet management firms, leasing companies, accessory manufacturers, insurance firms and banks. Focus group discussions were held with select community leaders and business owners to quantify social-economic impact.

Research tools deployed were validated and pilot-tested before field administration. Data collected was analyzed using the Statistical Package for Social Sciences (SPSS) and thematic purview. Benchmarking on similar transport models in South Africa, Ireland and Australia was done. Relevant policies on transport and manufacturing were thoroughly reviewed.

## Findings

The programme has made available a total of 6,826 new vehicles to officials in the security sector hence enhancing their mobility and visibility. This has contributed massively to the reduction of crime in the Country. Despite creating sector-wide linkages, the programme stimulated local automotive sector, re-invigorated the dwindling fortunes of auto-dealers and spurred manufacturing. The programme occasioned revitalization of Kenya Vehicle Manufacturers that assembled 2,348 vehicles supplied under the programme, Associated Vehicle Assemblers (AVA) and local assembly at Isuzu East Africa.

In terms of local content, the programme provides business worth Kshs 400 million to parts manufacturers. The percentage of local content in vehicles has stabilized though below 40% as required by the statute. Overall, the government leveraged savings amounting to Kshs 2.69 billion in 9 years of the programme's implementation.

A total of 1,813 direct full-time jobs and an estimated 100,000 indirect jobs were created. The bulk of these jobs were created by accessory manufacturers in paintwork, fabrication, stores and moulding. The manufacture of accessories such as canvas, batteries, winches, tyres, bullbars among others provides the highest number of jobs. However, the programme's job creation potential is constrained by institutional biases and high cost of production.

In terms of insurance, the programme remitted a total of Kshs 3.778 billion worth of premiums to the insurance sector. Tax remittances to the Kenya Revenue Authority amounted to Kshs 16 Billion in the nine years of implementation. The programme has also stabilized fuel access to police operations, where a steady market of fuel and fuel products worth Kshs 2.2 billion is provided annually.

The programme unlocked financial resources and frontloaded financing of critical public service to a tune of Kshs 12.3 billion. The model also allows separation of roles in transport function where dealers concentrate on operations and maintenance while the lessee focuses on service delivery. The model allows government agencies to procure vehicles centrally and when needed, allowing the government to realize economies of scale.

Leasing therefore helps the government to contain high maintenance costs, secure the lives of officials, manages transport costs, improves fleet utilization levels and indemnifies the government against liability. Due to the sound fiduciary processes at the National Treasury, the programme has been touted as an innovative window for harnessing a locally denominated sovereign bond.

## Key Cost Drivers

The programme's lease average cost is Kshs 88.7 per kilometer, this compares favorably with the private sector rate of Kshs 53-120 and the Automobile Association (AA) rate of Kshs 91 per Kilometer. However, private sector rates are derived from full wet-lease that is different from the costing under the programme. The lease average cost is higher in comparison to the South African average of Kshs 65 per kilometer, meaning the lease rental costs under the programme are not competitive.

The programme high costs are due to; non-depreciated insurance, open tendering that does not allow for price negotiation, poor procurement planning, high maintenance costs and a high number of Fully Built Units (FBUs). FBUs attract more taxes (25% import duty and 20% excise duty) as compared to locally assembled vehicles. Despite high rental costs, the model helps government to access new vehicles using private sector capital and repay over time.

Savings leveraged from this arrangement are channeled to other sectors. In addition, leased vehicles are comprehensively insured hence minimizing disruptions in operations in case of accidents. Moreover, under this model, officers use well maintained vehicles; this not only increases operational efficiency but also saves government spending on recurrent expenditure. Moreover, the scheme enhanced vehicle utilisation levels due to in-build fleet management solutions. Vehicles under the programme are fitted with fleet devices that track real-time locations, with an embedded geo-fencing capability that limits misuse and theft.

Fleet management solutions; Gaptech solution and Kingsway Autowatch are fitted independently without the knowledge of users. Gaptech solution is the most preferred as it has superior functionalities and captures most of the metrics desired. The solutions are however standalone, a feature that impedes their usability. To optimize on efficiency, government would benefit more if it anchored an integrated fleet management solution at National Treasury so that vehicles transmit seamlessly onto the same platform. Cognizant that safety of the vehicle and security of occupants depended on a fleet solution embedded, versatility of such a solution is paramount.

## Institutional Ecosystem

Despite tremendous strides in the leasing landscape, the programme lacks the institutional framework and policy to anchor it. The programme, domiciled at National Treasury despite serving officers predominantly from the ministries of interior and health, lacks an effective operational structure to guarantee operational efficiency. Though its positioning makes administrative sense since National Treasury has the mandate to source funds both locally and internationally, its structural grounding is deficient and the management model in place is on an ad-hoc basis. Whereas the knowledge generated from interventions under the programme heavily informed the drafting of Government Transport Policy (GTP), the policy is yet to be operationalized. Once in place, the policy presents a panacea for the sustainability of the programme. To enhance its performance, the National Treasury should fast-track the setting up of the Government Fleet Management Department (GFMD) to midwife the programme operations as enshrined in the policy.

## Social Impact

The programme's attribution to reduction of crime in the country was estimated at 30%. Since its inception, the country has witnessed massive reduction in crime; a phenomenon correlated to increased surveillance, intensified police patrols and enhanced visibility due to high number of branded police vehicles. In 2020, a total of 69,645 crime cases were recorded; a 25.4% decrease from the previous year where 93,411 cases were reported. Overall Kenya recorded a crime index of 196 per 100,000 in 2020, in comparison to 3,450 per 100,000 recorded in 2012. Time taken for police officers to respond to distress calls reduced by 50% between 2012 and 2022. The number of incidents where the police were called and could not respond decreased from 49.0% in 2012 to 22.1% in 2020.

## Recommendations

At strategic level, key gaps identified vis-à-vis the proposed solutions are:

| Gap | Proposed Solution |
|---|---|
| Lack of an effective management structure that guarantees operational efficiency | Operationalize the Government Transport Policy by setting up the Fleet Management Department at the National Treasury. |
| A weak and stand-alone fleet management landscape | Anchor a robust, integrated fleet management solution at the National Treasury so that vehicles could transmit seamlessly onto the same platform |
| A weak monitoring, evaluation and accountability framework | Enlist a competent M&E firm to track results, manage risks, feedback loops and progress reporting. |
| Susceptibility to reputational risk | ▪ Review the Master Lease Agreement (MLA) and redefine the role of lessors and OEM's<br>▪ Fix the Lease-Purchase ratio at 1:1 |
| Large number of key cost drivers | ▪ Pilot local assembly of electric vehicles and deploy them in non-operational tasks,<br>▪ Deploy a universal fuel card so that fuel is accessed across a multiplicity of stations,<br>▪ Base lease rentals on a differentiated mileage instead of the blanket 160,000kms<br>▪ Suspend the leasing of FBU's |

In order to better the perfomance of the programme, National Treasury should work with the State Department of Industry (SDI) to cascade the vehicle assembly infastructure in Kenya from CKD-1 to CKD-3 so as to shore up the job creation capability for the industry. The CKD-1 regime currently in use by most vehicle assembers only craeates a handful of jobs hence not desireable.

The following administrative actions are recommended:

i) Allocate light duty vehicle models such as Isuzu D-max, Ford ranger, Mahindra etc. in cities, urban areas and areas with good road infrastructure,
ii) Reallocate land cruisers to strategic areas, units and areas with terrain challenges,
iii) Adopt model-specific allocation of fuel,
iv) Ensure product mix is optimal during tendering,
v) Standardize local content requirements for accessories and parts,
vi) Specialized units such as (RDU, BPU, ASTU, Prisons etc.) be considered for specialized vehicles such as Land cruiser and trucks i.e. Isuzu FTS modified for special roles based on user modifications,
vii) Base insurance premiums at the market rate and ensure remittances for subsequent years are pegged on vehicle depreciation,
viii) Develop Corporate Social Responsibility (CSR) guidelines for adoption by partners,
ix) Review the procurement process to allow for price negotiation during tendering.

## Conclusion

Leasing of transport services as structured under the programme is the most sustainable model to manage government fleet operations. From empirical evidence, the programme has demonstrated tangible benefits of leasing and therefore can be up-scaled to other state agencies albeit with a bias towards operational and field-based services. Findings from this study provides the much-needed data to justify the scaling-up of government transport interventions as espoused under the programme and as directed by the Head of Public Service (HPS) in a circular dated 26th June, 2020.

# CHAPTER ONE
# INTRODUCTION

## 1.1 Programme Context

The leasing programme for official government transport at the National Treasury is in its 6th phase of implementation. The programme, initiated in 2013 was designed to deal with perennial bottlenecks afflicting government fleet operations through a tripartite of viz; cheaper access to vehicles for enhanced service delivery, unlock resources and frontload financing of critical public service and development including provision of vehicles to disciplined services and provide efficient and cost-effective official transport to extension workers with field operations such as police, security personnel as well as ambulances.

The leasing programme for official government transport was designed with a cardinal aim to modernize government fleet operations.

Interventions envisaged under the programme were expected to accrue both economic and financial benefits such as: stimulating growth of the local motor vehicle assembly industry, generating backward and forward linkages, stimulating the development of leasing industry thereby promoting the financial sector that is instrumental to economic growth, establishing Kenya as a source vehicle market for the wider Eastern African region by encouraging vehicle assembly, boosting the secondary market of vehicles coming off lease thereby reducing importation of second-hand vehicles, cushioning the country's foreign reserves and generating employment opportunities for Kenyans while offering cost-effective official government transport.

## 1.2 Scope of Work

In order to quantify the impact of this programme, the study was designed to provide in-depth dimensions on its design, implementation and the results accomplished, as contextualized in the Government Transport Policy, which is an instrument seeking to address the inherent weaknesses in the management of the government fleet. The study was undertaken in light of the following objectives:

1) Track the implementation progress and accomplished results,
2) Systematically and quantifiably, using appropriate methodology, demonstrate the savings leveraged from programme interventions since its inception,
3) Demonstrate Value for Money (VfM) from the interventions by comprehensively documenting and analyzing performance data and comparing it against acceptable industry benchmarks, both locally and globally,
4) Identify implementation gaps and provide learning insights,
5) Document number and value of jobs created, value chains established and supply contracts in place,
6) Identify potential future intervention opportunities and refine strategic outlook,
7) Recommend a strategic roadmap and transition strategies for sustainability.

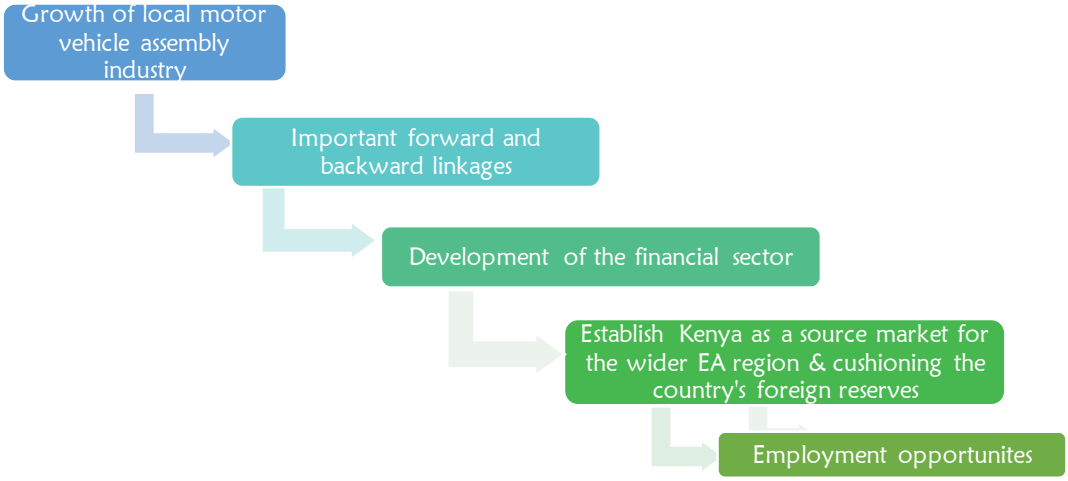
## 1.3 Background and Historical Context

Government entities globally face extensive, but varying fleet management challenges. Despite their differences, they share a common mission of moving staff, materials, and equipment with the ever-increasing economic challenges. In doing so, they are under tremendous pressure to manage their fleet more effectively, efficiently but with similar or reduced resources. The role of transport in a service delivery entity such as a state department is to facilitate delivery of services in an efficient and a cost effective manner. Though owning vehicles and moving officers are not the core functions of government, transport in state entities continue to gobble huge finances. In Kenya, each level of the government, state agencies, counties and parastatals procure their own fleet, leading to the ballooning recurrent expenditure .

For this reason, National Treasury was mandated to initiate the leasing programme through budget statement in 2011 by the then Finance Minister Mr. Uhuru Kenyatta. In the ensuing budget statement, the Cabinet Secretary announced allocation of Kshs 3 Billion to pilot the leasing of 1,200 motor vehicles in order to motorize the police service and make police patrols throughout the country visible. Despite marshalling private sector capital, the programme sought to provide cheaper and ready access to assets and vehicles to enhance service delivery, unlock resources and front-load the financing of critical public service infrastructure including the provision of vehicles to disciplined forces and extension workers with field operations. Government workers targeted in the initial phase of the programme included police and security personnel as well ambulatory services in health *facilities. Benefits of leasing transport are as follows:*

*Kenya's recurrent expenditure is unsustainable. Containing it is vital for economic transformation*

*Figure 1: Economic Benefits of the Programme*

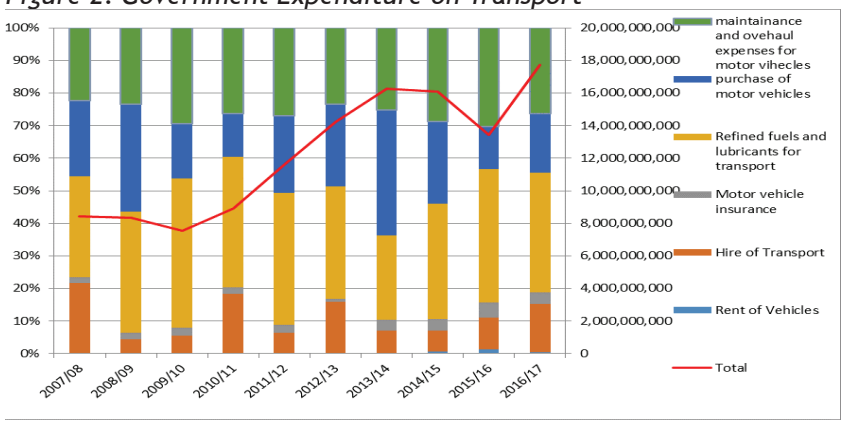


A look at its design shows the programme was engineered to address myriad inherent weaknesses in government fleet operations characterized by mismanagement, high maintenance cost, lack of parity in allocation of transport facilities, high idle capacity due to the imbalance between the number of vehicles against drivers, lack of capacity to enforce regulations on use of government fleet and the escalating cost of managing the fleet that had risen from Kshs.4.69 Billion in 2004, to Kshs.17.7 Billion in 2012.

To remedy legal gaps identified in managing the fleet, the government transport policy was conceptualized with a view to recommending measures for quality, reliability and cost-effectiveness in operations by integrating demand and supply planning, aligning supply chain to identified demand patterns, providing quality service and repair against expenditure, pursuing client responsive, condition-based monitoring by implementing maintenance strategies for fleet operation, maximizing customer service and minimizing downtime while emphasizing field-force excellence. The policy, took cognizance of the good practices from developed jurisdictions which leveraged on technology to manage fleet operations, while juxtaposing local context. Besides the huge expenditure on vehicle maintenance, allocation on transport rose from Kshs. 4.52 Billion in 2004 to Kshs. 14.21 Billion in 2012 :

*Government Transport Policy (GTP) is currently in a draft form and before cabinet. Once enacted, the policy will modernize government fleet operations.*

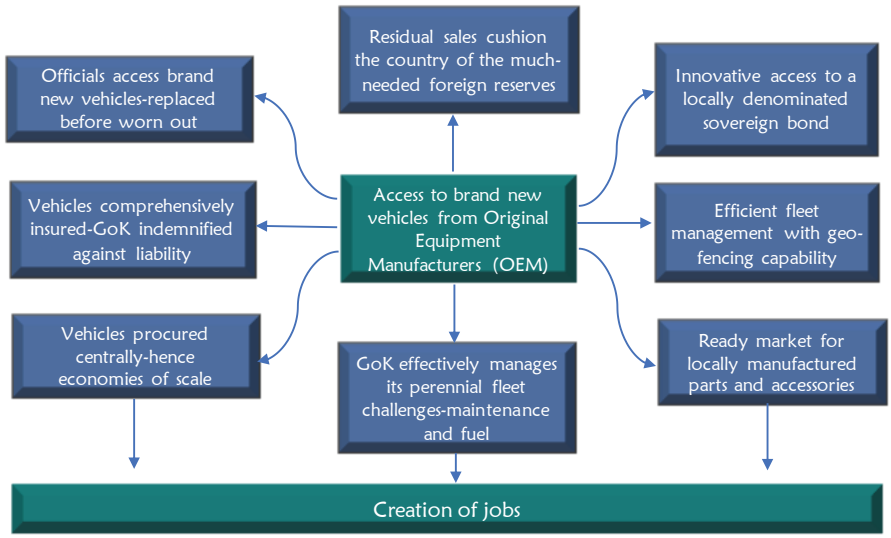
*Figure 2: Government Expenditure on Transport*




Source:Statistical Abstract, 2018

High expenditure on government trasport was due to uncoordinated procurement of new vehicles, huge vehicle maintenance and overhaul expenses, high costs associated with purchase of fuel, oils and lubricants and liability from write-offs and high depreciation. This conundrum necessitated a re-think in the fleet operations model, that gave birth to this programme. Economic benefits of the programme are contextualized in Figure 3:

*Figure 3: Benefits of Leasing*

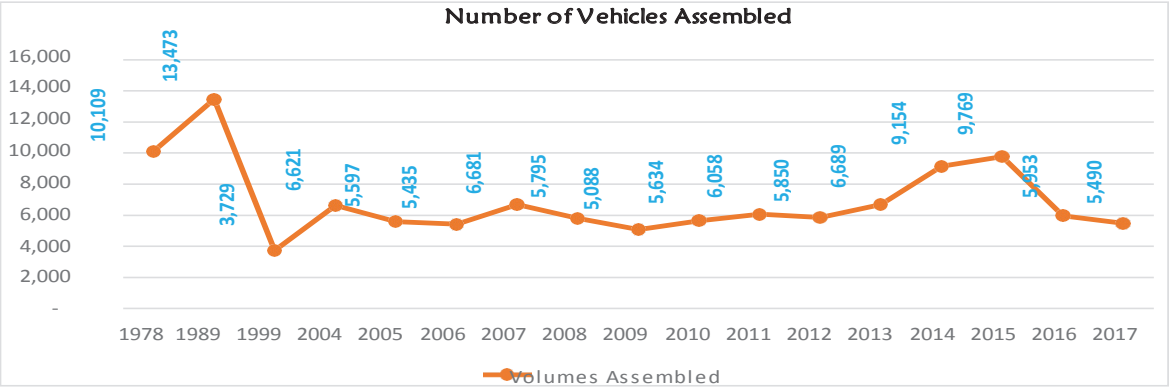



## 1.4 Local Vehicle Assembly Scenario

Secondary data from players in the industry is emphatic that dealers and assembly plants recorded a sales resurgence as the economy rebound from the shocks of Covid-19. Data from Kenya Motor Vehicle Industry Association (KMIA) shows Toyota Kenya, Isuzu EA, SimbaColt and Trans Africa Motors sold 14,250 units in 2021, marking a six-year high, representing 29.8% increase compared to 10,977 units sold in 2020. Though sales growth wasn't evenly spread, local assemblers benefitted from the rising demand for leasing while those relying on imports recorded shrinking sales. Though the resurgence is not a direct consequence of leasing, attributing to its catalytic impact is justifiable.

The share of locally assembled vehicles rose by 70.6% in 2021, thus 10,054 units were sold compared to 4,195 fully-built imports. Volume of new imports recorded in 2021 was 57.9% compared to 9,966 units in 2015 while the locally assembled vehicles staged 8.2% growth from 9,287 units sold the previous year. Over the same period, the total market-share of assembled automobiles rose from 48.2% to 70.6 % while that of fully-built imports declined from 51.8% to 29.4%. The industry contributed Kshs 50 Billion in taxes annually despite the assembly plants receiving new parts for assembly lines that enjoy duty exemption (25% import duty and 20% excise duty) making them cheaper. Local assembly ignited formalization of small and medium enterprises and has greatly reduced the number of imports. Currently, a total of 107,499 second-hand vehicles are imported annually.

*Figure 4: Trends in Local Vehicle Assembly*

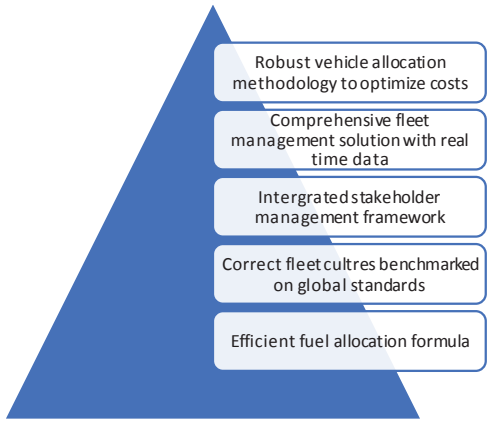


## 1.5 Global Benchmarks

Jurisdictions such as Australia, South Africa and Ireland provides near perfect similarities with the Kenyan context in terms of government fleet operations. In these jurisdictions, the government is by far the largest fleet owner. It is not surprising that these countries focus on reducing costs and enhancing competitiveness. Several lessons learned include; robust vehicle allocation methodology, comprehensive fleet management, savings on fuel, travel demand and integrated stakeholder management. Effective management of the fleet is premised on practices such as keeping the organizational fleet highly utilized, matching operational requirements and ensuring vehicles are fit for purpose, cost analysis and correct fleet cultures. Fleet operations need to take cognizance of not only upfront costs but also long-term maintenance and disposal costs. Concomitant measures such as organizational standards and appropriate fleet utilization, if well aligned, will lead to efficiency. Good practices are contextualized in Figure 5.

*In the structuring of the Master Lease Agreement (MLA), dealers receive payments from Treasury, retain their maintenance portion and submit the balance to lessors. This portends a reputational risk, as in the case of VAELL versus Tshusho Capital.*

Figure 5: Global Good Practice Parameters

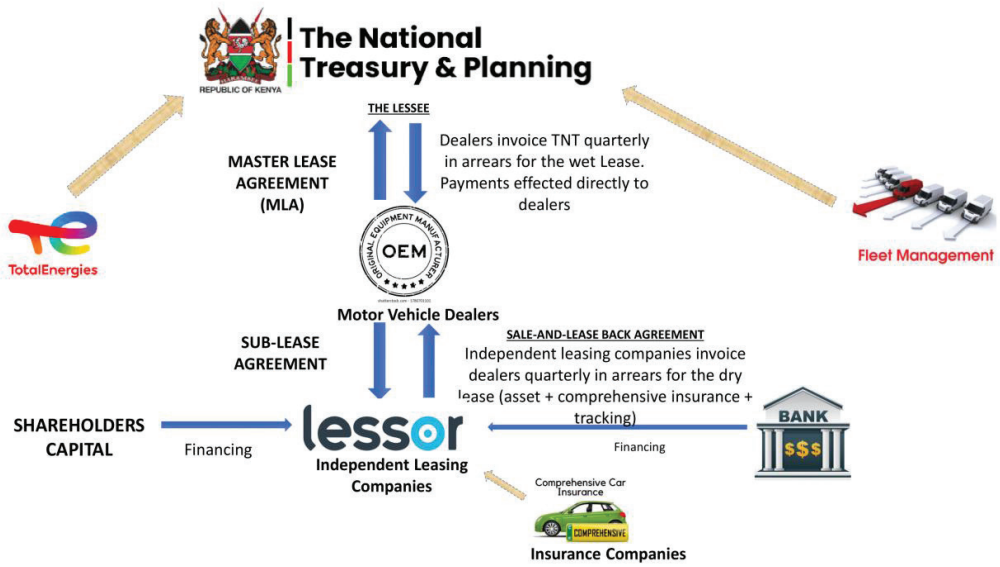



## 1.6 The Programme Ecosystem

The government vehicle leasing programme is modelled along a wet-lease characterized by comprehensive cover, asset tracking, basic service, full maintenance and replacement of batteries and tyres. However, this arrangement is not a fully-fledged wet lease since fuel is provided by the National Treasury (lessee). Key features of the scheme include:

- The lease is for 4 years or mileage of 160,000kms, whichever comes first.
- The government signs an agreement-Master Lease Agreement (MLA) with the Original Equipment Manufacturers (OEM) but not leasing firms .
- Leasing firms, though critical in this arrangement are not given prominence in the MLA (despite being the owners of the vehicles).
- Payments are spread in 16 quarterly rentals and remitted to OEM's who withhold maintenance charges and transmit the balance to lessors.

Figure 6: The Programme's Leasing Ecosystem




Since its inception, number of vehicles leased under the programme are as follows:

Table 1: Demographics on Leased Vehicles

| Phase | No of Vehicles | Commencement Date | Expiry Date |
|---|---|---|---|
| 1 | 1,280 | December, 2013 | October, 2018 |
| 2 | 1,500 | April, 2015 | April, 2022 |
| 3 | 500 | January, 2017 | April, 2022 |
| 4 | 1,406 | May, 2019 | May, 2022 |
| 6 | 2,140 | October, 2021 | October, 2025 |
| **Total** | **6,826** | | |

Stakeholders and suppliers for the programme since inception are shown in Table 2:

Table 2: Anchor Service Providers

| Phase | Dealers | Financiers | Leasing Firms | Insurer |
|---|---|---|---|---|
| Phase I | Toyota Kenya<br>Subaru Motors (Ecta) | Citi Bank, NIC and Cooperative Bank | Tshusho Capital<br>VAELL | Britam |
| Phase II | Toyota Kenya, Nissan and CMC Motors | NCBA, Cooperative Bank & KCB | Rentworks<br>Rentco | Geminia<br>CIC insurance |
| Phase III | Toyota Kenya, Isuzu EA, Nissan & Urysia | Cooperative Bank | Rentworks, Rentco and Coop Fleet | Geminia insurance |
| Phase IV | Toyota, Isuzu, CMC motors and ECTA | NCBA, ABSA and Cooperative Bank | Rentworks, Rentco, Avenue, Coop Fleet NCBA leasing | Geminia CIC |
| Phase VI | Toyota, Isuzu, CMC motors, Simbacolt and DT Dobie | NCBA, Cooperative Bank, ABSA, KCB & Equity | Rentco, Avenue Coop Fleet, Star Rentals & NCBA leasing | Geminia CIC insurance |

## 1.7 Lease Pricing

Pricing of vehicles under the lease arrangement is structured based on an amortized function (constant payments at constant interest rate). An example of which is shown in Table 3:

*Table 3: Lease Pricing Example*

| Item Description | Amount Kshs |
|---|---|
| Vehicle Unit Price Kshs (inclusive 16% VAT) | 5,000,000 |
| Vehicle Unit Price Kshs (Excluding VAT) | 4,310,345 |
| Period (Months) | 48 |
| Interest Rate | 12.0% |
| Residual Value | 20.0% |
| **Quarterly Wet Lease Rental in Arrears (Ex insurance)** | **293,539** |
| Insurance Rate | 6.5% |
| Insurance Amount (Monthly) | 81,250 |
| Full Maintenance (Per Month) | 40,000 |
| **Monthly Rentals per Equipment ex-VAT** | **414,789** |

| |
|---|
| 1. Lease formula is derived from excel PMT is an excel financial function that assists to amortize payments (based on constant payments and a constant interest rate). |
| **PMT (Rate, Nper, PV, [FV], [type])..... defined as below** |
| **Rate** The interest rate for the lease |
| **Nper** The total number of payments for the lease |
| **PV** The present value, or the total amount that a series of future payments is worth now; also known as the principal. In a lease this is the in lease exclusive VAT vehicle purchase price |
| **FV** The future value, or residual value attained after the last payment is made. This is the lessors investment and it isn't charged to the client |
| **Type** The number 0 (zero) denotes payment in arrears or 1 and indicates when payments are made at the start/in advance of each payment period |
| 2. Insurance and maintenance are added to the wet lease rental to compute the total rental |

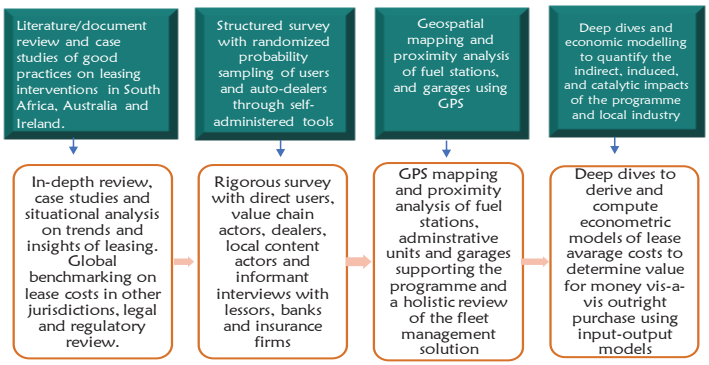
The lease pricing under the programme is not strictly configured as a full wet lease since the fuel component is catered by the National Treasury

# CHAPTER TWO
# METHODOLOGY

## 2.1 Research Design

Participatory mixed-methods research grounded on descriptive survey, where both the quantitative and qualitative data is collected in a single instance was used in this study. Four broad based, context-specific techniques namely; rigorous document review, survey (both qualitative and quantitative), geo-spatial mapping and proximity analysis and economic modeling were deployed. Estimation of direct, indirect, induced and catalytic impacts of the programme was statistically computed. This approach is comparable to studies conducted in South Africa (Fuchs et al., 2011). The technical approach to methodology is contextualized in Figure 7:

*Figure 7: Technical Approach*




Due to after-effects of COVID-19 pandemic, face-to face interviews were limited to dealers and anchor service providers. The bulk of data was collected through informant interviews. Focus group discussions were held with select community groups and business people across the country. Field data collection was based on the principles of equality, non-discrimination and meaningful participation.

## 2.2 Sampling Technique

Proportionate randomized probability sampling was used to obtain a suitable sample, so as to accord respondents an opportunity to be selected. The survey data obtained was useful in quantifying the programme impact including gross value added, taxes, alongside the indirect, induced and catalytic impact. Dealers who supplied the scheme under phase IV (Toyota Kenya, Isuzu EA, CMC Motors and ECTA) and those who supplied under phase VI (Toyota Kenya, Isuzu EA, CMC Motors, Simba Motors colt and DT Dobie), leasing companies such as RentCo, Rentworks, NCBA leasing, Coop-Bank fleet, Star rentals, Avenue Car Hire and insurance companies such as Geminia, CIC and Britam and commercial banks provided the requisite data.

## 2.3 Target Population

Target population of the study was 1,844 respondents derived from the vehicles received under phase VI of the programme. This population was clustered as follows:

Table 4: Target Population

| Cluster | Target Population |
|---|---|
| National Government Administrative Officers (RCs, CCs, DCC & ACC) | 264 |
| Kenya Police Service (Regional, County & Sub-County Commanders) | 599 |
| Heads of Penal Institutions (Officers in charge of correctional facilities) | 17 |
| Directorate of Criminal Investigations (Regional, County & Sub-County heads) | 340 |
| NPS Headquarters | 27 |
| Administration Police Service(Regional, County & Sub-County heads) | 473 |
| Other Government Agencies (NTSA, ODPP, Solicitor General, MOH, Presidential Delivery Unit (PDU) and National Treasury | 84 |
| Vehicle Dealers | 7 |
| Parts/Accessory Manufacturers | 8 |
| Leasing Companies | 13 |
| Vehicle Assemblers | 3 |
| Banks and Insurance Firms | 9 |
| **Total** | **1,844** |

*The use of scientific approach in sampling and estimating target population enhances accuracy.*

## 2.4 Study Sample

Unit of analysis was the sub-county for security units and individual departments for non-police agencies. A target population of 1,844 respondents, is a small population that require a refined approach to derive a suitable sample. To maximize accuracy, the normal approximation based on the simplified Yamane formula of proportions was applied. The formula is expressed as follows:

**Where:**

n=Sample size
N=Target Population (1,844)
e=Allowable error (0.05%) confidence level

Substituting the equation; the sample size was determined to be 328 derived as shown:

$$n = \frac{1,844}{1 + 0.0025(1,844)}$$

Proportionate randomized probability sampling was used to determine individual samples in each cluster as demonstrated in Table 5:

*Table 5: Sample Size*

| Cluster | Target Population | Sample Size |
|---|---|---|
| NGAO (RCs, CCs, DCC & ACC) | 264 | 47 |
| Kenya Police Service (Regional, County & Sub-County) | 599 | 106 |
| Heads of Penal Institutions (heads of correctional facilities) | 17 | 3 |
| DCI (Regional, County & Sub-County heads) | 340 | 61 |
| NPS Headquarters | 27 | 7 |
| APS (Regional, County & Sub-County heads) | 473 | 79 |
| Other Government Agencies (NTSA, ODPP, Solicitor General, MOH, Presidential Delivery Unit (PDU) and National Treasury | 84 | 14 |
| Vehicle Dealers | 7 | 2 |
| Parts/Accessory Manufacturers | 8 | 2 |
| Leasing Companies | 13 | 2 |
| Vehicle Assemblers | 3 | 2 |
| Banks and Insurance Firms | 9 | 3 |
| **Total** | **1,844** | **328** |

## 2.5 Pilot-Testing Research Tools

The three research instruments (survey tool, interview guide and discussion schedule) were pilot-tested on pre-selected officers at NPS headquarters in Nairobi. This process was undertaken in order to elicit initial responses on questions asked to ascertain clarity, relevance and appropriateness. During the process, the three tools were cross-checked for inconsistencies, typographic errors and ambiguity, where appropriate modifications on the structure of questions and anomalies identified were rectified before the large-scale roll-out. Content validity was used to determine the appropriateness of questions asked while Cronbach's Alpha was used to determine reliability; which is the degree to which an instrument demonstrates similar results on repeated trials. Reliability of the research instruments was as follows.

*Reliability approach was extracted from Peterson, R. A., & Kim, Y. (2013). Coefficient alpha and composite reliability. Journal of Applied Psychology,*

*Table 6: Reliability of Research Instruments*

| Questionnaire Section | Cronbach's Alpha Value |
|---|---|
| Demographics | 0.825 |
| Dealer Dynamics | 0.914 |
| Fleet Management Infrastructure | 0.822 |
| Fuel Solution | 0.897 |
| Local Content | 0.772 |

The results of reliability for the three instruments met the minimum threshold, with a Cronbach's Alpha value≥0.7), meaning instruments could be administered.

## 2.6 Data Collection Process

The structured questionnaire was administered remotely via email, since users were spread throughout the country, remote administration was viable. Immediately after pilot-testing, questionnaire for users (Annex I) was configured on KoboCollect platform and a link shared to respondents via email. In instances, where there were no email addresses, the link was shared with the sub-county commanders and County Commissioners for onward transmission to lower command units.

Follow up calls were made regularly for progress review. Informant interviews with officials from state agencies such as National Transport & Safety Authority (NTSA), office of the Solicitor General, Ministry of Health, Presidential Delivery Unit (PDU) and National Treasury were done at their convenience. Fleet solution providers, lessors, insurance companies, banks and members of Kenya

Association of Manufacturers were held jointly. Directors of Automotive Parts Manufacturers Association (APMA), Associated Vehicle Assemblers (AVA), Kenya Vehicle Manufactures (KVM) as well managers from Sai Raj and Robb Magic were interviewed as well. Discussions with community members and business people at select police stations were done to quantify social impact of the programme on crime. Workers at the Central Farmers Garage (CFG) in Kitale, Westfield Motors in Kakamega and Mutindwa Motors in Meru provided perspectives on maintenance.

### 2.7 Approach for Geospatial and Proximity Mapping

Geospatial mapping and proximity analysis was to determine the exact distance between the Total Energies petrol stations and the national government administrative offices, police stations and correctional facilities. This exercise sought to demonstrate and code (through GPS) distances covered by programme vehicles to access fuel points. Total Energies stations, in most instances are located miles away from where vehicles were usually stationed. This, is a key cost driver that needed to be effectively addressed. Datasets for geospatial mapping were sourced from secondary sources, specifically from google maps and Open Street Maps (OSM).

Application of datasets relied on geographic coordinate positioning systems, especially (WGS84 EPSG: 4326) that display actual distance. Data capture from base maps was systematically and sequentially used based on administrative boundaries to show the exact location. Quantum GIS was utilized in the presentation of locations. A number of plug-ins were installed to allow for coordinate capturing as well as the spatial query of datasets from both the google maps and OSM. Processing of GIS data was via QGIS after thorough scrutiny and sequential overlay on transportation routes for better visualization.

### 2.8 Data Analysis

Upon completion of data collection, raw data was analyzed using the Statistical Package for Social Sciences (SPSS). Quantitative data was imported then downloaded from the KoboCollect server onto a Microsoft Excel file and exported into SPSS for coding. The analysis procedure conformed to the study themes where qualitative data was prepared first and analyzed using N-vivo software after which content analysis followed. Analysis of qualitative data followed a deductive approach where responses were interrogated, coded and subsequently analyzed to show the extent of dispersion or similarities.

Since qualitative data obtained was fairly large and complex, its analysis entailed summaries from the information obtained and interrogating it via comparative models. Qualitative data was critical in painting strategic outlook and in triangulation. Qualitative data was examined for differences and similarities across the study themes. Measures of central tendency were used to quantify the nature of relationships between variables.

### 2.9 Limitations of the Study

This study faced a number of limitations.

- Difficulty in accessing senior police and NGAO officers to respond to the study questionnaire since the study was held at a time when they were coordinating logistics for the 2022 general election. To circumvent this, the consultancy team exercised flexibility in order to accommodate the busy schedules of officers.

- Challenges in accessing quantitative data on tax remittance, salaries, showroom price of various vehicle models, fuel costs, crime rates etc. due to the bureaucracy in the clearance process.
- Difficulty in meeting officers in charge of key departments at National Treasury such as budget office and PPP unit that do not directly deal with the programme. To circumvent this, the procurement team officially introduced the team.
- Limited access to exact locations of leased vehicles. GIS data on fleet management dashboards was used to track real time locations of vehicles.
- Some officials had a habit of not checking their emails regularly, this significantly affected response rates. In other instances, respondents were mostly unavailable and did not respond to emails.

### 2.10 Quality Assurance

Quality was ensured at field and at data handling:

- Pilot testing, verification of validity and reliability of instruments, alongside their scrutiny enhanced quality.
- Consistency and random checks of data to verify completeness and compliance to desired metrics.
- Validation workshops with stakeholders and anchor providers,such as the leasing association, local content actors and other industry players ensured quality. Feedback obtained from the validation workshops was incorporated into the final report.

*Total Energies, with a countrywide network of 195 stations is the sole fuel supplier to the programme*

# CHAPTER THREE
# FINDINGS AND RECOMMENDATIONS

Results from this study were clustered in the following thematic areas; fleet demographics, cost drivers, job creation, residual value, fuel landscape, fleet management architecture, geospatial mapping proximity and insurance.

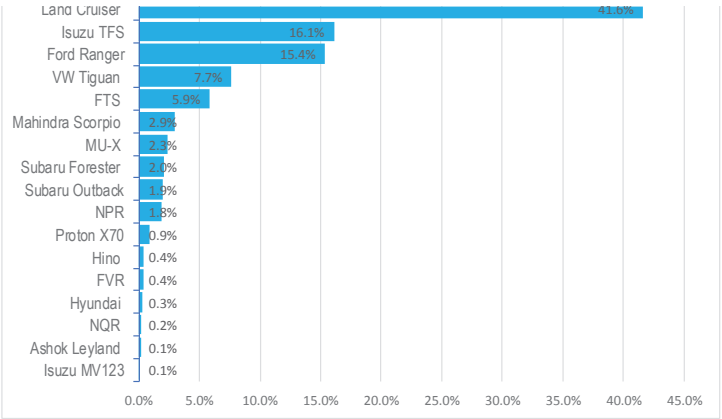
## 3.1 Response Rate

A total of 314 respondents participated in the survey, implying a response rate of 95.7%. This high response is attributed to frequent follow-up done by the consultancy team and logistical support from the National Police Service.

## 3.2 Fleet Diversity

Composition of the fleet is critical in showcasing the diversity and distribution of vehicles. Diversity is important, as it indicates the extent of dominance.

*Figure 8: Vehicle Demographics*




Toyota landcruiser with a fleet composition of 41.6% was found as the most dominant model. This dominance impacts the programme performance since landcruiser (Engine Capacity-4.2cc) is a fuel guzzler with high maintenance cost, fueling landcruiser is a key cost driver. However, the model is the most preferred by security teams due to its versatility, high engine power, suitability, resilience and comfort. Other models such as Isuzu Dmax and Ford ranger pick-up had increased in numbers and were common in urban security installations,and equally suitable for most security operations.

*The diversity of the fleet is illustrated in Table 7:*

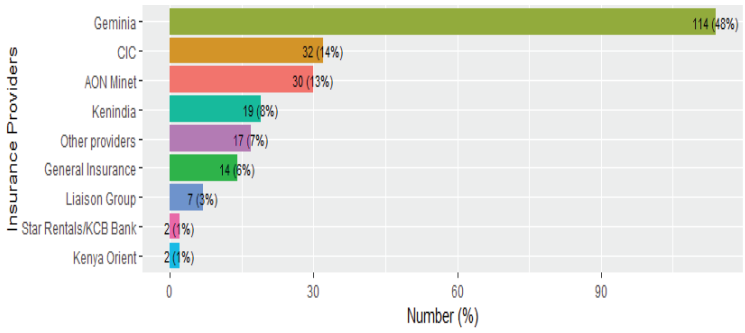
*Table 7: Fleet Composition*

| | Model | Number of Units |
|---|---|---|
| 1 | VW Tiguan All-space Trendline | 262 |
| 2 | Hyundai HD65 | 10 |
| 3 | Isuzu TFS 34L | 75 |
| 4 | Isuzu TFS86D/C | 475 |
| 5 | Isuzu MU-X RF3525 | 80 |
| 6 | Isuzu MV123 | 2 |
| 7 | Isuzu NQR 81M | 2 |
| 8 | Ford Ranger (D/C) | 395 |
| 9 | Ford Ranger (S/C) | 130 |
| 10 | Ashok Leyland Stallion | 5 |
| 11 | Mahindra Scorpio S6 | 100 |
| 12 | Proton X70 | 30 |
| 13 | Land Cruiser 79R | 1229 |
| 14 | Land Cruiser 76R | 192 |
| 15 | Hino 300 Truck | 15 |
| 16 | Subaru Forester 4x4 | 70 |
| 17 | Subaru Outback | 66 |
| 18 | Isuzu FTS 33H | 200 |
| 19 | Isuzu NPR66P | 63 |
| 20 | Isuzu Minibus NQR | 4 |
| 21 | Isuzu FVR23M | 13 |

## 3.3 Fleet Insurance

Arguably, the role of insurance in the programme is the most pivotal. All vehicles under the programme are given a comprehensive insursnce cover. This is a departure from the past where government vehicles were never insured.

*Figure 9: Share of Insurance*




Three firms accounted for 75% of the insurance cover in the programme, Geminia insurance is the most dominant insurance company covering the scheme vehicles.

### 3.3.1 Key Features of Insurance

In comparison with the previous arrangement where the government owned-vehicles were not insured, where the government took up liability for accidents, under this scheme:

- Vehicles are comprehensively insured for the entire lease period (4 years or mileage of 160,000kms) whichever comes first.
- The lessor supplies vehicles fully comprehensively insured and undertakes out of contract service.
- To ensure efficiency and continuity of operations, dealers are required to supply relief car in the event the leased vehicle is grounded due to mechanical or accidental incidences.
- The current policy is a tailor-made exclusive motor cover with no excess or any reinstatements
- Insurance companies have trained dedicated staff who understand the uniqueness of the scheme so as to ensure quick turnaround.

*Security vehicles usually carry more than the insured number of passengers due to the unique nature of their operations. The current insurance cover is not cognizant of this reality*

### 3.3.2 Insurance Remittance

Total insurance premiums for the lease period is illustrated as shown in Table 8:

*Table 8: Insurance Premium*

| | Model | Outright Purchase | Annual Insurance | Insurance (4 Years) | No. of Units | Total Insurance Remittance |
|---|---|---|---|---|---|---|
| 1 | VW Tiguan-Trendline | 5,250,000 | 196,000 | 784,000 | 262 | 205,408,000 |
| 2 | Hyundai HD65 | 3,000,000 | 120,000 | 480,000 | 10 | 4,800,000 |
| 3 | Isuzu TFS 34L | 10,714,000 | 428,560 | 1,714,240 | 75 | 128,568,000 |
| 4 | Isuzu TFS86D/C | 4,882,000 | 195,280 | 781,120 | 475 | 371,032,000 |
| 5 | Isuzu MU-X | 7,138,000 | 285,520 | 1,142,080 | 80 | 91,366,400 |
| 6 | Isuzu MV123 | 12,691,000 | 507, 640 | 2,030,560 | 2 | 4,061,120 |
| 7 | Isuzu NQR 81M | 6,296,000 | 251,840 | 1,007,360 | 2 | 2,014,720 |
| 8 | Ford Ranger (D/C) | 6,518,000 | 260,720 | 1,042,880 | 395 | 411,937,600 |
| 9 | Ford Ranger (S/C) | 6,016,340 | 240,653 | 962,612 | 130 | 125,139,560 |
| 10 | Ashok Leyland Stallion | 8,329,709 | 333,188 | 1,332,752 | 5 | 6,663,760 |
| 11 | Mahindra Scorpio S6 | 4,118,000 | 164,720 | 658,880 | 100 | 65,888,000 |
| 12 | Proton X70 | 5,568,000 | 222,720 | 890,880 | 30 | 26,726,400 |
| 13 | Land Cruiser 79R | 6,800,00 | 272,000 | 1,088,000 | 1229 | 1,337,152,000 |
| 14 | Land Cruiser 76R | 12,200,000 | 488,000 | 1,952,000 | 192 | 374,784,000 |
| 15 | Hino 300 Truck | 4,800,000 | 192,000 | 768,000 | 15 | 11,520,000 |
| 16 | Subaru Forester 4x4 | 6,100,001 | 244,000 | 976,000 | 70 | 68,320,000 |
| 17 | Subaru Outback | 6,500,000 | 260,000 | 1,040,000 | 66 | 68,640,000 |
| 18 | Isuzu FTS 33H | 12,945,000 | 517,800 | 2,071,200 | 200 | 414,240,000 |
| 19 | Isuzu NPR66P | 4,167,000 | 166,600 | 666,400 | 63 | 41,983,200 |
| 20 | Isuzu Minibus NQR | 5,600,000 | 224,000 | 896,000 | 4 | 3,584,000 |
| 21 | Isuzu FVR23M | 7,190,000 | 287,600 | 1,150,400 | 13 | 14,955,200 |
| | **Total** | | | | | **3,778,783,960** |

### 3.3.3 Notable Insurance Statistics

- The scheme generates an average of 83 accidents/incidents per month with annual claims count averaging 1,000 new claims.
- 100 new liability claims are recorded annually and the possibility of these being more is higher when a projection for liability claims expected to materialize within 3 years' limitation period is done.
- Accident repair bills form the bulk of the claims, followed by total loss on write-off.
- The liability costs are long-tail, projected based on average award of Kshs. 1.5 million inclusive of judgment awards, own, and third-party costs.
- Between 2013-2017, the premium rate for single cab pickups was 4%. From 2018 to date the premium rate increased from 4% to 6.5%.
- Premiums totaling to Kshs 3.7 billion were paid to insurance companies for the nine year period of the programme implementation.
- Insurance computation for the scheme does not factor in vehicle depreciation for the subsequent years (Years 2, 3 and 4).

A high percentage of claims comprises minor theft, windscreen damage and hit and run misdemeanors. 15% of total claims made are write-offs.

*Table 9: Insurance Claims*

| Date of Loss | Account | Insurer | Comment/ Description |
|---|---|---|---|
| 9/23/2022 | NCBA | Geminia | Windscreen damage |
| 9/30/2022 | NCBA | Geminia | Windscreen damage |
| TBA | NCBA | Geminia | Accident - pending doc |
| 9/22/2022 | COOP | Geminia | Hit & Run accident |
| 9/28/2022 | NCBA | Geminia | Windscreen damage |
| 9/24/2022 | Rentworks | Geminia | Windscreen damage |
| 10/2/2022 | Rentworks | Geminia | Cabin glass damage |
| 9/22/2022 | Avenue Leasing | Geminia | Accident - pending docs |
| 10/5/2022 | Rentworks | Geminia | Accident - pending docs |
| 9/16/2022 | NCBA | Geminia | Windscreen damage |
| 9/23/2022 | Rentworks | Geminia | Windscreen damage |
| 9/27/2022 | Star Rental | Geminia | Windscreen damage |
| 9/28/2022 | COOP | Geminia | Hit & run accident |
| 9/28/2022 | NCBA | Geminia | Windscreen damage |
| 10/6/2022 | KRA/Rentco | Geminia | Accident - pending docs |
| 9/21/2022 | Rentworks | Geminia | Windscreen damage |
| 10/6/2022 | Rentworks | Geminia | Windscreen damage |
| 10/1/2022 | Rentworks | Geminia | Accident - pending documentation |
| 10/4/2022 | NCBA | Geminia | Windscreen damage - pending doc |
| 9/30/2022 | DT Dobie | Geminia | Accident - pending documentation |
| 10/6/2022 | Rentworks | Geminia | Accident - pending documentation |
| 9/21/2022 | COOP | Geminia | Bandit attack |
| 10/6/2022 | Star Rental | Geminia | windscreen damage |
| 10/6/2022 | COOP | Geminia | Self-involving accident |
| 10/4/2022 | Rentworks | Geminia | Windscreen damage |

Source: Toyota Kenya Dashboard, 2022

Insurance companies i.e. ICEA Lion, Kenya Alliance, Fidelity Shield, Kenindia and First Assurance appears to have less appetite for the programme cover. An excerpt of insurance claims from Geminia insurance company is shown in Table 10:

Table 10: Insurance Outlook

| Phases | Year | Fleet Size | Total Losses | Net Premium (based on 6.5%) | No, of Claims | Claims % |
|---|---|---|---|---|---|---|
| Phase 1/2 | 2018 | 1181 | 100,824,694 | 60,749,938 | 420 | 35.5 |
| Phase 4/2 | 2018-19 | 1171 | 285,822,413 | 231,530,648 | 852 | 72.7 |
| Phase 4/2 | 2019 -20 | 1158 | 307,769,995 | 150,036,762 | 1052 | 90.8 |
| Phase 4/2 | 2020-21 | 1150 | 305,023,784 | 114,420,675 | 909 | 79 |
| Phase 4 | 2020-21 | 100 | 11,282,540 | 16,052,138 | 49 | 49 |
| Phase 4 | 2021 - 22 | 250 | 66,771,978 | 61,655,901 | 162 | 64.8 |
| Phase 6 | 2021- 22 | 1129 | 150,880,942 | 207,214,539 | 691 | 61.2 |
| **TOTAL** | | **6,139** | **1,228,376,346** | **841,660,602** | **4135** | **67.3** |

Source: Geminia Insurance

### 3.3.4 Recommendations on Insurance

With the risk appetite for vehicles being higher, the industry having reduced appetite for cover, available options include:

- Stakeholders to explore other options of cover, for instance, insurance firms to cover vehicles and have the government to take up liability cases.
- Greater use of technology in managing the operations in a manner that parties are updated on scheme performance and necessary interventions.
- Conducting workshops and user trainings on defensive driving to reduce the number of incidents especially in the vast command units in Northern Kenya and Rift valley.
- The National Treasury can leverage on the volumes/large number of vehicles under the programme and engage the Association of Kenya Insurers for competitive premium rates.
- National Treasury can consider other innovative insurance models such as "pooling"
- Insurance premium for subsequent years should be computed based on depreciation. Depreciation was estimated at 20% (Year 1), 10% (Year 2), 10% (Year 3) and 10% (Year 4) .
- There's need to embed a monitoring and evaluation system within the programme to support the tracking and verifying insurance claims.

*High court ruling on Esther Wanjiru Ngechu Vs. Tshusho Capital following the death of Constable James Ngechu in 2015 while driving GK B371E, was sufficiently canvassed in the high court of Kenya where a ruling to indemnify the National Treasury was made.*

*Depreciation under the programme was extrapolated from the straight-line depreciation model widely adopted in the insurance sector*

### 3.4 Mileage Computation

Mileage is a key component of the lease rental cost. The current lease arrangement is fixed at a maximum mileage of 160,000kms for all vehicles.

- Maximum mileage for vehicles estimated cumulatively.
- Under the lease arrangement, dealers cost and schedule vehicle maintenance based on the estimated mileage despite some vehicles (trucks and sedans) not being able to cover the set mileage by the time of contract expiry.
- vehicles are scheduled for routine maintenance at intervals of 5,000 kilometers, meaning they are serviced for a record 32 times in entire contract period.

Data on actual mileage covered for each model is as shown:

*Table 11: Actual Mileage*

| | Model | Monthly Mileage (KMS) |
|---|---|---|
| 1 | VW Tiguan All-space Trendline | 2,526.3 |
| 2 | Hyundai HD65 | 2,348.8 |
| 3 | Isuzu TFS 34L | 2,854 |
| 4 | Isuzu TFS86D/C | 3,121.7 |
| 5 | Isuzu MU-X | 2,909.4 |
| 6 | Isuzu MV123 | 2,118.6 |
| 7 | Isuzu NQR 81M | 1,790.8 |
| 8 | Ford Ranger (D/C) | 3,384.4 |
| 9 | Ford Ranger (S/C) | 3,047.4 |
| 10 | Ashok Leyland Stallion | 1,722.7 |
| 11 | Mahindra Scorpio S6 | 3,137.6 |
| 12 | Proton X70 | 2,570.1 |
| 13 | Land Cruiser 79R | 3,787.1 |
| 14 | Land Cruiser 76R | 3,611 |
| 15 | Hino 300 Truck | 2,448.3 |
| 16 | Subaru Forester | 3,116.9 |
| 17 | Subaru Outback | 3,140.1 |
| 18 | Isuzu FTS 33H | 2,112.5 |
| 19 | Isuzu NPR66P | 2,284. |
| 20 | Isuzu Minibus NQR | 1,722.7 |
| 21 | Isuzu FVR23M | 2,244.7 |

Source: Gaptech Dashboard

Dividing 160,000 kilometers with 48 months, each vehicle is expected to cover monthly distance of 3,333 KMs. However, 62% of vehicles do not reach this distance targeted. Models such as Ford ranger, Land cruiser and Subaru reach the set target mileage. Multiplying actual monthly mileage by 48, the projected mileage for entire contract period is as shown in Table 12:

*The cumulative mileage of 160,000 kilometres was estimated based on assumption that each vehicle could cover a distance of 40,000 kilometres annually for a period of 4 years*

*Table 12: Projected Mileage for the Lease Period*

| | Vehicle Model | Monthly Mileage (KMS) | Projected Mileage for the period (KMS) |
|---|---|---|---|
| 1 | VW Tiguan Trendline | 2,526.3 | 121,263 |
| 2 | Hyundai HD65 | 2,348.8 | 112,704 |
| 3 | Isuzu TFS 34L | 2,854 | 136,992 |
| 4 | Isuzu TFS86D/C | 3,121.7 | 149,842 |
| 5 | Isuzu MU-X | 2,909.4 | 139, 649 |
| 6 | Isuzu MV123 | 2,118.6 | 101,692 |
| 7 | Isuzu NQR 81M | 1,790.8 | 85,959 |
| 8 | Ford Ranger (D/C) | 3,384.4 | 162,452 |
| 9 | Ford Ranger (S/C) | 3,047.4 | 146,274 |
| 10 | Ashok Leyland Stallion | 1,722.7 | 82,689 |
| 11 | Mahindra Scorpio S6 | 3,137.6 | 150,606 |
| 12 | Mahindra Scorpio S6 | 2,570.1 | 144,306 |
| 13 | Proton X70 | 3,787.1 | 123,366 |
| 14 | Land Cruiser 79R | 3,611 | 181,781 |
| 15 | Land Cruiser 76R | 2,448.3 | 173,336 |
| 16 | Hino 300 Truck | 3,116.9 | 117,518 |
| 17 | Subaru Forester | 3,140.1 | 149,615 |
| 18 | Subaru Outback | 2,112.5 | 150,721 |
| 19 | Isuzu FTS 33H | 2,284. | 101,400 |
| 20 | Isuzu NPR66P | 1,722.7 | 109,633 |
| 21 | Isuzu Minibus NQR | 2,244.7 | 85,959 |
| 22 | Isuzu FVR23M | 2,526.3 | 107,743 |
| | **Average** | | **122,538.7** |

The cumulative mileage for the 4-year period therefore averages 122,538 kilometers

### 3.4.1 Recommendations

The following recommendations are made;

- The National Treasury to base lease rentals on actual mileage covered by each model. The average mileage for models under the scheme is 122,538 KMs. Lease rentals should be computed on differentiated cost but not lumpsum estimation.
- Costing for routine maintenance should be computed based on the actual mileage for each model under the scheme (but not 32 scheduled services as structured).
- Mileage requirements be aligned to vehicle specifications so as to ensure value for money through reduced lease rental and maintenance costs.

## 3.5 Value for Money Computations

*Second-hand vehicles with low speedometer reading often fetch better prices during resale on contract expiry.*

Value for Money (VfM) in the programme was computed using Net Present Value (NPV) analysis.

- When lease costs were compared to outright purchase prices for models, the former were found to be significantly higher.
- Comparatively, benefits associated with leasing government transport outweighs those of outright purchase.
- Lease average cost for the programme was calculated and found as Kshs 88.78 per kilometer. This is higher in comparison to a similar model in South Africa.
- Lease averages are not sufficient to guarantee value for money in interventions of such magnitude, other factors such as cost of assembly and labour come into play.

To compute value for money for programme interventions, ex-ante government expenditure on transport at state departments of interior and correctional services was compared to current leasing costs. Government expenditure on transport for 2011/2012 Financial Year was as follows;

*Table 13: Transport Expenditure Before Leasing*

| | Functional Area | Expenditure in FY 2011/2012 |
|---|---|---|
| **State Department of Interior & Citizen Services** | | |
| **National Police Service** | Fuel, Oil and Lubricants | 1,716,499,361 |
| | Maintenance of Motor vehicles | 1,109,752,854 |
| | Purchase of Motor Vehicles | 1,503,000,000 |
| | Overhaul of Vehicles | 60,050,000 |
| | Salaries and maintenance of Garages | 1,207,133,000 |
| | **Sub-Total** | **5,596,435,215** |
| **Other Units** | Fuel, Oil and Lubricants | 441,860,000 |
| | Maintenance of Motor vehicles | 257,280,000 |
| | Purchase of Motor Vehicles | 49,922,260 |
| | Overhaul of Vehicles | 7,000,000 |
| | **Sub-Total** | **756,062,260** |
| **State Department of Correctional Services** | | |
| **Prisons Services** | Fuel, Oil and Lubricants | 323,170,000 |
| | Maintenance of Motor vehicles | 75,590,000 |
| | Purchase of Motor Vehicles | 81,100,000 |
| | **Sub-Total** | **479,860,000** |
| **Other Units** | Fuel, Oil and Lubricants | 41,610,122 |
| | Maintenance of Motor vehicles | 22,770,187 |
| | Purchase of Motor Vehicles | 57,650,000 |
| | **Sub-Total** | **122,030,309** |
| | **Grand Total** | **6,954,387,784** |

Source: Auditor General's Report, 2013

To enable comparison between the year 2012 and 2022, future value of the 2012 expenditure on transport for the relevant state departments was computed:

*Table 14: Net Present Value Computation*

| | | Period | | | |
|---|---|---|---|---|---|
| Outright Purchase | | 2011/2012 | | 6,954,387,784 | |
| Future Value to 2022 | | 9 Years | PV*(1+r)^9 | | |
| | Where | PV | 6,954,387,784 | | |
| | | r | 8% | | |
| | | (1+r)^9 | 1.999 | | |
| **Therefore Future Value** | | | | 13,901,821,180.22 | |
| | | | | | |
| **Leasing Programme** | | 2021/2022 | | 12,529,224,424 | |

| | USING 8% TREASURY BILL RATE | | | | |
|---|---|---|---|---|---|
| | PERIOD | | Cash Flow | | NPV |
| | | | | Discount Rate(8%) | |
| YEAR | 0 | Outright purchase | 0 | 1 | 0 |
| YEAR | | Lease | | Discount Rate(8%) | |
| | 0 | | 3,132,306,106.00 | 1.00 | 3,132,306,106.00 |
| | 1 | | 3,132,306,106.00 | 0.93 | 2,900,515,454.16 |
| | 2 | | 3,132,306,106.00 | 0.86 | 2,684,386,332.84 |
| | **3** | | **3,132,306,106.00** | **0.79** | **2,487,051,048.16** |
| | | | 12,529,224,424.00 | | 11,204,258,941.16 |
| | **Savings** | | | | **2 ,697,562,239.05** |

Taking into consideration the annual discount rate of 8%, as per the government 5-year bond, the total expenditure on models under phases IV and VI being 11,204,258,941, subtracting it from future value of the outright purchase for FY 2011/2012, which is 13,901,821,180, a saving of Kshs 2,697,562,239 is made. This therefore imply, from the face value,savings of Kshs 2.6 billion was leveraged, meaning leasing of motor vehicles as structured under the programme makes economic sense.

### 3.5.1 Cost Benchmarking

Programme costs were benchmarked to the private sector and AA rates:

*Table 15: Local Benchmarks*

| Institution | Average Total Cost (Kshs/Km) |
|---|---|
| Private Sector | 53-120 |
| AA | 116 |

International benchmarks from similar schemes were examined as well:

*Table 16: Global Benchmarks*

| | |
|---|---|
| Australia | 111 |
| Ireland | 107 |

*Table 17: Lease Average Costs*

| | Model | Annual Rental Cost for 4 Years | Projected Mileage | Lease Cost Per Kilometer |
|---|---|---|---|---|
| 1 | VW Tiguan Trendline | 8,145,184 | 121,263 | 67.1 |
| 2 | Hyundai HD65 | 7,145,007.2 | 112,704 | 63.3 |
| 3 | Isuzu TFS 34L | 15,406,890 | 136,992 | 112.5 |
| 4 | Isuzu TFS86D/C | 26,598,166.4 | 149,842 | 177.5 |
| 5 | Isuzu MU-X | 10,180,119.6 | 139, 649 | 72.9 |
| 6 | Isuzu MV123 | 17,547,661.2 | 101,692 | 172.6 |
| 7 | Isuzu NQR 81M | 9,312,498.8 | 85,959 | 108.3 |
| 8 | Ford Ranger (D/C) | 8,695,642.4 | 162,452 | 53.5 |
| 9 | Ford Ranger (S/C) | 8,302,875.2 | 146,274 | 56.8 |
| 10 | Ashok Leyland Stallion | 15,158,674.4 | 82,689 | 183.3 |
| 11 | Mahindra Scorpio S6 | 6,898,550.4 | 150,606 | 45.8 |
| 12 | Mahindra Scorpio S6 | 6,686,495.2 | 144,306 | 46.3 |
| 13 | Proton X70 | 8,828,253.6 | 123,366 | 71.6 |
| 14 | Land Cruiser 79R | 9,344,056.88 | 181,781 | 51.4 |
| 15 | Land Cruiser 76R | 12,486,065.2 | 173,336 | 72.1 |
| 16 | Hino 300 Truck | 6,502,618.8 | 117,518 | 55.3 |
| 17 | Subaru Forester | 9,103,861.2 | 149,615 | 60.8 |
| 18 | Subaru Outback | 10,627,966.4 | 150,721 | 70.5 |
| 19 | Isuzu FTS 33H | 15,018,897.2 | 101,400 | 148.1 |
| 20 | Isuzu NPR66P | 6,021,382.4 | 109,633 | 54.9 |
| 21 | Isuzu Minibus NQR | 7,827,006.8 | 85,959 | 91.1 |
| 22 | Isuzu FVR23M | 12,645,132 | 107,743 | 117.4 |
| | **Average** | | | **88.78** |

*Table 18: Lease Rentals*

| | Model | No of Units | Rental (4 Years) | Rental/per Year |
|---|---|---|---|---|
| 1 | VW Tiguan Trendline | 262 | 2,134,038,283.27 | 2,036,296 |
| 2 | Hyundai HD65 | 10 | 71,450,073.46 | 1,786,251.8 |
| 3 | Isuzu TFS 34L | 75 | 1,155,516,744.00 | 3,851,722.5 |
| 4 | Isuzu TFS86D/C | 475 | 12,634,129,041.49 | 6,649,541.6 |
| 5 | Isuzu MU-X | 80 | 814,409,561.16 | 2,545,029.9 |
| 6 | Isuzu MV123 | 2 | 35,095,322.77 | 4,386,915.3 |
| 7 | Isuzu NQR 81M | 2 | 18,624,997.65 | 2,328,124.7 |
| 8 | Ford Ranger (D/C) | 395 | 3,434,778,701.96 | 2,173,910.6 |
| 9 | Ford Ranger (S/C) | 130 | 1,079,373,755.20 | 2,075,718.8 |
| 10 | Ashok Leyland Stallion | 5 | 75,793,372.03 | 3,789,668.6 |
| 11 | Mahindra Scorpio S6 | 10 | 68,985,504.39 | 1,724,637.6 |
| 12 | Mahindra Scorpio S6 | 100 | 668,649,511.86 | 1,671,623.8 |
| 13 | Proton X70 | 30 | 264,847,606.04 | 2,207,063.4 |
| 14 | Land Cruiser 79R | 1229 | 11,483,845,917.59 | 2,336,014.22 |
| 15 | Land Cruiser 76R | 192 | 2,397,324,489.31 | 3,121,516.3 |
| 16 | Hino 300 Truck | 15 | 97,557,282.11 | 1,625,654.7 |
| 17 | Subaru Forester | 70 | 637,270,280.32 | 2,275,965.3 |
| 18 | Subaru Outback | 66 | 701,445,783.84 | 2,656,991.6 |
| 19 | Isuzu FTS 33H | 200 | 3,003,779,410.08 | 3,754,724.3 |
| 20 | Isuzu NPR66P | 63 | 379,347,081.12 | 1,505,345.6 |
| 21 | Isuzu Minibus NQR | 4 | 31,308,027.04 | 1,956,751.7 |
| 22 | Isuzu FVR23M | 13 | 164,386,764 | 3,161,283 |

Table 19: Annual Rental Costs

| | Model | No. of Units | Annual Rental |
|---|---|---|---|
| 1 | VW Tiguan Trendline | 262 | 2,036,296 |
| 2 | Hyundai HD65 | 10 | 1,786,251.8 |
| 3 | Isuzu TFS 34L | 75 | 3,851,722.5 |
| 4 | Isuzu TFS86D/C | 475 | 6,649,541.6 |
| 5 | Isuzu MU-X | 80 | 2,545,029.9 |
| 6 | Isuzu MV123 | 2 | 4,386,915.3 |
| 7 | Isuzu NQR 81M | 2 | 2,328,124.7 |
| 8 | Ford Ranger (D/C) | 395 | 2,173,910.6 |
| 9 | Ford Ranger (S/C) | 130 | 2,075,718.8 |
| 10 | Ashok Leyland Stallion | 5 | 3,789,668.6 |
| 11 | Mahindra Scorpio S6 | 10 | 1,724,637.6 |
| 12 | Mahindra Scorpio S6 | 100 | 1,671,623.8 |
| 13 | Proton X70 | 30 | 2,207,063.4 |
| 14 | Land Cruiser 79R | 1229 | 2,336,014.22 |
| 15 | Land Cruiser 76R | 192 | 3,121,516.3 |
| 16 | Hino 300 Truck | 15 | 1,625,654.7 |
| 17 | Subaru Forester | 70 | 2,275,965.3 |
| 18 | Subaru Outback | 66 | 2,656,991.6 |
| 19 | Isuzu FTS 33H | 200 | 3,754,724.3 |
| 20 | Isuzu NPR66P | 63 | 1,505,345.6 |
| 21 | Isuzu Minibus NQR | 4 | 1,956,751.7 |
| 22 | Isuzu FVR23M | 13 | 3,161,283 |
| | **Total** | **3,428** | |

Source: Programme Accounts Data

*Special Procurement Method (SPM) has rigidities that do not allow for price negotiation*

*Subaru is a popular brand preferred by the DCI, however its rental costs are prohibitive since it is not locally assembled. Every effort should be made to ensure the brand is assembled locally.*

### 3.5.2 Recommendations

To manage the high lease costs, the following measures are recommended:

- National Treasury to unpack components of the amortized formula used in lease pricing with a view of addressing the high lease rentals,
- Proper procurement planning to ensure vehicles procured are locally assembled,
- The National Treasury to support the local assembly industry and adopt the use electric cars particularly for non-operational vehicles,
- The procurement team to adopt a supplies management model that allows for price negotiation ,
- A geo-fencing requirement under fleet management solution should be enforced,
- National Treasury to suspend leasing of Fully Built Units (FBU's) and focus on building local capacity to assemble all models including Subaru.

### 3.6 Residual Value

This is the value of the vehicle at contract expiry. Bidders are expected to indicate this value in their bid proposal. After the expiry of the lease period, retired vehicles are offered to the open market or to the government at the residual value stated. Though bidder-specific, a review of programme records showed residual values averaged 18% for phase 3, 20% for phase 4 and 25% for phase 6. The value ordinarily parallels the resale value and takes cognizance of depreciation. A straight line model was used to estimate depreciation:

*Table 20: Vehicle Depreciation*

| Year 1 | Year 2 | Year 3 | Year 4 |
|---|---|---|---|
| 20% | 10% | 10% | 10% |

Based on this model, programme vehicles would have depreciated by 50% in 4 years. Considering other costs associated with residual sales such as painting, warehousing, and repairs. Residual value for the programme vehicles should not exceed 25% .

*Residual value was estimated at 50% the depreciated value at contract expiry.*

*Table 21: Estimated Residual Value*

| | Model | Showroom Price (Vat Inclusive) | Residual Value |
|---|---|---|---|
| 1 | Land cruiser LC79 | 5,990,000 | 1,198,000 |
| 2 | Land cruiser LC76 | 11,730,000 | 2,346,000 |
| 3 | Hino 300 | 4,450,000 | 890,000 |
| 4 | Ashok Leyland | 8,982,694.96 | 1,796,539 |
| 5 | Mahindra Scorpio S/C | 3,736,346.76 | 747,269 |
| 6 | Mahindra Scorpio D/C | 4,195,917.10 | 839,183 |
| 7 | Proton X70 SUV | 12,945,000 | 2,589,000 |
| 8 | FTS33H * CBU | 12,945,000 | 2,589,000 |
| 9 | FTS33H * CKD | 11,700,000 | 2,340,000 |
| 10 | FVR23M | 7,190,000 | 1,438,000 |
| 11 | NQR66R | 5,600,000 | 1,120,000 |
| 12 | NPR66P | 4,167,000 | 833,400 |
| 13 | TFS86 D/C *CKD | 4,882,000 | 976,400 |
| 14 | TFS86 D/C *CBU | 6,100,000 | 1,220,000 |
| 15 | Mu-X | 7,138,000 | 1,427,600 |
| 16 | MV123 | 14,024,000 | 2,804,800 |
| 17 | NQR81M | 6,524,000 | 1,304,800 |
| 18 | FTS34L | 10,811,000 | 2,162,200 |
| 19 | VW Tiguan T/line | 4,512,000 | 902,400 |
| 20 | Hyundai HD65 | 3,180,000 | 636,000 |
| 21 | Ford Ranger (D/C) | 6,668,000 | 1,333,600 |
| 22 | Ford Ranger (S/C) | 6,161,340 | 1,232,268 |
| 23 | Subaru Forester | 6,200,001 | 1,240,000 |
| 24 | Subaru Outback | 6,615,000 | 1,198,000 |

**Notable Residual Value Metrics**

- Residual value is a beneficial outcome as it acts as a source market for second hand vehicles thereby saving the country of scarce foreign reserves,
- There is a trend where vehicles offered for resale are double, sometimes triple the residual value reserve price,
- In many instances, residual value computation is unfair to the government and the Kenyan people whenever they want to purchase retirimg vehicles.
- Higher residual values reduce rental costs, impacting the lease average.
- Double registration rule introduced by National Transport and Safety Authority makes residual sales non-competitive in comparison to Ex-Japan imports.

*Leased vehicles are given double registration (GK and civilian) by NTSA during registration, at the time of resale, the GK plate is dropped. Civilian plates severely impact resale since most buyers prefer vehicles with newer plates thereby making the ex-japan vehicles more popular despite being older.*

### 3.6.2: Vehicle Accessories

Costs of the accessories and parts for models under the programme are as shown:

*Table 22: Cost of Accessories*

| Model | Cost of Accessories (Kshs) | Model | Cost of Accessories (Kshs) |
|---|---|---|---|
| Land cruiser LC79 | 690,200 | TFS86 D/C *CKD | 146,017 |
| Land cruiser LC76 | 440,800 | Mu-X | 120,000 |
| Hino 300 | 510,400 | MV123 | 3,194,000 |
| Ashok Leyland | 517,306.00 | NQR81M | 1,451,000 |
| Mahindra Scorpio S/C | 514,667.24 | FTS34L | 801,087 |
| Mahindra Scorpio D/C | 486,981.90 | VW Tiguan T/line | 102,000 |
| FTS33H * CKD | 694,999 | Hyundai HD65 | 180,000 |
| FTS33H * CKU | 657,140 | Ford Ranger (D/C) | 150,000 |
| FVR23M | 710,906 | Ford Ranger (S/C) | 145,000 |
| NQR66R | 1,317,000 | Subaru Forester | 100,000 |
| NPR66P | 477,920 | Subaru Outback | 115,000 |
| TFS86 D/C *CBU | 302,284 | | |

**Notable Findings**

- Most accessories are priced higher than the market prices.
- Accessory manufacturers do not verify the prices quoted by dealers since they do not participate in the bidding process.
- The procurement model in use does not allow price negotiation of accessories
- The programme management has not developed quality standards for accessories and parts.

### 3.6.3 Purchase to Lease Ratio

This is an innovative way that allows comparison between showroom price and lease rentals. The ratio was computed as shown:

| Model | Showroom Price (Vat Inclusive) | Accessories | Total Vehicle RSP | 20% Maintenance (4yrs) | 6.5% Insurance (4yrs) | Total price (Outright Purchase) | Leasing Cost (4 Years) | Purchase-Lease Ratio |
|---|---|---|---|---|---|---|---|---|
| Land cruiser LC79 | 5,990,000 | 690,200 | 6,680,200 | 1,336,040 | 389,350 | 8,405,590 | 8,974,911 | 1:1.06 |
| Land cruiser LC76 | 11,730,000 | 440,800 | 12,170,800 | 2,434,160 | 762,450 | 15,367,410 | 11,954,496 | 1: 0.77 |
| Hino 300 | 4,450,000 | 510,400 | 4,960,400 | 992,080 | 289,250 | 6,241,730 | 8,484,964 | 1:1.35 |
| Ashok Leyland | 8,982,694.96 | 517,306.00 | 9,500,000.9 | 1,900,000 | 583,875.2 | 11,983,876 | 15,158,674 | 1:1.26 |
| Mahindra Scorpio S/C | 3,736,346.76 | 514,667.24 | 4,251,014 | 850,202.8 | 242,862.5 | 5,344,079 | 6,686,495 | 1:1.25 |
| Mahindra Scorpio D/C | 4,195,917.10 | 486,981.90 | 4,682,899 | 936,579.8 | 272,734.6 | 5,892,213 | 6,898,550.4 | 1:1.17 |
| Proton X70 SUV | 5,568,000 | - | 5,568,000 | 1,113,600 | 361,920 | 7,043,520 | 6,686,495.2 | 1: 0.94 |
| FTS33H * CBU | 12,250,001 | 694,999 | 12,945,000 | 2,589,000 | 796,250.1 | 16,330,250 | 12,627,966 | 1:0.77 |
| FTS33H * CKD | 11,042,860 | 657,140 | 11,700,000 | 2,340,000 | 717,785.9 | 14,757,786 | 10,627,966 | 1:0.72 |
| FVR23M | 6,479,094 | 710,906 | 7,190,000 | 1,438,000 | 421,141.1 | 9,049,141 | 7,827,006.8 | 1:0.86 |
| NQR66R | 4,283,000 | 1,317,000 | 5,600,000 | 1,120,000 | 278,395 | 6,998,395 | 7,827,006.8 | 1:1.11 |
| NPR66P | 3,689,080 | 477,920 | 4,167,000 | 833,400 | 239,790.2 | 5,240,190 | 6,021,382.4 | 1:1.12 |
| TFS86 D/C *CBU | 4,579,716 | 302,284 | 4,882,000 | 976,400 | 297,681.5 | 6,156,082 | 7,451,879.5 | 1:1.21 |
| TFS86 D/C *CKD | 5,953,983 | 146,017 | 6,100,000 | 1,220,000 | 387,008.9 | 7,707,009 | 8.877,178 | 1:1.15 |
| Mu-X | 7,018,000 | 120,000 | 7,138,000 | 1,427,600 | 456,170 | 9,021,770 | 10,180,119 | 1:1.12 |
| MV123 | 10,830,000 | 3,194,000 | 14,024,000 | 2,804,800 | 703,950 | 17,532,750 | 17,547,661 | 1:1.00 |
| NQR81M | 5,073,000 | 1,451,000 | 6,524,000 | 1,304,800 | 329,745 | 8,158,545 | 9,312,498.8 | 1:1.14 |
| FTS34L | 10,009,913 | 801,087 | 10,811,000 | 2,162,200 | 650,644.3 | 13,623,844 | 15,406,890 | 1:1.13 |
| VW Tiguan T/line | 4,410,000 | 102,000 | 4,512,000 | 902,400 | 286,650 | 5,701,050 | 8,145,184 | 1:1.42 |
| Hyundai HD65 | 3,000,000 | 180,000 | 3,180,000 | 636,000 | 195,000 | 4,011,000 | 7,145,007.2 | 1:1.78 |
| Ford Ranger (D/C) | 6,518,000 | 150,000 | 6,668,000 | 1,333,600 | 423,670 | 8,425,270 | 8,695,642.4 | 1:1.03 |
| Ford Ranger (S/C) | 6,016,340 | 145,000 | 6,161,340 | 1,232,268 | 391,062.1 | 7,784,670 | 8,302,875.2 | 1:1.06 |
| Subaru Forester | 6,100,001 | 100,000 | 6,200,001 | 1,240,000.2 | 396,500.1 | 7,836,501 | 6,502,618.8 | 1:0.82 |
| Subaru Outback | 6,500,000 | 115,000 | 6,615,000 | 1,323,000 | 422,500 | 8,360,500 | 9,103,861.2 | 1:1.08 |

**Notable Findings**

-76% of the models under the programme are overpriced. Models such as LC76 (1:0.77); Proton X70 (1:0.94); Isuzu FTS33H (1: 0.77); FVR 23M (1:0.86); Isuzu MV 123 (1:1.0) and Subaru Forester (1:0.82) are well priced.

**Recommendations**

- National Treasury should ensure the Lease-to-Purchase ratio does not exceed 1:1

### 3.7 Local Content

Local content is contextualized in vehicle assembly and the manufacture of parts and accessories. Technical workers at Kenya Vehicle Manufacturers (KVM), Associated Vehicle Assemblers (AVA), Isuzu EA assembly plant, and accessory manufacturers Sai Raj company and Numerical Machining Complex (NMC), provided data on local content. Findings on vehicle assembly and accessory manufacturing are as follows:

#### 3.7.1 Kenya Vehicle Manufactures (KVM)

Kenya Vehicle Manufactures (KVM) was the first assembly plant in Kenya, opening its doors in August 1976. The firm has struggled to keep afloat over the past 10 years, due to the downturn in local vehicle assembly, however times have changed, and assembly volumes are increasing. Despite this, the factory continues to make losses, due to lack of investment and shareholder support. The government of Kenya is the largest shareholder in KVM and needs to fully invest in the plant so as to fully reinvigorate it.

The shareholding at KVM is broken down as follows GoK (35%), DT Dobie (32.5%) and CMC Motors (32.5%). The company assembles units for DT Dobie which are in turn supplied to the leasing programme. KVM assembly has witnessed reinvigoration and rapid growth over the last 3 years' due to orders from the programme. The total number of units assembled grew by 176% in 3 years.

*Three vehicle assembly regimes; the foundational CKD-1 regime is not labour intensive and therefore does not create the maximum number of jobs required. CKD-3 is the ultimate vehicle assembly regime hence required for all assemblers to adopt it.*

*Table 24: Assembly Demographics*

| Year | Units Assembled |
|---|---|
| 2020 | 553 |
| 2021 | 817 |
| 2022 | 978 |

The impact of the programme interventions on the assembly at KVM is as follows:

##### 3.7.1.1 VW Tiguan (DT Dobie)

The company assembled 85 VW Tiguan model in 2021 and a further 280 units in 2022, the assembly process entails mechanical re-fitment of trim parts. All the VW Tiguan vehicles currently being assembled at KVM assembly are for the leasing programme. The assembly process for VW Tiguan has created 12 jobs that include; six assembly plant operators, two quality personnel and four (4) warehouse employees. The company's management in conjunction with DT Dobie is working to move the Tiguan assembly architecture from current CKD-1 to CKD-2. This migration will result in an investment of Kshs 200 million and creation of an estimated 55 full time, well paid and highly skilled jobs.

#### 3.7.1.2 Hyundai HD65 (DTD)

Kenya Vehicle Manufacturers assembled 150 Hyundai trucks in 2021 and a further 150 trucks in 2022 for the programme. This assembly was at CKD-1, hence only a few jobs were created. The process entail painting of the cab, trimming the complete cab, as well as assembly of complete chassis. The chassis of Hyundai HD65 is usually imported totally broken down. This has created full-time jobs for 31 locals distributed as follows; six (6) warehouse attendants, (4) paint-shop personnel, eighteen (18) assembly workers and three (3) quality personnel.

#### 3.7.1.3 Peugeot (Urysia)

Kenya Vehicle Manufacturers assembled 54 units of Peugeot in 2021 and a further 31 units in 2022. The brand was assembled for Urysia and supplied to government leasing programme. Peugeot assembly created 12 jobs as follows: four (4) warehouse personnel, two (2) quality personnel and six (6) assembly workers.

### 3.7.2 Associated Vehicle Assemblers (AVA)

Associated Vehicle Assemblers (AVA) company is located in Miritini, Mombasa and sits on 50 acres of land. It was inaugurated in 1975 and is owned by Simba Motors Corporation since the October 2017 take over. The company directly employs 360 people, flexing to 500 depending on demand for casual labour. The firm's core business, (representing 90% of its revenue), revolves around building world class quality vehicles of any type from CKD kits supplied by dealers for registered importers.

Subsidiary work for the firm includes specialized body and bus building, tailor-made vans such as cash- in-transit vans, international style coaches and Marine vans. Additionally, the firm produces jigs and fixtures needed for both quality and production. This service permits low investment cost, with short lead-time for new and existing customer model introductions. In 2018, AVA achieved IATF16949 certification becoming the only vehicle assembler in the region with international accreditation. This certification is an endorsement of product quality for top international standards.

Trade liberalization processes introduced in Kenya in early 90's led to the importation of cheap used vehicles that negatively affected the automotive industry and AVA for the past 30 years. However, with the adoption of National Automotive Policy (NAP), and the advent of the vehicle leasing programme, the positive changes in KS1515[1] and the government's policy for local vehicle assembly has greatly helped the firm to recover. AVA is the largest contract assembler in Sub-Saharan Africa and boasts of the widest range of automobiles, vehicle makes and models assembled under one roof using top-notch technology.

The firm specializes in internationally recognized brands i.e Landcruiser, Fuso, Mitsubishi, Scania, Mahindra, Proton, Ashok Leyland, Hino, Tata, Daewoo, Volvo and Beiben. As a policy, the company only assembles CKD-2 and CKD-3 vehicles, this means that assembly is labour intensive where each vehicle assembled involves a minimum of 60 people in the assembly process, this figure can rise up to 80 for vehicles with bodies such as Tippers and buses and 120 for CKD-3 level units such as landcruisers and Fuso. Over the last 2 years AVA has produced 1,500 brands for land cruiser, Mahindra, Fuso, Proton and Ashok Leyland for the leasing programme.

With the expected industry boost due to the adoption of National Automotive Policy and continuation of government's policy on leasing for official transport, it is projected that by the year 2025 new vehicle sales will increase by approximately 45%, with locally assembled vehicles increasing by 65% to about 17,000 units annually. Alongside the push for the localization of new vehicle components, will see a huge uplift of the automotive industry affecting thousands of Kenyan workers. The firm's own growth plan is to increase assembly volumes to 12,000 units annually and diversify to related industries such as local parts and accessories manufacturing, body-building, manufacture of electric vehicles and marine transport. This will require investment of Kshs 2 billion and will create an additional 500 jobs.

### 3.7.3 Vehicle Assembly at Isuzu EA

Isuzu EA assembly plant is perhaps the biggest assembly plant in the region. The plant, with a facility area of 12.44 Ha (30.74 Acres) and a factory area of 17,000M$^2$ is fully-owned by Isuzu EA Limited and was launched in 2013. It is an ultramodern state of the art centre with immense capability to assemble the 7$^{th}$ generation vehicles, buses and pick-ups.

Vehicle assembly fully migrated from CKD-2 to CKD-3 which portends a multiplier model on job creation. The plant has an installed capacity of 11,000 units, but currently underutilized at 6,400 units. The plant has a production volume of 100,000 units, has offered direct employment to 510 employees and 5,000 employees indirectly. The plant has ensured a steady supply to top of the range vehicles to the

[1] *Mandatory code by Kenya Bureau of Standards banning the importation of specific FBUs and allowing only Euro 4 classified vehicles access into the county*

government leasing programme. The percentage of local content for all the vehicles assembled at Isuzu EA ranges between 23%-54%.

Assembly at the Isuzu plant has a great impact on local economy and created significant multiplier effect across the value chain, including; cost reduction in transport spend, efficiency, growth of leasing space, increase in number of lessors and bancassurance, technological transfers, growth of channel and distribution footprint, employment and growth of enterprises. Isuzu East Africa offers supply contracts to local accessory manufacturers and MSMEs listed in Table 25:

*Table 25: Local Content Suppliers at Isuzu EA*

| Local Content Category | Key Local Suppliers |
|---|---|
| Tyres and tubes | AutoXpress / Kingsway / Silverstone |
| Batteries | Associated Battery Manufacturers (ABM) - Chloride Exide |
| Engine air filters | Pipeman |
| Exhaust pipes/silencers | Pipeman / Mann manufacturers |
| Springs | Auto springs EA / Auto ancillaries |
| U-bolts/centre bolts | Auto Springs EA / Auto ancillaries |
| Wiring harnesses / battery cables | Auto Springs EA |
| Manuals/VIN plates/decals | Aquapet / Colour tunes / Pamoja advertising / co-promotion |
| Radio/DVD players | Digital bass |
| Paints | Kansai plascon |
| Regulatory; speed governors | Pinnacle systems |
| Trim material | Megh cushions industries / Highway car cushions / Metal equipment |
| Spare-wheel carrier; | Pipeman / Metal Equipment / Numerical Machining Complex |
| Glass | Impala Glass Industries |
| Metal parts | Pipeman / Metal Equipment / Numerical Machining Complex (NMC) / Patmose / Turn-O-Metal |
| Fuels and lubes | Ola Energy / African Fuels & Lubricants/ Unifilters / Total Kenya |
| Sealers/ adhesives | Henkel / Selley / Jeyrho / Wurth / Linken Holdings |
| Shocks and jacks | Gathani |
| Others; (seat-belts/pipes/hoses) | Pinnacle Systems/Pipeman/Kenrub |
| Body & accessories | Agro Manufacturers / Shanga Engineering / LSHS / Sai Raj |
| Other; clearing & handling | Urgent Cargo Handlers / Bollore Logistics / Acceler Global Logistics |

*CKD-3 is the highest vehicle assembly regime where vehicles are assembled from scratch, nuts and bolts.*

### 3.7.4 Sai Raj Auto-Parts Manufacturers

Sai Raj is a local content manufacturer for fiberglass products, vehicle body works, parts, accessories and allied products. It specializes in creating locally produced, locally assembled accessories, goods and services in support of "Buy Kenya-Build Kenya" initiative. Established in 1975, the company has employed 180 full-time employees and hundreds of casual workers.

**Notable Facts about Sai Raj**

- The firm has capability to handle orders worth Kshs 300 million at any given time.
- Does not outsource any of the accessories and successfully handled orders of parts for 500 units to the leasing programme.
- All accessories are manufactured in-house, hence the firm has full control over lead times as well as output quality.
- Has a factory that is well positioned for mass-production.
- The factory has employed Kenyan workers to assemble vehicle parts locally.

*Table 26: Orders to Sai Raj for the Leasing Programme*

| SAI RAJ HISTORICAL PERFORMANCE FOR PHASE 1 - 4 | | | | | | |
|---|---|---|---|---|---|---|
| | CONVERSIONS | | | | LININGS & JACKS | |
| **2013** Phase I | Phase 1 | Conversion units handled Raj | % handled by Sai Raj | Linings to be done on units | Linings done by SAI RAJ | % handled Sai Raj |
| Land cruiser SC - Canvas | 350 | 246 | 70.29 | 350 | 275 | 78.57 |
| Land cruiser SC - Fibre body | 350 | 224 | 64.00 | 350 | 260 | 74.29 |
| Land cruiser DC - Body | 50 | 0 | 0 | | | |
| Land cruiser DC - Canvas | 50 | 0 | 0 | | | |
| Land cruiser Hardtop | 50 | 50 | 100 | | | |
| **2014** Phase II | Phase 2 | Conversion units handled by SAI RAJ | % of total handled by Sai Raj | Linings to be done on units | Linings done by SAI RAJ | % handled by Sai Raj |
| Land cruiser SCAB - Canvas | 300 | 214 | 71.33 | 300 | 300 | 100.00 |
| Land-cruiser SCAB - Fibre body | 200 | 150 | 75.00 | 200 | 200 | 100.00 |
| Ford SC | 380 | 380 | 100.00 | 380 | 150 | 39.47 |
| Ford DC | 150 | 150 | 100.00 | 150 | 150 | 100.00 |
| **2016** Phase III | Phase 3 | Conversion Units RAJ | % of total handled by Sai Raj | Linings to be done on units | Linings done by SAI RAJ | % handled Sai Raj |
| Nissan Patrol | 250 | 250 | 100.00 | 250 | 250 | 100.00 |
| Nissan Hard body | 100 | 100 | 100.00 | 100 | 100 | 100.00 |
| **2017** Phase IV | Phase 4 | Conversion Units RAJ | % handled by Sai Raj | Linings to be done on units | Linings done by SAI RAJ | % handled Sai Raj |
| Isuzu Dmax Double cabin | 120 | 120 | 100.00 | 120 | 120 | 100.00 |
| Ford Single Cabin | 60 | 60 | 100.00 | 60 | 60 | 100.00 |
| Isuzu 3-4 Ton high sided truck with canvas | 63 | 32 | 50.79 | | | |
| Isuzu Medium 4x4 7-8 Ton low sided truck with canvas | 200 | 30 | 15.00 | | | |

**Findings**

- Local assembly capacity at the firm is grossly under-utilized. Has only handled small order of 300 units through CMC Motors to manufacture kits, strobe lights, canvas, lift jacks, linings, re-spray and bended pipes.
- The firm undertook conversions for Nissan Kenya comprising a fleet of 350 units, 250 Nissan Patrol and 100 single cabins for the programme. This entailed local fit out, branding and a turnkey solution, linings jacks and strobe lights.
- The firm boasts of unrivalled local and international sourcing for products which enhances competitiveness with the best product at the best prices.
- Local content capacity for the firm is contrained by competition by dealers who prefer to source accessories from South Africa and Tanzania.

*Table 27: Locally Manufactured Vehicle Parts*

| | |
|---|---|
| Super structure Roll cage | Battery bracket |
| Canvas | Drop in bed liner |
| Folding seats | Airbag compatible pull bar |
| Cushions | Winch |
| Air compressor | 4 mm security film |
| Air compressor brackets | Vehicle respray and branding |
| Foldable roadblock spikes brackets | LED roof bracket |
| Foldable roadblock spikes | LED roof light bar |
| Collapsible LED cones brackets | Hi-lift jack bracket |
| Collapsible LED cones | Battery-Chloride excide |
| Rear light grilles | Powder coating operation |
| Rear step bumper | Paint sourcing |
| LED grille flasher lights | Branding material sourcing |
| Internal windscreen flasher light | Metal raw materials |
| Dual battery Kit | Suspension fittings |

*Numerical Machining Complex is operating below its capacity; it boasts of competent staff and equipment that can sufficiently address the fabrication needs for the leasing programme. However, NMC has never been given any orders.*

### 3.7.4 Numerical Machining Complex (NMC)

Numerical Machining Complex is a public company incorporated in 1994 and placed under the Ministry of Investment, Trade and Industry. The firm is owned by Kenya Railways Corporation (51%) and Kenya Shipyards Limited). The state department for industry is responsible for its funding, policy direction and oversight. The company is a mechanical engineering-based entity with modern facilities and highly skilled staff for the design and manufacture of machinery and components for the design work, machining, fabrication foundry works, heat treatment and metallurgy. The firm has top-notch metallurgical laboratory in the region. Due to its extensive experience in fabrication, it was appointed a reseller and trainer of Autodesk manufacturing software; AutoCAD mechanical and AutoCAD electrical. The firm is ISO 9001:2015 certified with milling machines capable of turning and combining several machining operations at a go with the help of robotic loading. The treatment centre is equipped with facilities for hardening, nitriding, carburizing, annealing and tempering induction hardening. The company operates a foundry plant for steel and holds the capacity to manufacture accessories required by the programme.

*Table 28: Recommendations on Local Content*

- The National Treasury to enforce the requirement for dealers to source vehicle parts accessories and components locally.
- There should be a verification, monitoring and evaluation mechanism to show that accessories on leased vehicles are indeed locally assembled.
- There is need to develop a standardization mechanism for quality by embedding a mark of quality for accessories meet minimum international threshold.
- National Treasury to introduce a clause in the MLA)[21] to protect the local parts and accessory manufacturers from the predatory behavior by dealers.
- The government should protect the local manufacturers against punitive laws that make raw materials for local fabrication i.e. (fibreglass resin, fibreglass matt) charged duty and taxes while imports are exempted.
- National Treasury to initiate a mechanism of verifying prices of accessories as quoted by dealers during tendering.
- The government should address the high production costs in local manufacturing sector by reducing the cost of production (electricity, taxes and levies).
- The National Treasury to work with the state department of industry and allocate specific assembly tasks to NMC, whose capacity is under-utilized.
- The programme to work closely with the National Automotive Council, the Kenya Motor Industry Association (KMI), the Association of Parts Manufacturers of Kenya (APMA) and the Kenya Association of Manufacturers (KAM) to enhance the scalability of local content interventions.
- The National Treasury to support the KS1515 standard.

## 3.8 Job Creation

A substantial number of jobs have been created under the programme. It was established fewer managerial jobs were created in comparison to technical ones. In its design, it was anticipated that jobs would be created by dealerships, assembly lines as well as the accessory manufacturers. From findings, accessory manufacturers were the biggest job creation aggregators. From the onset, auto-dealers were expected to have presence, either directly or through existing partnerships, branches or service level agreements in at least 50% of the counties in Kenya. This was not only to ensure vast geographical spread, but also create new opportunities. Due to this, percentage shareholding by Kenyans in assembly plants and garages and SMEs providing general services (labour, fabrication and cleaning) was to increase.

*Local content entails local production of goods and services and supplying them locally*

*Master Lease Agreement is executed between the National Treasury and the dealers. Accessory manufacturers and local content providers are not included in the MLA. Vehicle accessories have been identified as a key cost driver.*

*Table 29: Typology and Distribution of Job Created*

| Entity | Number Employed |
|---|---|
| Isuzu East Africa | 510 |
| Toyota Kenya | 70 |
| Subaru | 4 |
| DT Dobie | 23 |
| Simba Colt | 28 |
| CMC | 13 |
| Gaptech Solutions | 26 |
| Parts/Accessory Manufacturers | 554 |
| Kingsway Auto-Watch | 33 |
| Leasing Companies | 137 |
| Kenya Vehicle Manufacturers | 55 |
| Associated Vehicle Assemblers | 360 |
| **Total** | **1,813** |

100,000 indirect jobs were created at SME level to provide general services alongside the formalization of small and medium enterprises to supply the accessory industry. Jobs requiring refined skill in assembly, warehousing and material sourcing are the majority. A recent requirement to move assembly lines from CKD-1 to CKD-3 will have a multiplier effect on job creation.

**Recommendations**

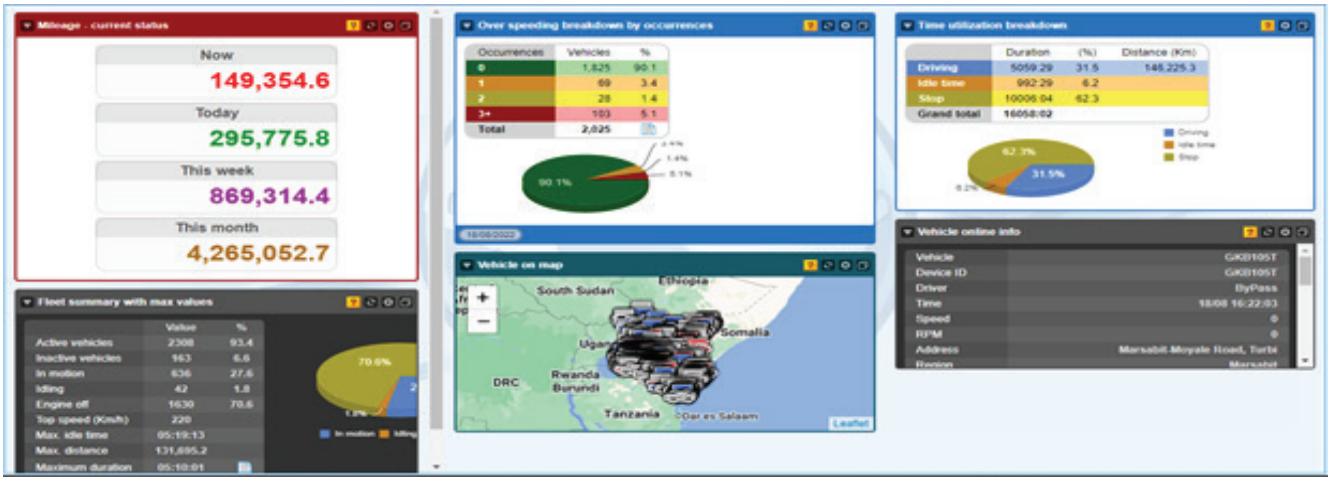
- National Treasury should support the implementation of KS1515 standard,
- Assembly lines to fully migrate from CKD-1 to CKD-3
- Government to provide incentives to local content providers/parts manufacturers,
- The programme to suspend leasing of fully built units,
- The programme management to develop a framework of tracking and reporting on the number and quality of jobs created.

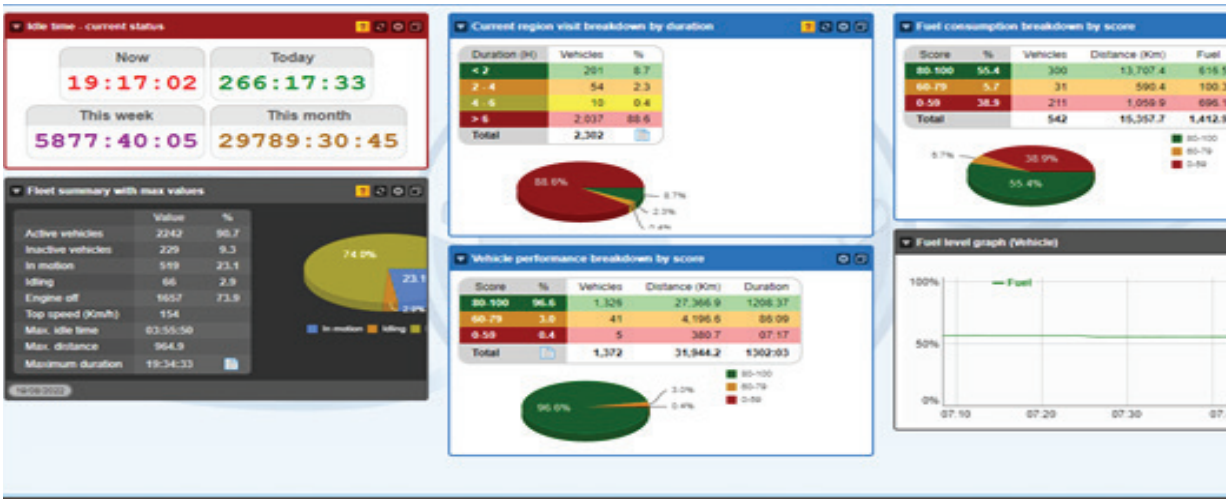
### 3.9 Fleet Management Architecture

The programme has engaged two local firms (Gaptech solutions ltd and Kingsway auto watch) to undertake fleet management. Both solutions are robust and effective in achieving maximum efficiency. The solution allows for grouping of vehicles by agency and departments to allow the National Treasury to access/view all the vehicles in each platform. However, the solutions are distinct and do not speak to each other, meaning National Treasury cannot seamlessly access real time data on key metrics at any given time.

The dashboard of Key Performance Indicators (KPI) contains a summary of major fleet metrics such as the distance covered, speeding, vehicle utilization, fleet summary, fuel usage and driver behaviour among others. These metrics are key determinants of fleet performance and support decision making process.

*Figure 10: Fleet Management Metrics*

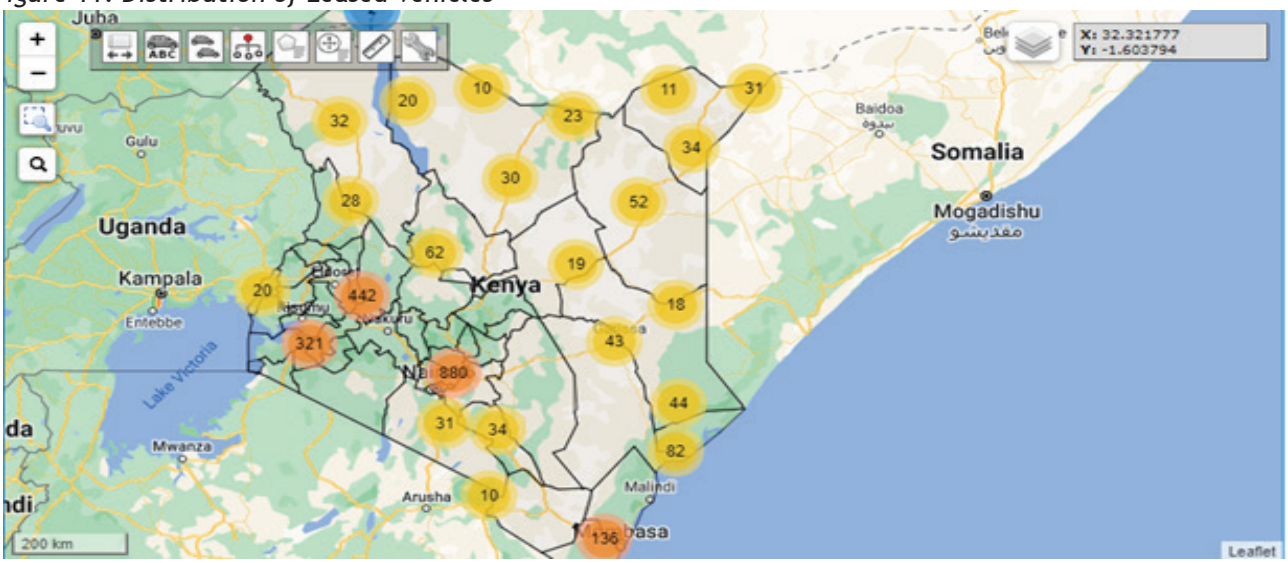


### 3.9.1 Real Time Vehicle Tracking

Fleet management system provides real time data on location of the vehicle at any given time. For instance, the Gaptech solution has satellite capability for vehicles that are stationed in areas with no Global System for Mobile (GSM) communication. This feature gives them visibility of the assets round the clock and is key for planning and control purposes. Real time tracking can be through smart devices such as computers or phones. The screenshot below shows the system tracking platform.

*Figure 11: Distribution of Leased Vehicles*



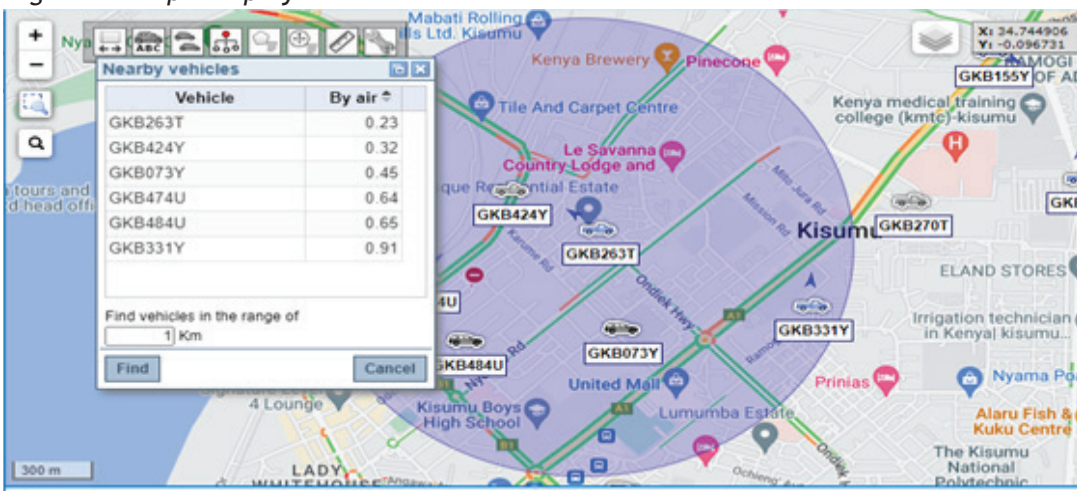

### 3.9.2 Vehicle Recovery in Case of Theft

Through online tracking module, the fleet management system has a capability to remotely immobilize a vehicle engine if reported stolen or missing. This feature assists in asset recovery in many cases especially now that most vehicles are in security operations. This feature is useful when a vehicle is suspected to be misused or when its located outside its expected area of operation, after a trigger by the geo-fence signal. Due to this, the security and safety of vehicles is guaranteed.

### 3.9.3 Rapid Allocation to an Incident

Since the leased vehicles are spread across the country, the fleet management solution has been configured in a way that in case an incident occurred, the various command centres and security installations use the system to search for the closest vehicle and rapidly deploy it or dispatch a signal to the incident. This way the incident can be responded to in an effective and timely manner.

*Figure 12: Rapid Deployment Process*



### 3.9.4 Rapid Response to Distress Signals

The system is configured with a panic button which is used to alert respective control rooms when in danger so that assistance can be sent in real time. This feature is useful to officers who often face dangerous situations such as cattle rustlers or terrorists.

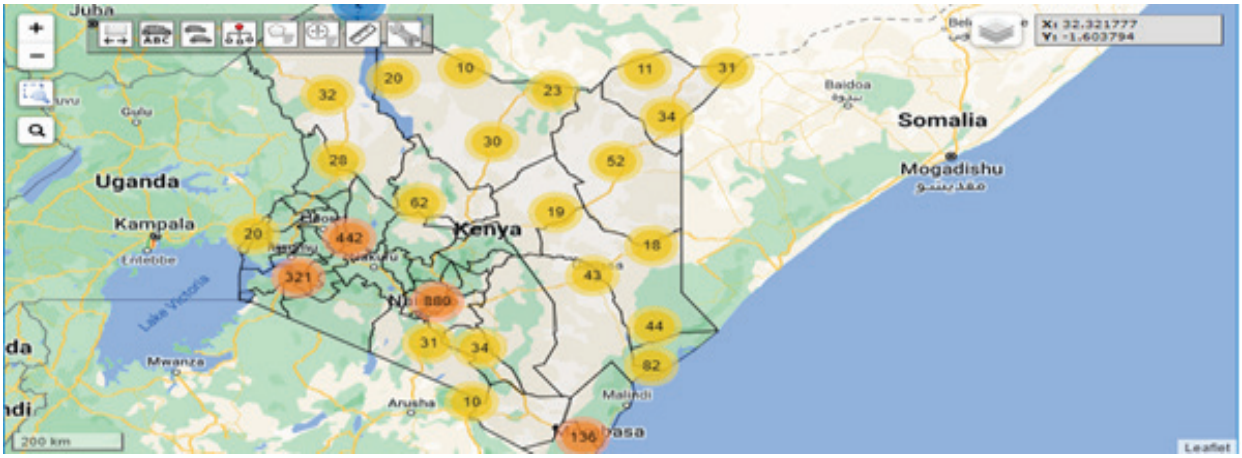
### 3.9.5 Accident Alerts and Investigation

The fleet management system acts as a 'black box', whenever there is a near accident or an accident, the system records events in a graphic format showing driver behavior for at least five minutes to the accident. This information is crucial to accident investigators in unearthing what transpired before the accident.

### 3.9.6 Vehicle Route/Region Movement Management

The system has a geo-fence capability that 'restricts' vehicles to certain zones. Regions and routes are geo-fenced so that an alert is sent to respective officers whenever a vehicle enters or leaves a region or route that is not designated for, this is crucial in curtailing misuse.

*Figure 13: Geo-Fencing*




### 3.9.7 Service Scheduling

The system has a service/repair module which is key in keeping record for service and repairs for all vehicles. Vehicles are scheduled for service after every 5000 KMS. The system is configured to remind users and dealers whenever the vehicle is due for service so that planning for the same can be initiated.

### 3.9.8 Fuel Use Analysis

The fleet management solution is configured with a feature that analyzes fuel drawn and its usage per kilometer. This feature helps officers to flag cases of inefficient usage and possible theft.

*Figure 14: Fuel Use Analysis*

### 3.9.9 Drivers/Vehicle Performance Management

Engine lifespan of any vehicle is dependent on driver's behaviour. The system is engineered to keep driver records such as license number, service and identity number, phone number among others. The system automatically grades the driver habits and performance on KPI's such as over speeding, acceleration, harsh breaking amongst other poor driving habits. With driver records and automated grading of performance, annual appraisal of drivers is easier and can be done objectively.

### 3.9.10 Vehicle Downtime

The system helps transport officers to periodically identify which vehicles are used sparingly and swap them with the ones having heavy usage to ensure balanced utilization. This ensures no vehicle has its odometer reading beyond mileage stipulated in the contract.

### 3.9.11: Recommendations

The government would benefit more if it anchored a robust fleet management solution at the National Treasury through Application Programming Interface (API), to facilitate vehicles to transmit seamlessly to the same platform and ensure all programme vehicles are visible from the National Treasury.

### 3.11 Geospatial Mapping and Proximity Analysis

Geospatial mapping of Total Energy stations and their proximity to police stations, administrative units and correctional facilities was found as follows:

*Figure 15: Mapping Proximity of Kiambu County*

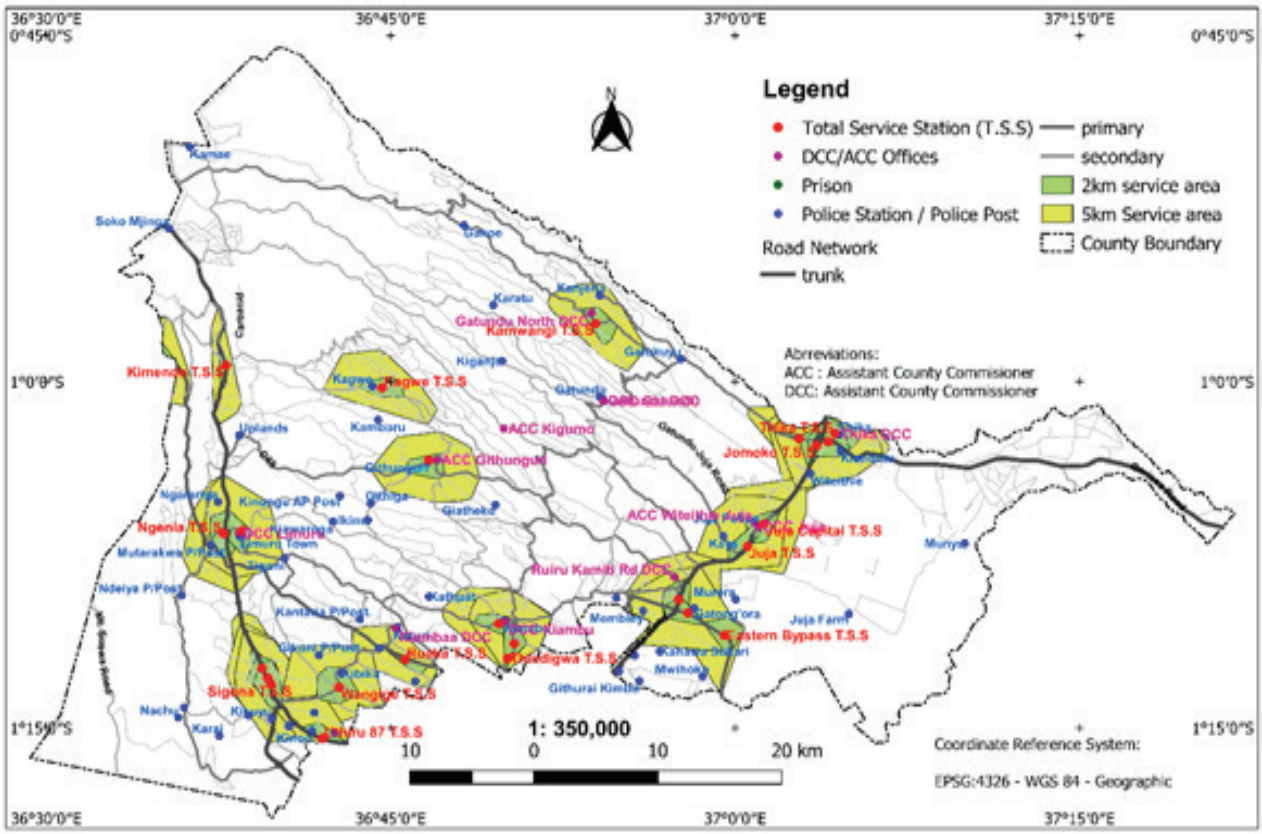


*Figure 16: Mapping Proximity of Kisumu County*

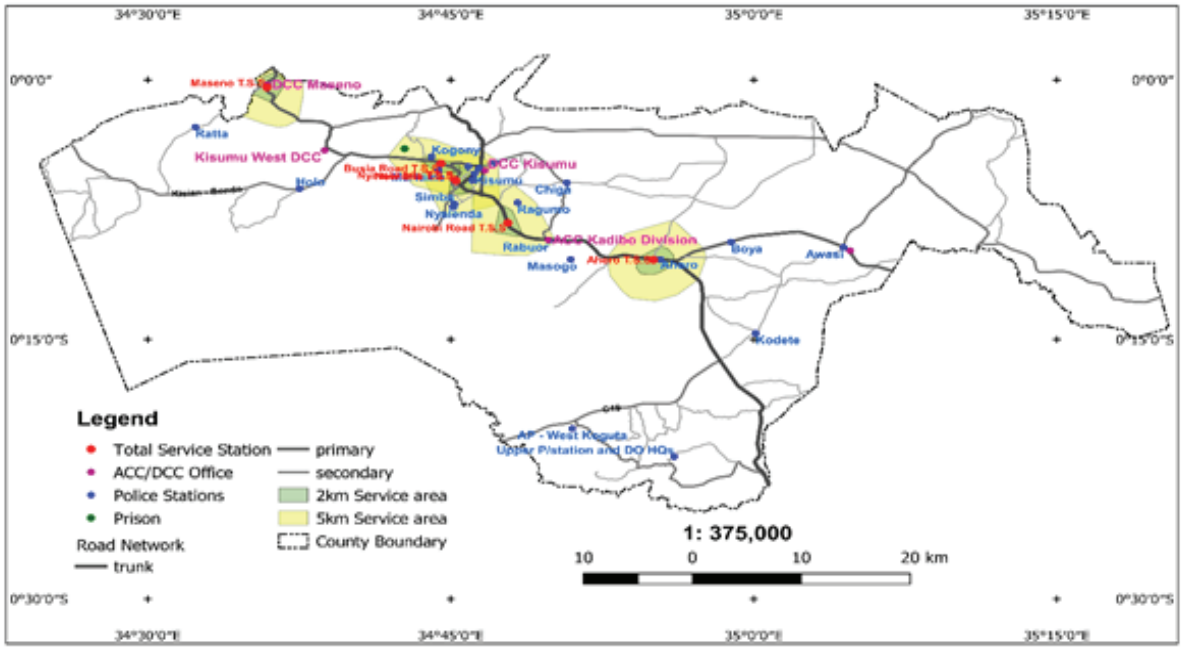



*Figure 17: Mapping Proximity of Mombasa County*

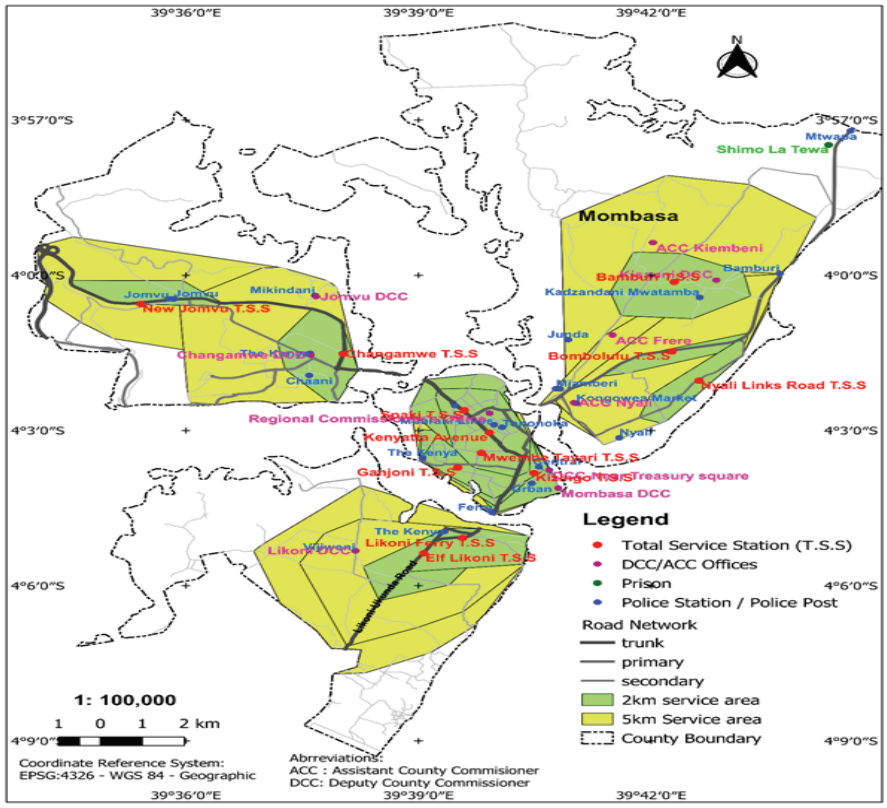


*Figure 18: Mapping Proximity of Isiolo County*

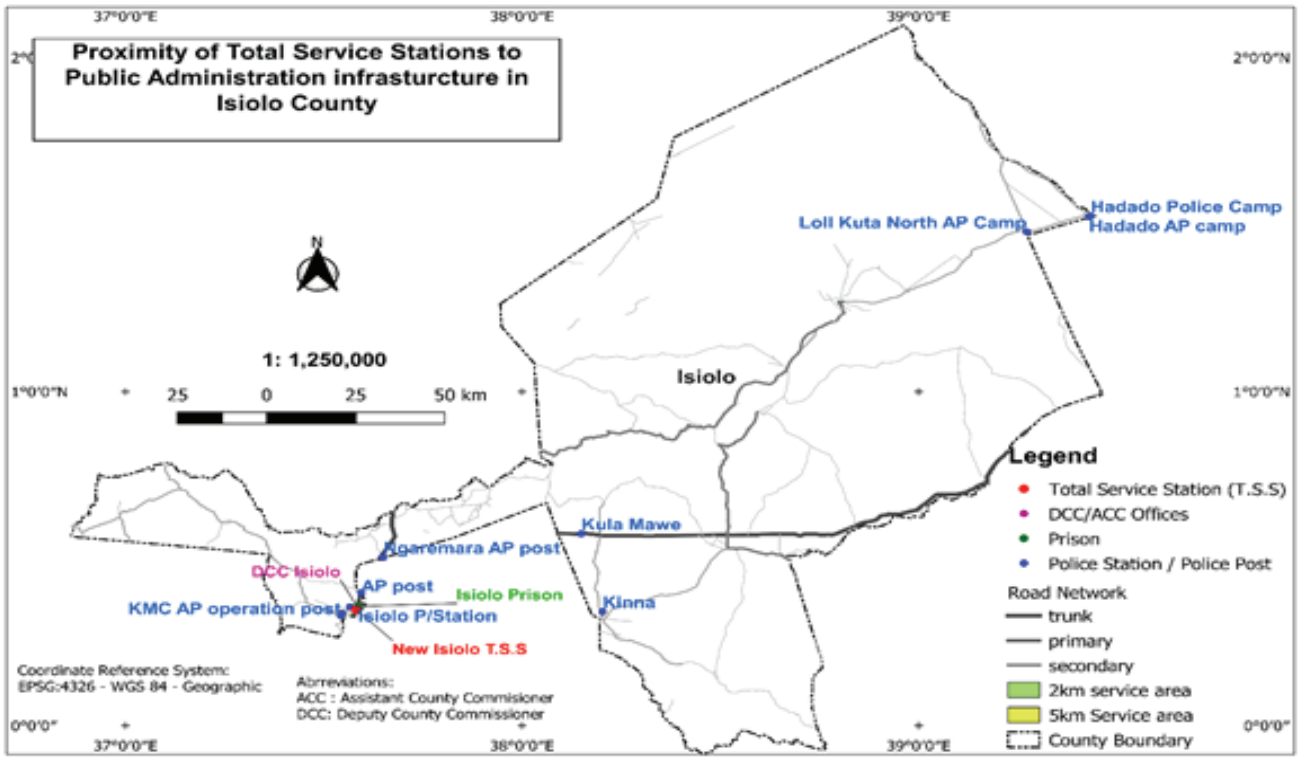



*Figure 19: Mapping Proximity of Mandera County*

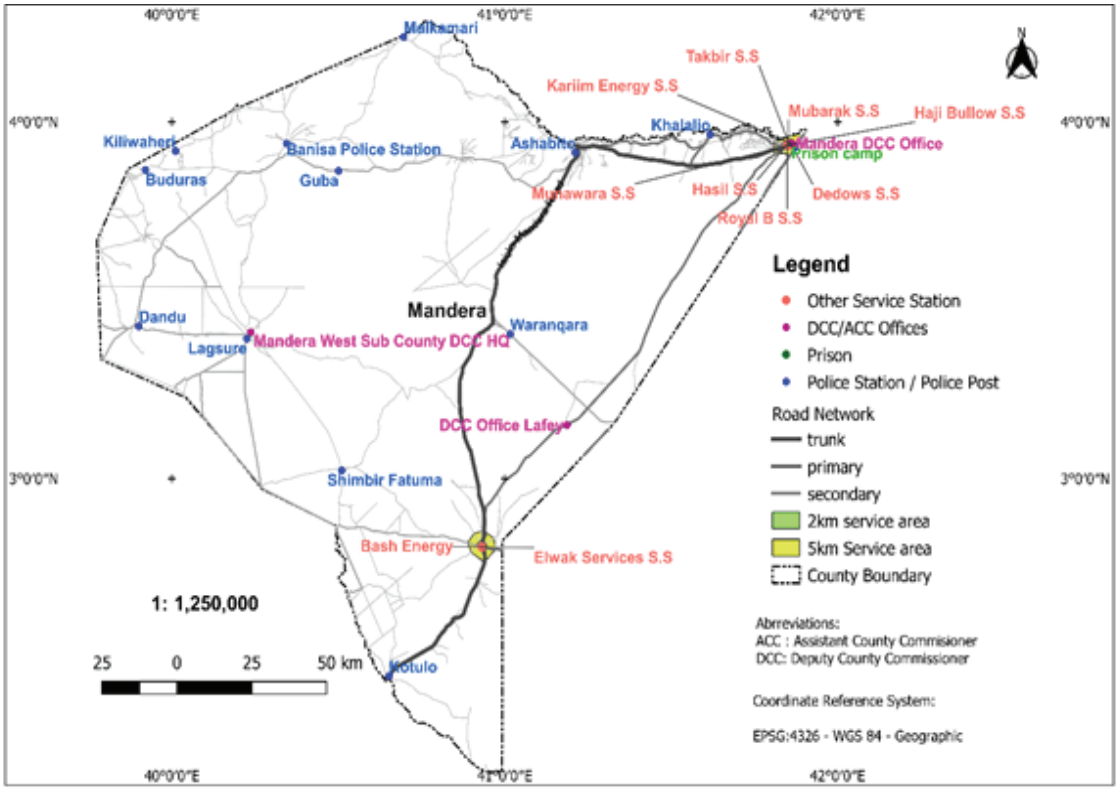
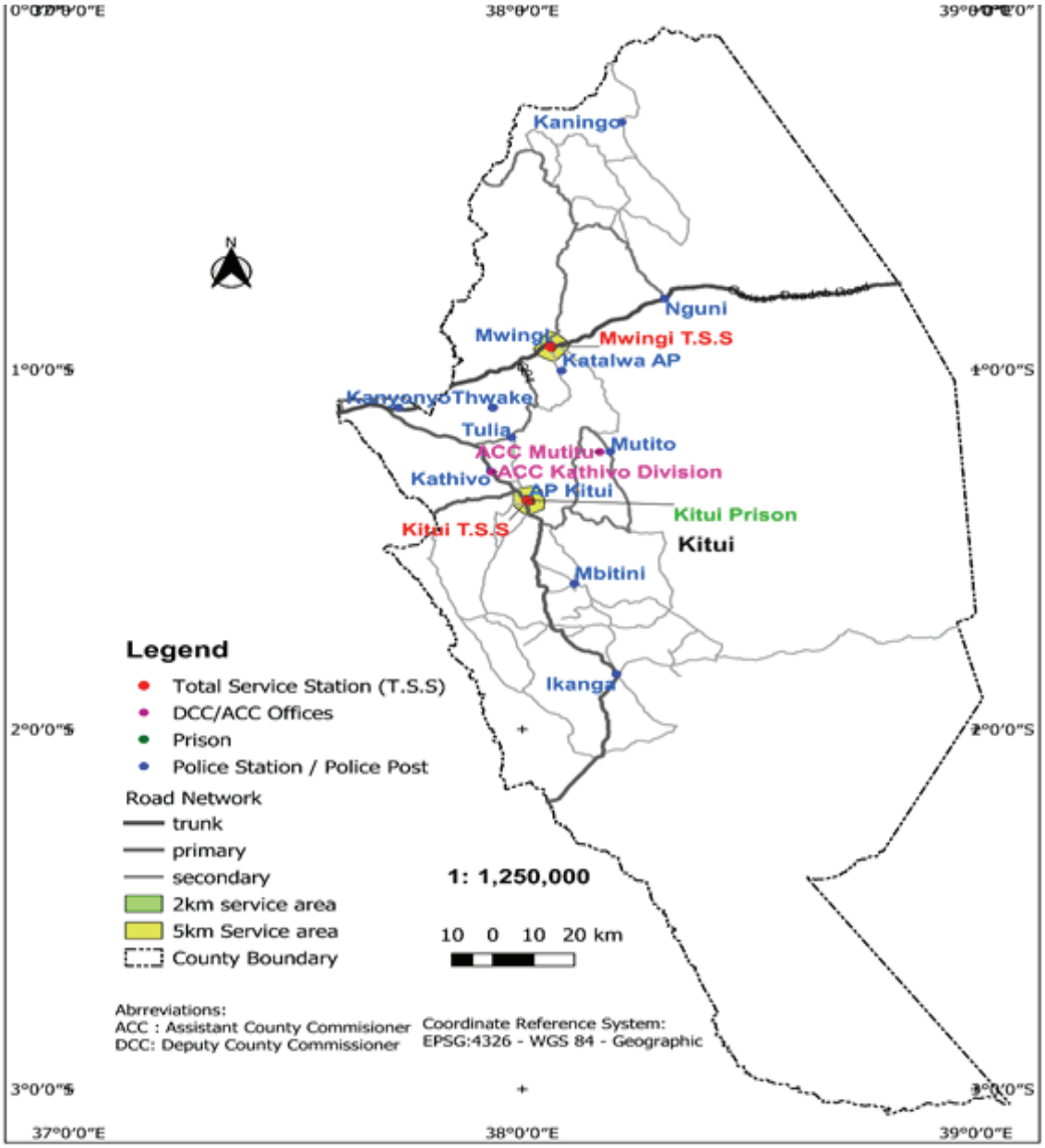


*Figure 20: Mapping Proximity of Kitui County*




### 3.11.1 Notable Findings from GIS Proximity Mapping

- Programme vehicles travel an average of 131 kilometers to fuel at Total Energies
- National Treasury procured a single fuel dealer to serve as the only fueling point for all the programme vehicles.
- Drivers are allocated a fuel smart card that draws 450 litres of fuel monthly.
- Total Energies does not have stations in Wajir, Mandera, Garrisa, West Pokot, Turkana, Tana River, Samburu and Marsabit counties.

**Recommendations**
National Treasury to deploy a universal fuel card (such as VISA) so that vehicles could fuel from a multiplicity of fueling stations

## 3.12 Fuel and Fueling Framework
Annual fuel expenditure for the programme was found as follows:

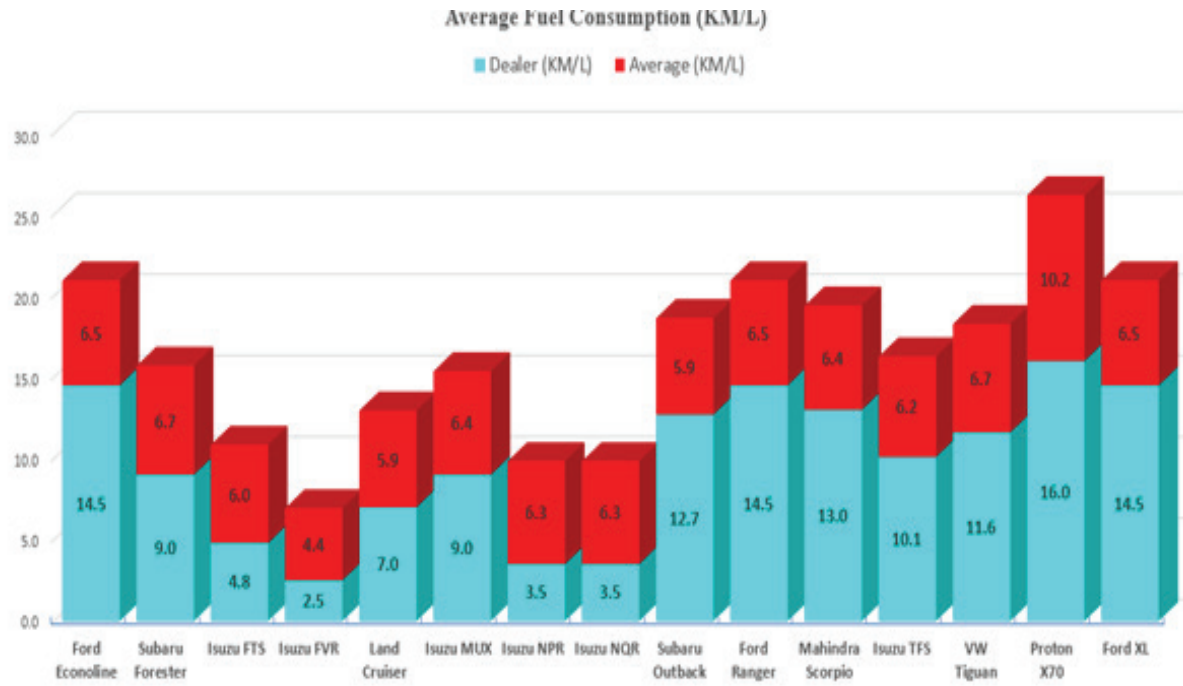
*Table 30: Annual Expenditure on Fuel*

| Date | Month | Volume in Cubic Meters | Amount in Local Currency |
|---|---|---|---|
| 6/30/2021 | June | 1,369 | 143,659,149.64 |
| 7/31/2021 | July | 1,382 | 152,776,571.65 |
| 8/31/2021 | August | 1,387 | 150,039,036.35 |
| 9/30/2021 | September | 1,380 | 153,785,853.89 |
| 10/31/2021 | October | 1,387 | 157,440,146.26 |
| 11/30/2021 | November | 1,542 | 170,950,595.96 |
| 12/31/2021 | December | 1,536 | 169,359,167.73 |
| 1/31/2022 | January | 1,513 | 166,972,777.07 |
| 2/28/2022 | February | 1,512 | 166,527,341.88 |
| 3/31/2022 | March | 1,518 | 170,555,026.51 |
| 4/30/2022 | April | 1,540 | 184,554,369.55 |
| 5/31/2022 | May | 1,573 | 200,757,615.83 |
| 6/30/2022 | June | 1,517 | 203,861,888.81 |
| **Total** | | | **2,191,239,541.13** |

Source: Total Energies Report, 2022

### 3.12.1 Fuel Consumption
The actual consumption for each model was determined from the fleet management system and compared with the dealer average:

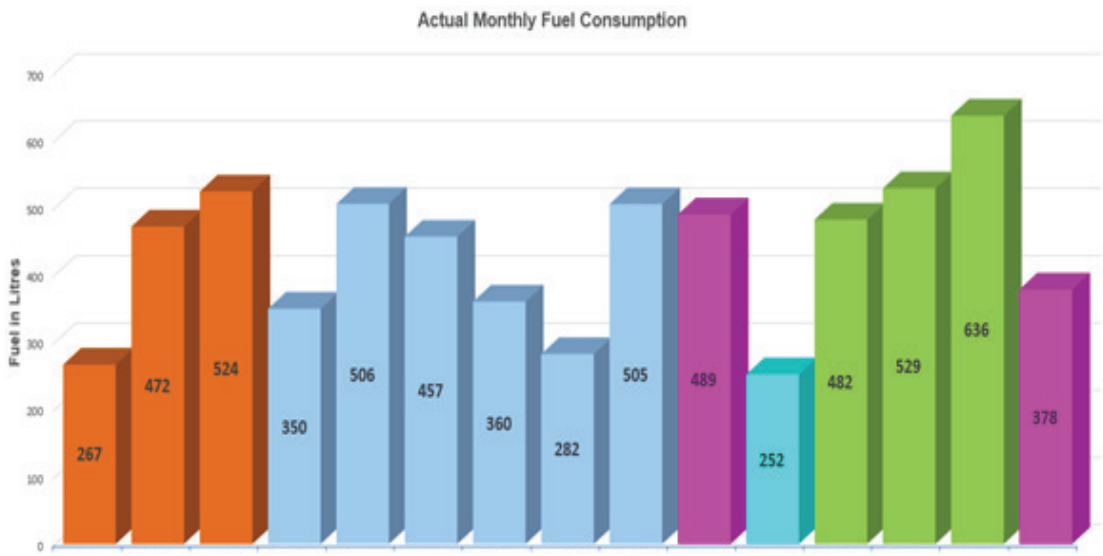
*Figure 21: Average Fuel Consumption*




Source: Gaptech Dashboard

Results show that some models were not able to exhaust the monthly fuel allocated while others need more fuel, as depicted in the monthly consumption[2] computations.

*Figure 22: Monthly Fuel Consumption*




Source: Gaptech Dashboard

The average fuel consumption per vehicle found to be 439.35 liters per month. This means each vehicle is well covered by the quantity of fuel provided. However, some models (landcruiser, Isuzu FTS, Ford and Subaru) surpassed the monthly allocation hence required more than 450 litres of fuel per month. From computation, a monthly saving of 874.6 liters of fuel is available for reallocation.

*Table 31: Fuel Available for Reallocation*

| Vehicle Model | Average Distance Covered (KMS) | Monthly Allocation | Average Consumption (Litres) | Discrepancy (Litres) |
|---|---|---|---|---|
| VW Tiguan | 2526.32 | 450 | 378.19 | 71.81 |
| Proton X70 | 2570.14 | 450 | 251.97 | 198.03 |
| Isuzu NQR 66R | 1790.83 | 450 | 282.46 | 167.54 |
| Isuzu NPR 66P 4TON | 2284.03 | 450 | 360.26 | 89.74 |
| Isuzu FTS 33H 7TON | 2112.50 | 450 | 349.75 | 100.25 |
| Hyundai Truck | 1722.70 | 450 | 266.67 | 183.33 |
| **Total** | | | | **874.6** |

**Recommendations**

To enhance efficiency of fuel use, National Treasury should:

- Adopt model-specific computation in fuel allocation,
- Adopt the use of a universal fuel card so that vehicles can fuel across a multiplicity of fuel stations. This will reduce distances travelled and stop fuel storage in tanks.

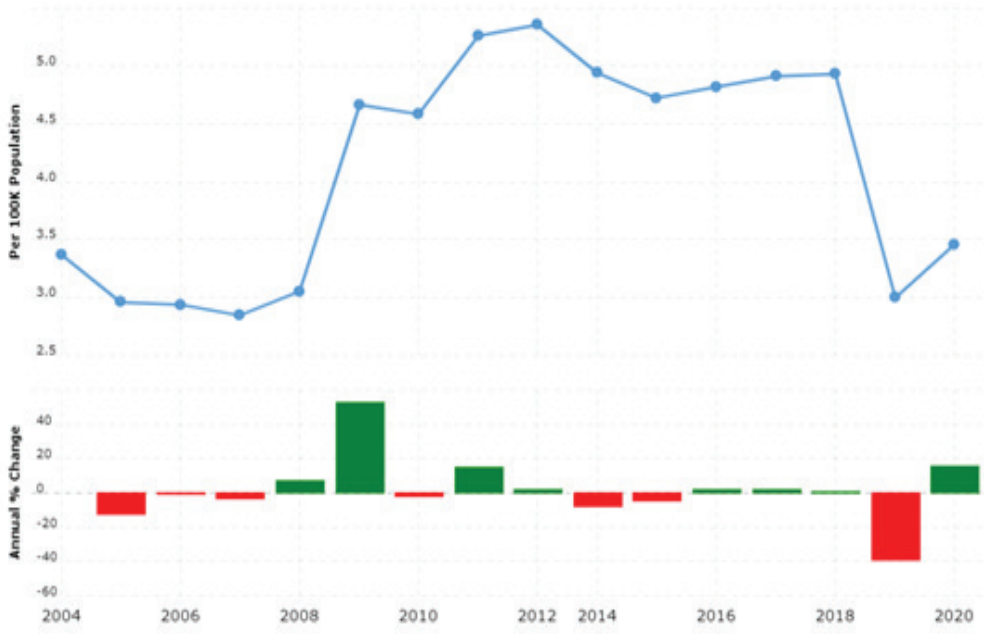
[2]*The fueling arrangement allows for redistribution of fuel amongst vehicles, hence no wastage or fuel loss.*

- The National Treasury to allow the local subcontracting with independent providers in areas with no Total Energy stations.
- Deploy local assembly of electric vehicles in non-operational functions particularly the SUVs and Sedans.

### 3.13 Programme Social Impact

The programme has contributed immensely to overall reduction in crime rates in the country. In 2020 a total of 69,645 cases were recorded which is a 25.4% decrease from the same period in 2019 where 93,411 cases were reported. The 25.4% drop in crime cases in 2020 is attributed to increased police surveillance. In the year 2019 there was a 5.8% reduction in crime rates. Overall the country recorded a crime index of 196 per 100,000 people in 2020. In comparison to years before the programme (2011 and 2012) where the security situation was characterized by high rates of crime as the figures reported nationally were high, the crime index was 5,600 per 100,000 people (NPS Annual Report, 2020). Crime data from the National Police Service corroborates World Bank crime statistics for Kenya:

*Figure 23: Crime Statistics for Kenya*




Source: World Bank

As noted,the turnaround in crime was reported in 2013 when the country experienced a massive decline, this is attributed to the programme, since this was the year the programme was initiated. In terms of access, the total number of vehicles accessible to police units (NPS, APS and DCI) increased by 100% in the last nine years. Total number of leased vehicles increased by 112% for the Kenya Police, 55% for the administration police service and 78% for the DCI. Moreover, vehicle access by national government administrative officers grew by 53% over the same period. In terms of interface with the community, 70% of branded vehicles are available for direct service delivery at community level. Branded police vehicles have become very noticeable and accessible to hinterland areas. Due to the leasing programme, 18% of police patrol bases in rural areas of Kenya have been assigned branded police vehicles, something that never existed before.

Social benefits associated with the programme span the breadth of the police service, due to intensified police patrols (police patrols are currently on three shifts), there has been improved relationships between police officers and the members of the public. This has not only improved public confidence in the police but also enhanced public capacity to participate in crime reporting. The programme has positively impacted crime rates across the country by enhancing visibility. Since security is perceptional, intensified police patrols in branded vehicles sends a signal of the security presence, which is a deterrent to crime.

The programme has impacted response times by the police to scenes of crime and distress calls. From the focus group discussions with business persons and community members across the country, it was established that time taken for police to respond to distress calls had reduced by 50% and response time to distress calls had reduced from 1 hour previously to about 30 minutes in urban areas and from 2 hours to 50 minutes in rural areas. In terms of response times to accident spots and scenes of crime, response time had reduced by 35%. This improved response time is attributable to the increase in the number of vehicles allocated to the National Police Service.

The number of incidences where police were called and could not respond decreased considerably from 49.0% in 2012 to 22.1% in 2020 (NPS Annual Report, 2020). Major reasons previously given by the police for failure to respond to incidences and distress calls were lack of vehicles (49.5%) and lack of fuel (45.7%). All these bottlenecks that previously curtailed the police movement have been addressed sufficiently under the programme.

*Quantitative Data extracted from the World Bank Crime Statistics for Kenya*

In terms of coverage, the programme has enhanced police visibility since branded police vehicles cover relatively small areas/populations. The country, with an adult population of 25 million, against 6,826 police vehicles, imply a population to police vehicle ratio of 1:3662. Meaning, the programme has increased the concentration span of police branded vehicles in the population, a phenomenon that has effectively reduced crime.

# CHAPTER FOUR
# CONCLUSIONS AND STRATEGIC OUTLOOK

## 4.1 Conclusions

The leasing programme for official government transport was designed to accomplish the following tasks:

i) Provide cheaper access to assets and vehicles to enhance delivery of services,
ii) Unlock resources and front load the financing of critical public service and development including the provision of vehicles to the disciplined forces,
iii) Provide efficient and cost-effective official transport to extension workers who have field operations i.e. police and security personnel as well as ambulances.

Based on empirical findings, the following conclusions are deduced:

### 4.1.1 Cheaper Access to Assets and Vehicles to Enhance Delivery of Services

Though access to vehicles for official transport has been enhanced to a large extent, where security surveillance has increased tremendously, on the flipside, the cost of vehicles under the programme remains high. This is corroborated by the high lease average cost of the programme which stands at Kshs 87.78 per kilometer. This figure is considerably higher than average costs for outright purchase.

Based on three global benchmarks, the lease average cost for the vehicles under the programme is higher in comparison with the South African lease average. The high cost is attributed to a compendium of factors including high costs of accessories, weak support system, high costs of manufacturing, a ridgid procurement framework and a weak monitoring and evaluation system. Moreover, procurement regime adopted by the programme does not allow price negotiation. In conclusion therefore, in as much as the objective of enhancing access to vehicles has largely been met, vehicles under the programme are still accesible at high cost.

### 4.1.2 Unlock Resources and Front-load the Financing of Critical Public Service

Structuring of the lease contract allows the government to acquire thousands of new, comprehensively insured vehicles without making upfront payment. This model helps government to deploy private sector finance and hence redirect its resources to other sectors. It was established the programme has helped the government access Kshs 12.3 billion, which is an innovative way of accessing a locally denominated sovereign bond at a competitive interest rate. Lending agencies (banks and leasing companies) have been attracted to this model due to its stability. However, delays in payment inhibits expansion of the programme. The government's desire to unlock resources and front-load financing has largely been achieved.

### 4.1.3 Efficient and Cost-Effective Official Transport to Extension Workers

Efficiency is described as 'spending well', it measures performance in terms of input costs relative to achievement of outputs. This programme will be said to be efficient if it delivers higher quality outputs using fewer and cheaper inputs; if it produces maximum outputs from a set of inputs or by ensuring that inputs are distributed to various activities in a way that maximizes output. Indicators that can track efficiency such as; unit cost, budget utilisation levels

and output achievement over budget are therefore be useful:

*Table 32: Parameters for Efficiency*

| Efficiency Driver | Actions to be Embedded in Programme Implementation |
|---|---|
| Project Management | ▪ Permanent management structure<br>▪ Interventions need to factor annual and quarterly work plans and budgets<br>▪ Work plans and budgets monitored on a regular basis, with action taken to address positive or negative variance in spend sectors and programme delivery |
| Key Cost Drivers | ▪ Lease average cost be managed<br>▪ Global best practices<br>▪ Core team to have performance contracts |
| Partner Selection, Management and Facilitation | ▪ Interventions clearly outline sustainability and exit plans<br>▪ Effective process for identifying partners, and an effective partner diagnostic tool to identify constraints and incentives facing each partner/stakeholder,<br>▪ Regular communication with partners and a sustained level of trust<br>▪ Regular consultation and feedback,<br>▪ Stakeholder mapping, |
| Monitoring and evaluation | ▪ Firm up the programme results framework and share with partners<br>▪ Document programme baselines<br>▪ Set key performance indicators<br>▪ Track key indicators on regular basis<br>▪ Risk scenario planning and mitigation |

The desire for efficiency and cost effectiveness as espoused under the programme has not been achieved. The implementation approach in use makes it difficult to achieve these critical parameters. This is largely because key cost drivers were not identified prior to programme execution, lack of a quality assurance, weak partner engagement framework, poor appreciation of risk and attendant mitigation measures and lack of guidelines on local content. In a programme of such a consequential magnitude, metrics to track performance needs to be embedded. Lessons learned[3] should be part of a knowledge managementand repository framework. in conclusion, the parameters of cost-effectiveness and efficiency have not been achieved.

## 4.2 Strategic Outlook

At a strategic level, in order to realize the sustainability of interventions under the programme and to enhance efficiency, the programme management should:

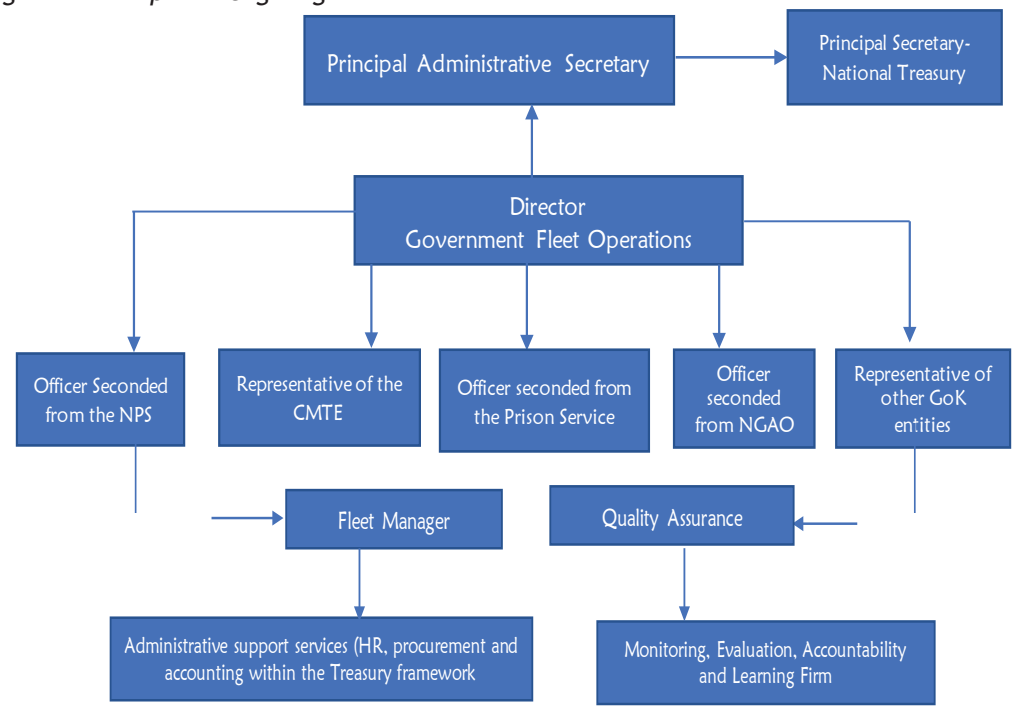
i) Operationalize the government transport policy with a view of restructuring the programme's management,
ii) Integrate the two (2) fleet management solutions through Application Programming Interface (API) and anchor a robust fleet solution at the National Treasury ,
iii) Review the Master Lease Agreement to make it accommodative,
iv) Engage a firm to drive the programme's monitoring, evaluation, learning and accountability agenda.

[3]*Key lessons such as why Phase 5 collapsed when the programme was shifted to the department of interior or court cases between VAELL and Tshusho capital should be documented as learning products*

### 4.2.1 Operationalization of the Government Transport Policy

Results show that most of the programme's misses are due to weak management structure, as its run by a part-time committee of civil servants drawn for line departments. Cognizant that the knowledge obtained from interventions under the programme was instrumental in the drafting of Government Transport Policy[4], such knowledge is useful in institutionalizing a working management structure. The policy seeks to establish a fleet management department to take over the management of government fleet operations including vehicle leasing functions. For this purpose, an organogram for the proposed department is as envisioned as follows:

*Figure 24: Proposed Organogram*




Currently, the management committee for the programme meets occassionally, meaning the officials do not dedicate all their time and energy to execute the programme functions as effectively as would be required.

[4]*The programme interventions will thrive best if it continued being domiciled at the National Treasury.*

The government fleet management department, as proposed shall be a fully-fledged entity under the directorate of administrative and support services, with a director and lean staff seconded from line departments. The department shall:

- Take over the functions of the leasing programme as currently structured,
- Manage government fleet operations,
- Develop and maintain standards for fleet operations, establish the required database and coordinate suppliers and industry players,
- Coordinate vehicle assembly, skills development, science and technology,
- Undertake industry coordination and capacity building,
- Establish processes and guidelines for local content.

### 4.2.2 Integration of Fleet Management Infrastructure

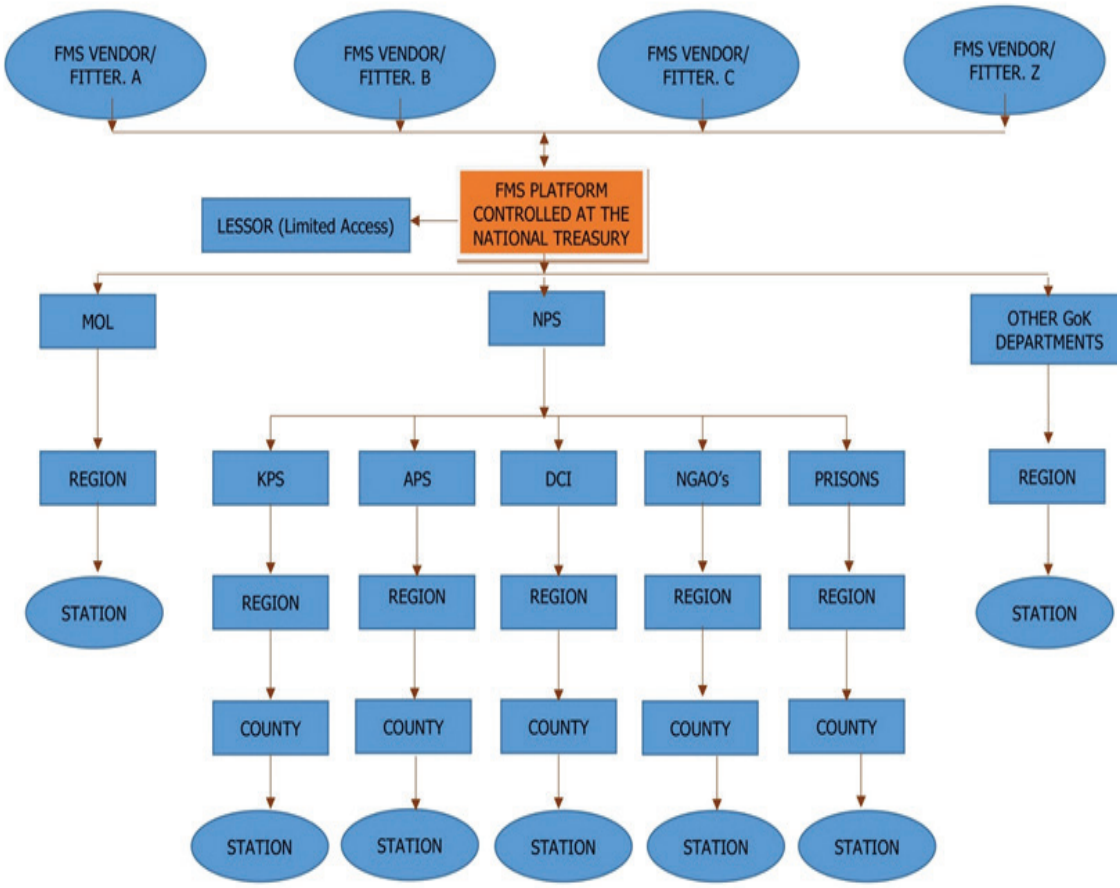
Due to the diversity of the fleet management solutions in use, the management of the programme faces challenges in accessing data from multiplicity of solutions since the programme data is domiciled in different platforms. For this reason, the management has to log into different platforms to access programme data. Integrating performance data will therefore simplify access. A comparison between the two access solutions is illustrated in Table 33.

*Table 33: Comparison of Current Vs Proposed Integration*

| Current Multiple Platforms Set-up | Advantages of the Proposed Single Platform Set-up |
|---|---|
| ➢ Users login to different platforms to access reports,<br>➢ The reports are not consistent as 2 platforms use different formats,<br>➢ It is difficult to analyze reports,<br>➢ One platform (Gaptech solution) is superior,<br>➢ Lead to confusion on which vehicle is in which platform<br>➢ Fleet data is scattered across different platforms<br>➢ GoK officers have to be trained on how to use multiple platforms which is time consuming. | ✓ By a single login, a user is able to access all vehicles under his/her control regardless of the installer.<br>✓ Reports generated from a single FMS platform will be consistent and easy to understand.<br>✓ It will be easier to analyze data across the fleet<br>✓ A superior fleet management solution will be in use thus benefiting users and the government at large<br>✓ The fleet data consolidated and secured.<br>✓ It will be easy to run the reports for the entire fleet at once whenever needed for analysis<br>✓ With a central fleet management solution, other state departments can easily plug into this system and benefit from the new technology.<br>✓ Users will only be trained on one platform to make them access all the fleet reports thus saving on time.<br>✓ Users are categorized into admins and users with access control to vehicles under their groups only while Treasury Admin get access to the whole fleet. |

Integrating the two fleet management solutions through API will help users access data from a unified platform and enhance efficiency in retrieval and analysis of data. A centralized fleet solution is therefore proposed to be hosted at National Treasury and will the ultimate solution for seamless data transmission

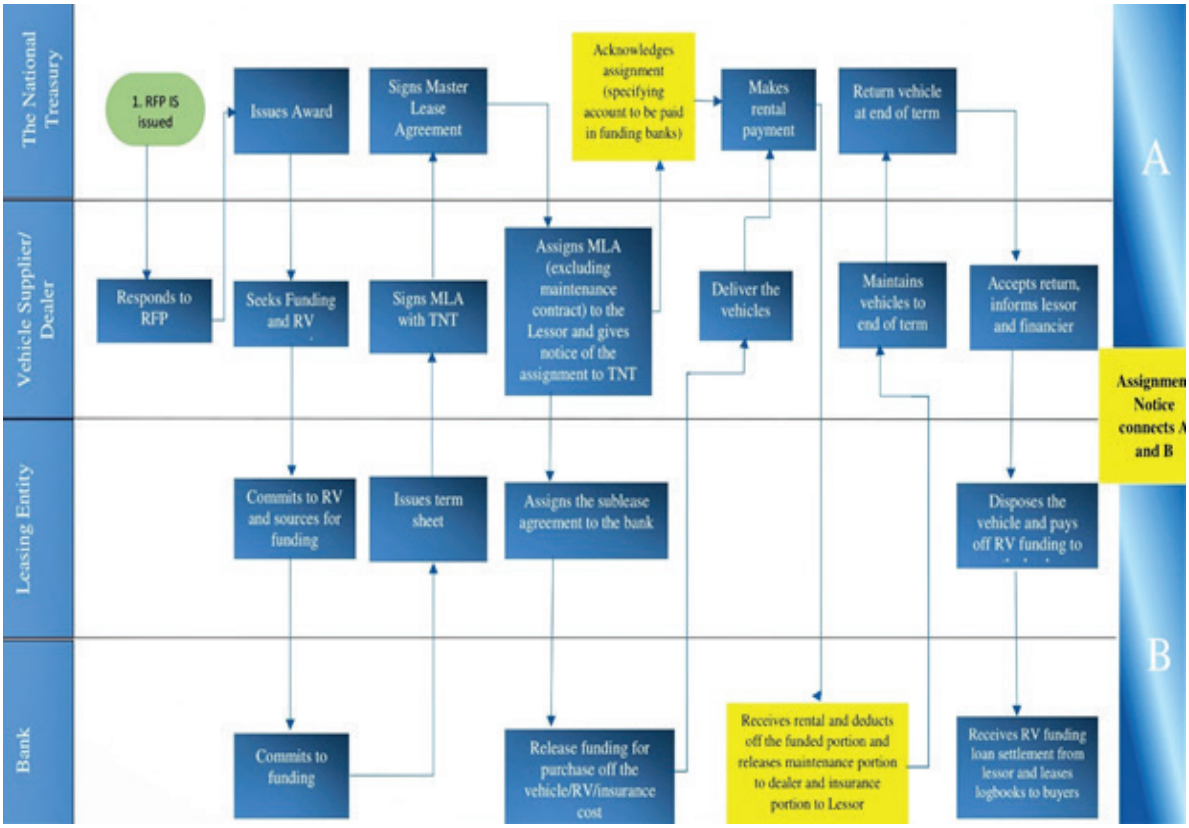
*Figure 25: Framework for the Proposed Integration*




### 4.2.3: Review the Master Lease Agreement

Lessors, accessory manufacturers and insurance companies supporting the programme are not given prominence in the Master Lease Agreement despite being critical players in the ecosystem. It is worth noting that the structuring of the master lease agreement gives prominence to dealers (OEMs) despite their role being limited to sourcing of vehicles and routine maintenance.A modified structure cognizant of other stakeholders was therefore proposed. as follows:

*Figure 26: Proposed Structural Architecture*




## 4.3 Monitoring, Evaluation and Knowledge Management

The programme has a weak results reporting framework. For this reason, there's need to embed a monitoring, evaluation and accountability mechanism in its execution to ensure routine reporting of milestones on regular basis, this would better service delivery. An elaborate results measurement framework has been developed under this consultancy. It is recommended that the programme engages a competent monitoring and evaluation firm to support the programme, going forward. Such a firm will:

- Track programme results and report on the same on quarterly basis,
- Manage and analyzing the programme data for decision making,
- Track local content,
- Liaise with industry players,
- Quality assurance and standardization,
- Develop and disseminate learning products

## Table 34: Results Measurement Framework
## LEASING PROGRAMME FOR OFFICIAL GOVERNMENT TRANSPORT (2022-2025)-THE NATIONAL TREASURY

| **Impact Indicator 1** | | **Baseline** | **Milestone 1 (2022)** | **Milestone 2 (2023)** | **Milestone 3 (2024)** | **Milestone 4 (2025)** | **Assumptions** |
|---|---|---|---|---|---|---|---|
| Local content & capacity enhanced | **Planned** | 0 | None | N/A | N/A | N/A | 1. Stable political economy<br>2. Momentum for leasing interventions might be affected by sudden government policy changes by the new admiration.<br>3. Difficulty in obtaining data to competently estimate savings leveraged |
| | **Achieved** | | | | | | |
| | | **Source** | | | | | |
| | | Selected case studies that include household and enterprise surveys | | | | | |
| | | **Notes**: Local content will entail local vehicle assembly and the accompanying value chain(Average growth in the economy to be extrapolated from the national statistics) | | | | | |
| **Impact Indicator 2** | | **Baseline** | **Milestone 1 (2022)** | **Milestone 2 (2023)** | **Milestone 3 (2024)** | **Milestone 4 (2025)** | |
| New and additional jobs created (direct & indirect) including for women, youth, PLWD & other vulnerable groups | **Planned** | 0 | None | N/A | N/A | N/A | |
| | **Achieved** | | | | | | |
| | | **Source** | | | | | |
| | | There shall be household and enterprise surveys for selected investments to determine additional jobs created. | | | | | |
| **Impact Indicator 3** | | **Baseline** | **Milestone 1 (2022)** | **Milestone 2 (2023)** | **Milestone 3 (2024)** | **Milestone 4 (2025)** | |
| Savings leveraged | **Planned** | 0 | None | | | | |
| | **Achieved** | | | | | | |
| | | 0 | None | | | | |
| | | **Source** | | | | | |
| | | Statistical abstracts, GOK records, surveys and budget estimates | | | | | |
| | | **Notes**: Savings will be leveraged from initial vehicle purchases, fuel and maintenance. Savings to emanate from average costs. | | | | | |
| **Outcome Indicator 1** | | **Baseline** | **Milestone 1 (2022)** | **Milestone 2 (2023)** | **Milestone 3 (2024)** | **Milestone 4 (2025)** | **Assumptions** |
| Enhanced appetite and capacity for local vehicle assembly and the accompanying value chains | **Planned** | 0 | None | | | | 4. Local SME's have the requisite skills to take up new job opportunities, particularly those in supplies,<br>5. Small-scale yet significant supply contracts are accessible to the poor, women and youth SME's;<br>6. Dealers will support and enter into contracts with local garages and TVET's<br>7. GoK actors are able to influence dealers to open up more outlets in half of 47 counties<br>8. Capacity development will lead to replication of leasing initiatives across other GoK departments i.e. health and counties; |
| | **Achieved** | | | | | | |
| | | **Source** | | | | | |
| | | | | | | | |
| **Outcome Indicator 2** | | **Baseline** | **Milestone 1 (2022)** | **Milestone 2 (2023)** | **Milestone 3 (2024)** | **Milestone 4 (2025)** | |

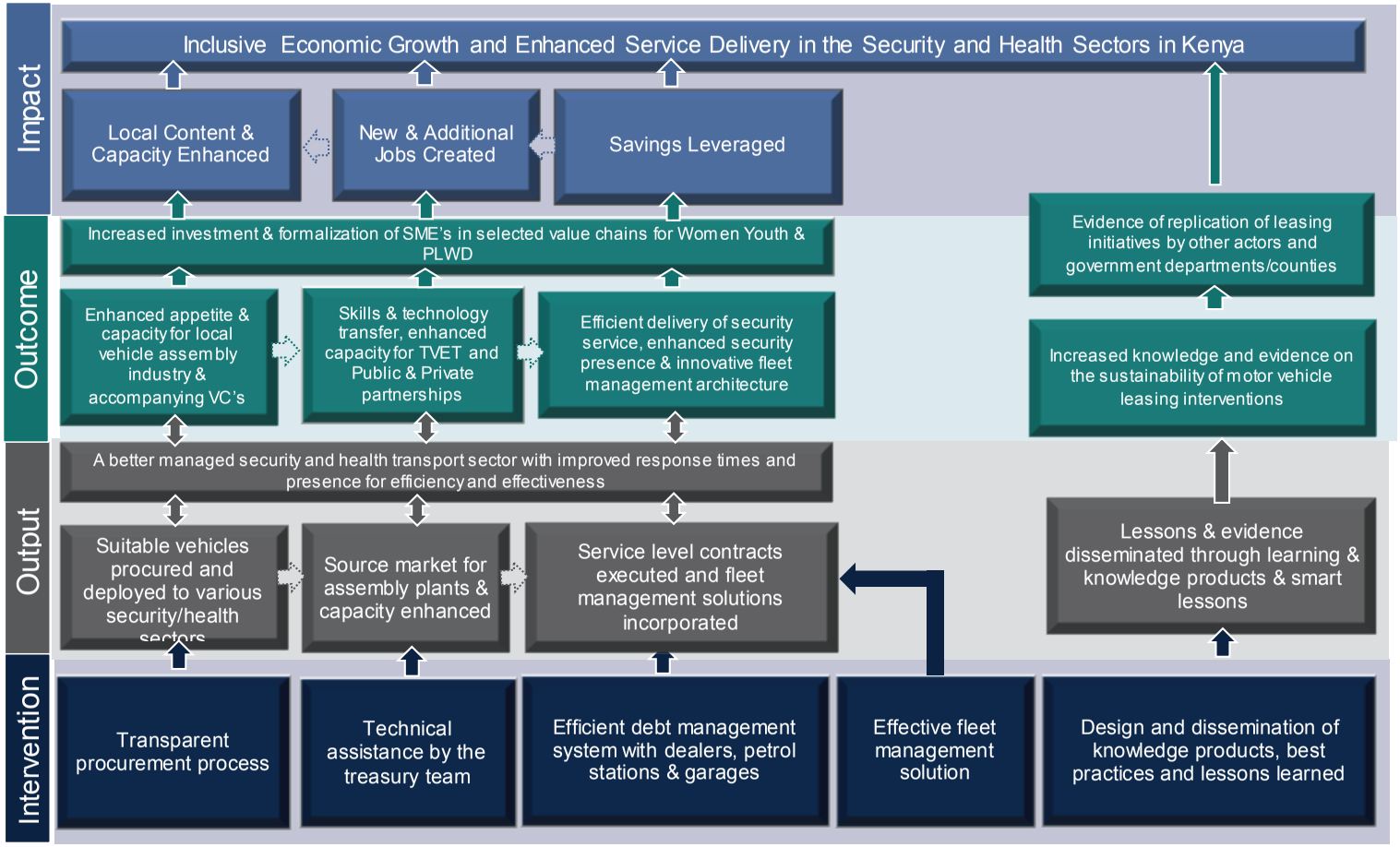
| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Skills and technology transfer and enhanced capacity for TVET's through Public-Private Partnerships (PPP's) | **Planned** | | | | | | 9. Non-security actors and counties perceive models to be effective and replicate them<br>10. Vested interests and underhand dealings do not block implementation. |
| | **Achieved** | | | | | | |
| | | **Source** | | | | | |
| | | Quarterly and progress reports and HR status reports for dealers | | | | | |
| | | Notes: dealers and assembly plants are expected to sprout and spread in at least 50% of the 47 counties in Kenya. | | | | | |
| **Outcome Indicator 3** | | **Baseline** | **Milestone 1 (2022)** | **Milestone 2 (2023)** | **Milestone 3 (2024)** | **Milestone 4 (2025)** | |
| Efficiency and effectiveness in security response, enhanced presence and surveillance and innovative fleet management | **Planned** | 0 | None | N/A | N/A | | |
| | **Achieved** | | | | | | |
| | | **Source** | | | | | **RISK RATING** |
| | | GOK records, survey and quarterly reports | | | | | Medium |
| | | **Note:** Efficiency and effectiveness of GoK interventions in the leasing space will be estimated computed | | | | | |
| | | | | | | | |
| **Output Indicator 1** | | **Baseline** | **Milestone 1 (2022)** | **Milestone 2 (2023)** | **Milestone 3 (2024)** | **Milestone 4 (2025)** | **Assumptions** |
| No of suitable vehicles procured and deployed to various security units | **Planned** | 0 | None | | | | 11. Leasing interventions generates viable economic opportunities in terms of value chains and SME infrastructure |
| | **Achieved** | | | | | | |
| | **Source** | | | | | | |
| | **Note**: Suitable vehicles deployed to NPS, field operations, DCI, AP service, NGAO and prison service | | | | | | |
| | **Notes**: There must be evidence that the said vehicles are fully operational through an effective fleet FMS | | | | | | |
| **Output Indicator 2** | | **Baseline** | **Milestone 1 (2022)** | **Milestone 2 (2023)** | **Milestone 3 (2024)** | **Milestone 4 (2025)** | |
| No of new assembly plants established and operationalized | **Planned** | | None | | | | |
| | **Achieved** | | | | | | |
| | **Source** | | | | | | |
| | The project envisages that new vehicle assembly plants will be established across the country | | | | | | |
| | **Notes**: Auto-dealers are expected to expand their capacity and presence across the country | | | | | | |
| **Output Indicator 3** | | **Baseline** | **Milestone 1 (2022)** | **Milestone 2 (2023)** | **Milestone 3 (2024)** | **Milestone 4 (2025)** | |
| Effective partnerships with TVET's operationalized | **Planned** | | | | | | |
| | **Achieved** | | | | | | |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| | **Source** | | | | | | **RISK RATING** |
| | Dealer's monthly reports and records such as meeting minutes, MOU's and notices | | | | | | Medium |
| | | | | | | | |
| **Output Indicator 4** | | **Baseline** | **Milestone 1 (2022)** | **Milestone 2 (2023)** | **Milestone 3 (2024)** | **Milestone 4 (2025)** | **Assumptions** |
| Service contracts with local dealers operationalized. | **Planned** | 0 | None | N/A | | | 12. County governments, other GoK departments are keen to replicate the leasing interventions; |
| | **Achieved** | | | | | | |
| | **Source** | | | | | | |
| | Quarterly, progress and monthly reports | | | | | | |
| **Output Indicator 5** | | **Baseline** | **Milestone 1 (2022)** | **Milestone 2 (2023)** | **Milestone 3 (2024)** | **Milestone 4 (2025)** | |
| No. of TVET and technical students on internships and industrial attachments (disaggregated) | **Planned** | | None | N/A | N/A | | |
| | **Achieved** | | | | | | |
| | **Source** | | | | | | |
| | Quarterly reports and HR situational reports | | | | | | |
| **Output Indicator 6** | | **Baseline** | **Milestone 1 (2022)** | **Milestone 2 (2023)** | **Milestone 3 (2024)** | **Milestone 4 (2025)** | |
| Donations of workshop equipment/parts/engines received by TVETS | **Planned** | | | | | | |
| | **Achieved** | | | | | | |
| | | | | | | | |
| | Note: | | | | | | |
| **Output Indicator 7** | | **Baseline** | **Milestone 1 (2022)** | **Milestone 2 (2023)** | **Milestone 3 (2024)** | **Milestone 4 (2025)** | |
| Partnerships with NTSA/driving schools entered, MOU's signed and operationalized | **Planned** | 0 | None | N/A | | | |
| | **Achieved** | | | | | | |
| | **Source** | | | | | | **RISK RATING** |
| | Project reports | | | | | | Medium |
| | | | | | | | |
| **Output Indicator 8** | | **Baseline** | **Milestone 1 (2022)** | **Milestone 2 (2023)** | **Milestone 3 (2024)** | **Milestone 4 (2025)** | **Assumptions** |
| Subsidiary production lines established/reinvigorated | **Planned** | | None | N/A | 0 | | 13. Leasing interventions spur new opportunities and reinvigoration of assembly plants across the 47 counties |
| | **Achieved** | | | | | | |
| | | Source | | | | | |
| | Progress and quarterly reports | | | | | | |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| | Notes: there's need to define the specific production lines envisaged | | | | | | |
| **Output Indicator 9** | | **Baseline** | **Milestone 1 (2022)** | **Milestone 2 (2023)** | **Milestone 3 (2024)** | **Milestone 4 (2025)** | |
| % of management positions held by Kenyans | **Planned** | | None | N/A | 0 | | |
| | **Achieved** | | | | | | |
| | **Source** | | | | | | **RISK RATING** |
| | Situational reports | | | | | | Medium |
| | **Notes:** Evidence on the % of management positions held by Kenyans need to be demonstrated | | | | | | |
| **Output Indicator 10** | | **Baseline** | **Milestone 1 (2022)** | **Milestone 2 (2023)** | **Milestone 3 (2024)** | **Milestone 4 (2025)** | **Assumptions** |
| Number of Kenyan's employed in assembly plants (disaggregated by youth, women and PLWD) | **Planned** | 0 | None | N/A | | | 14. Assembly plants deliberately give short term supply contracts to youths, women and people with disability |
| | **Achieved** | | | | | | |
| | **Source** | | | | | | |
| | Quarterly and annual lesson reports | | | | | | |
| | Notes: supply value chains are expected to be natured due to project interventions | | | | | | |
| **Output Indicator 11** | | **Baseline** | **Milestone 1 (2022)** | **Milestone 2 (2023)** | **Milestone 3 (2024)** | **Milestone 4 (2025)** | |
| Youth groups/women SME's providing general services (labour, fabrication & cleaning services) trained and certified | **Planned** | 0 | None | N/A | | | |
| | **Achieved** | | | | | | |
| | **Source** | | | | | | **RISK RATING** |
| | Notes: supply value chains are expected to be natured due to project interventions | | | | | | Low |
| **Output Indicator 12** | | **Baseline** | **Milestone 1 (2022)** | **Milestone 2 (2023)** | **Milestone 3 (2024)** | **Milestone 4 (2025)** | Assumptions |
| Policy recommendations made and regulations supported to reform government transport operations | **Planned** | 0 | None | N/A | | | 15. There shall be sustained momentum for CSR |
| | **Achieved** | | | | | | |
| | **Source** | | | | | | |
| | Notes: The project envisions to midwife the drafting of the government transport policy | | | | | | |
| **Output Indicator 13** | | **Baseline** | **Milestone 1 (2022)** | **Milestone 2 (2023)** | **Milestone 3 (2024)** | **Milestone 4 (2025)** | |
| No of suitable tree seedlings and infrastructural support (water tanks, pipes, jerry cans, desks etc.) received by schools in the ASAL | **Planned** | 0 | None | N/A | | | |
| | **Achieved** | | | | | | |
| | **Source** | | | | | | |
| | Notes: The project will distribute drought tolerant tree seedlings and provide support to specific public schools in the ASAL | | | | | | |

| Output Indicator 14 | | Baseline | Milestone 1 (2022) | Milestone 2 (2023) | Milestone 3 (2024) | Milestone 4 (2025) |
|---|---|---|---|---|---|---|
| Support to rural health facilities including maternity wards and children with special needs | **Planned** | 0 | None | N/A | | |
| | **Achieved** | | | | | |
| | **Source** | | | | | |
| | Notes: Dealers are expected to support local health facilities and children with special needs in far-flung remote areas of Kenya | | | | | |
| **Output Indicator 15** | | **Baseline** | **Milestone 1 (2022)** | **Milestone 2 (2023)** | **Milestone 3 (2024)** | **Milestone 4 (2025)** |
| Percentage of government officials reporting satisfied or very satisfied with leasing interventions | **Planned** | 0 | None | N/A | | |
| | **Achieved** | | | | | |
| | **Source** | | | | | |
| | Notes: satisfaction study to be commissioned through interviews with counterpart government officers. Rating scale of Very Dissatisfied, Dissatisfied, Satisfied, Very Satisfied. | | | | | |
| **Output Indicator 16** | | **Baseline** | **Milestone 1 (2022)** | **Milestone 2 (2023)** | **Milestone 3 (2024)** | **Milestone 4 (2025)** |
| Knowledge management and learning products produced and disseminated | **Planned** | 0 | None | N/A | | |
| | **Achieved** | | | | | |
| | **Source** | | | | | |
| | Notes: The project will distribute drought tolerant tree seedlings and provide support to public schools in the ASAL | | | | | |

## PROGRAMME THEORY OF CHANGE



# RESOURCES

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Draft National Automotive Policy (2019): State Department of Industry, Ministry of Industrialization, Trade and Enterprise.

Draft National Transport Policy (2018): The National Treasury and Planning, Government of Kenya

Statistical Abstract (2021): Kenya National Bureau of Statistics, Government printer

Fuchs et al., 2011: Journal of Statistical Mechanics: Theory and Experiment, Volume 2011, May 2011

## Introduction

Thank you for taking time to complete this questionnaire. The government of Kenya initiated the vehicle leasing programme in 2013. The programme, domiciled at the National Treasury has enhanced access to government fleet, created jobs and leveraged government savings. The purpose of this study is to quantify the impact of the programme to the Kenyan economy and recommend best practices. As a user, you are kindly requested to respond to ALL the questions as honestly as possible.

# ANNEX I
# QUESTIONNAIRE FOR USERS

**Introduction**

Thank you for taking time to complete this questionnaire. The government of Kenya initiated the vehicle leasing programme in 2013. The programme, domiciled at the National Treasury has enhanced access to government fleet, created jobs and leveraged government savings. The purpose of this study is to quantify the impact of the programme to the Kenyan economy and recommend best practices. As a user, you are kindly requested to respond to ALL the questions as honestly as possible.

**1.0 Demographics Characteristics**

| | | |
|---|---|---|
| 1.1 | Contact details | Name (Optional)……..……..…<br>Email address…….<br>Mobile No……..……..… |
| 1.2 | Your work station | |
| 1.3 | Model of vehicle leased | |
| 1.4 | Length of use of the said vehicle | Years……. Months……. |
| 1.5 | Who drives the leased vehicle? | Dedicated officer { } Hired driver{ }<br>Any officer { } |
| 1.6 | Insurance service provider | |
| 1.7 | Type of Insurance | Third Party……..<br>Comprehensive……..Others (Specify)…… |
| 1.8 | Name of fleet management system installed | |

**2.0 Vehicle Performance**

How would **you rate the performance of this vehicle** in terms of the following metrics?

| Statement | (1) Very Poor | (2) Poor | (3) Average | (4) Good | (5) Excellent |
|---|---|---|---|---|---|
| 2.1) Speed | | | | | |
| 2.2) Comfort | | | | | |
| 2.3) Fuel efficiency | | | | | |
| 2.4) Stability | | | | | |
| 2.5) Off-road performance | | | | | |
| 2.8) Engine power | | | | | |

### 3.0 Satisfaction Rating

| | | Type | Response |
|---|---|---|---|
| | Please rate your satisfaction with the vehicle on the following parameters using the scale below:<br><br>**Legend**<br>1 = Very Dissatisfied 2 = Dissatisfied<br>3 = Not sure 4 = Satisfied<br>5 = Very satisfied | 3.1) Suitability to your nature of work | |
| | | 3.2) Availability of spare parts locally | |
| | | 3.3) Conformity to the local weather conditions and terrain | |

### 4.0 Dealer Performance

How do you rate the **vehicle dealer/manufacturer** on the following metrics?

| Statement | (1) Very Poor | (2) Poor | (3) Average | (4) Good | (5) Excellent |
|---|---|---|---|---|---|
| 4.1) Mechanical support | | | | | |
| 4.2) Response times during breakdown | | | | | |
| 4.3) Repair of damaged vehicles | | | | | |
| 4.4) Replacement of worn out tires and other accessories such as batteries, belts etc. | | | | | |

### 5.0 Fleet Management Solution

| | | |
|---|---|---|
| 5.1 | Name the fleet management service provider for your vehicle? | |
| 5.2 | How do you rate the overall performance of the fleet management service provider on a scale of 1-5?<br>1) Very poor 2) Poor 3) Average 4) Good 5) Excellent | |
| 5.3 | Does the fleet management solution provide real time statistics on the location of the vehicle? | |
| 5.4 | Does the fleet management solution provide data on the fuel usage? | |
| 5.5 | Does the fleet management system meet your expectations? | |

**6.0 Fuel**

| | | |
|---|---|---|
| 6.1 | How much fuel is allocated to your vehicle? | |
| 6.2 | Name of the petrol station you fuel at | |
| 6.3 | What is the frequency of fueling | Weekly----------<br>Monthly-------- |
| 6.4 | How far is the fuel station from your office? | Kilometers---------- |
| 6.5 | Is the quantity of fuel allocated to your vehicle sufficient for your work? | |
| 6.6 | If answer to 6.5 above is no, what quantity of fuel do you consider sufficient? | |
| 6.7 | Do you consider the fueling model in place the most efficient? | |
| 6.8 | Specify the fuel consumption of model per kilometer | |
| 6.9 | Specify the average distance (in Kilometers) covered by your vehicle per day? | Daily----------Weekly---------Monthly---------- |

**7.0 Garages**

| | | |
|---|---|---|
| 7.1 | Do you have any local garages that have been authorized to repair the leased vehicles? | |
| 7.2 | If yes to the above, what is the name of the garage---------- | |
| 7.3 | How far is this garage from your work station---------- | |

**8.0 Programme Impact**

| | | |
|---|---|---|
| 8.1 | Any networks with the private sector created as a result of this programme? | |
| 8.2 | In your opinion, has programme led to savings in government revenue? | |
| 8.3 | In your view, how has the leasing programme impacted crime rates in the area under your jurisdiction? | |

**9.0 Challenges/Recommendations**

| | | |
|---|---|---|
| 9.1 | What are the main challenges/constraints facing the programme ? | |
| 9.2 | What recommendations do you make to improve performance of the programme? | |
| 9.3 | Owing to your experience, do you recommend that GOK scales up the leasing programme to other departments/state agencies? If yes why? | |

# ANNEX II
# QUESTIONNAIRE FOR DEALERS

## Introduction

Thank you for taking time to complete this questionnaire. The Government of Kenya through the National Treasury has contracted an external consultant to quantify the impact of leasing programme interventions on the Kenyan Economy. The programme has enhanced access to government fleet, created jobs, leveraged savings in revenue and expanded local content. You are kindly requested to share your insight by responding to this questionnaire.

### 1.0 Basic Information of the Firm

| | | |
|---|---|---|
| 1.1 | Name of company | |
| 1.2 | Postal and Physical Address | |
| 1.3 | Country and Year of Incorporation | |
| 1.4 | Contact Person | Name:<br>Email:<br>Mobile No: |

### 2.0 Characteristics of the Firm

| | | |
|---|---|---|
| 2.1 | Type of incorporation:<br>( Tick where appropriate) | **Type** / **Tick One**<br>1. Private company limited by shares<br>2. Public limited company<br>3. Company limited by guarantee<br>4. Unlimited company<br>5. Others (specify) |
| 2.2 | Name of parent company (if any) | |
| 2.3 | Ownership type: | 1. Local<br>2. Foreign,<br>3. Joint Venture<br>4. Others (Specify) |
| 2.4 | When did your company start operations in Kenya?<br>(include date, year and month) | |
| 2.5 | What is the firm's core business | |
| 2.6 | Number of people employed by the firm | Full-time:<br>Part-time: |

| | | |
|---|---|---|
| 2.7 | Number of employees who are Kenyan nationals (disaggregated by the following) | No----------<br>Male[ ] Female[ ] Youth[ ] PLWD[ ] |
| 2.8 | Firm's geographical spread across the country (branches, partnerships and SLA | Branches [ ]_____Partnerships [ ] _____<br>Service Level Agreements[ ]_____ |

### 3.0 Local Content

| | | |
|---|---|---|
| 3.1 | % of Kenyan nationals that are part of the firm's management | 1) 1-10% 2) 11-20% 3) 21-30% 4) 31-40% 5) Over 40% |
| 3.2 | Firms and countries that are the main sources of your: | i) Vehicles<br>ii) Spare parts |
| 3.3 | Name your local suppliers of: | i) Vehicle accessories<br>ii) Spare parts |
| 3.4 | Vehicle model(s) you specialize in | |
| 3.5 | Number of vehicles supplied to GOK under the leasing programme since inception | Number…….. |
| 3.6 | Estimate the total value of vehicles in 2.13 above | Kshs----------- |
| 3.7 | % of total business with local suppliers or SME's | 1) 1-10% 2) 11-20% 3) 21-30% 4) 31-40% 5) Over 40% |
| 3.8 | Any garages or service centres supported or licensed to work on your behalf in supporting vehicles under lease | 1) Yes<br>2) No |
| 3.9 | If yes to the above, name the garages or service centres | |
| 3.10 | Any youth or women groups/SME's enlisted to provide services (labour, fabrication and cleaning ) or contracted to supply your vehicle assembly? | 3) Yes<br>4) No |
| 3.11 | If yes to the above, indicate their name and contact details | SME Name<br>Mobile Number |

## 4.0 Partnerships/Technology Transfer

| | | |
|---|---|---|
| 4.1 | Any students on internships/industrial attachments/skills transfer schemes from TVET? | Number..... |
| 4.2 | Have you operationalized any networks/collaborations with local TVETS or other institutions of higher learning | 1) Yes<br>2) No |
| 4.3 | If yes to 4.2 above, name the institutions | |
| 4.4 | Any partnerships with other industry players | 1) Yes<br>2) No |
| 4.5 | If yes to the above, describe the nature of the said partnerships | |
| 4.6 | Do you have any technology/skill transfer programmes supported by your firm | 1) Yes<br>2) No |
| 4.7 | If yes to 4.6 above, specify the nature of the technology/skill transfer supported | |

## 5.0 Corporate Social Responsibility

| | | |
|---|---|---|
| 5.1 | Does your company engage in any form of corporate social responsibility? | 1) Yes<br>2) No |
| 5.2 | If yes to 5.1 above, which of the following forms of CSR has your firm engaged in? | 1) Tree seedlings to schools or rural health facilities<br>2) Provision of old engines, workshop materials and other to equipment to TVETs/other institutions<br>3) Provision of water tanks, jerry cans, pipes, desks etc. to schools and rural health facilities<br>4) Supported children with special needs, maternity wards and community projects<br>5) Others (specify) |
| 5.3 | What percentage of your revenues are applied to CSR? | 1) Less than 1%<br>2) 2%-5%<br>3) 6%-10%<br>4) 11%-15%<br>5) Over 15%<br>6) Don't know |
| 5.4 | In your view what is the level satisfaction with your firm's CSR approach in terms of environment, ethics and philanthropy, on a scale of 1-5, where:<br>1) Very Dissatisfied 2) Dissatisfied 3) Not Sure 4)Satisfied 5) Very Satisfied | 1 \| 2 \| 3 \| 4 \| 5<br>\| \| \| \| \| |

| | | |
|---|---|---|
| 5.5 | Quantify the impact of your firm's CSR as a result of leasing interventions on a scale of 1-5, where:<br>1) No impact 2) Some impact, but not significant<br>3) Not sure<br>4) Significant<br>5) High impact | 1 \| 2 \| 3 \| 4 \| 5<br>[ ] [ ] [ ] [ ] [ ] |

## 6.0 Programme Impact

| | | |
|---|---|---|
| 6.1 | Since being enlisted on the leasing programme, how many Kenyans has you company employed to directly support programme interventions? | Number----------<br>Male [ ] Female [ ] |
| 6.2 | Did you firm open new branches or assembly plants as a result of the leasing programme: | 1) Yes<br>2) No |
| 6.3 | If yes to 6.2 above, name the branches/assembly plants | Branches----------<br>Assembly plants---------- |
| 6.4 | Kindly estimate the total amount of taxes paid by your firm to KRA for the vehicles under the leasing programme since its inception? | Kshs---------- |
| 6.5 | How environmental friendly are your cars? What level of carbon is emitted? How does this compare with the globally recommended benchmarks? | |
| 6.6 | What is the impact of the leasing programme on your overall business? | |

**Thank You**

ANNEX III
QUESTIONNAIRE FOR ASSEMBLY PLANTS

Thank you for taking the time to complete this questionnaire. The government of Kenya through the National Treasury seeks to determine the impact of the vehicle leasing programme on the Kenyan economy. You are therefore kindly requested to respond to questions listed below as truthfully and as honestly as possible.

**1.0 Basic Information of the Plant**

| | | |
|---|---|---|
| 1.1 | Name of Assembly Plant | |
| 1.2 | Postal Address | |
| 1.3 | Physical Address | |
| 1.4 | Parent Company | |
| 1.5 | Contact Person | Name:<br>Email:<br>Mobile No: |

**2.0 Local Content**

| | | |
|---|---|---|
| 2.1 | Annual number of vehicles assembled locally | Number---------- |
| 2.2 | % shareholding of the assembly plant | Locals----------<br>Foreigners---------- |
| 2.3 | What is the % of managerial positions held by Kenyan nationals in assembly plants? | |
| 2.4 | Specify the number of youths and women employed in assembly plants | |
| 2.5 | Do you have any youth or women groups/SME's enlisted to provide services (labour, fabrication and cleaning services) or contracted to supply the assembly plants? | |
| 2.6 | Any students on internships/industrial attachments/skills transfer programmes from TVET or local institutions? | |
| 2.7 | From where do you source vehicle parts e.g. batteries, tires, etc.? | |
| 2.8 | Can you quantify the value of vehicle parts you source locally for the last one year | Kshs---------- |
| 2.9 | Any service contracts with local dealers/petrol stations and garages in operation? | |

| | | |
|---|---|---|
| 2.10 | Any donations, workshop equipment, vehicle parts or engines to technical institutions or TVETS | |
| 2.11 | In your view, has this plant supported the reinvigoration of production lines or value chains in your firm? If yes explain | |
| 2.12 | Do you have any partnerships or agreements with local garages for vehicle maintenance? | |
| 2.13 | Have you established any partnerships with the academia/NTSA/driving schools? | |
| 2.14 | Is your firm exporting fully assembled vehicles or vehicle parts to other East African countries? | |

**3.0 Vehicle Dynamics**

| | | |
|---|---|---|
| 3.1 | Specify the number of vehicles leased to government since joining the programme | Number---------- |
| 3.2 | What is the number of the vehicles leased to the government are in the following conditions? | In operation----------<br>Broken down----------<br>Under repair----------<br>Under insurance claims---------- |
| 3.3 | Any innovations/ideas generated and validated on (legal/fleet management/fuel efficiency etc.) | |
| 3.4 | What are the most important constraints affecting your performance and profitability? | |
| 3.5 | Please give recommendations on how government can improve the motor vehicle leasing industry. | |
| 3.6 | Mention the vehicle parts that you source locally? | |
| 3.7 | What challenges do you encounter whenever you source vehicle parts locally? | |

## ANNEX IV
## INTERVIEW SCHEDULE FOR ACCESSORY MANUFACTURERS

| | | |
|---|---|---|
| 1 | Name and Physical Address of the Firm | Name:<br>Address:<br>Contact Person:<br>Mobile No: |
| 2 | What is the firm's area of specialization? | |
| 3 | Has your firm ever supplied any vehicle part(s) to auto-dealers under the government vehicle leasing programme? | 1) Yes<br>2) No |
| 4 | If yes to the above, name the specific vehicle part(s)/materials supplied | |
| 5 | What is the total cost of the parts/materials supplied in (3) above? | Kshs---------- |
| 6 | State the number of people employed by your firm | Female------<br>Male-------- |
| 7 | What's the biggest impediment your company faces when it comes to supplying to the government vehicle leasing programme? | |
| 8 | Any recommendations to better the performance of the sector? | |

## ANNEX V
## SCHEDULE FOR FOCUS GROUP DISCUSION WITH COMMUNITY MEMBERS AND BUSINESS PEOPLE

| | | |
|---|---|---|
| 1.1 | Name of group/business | |
| 1.2 | Contact Person | Name:<br>Email:<br>Mobile No |
| 1.3 | How do you rate your relationship with the police in your area | |
| 1.4 | How do you compare the intensity of police patrols in your area | In 2012----------<br><br>And now---------- |
| 1.5 | How do you compare the intensity of police patrols in your area? | In 2012----------<br><br>And now---------- |
| 1.6 | How do you compare the rates of crime in your area? | In 2012----------<br><br>And now---------- |
| 1.7 | In terms of police branded vehicles how do you compare their availability? | In 2012----------<br><br>And now---------- |
| 1.8 | In terms of police response times to distress calls, how do you compare the times taken | In 2012----------<br><br>And now---------- |
| 1.9 | In terms of police response times to accident, how do you compare the times taken? | In 2012----------<br><br>And now---------- |
| 1.10 | Any general recommendations to improve security in your area? | |

## ANNEX V
## LIST OF KEY INFORMANTS

| Name | Organization | Cell-Phone | Email Address |
|---|---|---|---|
| Matt Lloyd | Associated Vehicle Assemblers Ltd-MD | 0745327787 | matt.lloyd@ava.co.ke |
| Martyn Broadfield | Kenya Vehicle Manufactures-MD | 0712997219 | martynbroadfield@gmail.com |
| James Odera | Sai Raj Limited-GM | 0726558198 | |
| Samwel Ndirangu | Automotive Parts Manufacturers-SG | 0708496072 | apma.kenya@gmail.com |
| Ashit Shah | KAM, Chair-Automotive Sector | 0722511912 | ashit@mutsimoto.com |
| Jackson Wambua | KAM-Manager-KAM Sectors | 0721484623 | jackson.wambua@kam.co.ke |
| Nixon Oduor | Simbacolt Motors-Executive | 0721542837 | nixon@simbacolt.com |
| Anne Njenga, | Star Rentals-BD Manager | 0723649785 | ANjenga@starrentals.co.ke |
| Rodgers Ogechi | Isuzu East Africa-Finance Manager | | rodgers.ogechi@isuzu.co.ke |
| Geoffrey Kagona | Toyota East Africa Manager- Finance | 0718303519 | gkagona@cfao.com |
| Antony Kibe | Leasing Association of Kenya (LAK)-Chairman | 0722828802 | kibes21@gmail.com |
| Antony Mbau | Coop Bank Fleet Africa-COO | 0727469790 | Anthony.Mbau@co-opbankfleetafrica.com |
| Robert Nyasimi | Rentco-Chief Executive | 0722735361 | Robert.nyasimi@rentcoafrica.com |
| Rudolph Briel | Coop Bank Fleet Africa-Risk Pricing | 0706211183 | Rudolph.briel@co-opfleetafrica.com |
| Erick Momanyi | CIC Insurance-Manager | 0703099291 | Erick.orangi@ke.cicinsurancegroup.com |
| Raj Shah | Avenue Leasing-Chief Executive | 0731465645 | raj@avenueleaseandrentals.com |
| Oscar Saina | Star Rentals-General Manager | 0704104093 | osaina@starrentals.co.ke |
| Johan Taljaard | Rentworks-Chief Executive | 0712345645 | johan@rentworks.co.ke |
| Erick Rugo | Geminia Insurance | 0722300485 | |

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