Standard Chartered’s Socio-Economic Impact in East Africa

December 2017
Foreword

Standard Chartered has a very proud history in Kenya, Tanzania and Uganda. For 150 years, we have provided credit and other financial services to individuals, companies and governments to enable them to achieve their growth aspirations. In 2014, we worked with Steward Redqueen to analyse this financing within a number of our African markets and understand how it contributed to the vitality of the region, helping to support job creation and enable greater revenues for our clients.

Our latest report builds upon our earlier analysis, looking specifically at the East African region. It clearly articulates our contribution to the region, including the significant portion of private sector credit Standard Chartered’s lending represents, and the impact this allows our clients to have within the region, as well as further afield.

Standard Chartered Bank has made significant investment to support our clients’ growth. We are harnessing technology to enhance our clients’ experience by strengthening our digital capabilities, investing USD3bn in technology across the Group with the intention of being a market leader in digital and enabling 80% of our transactions to occur via non-branch channels.

We have longstanding relationships with many of our clients in the region, and we continue to seek ways to deepen these – such as through our Banking the Ecosystem capabilities, banking the buyers and suppliers of our international corporate clients. This, together with the significant financing we provide to small and medium enterprises (SMEs) through our Business Banking and Commercial Banking segments, allows entrepreneurs to flourish and supports economic growth and job creation.

We have positioned ourselves, through our wide networks and deep relationships, to tap into the regional expansion projects being undertaken, drawing on our strong network across Asia, Africa and the Middle East. This includes our capacity to connect African companies to the RMB and its growth belt for even greater trade opportunities. We also remain committed to the development of sustainable infrastructure in East Africa, and this report underlines how important this is to companies and households.

We believe in the potential of the East African region, and look forward to capitalising on the opportunities identified in the report to further support regional commerce, manufacturing and inclusive growth.

Lamin Manjang
Managing Director & Chief Executive Officer
Standard Chartered Bank Kenya Limited

About the authors

Steward Redqueen is a strategy consultancy firm that aims to make business work for society. It is represented in Amsterdam, Barcelona and New York and executes projects around the world. As specialists since 2000, Steward Redqueen focuses on integrating sustainability, quantifying impact and facilitating change. Clients appreciate our rigorous analysis, our ability to solve complex problems, and being ahead of the curve. We work for (multinational) corporations, (development) financials and public sector organisations. Since 2006 Steward Redqueen has completed more than 100 socio-economic impact studies for multinational companies in a wide variety of sectors and (development) finance institutions, in Asia, Africa, Latin America and Europe.

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Executive Summary

Standard Chartered Bank’s presence in Kenya, Tanzania and Uganda dates back more than 100 years. This has led to the Bank becoming part of the fabric of East Africa. Standard Chartered’s outstanding loan portfolio in the three countries represents nearly 10% of total credit provided to the private sector by banks.

Through its loan portfolio, Standard Chartered supports local employment, wages, profits, and tax payments in many different value chains. To operate in the region, the Bank employs more than 2,500 permanent staff in Kenya, Tanzania and Uganda, and directly and indirectly, supports suppliers in various economic sectors. Through these activities, Standard Chartered fulfills important societal functions: as a tax payer, employment provider, supporter of profits, and extender of capital.

In order to better understand and quantify its impact in East Africa, in 2017 Standard Chartered invited Steward Redqueen to conduct a socio-economic impact assessment (SEIA). This report presents the findings of this assessment. It serves as a follow-up to a 2014 study that we completed on Standard Chartered’s African operations. The scope of this study includes Standard Chartered’s operational activities in Kenya, Tanzania, and Uganda, as well as the Bank’s outstanding loan portfolio in these three countries.

To quantify the socio-economic impact of Standard Chartered, Steward Redqueen uses an “input-output” model, which follows the Bank’s financing throughout the East African economy, creating ripple effects across economic sectors. This methodology allows for the quantification of effects at Standard Chartered’s first-tier suppliers and direct clients, as well as at the level of the suppliers of these first-tier suppliers and clients (second-tier). For example, Standard Chartered financing may enable a client to raise its production, and thereby increase its salary and tax payments, the profits and savings it makes, and the employment it provides. To do so, this first-tier client of the Bank depends on the inputs that it sources from other companies. Hence, second-tier suppliers also record socio-economic impacts. These impacts are indirectly supported by the Bank’s financing.

2,500 permanent staff are employed by the Bank in East Africa.

1 The 2014 Banking on Africa study assessed the Bank’s socio-economic impact in Sub-Saharan Africa. It provided detailed analyses on Standard Chartered’s activities in Kenya, Ghana, Nigeria and Zambia, and it used projections for the remaining Sub-Saharan African countries the Bank has a presence in (excluding South Africa and Mauritius).
For East Africa overall, the main findings are that, as of October 2016, Standard Chartered provided financing to businesses, consumers, and government agencies of $3.4 billion. This resulted in the following impacts:

- **Value-added impact:** Through its operations and lending, Standard Chartered directly and indirectly supports $2.8 billion of value-added impact, which is equivalent to 2.1% of the region’s GDP:
  - Households: $1.4 billion of the value-added impact supported by Standard Chartered reaches East African households through salary payments.
  - Profits: Value-added impact supported by Standard Chartered reaches companies, business owners and self-employed people in the form of profits and savings. This amount totals $1.1 billion.
  - Taxes: The Bank supports around $0.3 billion of tax payments to the governments of Kenya, Tanzania, and Uganda.

- **Employment impact:** Apart from its 2,500 employees, Standard Chartered supports direct and indirect employment to over one million people working at its clients and the associated value chains. This is equal to almost 1.7% of the region’s labour force.

These findings are based on country-specific results:

**Kenya**
Standard Chartered supports $1.5 billion in value-added impact in Kenya (1.9% GDP) and it supports 330,000 jobs (1.6% of the labour force).

**Tanzania**
Standard Chartered supports $579 million in value-added impact in Tanzania (1.1% of GDP) and it supports 222,000 jobs (1% of the labour force).

**Uganda**
Standard Chartered supports $896 million in value-added impact in Uganda (3.5% of GDP) and it supports 491,000 jobs (3.5% of the labour force).

This study aims to capture the total economic impact that Standard Chartered supports in East Africa.² We distinguish between value-added (defined as salaries to employees, tax payments, and company profits and savings) and employment impacts. These impacts are also discussed in reference to the broader socio-economic context.

² The findings are presented as being supported, as opposed to created, by Standard Chartered (see Methodology).
The company’s support to East Africa’s value-added impact in particular relates to the wholesale and retail trade and manufacturing sectors. Most employment impact is supported in the region’s agriculture, manufacturing, and wholesale and retail trade sectors.

These impacts are particularly relevant in light of the region’s sustainable development priorities. In order to further enhance sustainable development, regional commerce should be increased, the manufacturing sector expanded, and inclusive growth promoted. Standard Chartered’s socio-economic impact relates to these themes. Further helping to tackle these challenges may provide the Bank with commercial opportunities. We therefore recommend Standard Chartered to contribute in the following ways:

**Regional commerce:** Standard Chartered finances international commerce and thereby plays an important role in connecting the region’s commercial sector to the world. Adding to that, using its size, expertise, and presence in East Africa, the Bank can contribute to growing regional commerce, enhance the region’s growth, and further cement its own position in these markets.

**Manufacturing:** A substantial part of the Bank’s value-added and employment impacts arise in the manufacturing sector. This is especially important given the crucial role of this sector in increasing a country’s productive capability. If Standard Chartered can assist local companies to generate higher value-added impact and source more from companies within the region, it can contribute to economic growth, create client benefits, and grow the value of its client base. The Bank could achieve this by working with its broad network of East African companies to establish relations among these firms via initiatives like ‘Banking the Ecosystem’. This can help them achieve economies of scale and increased competitiveness. Furthermore, expanding loans in Business Banking (predominantly small-and-medium sized enterprises) and Commercial Banking (mainly local corporates) could ensure that indigenous companies have the financial means to develop increasingly complex capabilities, thereby adding to the manufacturing sector’s competitiveness.

In order to compete, manufacturing companies need access to reliable sources of energy. This is a regional challenge. Through its financing of the utilities sector, Standard Chartered supports power projects. As such, the Bank’s emphasis on utilities indirectly contributes to manufacturing.

**Inclusive growth:** Opportunities to help raise the incomes of the region’s poorest inhabitants are necessary to generate inclusive growth. Standard Chartered, although primarily focused on the emerging affluent, can expand its Development Financial Institutions and Business Banking portfolios to reach parts of the population it only indirectly affects. Moreover, because its indirect impacts touch upon labour intensive and sometimes informal sectors, Standard Chartered can work together with its clients in these sectors to increase the magnitude of these indirect effects. Finally, its digital (including mobile) banking products as well as its community activities can further contribute to this end. In turn, inclusive growth could expand Standard Chartered’s future client base.

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Standard Chartered provides $3.4bn of finance to businesses, consumers, and government agencies.
To better articulate our impact in Africa, in 2012 the company commissioned us to define the company’s socio-economic impact on the continent. The resulting report, titled “Banking on Africa”, was published in 2014.

As a consequence of its 2015 Strategic Review, Standard Chartered placed increased emphasis on its African activities. The Bank also published its Sustainability Aspirations in February 2017. These Aspirations are built around the Sustainable Development Goals (SDGs) and seek to demonstrate how the Bank is achieving sustainable outcomes across its business.

To capture these changes, this analysis follows-up on our 2014 study. Rather than focusing on the whole continent, this report aims to dive deeper into Standard Chartered’s impact on one region: East Africa. Standard Chartered has a longstanding presence in three East African countries, namely Kenya, Tanzania and Uganda. Kenya was the Bank’s entry to the region. In 1911 Standard Chartered opened its first branch in Treasury Square, Mombasa, on the Kenyan coast. This makes it the oldest foreign bank in Kenya. Uganda and Tanzania started hosting Standard Chartered shortly after, in 1912 and 1917 respectively. Standard Chartered currently ranks among these countries’ main financial institutions.

East Africa is on the rise. In recent years, the region’s countries have increasingly cooperated, both politically and economically. The East African Community (EAC), the region’s integration initiative, exemplifies this trend. Kenya, Tanzania, and Uganda, have played a pivotal role in creating the EAC,\(^3\)\(^4\) which now also counts Burundi, Rwanda and South Sudan among its members.\(^5\) Kenya, Tanzania, and Uganda furthermore share many similarities in terms of their social and cultural backgrounds. Nevertheless, they are at different stages of socio-economic development. The context offered by these three countries, and Standard Chartered’s deep ties with them, make East Africa an interesting region for studying the Bank’s socio-economic impact.

This report firstly discusses the methodology in Section 2. Section 3 sets the context for this study by presenting the countries’ recent social and economic developments as well as their future development ambitions. Section 4 then presents Standard Chartered’s socio-economic impact on East Africa. It also discusses how the Bank contributes to the overall development of the region. Finally, Section 5 presents the study’s conclusions and provides recommendations to Standard Chartered.

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\(^1\) The EAC was originally founded in 1967, and was dissolved in 1977 before being revived in 1999.


\(^3\) In the remainder of this report, EAC is used to refer to the three case study countries - Kenya, Tanzania, and Uganda - collectively.
Methodology
In East Africa, Standard Chartered’s loan portfolio and its own operations support and generate local employment, wages, profits and tax payments in many different value chains. As such, the company fulfills important societal functions. To provide insights into the extent of such impacts, we conducted a socio-economic impact assessment (SEIA).

The calculations of the economic effects presented in this report are based on the so-called ‘input-output’ methodology, which was developed by the Nobel Prize winning economist Wassily Leontief. It is commonly used by economists worldwide for the quantification of indirect impacts of multinationals, development banks, and other organisations.

The input-output model follows financial flows throughout an economy. It is a country’s economic blueprint that shows how economic sectors depend on each other. Each economic sector delivers economic inputs to other sectors, which result in a final product or service that is consumed. For example, a final product like a loaf of bread includes inputs sourced from the agricultural, food processing, transport, and retail sectors before it reaches the consumer.

In this study we trace Standard Chartered’s financial flows into the economic sectors within Kenya, Tanzania, and Uganda. We take two particular finance streams into account: expenditures resulting from Standard Chartered’s local operations in these countries, and the loans extended by Standard Chartered to companies that operate in Kenya, Tanzania and Uganda. Standard Chartered’s loan portfolio was examined for all three countries using data from October 2016. In the same month, Kenya’s Central Bank implemented an interest rate cap. As such, we do not expect this cap to have influenced the results presented in this report. Yet, given the cap’s negative impact on lending and, consequentially, on economic growth, it would be interesting to revisit the results.⁶

Those that receive loans generate socio-economic impacts by procuring goods and services from suppliers, paying salaries and taxes, investing, making profits, and generating employment. By following these money flows we can estimate Standard Chartered’s impact on the Kenyan, Tanzanian, and Ugandan economies. Exhibit 1 illustrates how a loan results in increased direct economic output. This is estimated using average capital productivity ratios, depending on the client’s sector and the type of financing extended (i.e. general financing or trade financing). Subsequently, local procurement leads to increased client revenues (first round) and then raises the revenues of their suppliers and their suppliers etc. (second round). Finally, the spending of salaries supports jobs throughout the economy.

Exhibit 1: Inputs and outputs of the model

Direct: Standard Chartered revenues
- Value-added (salary and tax payments, profits)
- Jobs
- Expenditures

First round: client revenues
- Value-added (salary and tax payments, profits)
- Jobs
- Expenditures

Second round: client’s suppliers revenues
- Value-added (salary and tax payments, profits)
- Jobs
- Suppliers’ expenditures

The socio-economic impact that Standard Chartered supports in East Africa is presented in terms of value-added impact (i.e. the sum of salaries, profits and savings, and taxes) and employment impact (jobs or livelihoods).

We differentiate between:

- Direct effects: value-added and employment impacts resulting from Standard Chartered’s operations
- First round effects: value-added and employment impacts supported among Standard Chartered’s direct suppliers, and among the Bank’s direct clients, including financial institutions
- Second round effects: value-added and employment effects supported among the suppliers of the Bank’s direct suppliers and clients

We also differentiate between induced effects which are employment effects arising as a result of individuals re-spending the income that they have earned by working for Standard Chartered, its clients and suppliers, and their suppliers.

Box 1 discusses the terminology used in the report. The application of the input-output methodology is further discussed in Annex 1. Although the methodology closely resembles the one adopted for the previous study, there are some relevant changes on project scope and data collection. These changes, which allow for easier replication and scaling up to other countries, are summarised in Annex 2. Of the East African countries included in this report, Kenya is the only one that was featured in the 2014 study. Annex 2 therefore also compares 2014 and 2017 results for Kenya.

7 For more information on the methodology used, please see Annex 2.

8 For reasons of clarity, the exhibit does not show the indirect and induced effects associated with the expenditures of Standard Chartered’s operations. These effects are included in the results.
Box 1 – Terminology: impact created versus impact supported

In this report we speak of value-added and employment impacts that Standard Chartered supports. We do not refer to the estimated effects created for three reasons.

Firstly, we have not measured the impacts against a counterfactual (i.e. what would have happened if Standard Chartered had not financed its clients).

Second, although capital is a necessary input for a company, it is not the only one. Firms need labour, materials, energy etc. as well in order to operate and none of these “factors” is the sole determinant of its success and associated economic impact.

Finally, to quantify the socio-economic effects on the Bank’s direct clients, we first estimate the additional output that clients can generate by gaining access to a loan (see also Annex 1). Limited data availability prevents us from using marginal capital productivity ratios (i.e. the actual change in output resulting from the new loan). Instead, we use average capital productivity ratios for specific economic sectors, for each of the three countries. These average ratios are likely to result in larger effects than the marginal ratios. Being part of a firm’s capital structure, the Bank supports its socio-economic impacts but it is not creating them.
East Africa: Recent developments and future ambitions
East Africa: Recent developments and future ambitions

Kenya, Tanzania and Uganda show a gradual trend of improved social and economic development. Kenya is classed as a lower-middle income country, and Tanzania and Uganda are both classed as lower-income countries by the World Bank. Access to basic human needs, including water and sanitation, health, and education is slowly improving. Nevertheless, vital development challenges remain. Out of a total of 188 countries, the United Nations Development Programme (UNDP) ranks Kenya 146th, Tanzania 151st, and Uganda 163rd, in terms of their human development. This indicates that the countries’ advancements in terms of sustainable development remain a challenge.

The SDGs provide a useful framework for thinking about the region’s future development trajectory. These 17 goals constitute the global development agenda for the 2015-2030 period. They seek to advance economic and social inclusion, provide basic social services and warrant human rights, promote economic development, and protect ecosystems and biodiversity. The SDGs are ambitious and recent analysis shows that realising the goals will be challenging for East Africa. To increase the chances of realising these goals it has been argued that the efforts of the private sector are required.10

As a foundation for our analysis, this section discusses East Africa’s recent socio-economic developments and its future development ambitions. By way of introduction, Table 1 provides an overview of the countries in terms of selected key socio-economic statistics.

Table 1: Key socio-economic statistics11

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Kenya</th>
<th>Tanzania</th>
<th>Uganda</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population</td>
<td>48.5 million</td>
<td>55.6 million</td>
<td>41.5 million</td>
</tr>
<tr>
<td>GDP (current USD)</td>
<td>$63.4 billion</td>
<td>$47.4 billion</td>
<td>$25.5 billion</td>
</tr>
<tr>
<td>Agriculture</td>
<td>33%</td>
<td>32%</td>
<td>24%</td>
</tr>
<tr>
<td>Industry</td>
<td>18%</td>
<td>27%</td>
<td>20%</td>
</tr>
<tr>
<td>Services</td>
<td>49%</td>
<td>41%</td>
<td>56%</td>
</tr>
<tr>
<td>GDP growth (%)</td>
<td>5.6%</td>
<td>7%</td>
<td>4.7%</td>
</tr>
<tr>
<td>GDP per capita (current international $)</td>
<td>$1,377</td>
<td>$879</td>
<td>$615</td>
</tr>
<tr>
<td>GDP per capita PPP (current international $)</td>
<td>$3,156</td>
<td>$2,787</td>
<td>$1,849</td>
</tr>
<tr>
<td>Inflation</td>
<td>6.3%</td>
<td>5.6%</td>
<td>5.2%</td>
</tr>
<tr>
<td>Labour force</td>
<td>17 million</td>
<td>23.9 million</td>
<td>18.4 million</td>
</tr>
<tr>
<td>Agriculture</td>
<td>37%</td>
<td>68%</td>
<td>72%</td>
</tr>
<tr>
<td>Industry</td>
<td>19%</td>
<td>6%</td>
<td>7%</td>
</tr>
<tr>
<td>Services</td>
<td>44%</td>
<td>26%</td>
<td>21%</td>
</tr>
</tbody>
</table>

3.1 Recent socio-economic developments

3.1.1 Demographics

The combined populations of Kenya, Tanzania and Uganda have steadily increased in recent years. With an average annual growth rate of 3.1%, the aggregated population in these three countries rose from around 121.4 million people in 2010 to 145.5 million people in 2016. About 42% of the total East African population is part of the labour force.

Exhibit 2 demonstrates that in this period, Tanzania was responsible for most of the region’s population growth, while Uganda’s increase was larger than Kenya’s despite it having a smaller population. Slightly over 50% of Kenya’s and Uganda’s absolute population growth was part of the labour force. Tanzania’s growth was concentrated outside the labour force, pointing to an increasing dependency ratio. The growing labour force – over two million people per year in the three countries combined – makes employment creation an imperative. But the World Bank recently warned that Kenya’s growing labour force is not being put to productive use, signalling high unemployment and underemployment. The same holds true for Tanzania and Uganda. If the countries succeed in employing their youth – a challenge that has proven difficult in recent years – they can reap economic benefits of the so-called ‘demographic dividend’ – the more favourable ratio of working over non-working people.

Exhibit 2: Breakdown of population growth (24.1 million people since 2010)

<table>
<thead>
<tr>
<th>Country</th>
<th>Share of country population growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kenya</td>
<td>29%</td>
</tr>
<tr>
<td>Tanzania</td>
<td>39%</td>
</tr>
<tr>
<td>Uganda</td>
<td>31%</td>
</tr>
</tbody>
</table>

Key

- Other population (57%)
- Labour force (43%)

Country share of EAC population growth

16 Percentages may not add to 100% due to rounding
Almost half (48%) of the three countries’ combined labour force is female, which is similar to Sub-Saharan Africa’s average. Women, however, face constraints in the labour market; available job opportunities frequently relate to low-skilled labour, such as in the agricultural sector. A large proportion of women start their own micro enterprises, even though they experience diverse challenges in these endeavours. Furthermore, the global trend of urbanisation is also prevalent in East Africa; 32% of Tanzanians, 28% of Kenyans, and 16% of Ugandans now live in urban areas, with many more residing in peri-urban areas.

3.1.2 Drivers of economic growth

Between 2010 until 2016 the region’s economy grew on average by 6%. This rate is higher than the region’s population growth, meaning that per capita GDP increased yearly by 2.6% in Kenya; 3.6% in Tanzania; and 1.8% in Uganda. Based on their GDP per capita (see Table 1), the World Bank classifies Kenya as a lower middle-income country. Tanzania and Uganda are lower-income countries.

Although East Africans’ purchasing power has increased substantially, income growth in these countries is unequally distributed. UNDP estimates that the share of income of the Kenya’s richest 10% is 2.9 times the share of income of the country’s poorest 40%. This ratio is considerably lower, but nonetheless significant, in Uganda (2.0) and Tanzania (1.7).

The 6% GDP growth since 2010 amounts to $38 billion (in constant 2010 value). This amount is broken down over the three countries and four economic sectors in Exhibit 3.
Kenya’s agricultural sector has been the single largest driver of East Africa’s GDP growth. This sector contributed 22% of the region’s overall GDP growth and more than half of growth in Kenya. Kenya’s National Bureau of Statistics attributes this to growth in value addition for the horticulture and tea sectors.\textsuperscript{20,21} This points to high productivity and professionalisation of parts of Kenya’s agricultural sector. Even though ‘only’ 37% of its labour force is active in agriculture (compared to 68% for Tanzania’s and 72% for Uganda’s) its output is much greater.

Other substantial drivers of growth include other industry (i.e. mining, oil & gas, construction and utilities) and agriculture in Tanzania, as well as the services sector in all three countries. Services growth constitutes two thirds of Uganda’s total growth. Manufacturing has shrunk as a portion of the three countries’ overall economies. This particularly applies to Tanzania and Kenya, which points to premature de-industrialisation as will be discussed in greater depth in the next section. Nevertheless, Kenya’s high agricultural productivity could be a source of sustained growth.\textsuperscript{22} With Uganda being on the cusp of oil production, the GDP contribution of the “other industry” sector is bound to increase significantly.

The growth in the region’s services sector owes in part to innovations in telecommunications and mobile finance.\textsuperscript{23} Kenyans in particular are rapidly engaging with technological advancements, including mobile phones, mobile banking technology, and of the internet (Exhibit 4). Tanzanians and Ugandans use these technologies to a lesser extent. Not only are Kenyans increasingly using technology, they are also pioneering certain technological innovations. An illustration is mobile banking platform M-Pesa, which was developed in 2007 by telecom operator Safaricom. Today, mobile money is so widespread that, in June 2017, the Kenyan government launched M-Akiba, the world’s first sovereign bond that is exclusively sold on mobile platforms.\textsuperscript{24} The country’s technological advancements led some commentators to dub Kenya “Silicon Savannah”.\textsuperscript{25} Its innovations also spread to neighbouring countries. For example, M-Pesa is a frequently used banking platform in both Tanzania and Uganda.

East Africa is increasingly exporting goods and services to the rest of the world. This trend is driven by Tanzania, whose exports grew by 9% per year between 2010 and 2015. In the same period, Uganda’s exports rose by 4% per year. Kenya, however, saw its exports decline by 1% every year. Even though Uganda is landlocked, which is frequently cited to be a limit to a country’s internationalisation potential, its exports to GDP ratio is on par with Kenya and Tanzania (18% in 2015).

\textsuperscript{17} Farmers Trend (2016). Agriculture boosts Kenya’s first quarter growth by 6 per cent.
\textsuperscript{20} It should be noted that in the first quarter of 2017, the agricultural sector’s contribution to GDP contracted. See Kenya National Bureau of Statistics’ GDP bulletin: https://www.knbs.or.ke/quarterly-gross-domestic-product-report-first-quarter-2017/.
\textsuperscript{25} Data on mobile phone subscriptions dates from 2015 while mobile banking usage data dates from 2014. Both indicators were retrieved from the World Bank World Development Indicators database (May 2017). Because of the region’s rapid adoption of technological innovations, these figures are expected to be considerably higher today. Internet use figures reflect June 2017 and were retrieved from www.internetworldstats.com.
As a result, the region is now the most integrated trading block on the continent.27 Adding to the anticipated economic benefits of increased intraregional-trade, recent research shows that the EAC enhanced peace and prosperity among its member countries.28

Intra-regional exports represent only a fraction (15%) of the countries’ total exports. Nevertheless, with a compound annual growth rate (CAGR) of 9% per year, intra-EAC exports are rapidly expanding (Exhibit 5). Similar to exports with the rest of the world, Tanzania is the main driver behind this trend. Uganda is also expanding its exports to EAC countries, while Kenya’s intra-regional trade has slowly declined. A recent World Bank analysis on Kenya attributes the country’s weak exports performance to a combination of high cost of transport (which is partly caused by inefficiencies in getting goods to and from Mombasa port), an appreciating real exchange rate, and a weak manufacturing sector. 29

Exhibit 5: Country shares in intra-regional exports

Key

<table>
<thead>
<tr>
<th>Country</th>
<th>Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kenya</td>
<td></td>
</tr>
<tr>
<td>Tanzania</td>
<td></td>
</tr>
<tr>
<td>Uganda</td>
<td></td>
</tr>
</tbody>
</table>

CAGR: 9%

18

UN Comtrade data\textsuperscript{30} reveals the type and value of goods traded among the countries. This is shown in Exhibit 6. Noteworthy is the relatively large trade between Uganda and Kenya. Since Uganda is landlocked, the country is greatly dependent on Kenya’s ports for trading with the world. Most goods traded between the countries are of relatively low technological sophistication.\textsuperscript{31} Improving value-added to exports, for which the manufacturing sector is critical, is thus a challenge.

\textbf{Exhibit 6: Intraregional trade (case-study countries) (2015)}\textsuperscript{32}

- Uganda
  - $422 million (18% of total exports)
    - Tea (17%)
    - Tobacco (11%)
    - Corn (11%)
    - Legumes (11%)
  - $51 million (2% of total exports)
    - Corn (28%)
    - Tobacco (18%)
    - Electricity (11%)
  - $59 million (1% of total exports)
    - Petroleum (12%)
    - Legumes (10%)
    - Rice (9%)
    - Glass bottles (9%)

- Kenya
  - $535 million (10% of total exports)
    - Petroleum (6%)
    - Cement (6%)
    - Food products (8%)
  - $232 million (4% of total exports)
    - Packaged medicaments (12%)
    - Plastics (6%)
    - Petroleum (4%)
  - $794 million (12% of total exports)
    - Video displays (44%)
    - Twine and rope (21%)

\textsuperscript{31} The trade from Tanzania to Kenya, of which video displays represent 44%, seems an exception. Because Tanzania did not export video displays to other countries in 2015, this is likely the result of re-exports.
\textsuperscript{32} International Trade Statistics Database - https://comtrade.un.org/data
3.1.3 The size of the banking sector

In order to grow, the private sector must invest. This, in turn, requires the presence of banks that can provide the required finance. Since 2010 the banking sector in EAC has grown from 19% to 24% of GDP. At 35% of GDP, Kenya has the largest banking sector. The approximately $24.5 billion domestic credit provided to Kenya’s private sector comprises some two thirds of all credit outstanding in the three countries. Tanzania experienced the fastest relative growth in its banking sector from 12% of GDP in 2010, to 15% of GDP in 2015. Tanzanian domestic credit is estimated to be some $7.3 billion. Relative to its GDP, Uganda’s banking sector has remained stable at 14% of GDP in the 2010-2015 period and domestic credit is estimated to be $3.5 billion. These statistics show that Kenya is comparatively “well-banked”. Tanzania and Uganda have less established banking sectors. As a result, relatively little capital is provided to these countries’ private sectors, which may limit their potential growth.

3.2 East Africa’s future development: trade, industrialisation, and equality

Although East Africa has seen improved socio-economic development, sustaining a positive development trajectory has proven to be challenging for most of the world’s countries. Hence the question is whether the region will be capable of continuing this trend. To ensure continued growth and improvement of socio-economic well-being, the governments of Kenya, Tanzania and Uganda have created development plans. These plans include diverse economic, social, and environmental priorities. Three themes are especially relevant to Standard Chartered’s East African operations:

- Encouraging regional commerce;
- Increasing manufacturing;
- Building inclusive economies.

3.2.1 Regional commerce

Regional commerce is a crucial factor in the future development of the East African region’s nations. In contrast to the still dominant situation in which African countries trade primarily with advanced nations, intra-regional commerce can provide an impetus to local manufacturing, lead to economic diversification, and thereby contribute to the countries’ development. Regional commerce also allows local companies to achieve scale advantages which makes them more competitive. Trading within the region allows local companies to reach more customers, thus expanding their markets. In order to increase regional commerce, the countries should work on overcoming instability and expanding infrastructure.
3.2.2 Manufacturing

To further reap the benefits offered by regional integration, the three countries in our study should explore further opportunities for exporting their own products. A strong manufacturing sector is key to that end. Adding to that, a recent Economic Commission for Africa report emphasises the critical importance of industrialisation for sustained economic growth across the African continent. However, as discussed in the previous section, the manufacturing sector’s contribution to GDP is decreasing. This trend raises concerns over premature deindustrialisation which can put a brake on future economic growth.

Manufacturing is especially important because it serves as an economy’s ‘learning centre’. More than other activities, the sector diffuses technological and organisational progress to other sectors. Manufacturing is also crucial in terms of skill building of the labour force, which is an important ingredient of increasing productivity. This is further reflected by the manufacturing sector’s potential to raise economic complexity, a key indicator of future economic growth.

According to the economic complexity rankings of Pietronero all three countries have seen a decrease between 2010 and 2016. Out of 146 countries, Kenya dropped from 64th to 81st, Tanzania from 77th to 95th and Uganda from 82nd to 87th. Hence, this emphasises that policies for the further development of East Africa’s manufacturing base are particularly welcome for sustaining growth. If the region succeeds in building a vital manufacturing sector this could help attract inward foreign investments and contribute to the region’s cross-country commerce, as well as its aggregated trade balance.

Improving infrastructure is critical for supporting the manufacturing sector. On the one hand, this applies to transport infrastructure, including roads and railways, which connect different parties in the value chain. On the other hand, power infrastructure is crucial to ensure that companies can produce. Yet both access to, and reliability of, power are a problem in East Africa despite drastic improvements in generation (Uganda) and distribution (Kenya). The African Development Bank argues that “[i]mproving access to a reliable and affordable source of energy would do much to improve the business-enabling environment for the sub-region, stimulating trade and encouraging both domestic and foreign investment”. Not surprisingly, infrastructure is an important component of the governments’ development plans.

3.2.3 Inclusive growth

Inclusive economic growth, i.e. growth that is capable of enhancing the livelihoods of the region’s poorest inhabitants, is a shared objective in the region. The previous section showed that East Africa is characterised by income inequality. Unequal income growth can stunt efforts to achieve higher levels of development, lift people out of poverty, and may compromise social stability.

Improving equality also needs a focus on providing opportunities for all. As discussed, youth unemployment is high in the region. While this partly owes to a lack of available opportunities, investments in human capital are required to build a labour force that can realise the transition the region requires. Target groups for such policies include youth, women, and marginalised communities.
Standard Chartered’s impact on East Africa
Standard Chartered’s impact on East Africa

In 2015 Standard Chartered committed to further invest and grow its business in Africa and identify local opportunities.

Adding to that, Standard Chartered’s Sustainability Aspirations, which were launched in February 2017, underpin its ambition for generating and supporting sustainable impacts. These are summarised in Exhibit 7 below. This chapter discusses Standard Chartered's socio-economic impact on East Africa. The Bank’s impact on each of the individual countries is presented in Annex 3 (Kenya), Annex 4 (Tanzania) and Annex 5 (Uganda).

Exhibit 7: Standard Chartered’s Sustainability Aspirations

<table>
<thead>
<tr>
<th>Sustainability Aspirations</th>
<th>Pillar 1: Contributing to sustainable economic growth</th>
<th>Pillar 2: Being a responsible company</th>
<th>Pillar 3: Investing in communities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Infrastructure</td>
<td>People</td>
<td>Community engagement (health and education)</td>
<td></td>
</tr>
<tr>
<td>Climate</td>
<td>Environment</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Entrepreneurs</td>
<td>Conduct</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Digital</td>
<td>Financial crime compliance</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commerce</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Impact and sustainable finance</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
4.1 Standard Chartered’s East African loan portfolio

Standard Chartered’s outstanding loans in East Africa amount to $3.4 billion. As such, the Bank’s share of total outstanding domestic credit is 7% in Kenya, 9% in Tanzania, and 26% in Uganda. This makes it an important provider of credit in East Africa.

Standard Chartered’s loan portfolio can be categorised according to two facility types: general loans to companies (general finance), and financing of international trade (trade finance). 27% of all financing is trade finance (see Exhibit 8). By financing trade, the Bank contributes to one of East Africa’s main development priorities and to its Sustainability Aspiration.

<table>
<thead>
<tr>
<th>EAC total</th>
<th>2,460</th>
<th>922</th>
<th>3,382</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kenya</td>
<td>1,391</td>
<td>372</td>
<td>1,763</td>
</tr>
<tr>
<td>Tanzania</td>
<td>438</td>
<td>256</td>
<td>693</td>
</tr>
<tr>
<td>Uganda</td>
<td>632</td>
<td>294</td>
<td>926</td>
</tr>
</tbody>
</table>

Exhibit 8: EAC loan portfolio ($ million) and type of financing

Key

<table>
<thead>
<tr>
<th>General finance</th>
<th>Trade finance</th>
</tr>
</thead>
</table>

*These ratios compare the Bank’s total outstanding loan portfolio (onshore and offshore credit) to domestic credit provided by the private sector (as retrieved through the World Bank World Development Indicators).*
Standard Chartered’s loan book is heavily focused on financing the manufacturing sector directly, or supporting it indirectly by providing loans to the utilities and construction sector (including power).

Standard Chartered provides loans to companies that operate in diverse economic sectors. Exhibit 9 shows how the loan portfolio is distributed across the three countries (horizontally), as well as across economic sectors (vertically). Standard Chartered finances sectors that are important to the region’s development priorities, as discussed in the previous section. While East Africa faces concerns over premature deindustrialisation, Standard Chartered’s loan book is heavily focused on financing the manufacturing sector directly, or supporting it indirectly by providing loans to the utilities and construction sector (including power). This sector also includes investments in roads and rail networks, which is key to promoting regional commerce.

Exhibit 9: Sector and country distribution of EAC loan portfolio

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*Percentages may not add to 100% due to rounding.*
4.2 Standard Chartered’s impact on East Africa

In East Africa, Standard Chartered supports $2.8 billion in value-added impact (i.e. the sum of salary payments to individuals, profits made by companies, and taxes paid to governments) and over one million jobs (Exhibit 10). The value-added impact associated with Standard Chartered’s operations and financing is equal to 2.1% of the countries’ aggregated GDP. The number of jobs that directly and indirectly find support by Standard Chartered is equal to 1.7% of the region’s combined labour force. Hence, Standard Chartered has a significant socio-economic impact on the region.

Exhibit 10: Overview of Standard Chartered’s impact on East Africa

1 million+ jobs

$2.8bn value-added

Uganda

Kenya

Tanzania
The value-added impact that Standard Chartered supports can be divided into three segments: direct impacts; first round impacts supported among clients and the Bank’s direct suppliers; and second round impacts supported at the level of suppliers of the Bank’s clients (Exhibit 11). The direct impact of the Bank results from its salary and tax payments, as well as the profits that accrue to local shareholders. This amounts to 7% of its total East African impact. Nearly two-thirds (65%) of Standard Chartered’s support to regional value-added concern its direct suppliers and, especially, its direct clients. The remaining 28% is supported among second round parties. In total, the value-added impact associated with Standard Chartered is $1.4 billion in Kenya (1.9% of Kenya’s GDP), $579 million in Tanzania (1.1% of Tanzania’s GDP), and $896 million in Uganda (3.5% of Uganda’s GDP).

Exhibit 11: Value-added per round of impact and country ($ million)

We further examine value-added impact based on its sub-categories of salaries, profits, and taxes (Exhibit 12). Salary payments constitute 50% of total value-added impact. Profits and taxes amount to 39% and 11%. This shows that individuals in the region, and the households they support, are the greatest beneficiary of Standard Chartered’s East African presence, followed by the private sector and the government. An explanation for the relatively high share of profits is the prevalence of self-employment in the region, which is associated with informal labour. Self-employment blurs the boundary between salaries and profits, since people that are self-employed only have one source of cashflow with which to meet their needs, including food. Standard Chartered’s support to profits accrued by local EAC companies is significant. Once re-invested, profits can contribute to sustainable growth in the long-term. As mentioned before, the relatively limited availability of domestic credit in Tanzania and Uganda, and to a lesser extent Kenya, mean that a large share of investments is financed from company’s profits.

Exhibit 12: Value-added per recipient and country ($ million)
Standard Chartered’s impact varies across the region’s economic sectors. Exhibit 13 shows that the region’s wholesale and retail trade, manufacturing, utilities and construction, and agricultural sectors are the key beneficiaries from the Bank’s operations and loan portfolio.

Exhibit 13: Value-added impact per economic sector ($ million; EAC total)

These impacts can be compared to the sectors’ shares of GDP in the countries (Exhibit 14). Standard Chartered’s average contribution to EAC’s GDP is 2.1%. Yet the Bank’s contribution to the share of GDP of the wholesale and retail trade, manufacturing, and utilities and construction sectors is significantly larger. These sectors are also primarily important in terms of East Africa’s development priorities.

In Tanzania, the Bank’s support to the manufacturing sector is proportionally highest. It supports 4.0% of this sector’s contribution to GDP. Standard Chartered’s impacts in the wholesale and retail trade, and particularly the utilities and construction sector are large in Uganda, standing at 4.0% and 7.0% of these sectors’ shares of local GDP.

Exhibit 14: Value-added impact relative to GDP per sector

Key

Value-added relative to EAC’s GDP per sector
Average value-added contribution to EAC’s GDP
In addition to value-added impact, Standard Chartered is found to support over one million jobs in East Africa through direct, first round, second round and induced effects (Exhibit 15). This is equal to 1.7% of the region’s labour force. Across these different rounds, the employment effects are more or less of the same magnitude. However, as induced effects are further away from the Bank in an economic sense, these jobs are least attributable to the Bank’s activities. Most support to employment arises in Uganda (3.5% of the local labour force). In Kenya and Tanzania Standard Chartered supports 1.6% and 1.0% of the labour force, respectively.

Second round employment results exceed those in the first round. This can be explained by the fact that Standard Chartered’s direct clients (first round) typically operate in the formal sector and tend to be capital-intensive, while these companies’ suppliers (second round) tend to be less efficient, more labour-intensive firms that sometimes operate in the informal sector. As is shown in the exhibit, this particularly applies to Kenya. This is an important observation: although the Bank tends to finance larger and more productive firms, it supports employment in smaller, less productive and often informal companies.

Exhibit 15: Supported jobs, per round of impact and country (thousands)

<table>
<thead>
<tr>
<th></th>
<th>First round</th>
<th>Second round</th>
<th>Induced</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kenya</td>
<td>115</td>
<td>146</td>
<td>76</td>
<td>338</td>
</tr>
<tr>
<td>Tanzania</td>
<td>235</td>
<td>207</td>
<td>33</td>
<td>472</td>
</tr>
<tr>
<td>Uganda</td>
<td>300</td>
<td>207</td>
<td>78</td>
<td>587</td>
</tr>
</tbody>
</table>

Exhibit 16 reveals the sectorial distribution of Standard Chartered’s support to employment. Most jobs are supported in agriculture (36%), manufacturing (27%) and wholesale and retail trade (20%). Although the wholesale and retail trade and manufacturing sectors lead in terms of the amount of value-added impact supported by the Bank, the agricultural sector accounts for the main share of supported jobs. This is explained by the lower productivity of agricultural activities: due to lower capital intensity, more units of labour are needed to produce a unit of output, compared to the manufacturing and wholesale and retail trade sectors. As is shown in more detail in the country-specific annexes, second round employment impacts are relatively large in the agriculture and wholesale and retail trade sectors. This implies that many of the Bank’s clients have economic relations with companies in these more informally organised sectors. In addition to supporting jobs, Standard Chartered contributes to the education and development of its workforce. As an example, Box 2 shows how Standard Chartered Tanzania has been instrumental in developing talent for the region’s financial sector.

Exhibit 16: Supported jobs, per sector (thousands)
Box 2 – Standard Chartered Tanzania and knowledge-building in the financial sector

This year, Standard Chartered Tanzania is celebrating its centenary (1917-2017). Over the course of its presence in the country, the Bank has not only played a leading role in financing the domestic private sector, it has also contributed to the knowledge-building and expertise of individuals in the financial sector.

The CEOs of major regional banks who used to work for Standard Chartered Tanzania testify to this:

- KCB Bank Tanzania: Cosmas Kimario
- National Bank of Commerce (NBC): Acting CEO—Theobald Sabi
- Ecobank: Mwanahiba Mohammed
- IB Commercial: Frank Nyabudenge
- Bank M: Jacqueline Woiso
- Maendeleo Bank: George Shumbusho

Last but not least, current Standard Chartered Bank Tanzania’s CEO Sanjay Rughani has had a long career with the Bank, including having worked outside East Africa, namely in Ghana and India.
Standard Chartered's impact is driven by financial loan flows into different sectors and customer segments. As these flows differ in size, impacts per sector and segment are difficult to compare. From a policy and development perspective it is therefore useful to examine the Bank's impact associated with a loan of the same magnitude into different sectors and customer segments.

Table 2 summarises the economy-wide impact associated with $1 million of finance provided to East Africa's economic sectors. Additionally, the share of Standard Chartered’s loan book in each sector is shown. The table shows that, given the current status of the region’s economy, a portfolio focused on agriculture holds most potential to increase the related impact. Investment of $1 million into this sector is estimated to result in $1.1 million in value-added impact and support 731 jobs. Relatively large effects in this sector are due to the fact that the sector is not capital intensive. In addition to agriculture, the manufacturing and trade sectors score well on both value-added and employment impacts supported.

One must, however, recognise the difficulties to financing these sectors directly due to their high degree of informality. The infrastructure of a bank like Standard Chartered is especially suited for financing larger clients and those with more complex needs. But as shown, the more formally organised companies Standard Chartered supports pull in more informally operating companies in the agriculture and manufacturing sectors.

The countries are relatively homogenous in terms of estimated value-added and employment effects across their sectors. Yet effects in Uganda are estimated to be greater than impacts in the other two countries. This can be explained by Uganda’s lower GDP per capita which means more labour is needed for the same amount of output. And because capital is scarcer, the actual available capital produces more value-added.

### Case study

**Kenya Tea Development Agency**

Kenya Tea Development Agency Holdings Limited (KTDA) is the back bone of the tea industry in Kenya managing more than 600,000 farmers who account for 60% of the country’s total tea production and exports. In June 2017, Standard Chartered won a $35m mandate to finance KTDA’s annual fertiliser purchase by offering them a holistic solution of cash management, payments and foreign exchange solutions.

Standard Chartered’s impact is driven by financial loan flows into different sectors and customer segments. As these flows differ in size, impacts per sector and segment are difficult to compare. From a policy and development perspective it is therefore useful to examine the Bank’s impact associated with a loan of the same magnitude into different sectors and customer segments.

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### Table 2: Loan portfolio and impact per $1 million invested in various sector

<table>
<thead>
<tr>
<th>Sector</th>
<th>East Africa total</th>
<th>Kenya</th>
<th>Tanzania</th>
<th>Uganda</th>
</tr>
</thead>
<tbody>
<tr>
<td>% of loanbook</td>
<td>Value-added (million $)</td>
<td>Jobs</td>
<td>% of loanbook</td>
<td>Value-added (million $)</td>
</tr>
<tr>
<td>Agriculture</td>
<td>9%</td>
<td>1.1</td>
<td>731</td>
<td>6%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>27%</td>
<td>0.8</td>
<td>390</td>
<td>28%</td>
</tr>
<tr>
<td>Utilities &amp; Construction</td>
<td>26%</td>
<td>0.5</td>
<td>133</td>
<td>32%</td>
</tr>
<tr>
<td>Wholesale &amp; Retail Trade</td>
<td>18%</td>
<td>0.9</td>
<td>301</td>
<td>12%</td>
</tr>
<tr>
<td>Transportation &amp; Communication</td>
<td>8%</td>
<td>0.7</td>
<td>98</td>
<td>11%</td>
</tr>
<tr>
<td>Business Services</td>
<td>3%</td>
<td>0.9</td>
<td>206</td>
<td>3%</td>
</tr>
<tr>
<td>Public Services</td>
<td>7%</td>
<td>0.9</td>
<td>279</td>
<td>8%</td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
<td>0.7</td>
<td>299</td>
<td>100%</td>
</tr>
</tbody>
</table>

*50 It is important to note that these figures include direct as well as indirect effects (and induced employment effect). This implies, for example, that not all jobs supported by investments in food processing are manufacturing jobs, but also includes agricultural (farming) and trading jobs.

*51 Changes to the labour intensity, capital intensity, and linkages in the domestic economy would change these figures.
In a similar vein, Table 3 summarises the economy-wide impact associated with $1 million of finance provided to the Bank’s various customer segments. It shows that a portfolio focus on Business Banking and Financial Institutions holds the most potential to increase the Bank’s impact. This results from the relatively smaller end-beneficiaries in Business Banking and the broad reach to a variety of East African companies that Financial Institutions enable. The Bank’s outstanding finance in the Financial Institutions segment equals 22% of its portfolio. At 2%, the Business Banking segment is much lower, however. This is unsurprising because this segment includes small-and-medium sized companies, which require smaller loans than large companies.56

**Table 3: Impact per $1 million invested in various customer segments**

<table>
<thead>
<tr>
<th>Customer segment</th>
<th>East Africa total</th>
<th>Kenya</th>
<th>Tanzania</th>
<th>Uganda</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>% of loanbook</td>
<td>Value-added (million $)</td>
<td>% of loanbook</td>
<td>Value-added (million $)</td>
</tr>
<tr>
<td>Corporate Banking</td>
<td>47%</td>
<td>0.6</td>
<td>264</td>
<td>45%</td>
</tr>
<tr>
<td>Financial Institutions</td>
<td>22%</td>
<td>1.0</td>
<td>474</td>
<td>14%</td>
</tr>
<tr>
<td>Commercial Banking</td>
<td>9%</td>
<td>0.7</td>
<td>252</td>
<td>6%</td>
</tr>
<tr>
<td>Business Banking</td>
<td>2%</td>
<td>1.1</td>
<td>429</td>
<td>3%</td>
</tr>
<tr>
<td>Retail Banking</td>
<td>10%</td>
<td>0.7</td>
<td>204</td>
<td>32%</td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
<td>0.7</td>
<td>300</td>
<td>100%</td>
</tr>
</tbody>
</table>

**4.3 Standard Chartered and East Africa’s broader development**

Value-added and employment impacts are important development indicators. Yet they do not tell a story of sustainable development. This section discusses Standard Chartered’s contribution to three of East Africa’s development priorities: improving manufacturing; increasing regional commerce; and realising inclusive growth.

**4.3.1 Improving manufacturing**

Standard Chartered has a major impact on the region’s manufacturing sector. Twenty per cent of its total value-added impacts pertain to this sector. Manufacturing is the second largest sector in terms of the Bank’s outstanding loans (27%). Financing provided to this sector enables recipients to, among others, improve their productivity and expand their capacities. Moreover, we argue that manufacturing in particular has the capacity to build local skills and generate linkages between East Africa’s economic sectors. This can generate higher (direct and indirect) value-added impact in the long term. Thus, the Bank supports the governments’ aim of enhancing a move towards industrialisation. As mentioned in Section 3.1.2, East Africa has experienced a decline in its economic complexity ranking, which is in part due to the declining importance of its manufacturing sector. Standard Chartered’s impact on this sector is therefore especially welcome.

56 In addition to the Business Banking segment, a proportion of the loans outstanding in the Commercial Banking segment also serves SMEs.
The region’s recent economic growth provides Standard Chartered with opportunities to expand its manufacturing client base. If the Bank succeeds in identifying and financing upcoming manufacturing companies it has a unique opportunity to strengthen the region’s manufacturing sector.

This is already recognised by the Bank’s Sustainability Aspirations. One Aspiration focuses on increasing financing to entrepreneurs. To do so, Standard Chartered aims to expand lending to the Business Banking segment, which was one of the recommendations in the Banking on Africa report – the predecessor of this study.

Standard Chartered also indirectly supports manufacturing. Most of the Bank’s loans (28% of its East African loan book) are extended to the utilities and construction sector. This includes the financing of power projects, which are critical for the functioning of the economy, and manufacturing in particular. An example is the Bank’s $350 million loan to replace Kenya Pipeline Company’s 450 km long multi-fuel pipeline connecting Mombasa to Nairobi.

4.3.2 Increasing regional commerce

The Bank plays an important part in supporting cross-border commerce. A quarter (27%) of Standard Chartered’s East African loan book specifically finances international trade. This leads the Bank to support $714 million in value-added impact in the region, which is equal to 26% of Standard Chartered’s total support to value-added.

International commerce is one of Standard Chartered’s Sustainability Aspirations. The further integration of the EAC could be an impetus for Standard Chartered to realise this Aspiration. Additional opportunities are offered by the creation of the Continental Free-Trade Area (CFTA). The CFTA seeks to integrate the markets of Africa’s 55 countries. Negotiations started in 2015 and are hoped to finish by the end of 2017. Regional integration allows the Bank’s clients to gain access to larger markets, thus offering opportunities for developing economies of scale.

The Bank’s supported impacts in sectors such as wholesale and retail trade, transportation, and utilities and construction can indirectly promote intra-regional trade. Financing of infrastructure projects further supports this. Expanding and improving infrastructure is considered key in the countries’ development plans and is critical for facilitating regional commerce. The Bank’s Sustainability Aspirations likewise include a focus on promoting infrastructure. An example of the Bank’s support to infrastructure is its role in the re-building of the Nairobi to Mombasa railroad. This project was financed by governments but the cash management services to China Road & Bridge – the project’s main contractor – were provided by Standard Chartered.

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Case study

Seroma Ltd.

Seroma is a Ugandan building supplies company that has been operating just outside Kampala for more than 20 years. It produces essential construction materials.

Previously, the company paid its staff daily using cash. Cash payments require significant manual reconciliation and are potentially unsafe. Theft and fraud were real possibilities.

Since 2016, Standard Chartered’s Straight2Bank wallet product has allowed Seroma to pay salaries directly into the mobile wallets of their employees. The service has reduced Seroma’s costs, increased traceability and eliminated the fraud risk and theft associated with cash payments.

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53 Economist (7-12-2017). African countries are building a giant free-trade area.
4.3.3 Realising inclusive growth

Standard Chartered has opportunities to contribute to tackling inequality, enhancing equity and eradicating poverty. Poverty is typically related to labour intensive, often informal, economic activities. Section 4.2 showed that the Bank’s indirect impacts touch upon sectors in which informal employment is common, most notably agriculture. Standard Chartered can cooperate with its clients to drive (indirect) employment and value-added impacts in the socio-economic strata that it does not directly touch.

An example is the financing provided by Standard Chartered to financial institutions whose mission it is to increase marginalised communities’ access to financial services. The presence of multilateral development agencies in the region, such as the United Nations, World Bank, and IFC, provide an opportunity to work towards this end (Kenya, home to one of the four United Nations headquarters, is most prominent in this regard).

Moreover, Standard Chartered’s retail banking strategy may be focused on the emerging affluent, but the Bank helps to build a more inclusive financial system by integrating financial innovations into its products. The Bank’s Sustainability Aspiration focused on digitisation helps solidify this opportunity. In East Africa, Standard Chartered launched mobile, online, and video banking systems, and integrates locally prevalent mobile banking platforms.

For example, Standard Chartered’s Mobile Banking (called Straight2Bank) includes the M-Pesa service. Standard Chartered worked together with various development-focused organisations, including UNDP, UNESCO, the World Health Organization, Kenya Wildlife Services, Save the Children, and ChildFund International, to use the Straight2Bank service. The use of mobile money has various advantages over using cash. Among others: it increases safety because people do not need to carry cash; it is faster because transactions are not limited to banking hours; it brings inclusion to the financial system by reaching those that formerly lacked access to banking services; and it improves traceability of transactions.

Finally, Standard Chartered’s community programmes are directed towards those that need it most. Box 3 describes some of these initiatives.

Case study

A-One

In June 2017, SCB Tanzania extended a $10m term loan facility to A-one, a local Tanzanian soft drinks manufacturer, in the largest deal we have ever done in Tanzania in the Fast Moving Consumer Goods space. The proceeds from this facility will be used to finance the purchase of machinery and to increase their production capacity.

For Tanzania, this is congruent with their development vision as it will drive industrialisation. The increased production will require greater manpower and will therefore drive job creation, underlining the indirect impacts that our financing creates.

In the year that we celebrate our centenary in Tanzania, it is deals like this for Local Corporates that underline our commitment to the region.
Box 3 – Standard Chartered’s community programmes in East Africa

In addition to its direct operations and its loan portfolio, Standard Chartered also impacts East Africa’s society through its community projects. Examples include the Women in Technology Programmes, Goal, and Seeing is Believing.

The Women in Technology Incubator Programme was launched in Kenya’s capital Nairobi in October 2017. The project aims to support female technology entrepreneurship. It also responds to calls for more diversity in technology and for women to develop entrepreneurial and leadership expertise.

The project will build on Standard Chartered’s experience developing an incubator for women in technology in New York. Through a partnership with the Zahn Innovation Centre at the City College of New York, Standard Chartered organises an annual competition where semi-finalist teams are invited to join the incubator. A two-month boot camp follows, leading to a final pitch competition. During this programme, the teams compete for additional funding for their ventures. Since inception, three such cycles were completed in New York, and $90,000 awarded to six start-ups.

Replicating such a programme in Nairobi could lead the Bank to further support the local economy. At the same time, by providing opportunities for women, with a particular focus on technology, it can contribute to promoting equality – two targets in Kenya Vision 2030.

Additionally, through a combination of sports and life skills training, Standard Chartered’s Goal programme aims to empower and equip adolescent girls with the confidence, knowledge and skills they need to be integral economic leaders in their families, communities and societies. From 2006 to the end of September 2017, Goal enabled more than 349,000 girls across more than 20 countries. As of the end of September 2017, in Kenya and Uganda, Goal has reached over 11,000 girls and helped over 2,500 access leadership and economic opportunities. Standard Chartered aims to link Goal to the Women in Technology Accelerator in the future.

Seeing is Believing, a third programme in the region, is a partnership between Standard Chartered and the International Agency for the Prevention of Blindness (IAPB). It seeks to reduce the prevalence of avoidable blindness and visual impairment. Living in low income countries, citizens in Kenya, Tanzania and Uganda have relatively little access to eye health services. From 2003 to October 2017, Seeing is Believing provided over 860,000 people from marginalised communities across the three countries with access to quality eye health services; an additional 5.8 million people benefitted from eye health education. Seeing is Believing projects and advocacy efforts have also helped to embed eye health services in the national agenda, particularly through a pioneering child eye health project across the three countries.

Finally, Standard Chartered is working to expand financial inclusion by building the capacity of young people and micro and small entrepreneurs through its financial education initiatives. Education for Entrepreneurs in Uganda, for example, aims to equip women business owners with the skills they need to grow their businesses. Since it was launched (in 2014), the programme has reached over 900 entrepreneurs of which 78 per cent were women. Similarly, in Kenya, Financial Education for Youth works to enable young people to take control of their financial future by helping them build financial management skills and tools. To date, the programme has engaged over 20,000 young people in Kenya.

Through these community projects Standard Chartered contributes to diverse goals of the region’s governments, as well as to various Sustainable Development Goals, including Education (SDG 4); Gender (SDG 5); Health (SDG 3); and Science, technology and innovation (SDG 9).
Conclusions and recommendations
Conclusions and recommendations

The 2014 “Banking on Africa” report presented our socio-economic impact assessment of Standard Chartered’s activities in Sub-Saharan African countries. To follow up on this study, this report revealed the socio-economic impacts of Standard Chartered in three East African countries: Kenya, Tanzania and Uganda.

We analysed the extent to which the Bank’s own operations, as well as its loan portfolio, contributed to East Africa in terms of value-added impact (defined as the sum of salaries paid to employees, tax payments, and company profits and savings) and employment impact. We found that the company has a significant impact on the East African region.

The main findings of our study are:

Standard Chartered supports $2.8 billion of value-added impacts across East Africa. This is equal to 2.1% of the region’s GDP. East African households are the largest recipient of Standard Chartered’s supported value-added ($1.4 billion), followed by the private sector ($1.1 billion) and the government ($0.3 billion).

The Bank’s activities support over 1 million jobs in East Africa. This amounts to 1.7% of East Africa’s total labour force. The majority of these jobs are for people that one would not typically associate with the Bank, given its focus on the more productive companies and the emerging affluent.

Standard Chartered’s impact is especially large in the wholesale and retail trade, manufacturing, and utilities and construction sectors. This is important as these sectors can drive East Africa’s future development.

In East Africa Standard Chartered supports

$2.8bn 1million+

value-added jobs
The report showed that East Africa is undergoing positive development trends. Spearheaded by Tanzania, the region recorded significant economic growth in recent years. East Africa has a growing and young labour force, increasingly trades across borders, and technology is rapidly adopted and developed by its population. Nevertheless, as a developing region, it also faces development challenges. With respect to economic growth, we argued that East Africa’s priorities include increasing regional commerce, improving manufacturing, and realising inclusive growth.

These priorities are reflected in the countries’ national development plans. Standard Chartered’s socio-economic impact relates to these themes. In turn, further contributing to these challenges can provide the Bank with commercial opportunities. We thus recommend Standard Chartered to contribute in the following ways:

**Regional commerce:** Standard Chartered finances international commerce and thereby plays an important role in connecting the region’s commercial sector to the world. Adding to that, using its size, expertise, and presence across East Africa, the Bank can contribute to growing regional commerce, enhance the region’s growth, and further cement its own position in these markets.

**Manufacturing:** A large part of the Bank’s value-added and employment impacts arise in the manufacturing sector. If Standard Chartered can assist local companies generate higher value-added and source more from companies within the region, it can contribute to economic growth, create client benefits, and grow (the value of) its client base. The Bank could achieve this by working with its broad network of East African companies to establish relations among these firms. Furthermore, expanding loans in Business Banking (predominantly small-and-medium sized enterprises) and Commercial Banking (mainly local corporates) could ensure that local companies have the financial means to develop increasingly complex capabilities, thereby adding to the manufacturing sector’s viability.

Through its impacts in the utilities sector, the Bank also indirectly supports manufacturing. Increased access to reliable sources of energy is particularly important in the region. Continuing its emphasis on infrastructure in general, and power in particular, can also enable the Bank to contribute to manufacturing.

**Inclusive growth:** Opportunities to help raise the incomes of the region’s poorest inhabitants are necessary to generate inclusive growth. Standard Chartered, although primarily focused on the emerging affluent, can expand its Development Financial Institutions and Business Banking portfolio to reach parts of the population it only indirectly affects. Moreover, because its indirect impacts touch upon labour intensive and sometimes informal sectors, Standard Chartered can work together with its clients in these sectors to increase the magnitude of these effects. Finally, its digital (including mobile) banking products as well as its community activities can further contribute to this end. In turn, inclusive growth could expand Standard Chartered’s future client base.
The socio-economic impact that Standard Chartered supports in East Africa can be viewed in relation to the SDGs. The Bank’s support to value-added and employment impacts, as well as the role it plays in regional commerce, relate well to SDG 8 (Decent Work and Economic Growth). Standard Chartered’s support to the manufacturing sector and its emphasis on infrastructure, in turn, connect to SDG 9 (Industry, Innovation and Infrastructure). Even though the Bank services companies and the emerging affluent, it reaches parts of the economy that are less well-off through its indirect economic linkages, relating to SDG 1 (No Poverty). Adding to that, the Bank’s community programmes are associated with SDG 3 (Good Health and Well-being); SDG 4 (Quality Education); SDG 5 (Gender Equality) and SDG 9 (Industry, Innovation and Infrastructure).

Because of its large emphasis on manufacturing and its community contributions to gender and innovation, these impacts are largely in line with the recommendations we provided to Standard Chartered in our 2014 report. Financing to small-and-medium sized enterprises is still relatively small, although it is difficult to obtain insights on this matter due to a restructuring of the Bank’s segments. More detailed analyses are required to study the Bank’s contributions to economic complexity and development agencies, as well as the Bank’s sustainable development impacts that are harder to quantify. Such efforts could be framed in the context of the SDGs.

Standard Chartered has a longstanding and leading role in East Africa, which is exemplified by the Bank’s significant socio-economic impact in the region. This causes the Bank to be in an ideal position to further contribute to East Africa’s sustainable development. Following a trajectory set out by its Sustainability Aspirations can lead Standard Chartered to help East Africa reach the SDGs, and thereby enhance the region’s sustainable development.
Annexes
Annex 1: Methodology

Definitions and scope

The starting point of the impact model is Standard Chartered Bank’s end-beneficiary. This is Standard Chartered Bank’s client in the case of direct financing and the financial institution’s portfolio company in the case of indirect financing. The model measures effects at the Standard Chartered Bank end-beneficiary itself (direct effects), as well as the economic ripple effects of the end-beneficiary on the broader economy (indirect effects).

These effects are defined as follows:

- Direct effects: sum of effects at Standard Chartered Bank’s end-beneficiary
- Indirect effects: sum of effects at the end-beneficiary’s direct and indirect suppliers; and sum of job effects of the re-spending of salaries earned by employees of the end-beneficiary and its (in)direct suppliers

The model only considers the effects on the local economy; effects related to imports are out of scope of the impact assessment.

The study expresses the direct and indirect effects along two development impact indicators:

- Employment: sum of all jobs related to Standard Chartered Bank’s end-beneficiaries in 2017
- Value-added: sum of net salaries, taxes and profits related to Standard Chartered Bank’s end-beneficiaries in 2017

Since Standard Chartered Bank is usually not the only financier of portfolio companies, not all economic activities of these companies can be attributed to Standard Chartered Bank but only the economic activity related to the financing provided.

Exhibit 17: Overview of finance types, segments and sectors distinguished

<table>
<thead>
<tr>
<th>Capital intensity</th>
<th>Type of Finance</th>
<th>Segment</th>
<th>Sector</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-1</td>
<td>General</td>
<td>Corporate Banking</td>
<td>Agriculture</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Financial Institutes</td>
<td>Manufacturing</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Commercial Banking</td>
<td>Utilities &amp; Constr.</td>
</tr>
<tr>
<td></td>
<td>Wholesale and Retail trade</td>
<td>Business Banking</td>
<td>Wholesale and retail trade</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Retail Banking</td>
<td>Transportation &amp; Com.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Public Services</td>
</tr>
</tbody>
</table>
How the model works

The model starts by calculating the additional economic output (revenues) of an end-beneficiary generated by Standard Chartered Bank’s capital which can thus be attributed to Standard Chartered Bank. For direct as well as indirect end-beneficiaries this estimation is based on macroeconomic statistics on the average capital intensities of the industries and end-beneficiary types (corporates or SMEs, formal or informal) spread over Standard Chartered Bank’s portfolio (for sources see below).

In total, the direct and indirect effects add up to $6.9 million of value-added and 645 jobs.

Once the additional economic output of the end-beneficiary is estimated, it is inserted into the input-output table to calculate direct effects as well as the additional output, value-added and employment impacts supported at (in)direct suppliers. The underlying idea is to trace money through an economy, showing how one sector depends on another. To trace these money flows, the model uses input-output tables. These input-output tables are statistical representations showing inter-linkages between industries. The input-output tables are compiled using data from the Global Trade Analysis Project (GTAP), a global database describing bilateral trade patterns, production, consumption and intermediate use of commodities and services consisting of over 100 tables for individual countries or a group of countries and 57 sectors. For each sector and country, an input-output table shows us how much a typical company spends on other sectors in the local economy, on imports, and on salaries, taxes and profits. For example, it shows the share of revenues a typical crop farmer in Kenya spends on transport, seeds, imported products (such as tractors), salaries and taxes, and how much profit it keeps. The salaries, taxes and profits together make up the value-added contribution of a company. Jobs can be calculated using national statistics of employment and output per sector. These so-called ‘employment intensities’ demonstrate the amount of people employed to produce one unit of output.
By tracing these money flows in the local economy, we can estimate the total economic impact related to Standard Chartered Bank’s end-beneficiaries. The example below (Exhibit 18) shows the steps taken to calculate the direct and indirect effects related to Standard Chartered Bank.

- This particular end-beneficiary’s capital intensity is 0.9 (revenue/capital used). This implies that the $10 million of financing provided is related to $9 million of additional revenues.

- The input-output model tells us that given its economic sector, the end-beneficiary’s own salary and tax payments as well as its own savings sum to $2.4 million. Furthermore, the average annual output per worker in that sector is $34,470. This means that to produce the related revenues, 261 people are employed ($9 million/14,470).

- The input-output model tells us also that again given its economic sector, this end-beneficiary sources about 73% of its inputs locally. That means that from the total investment we trace $6.6 million (73% of $9 million) spent on local suppliers (local traders, farmer equipment). Imports are not traced. The employment intensities for the country in question indicate that to generate $6.6 million revenues, suppliers employ about 384 people (average revenues of $17,200 per job). Moreover, according to the input-output table, suppliers spent 69% ($4.5 million) on local salaries, taxes and profits.

- In addition, the people employed by Standard Chartered Bank’s direct client and by its suppliers spend their salaries in the local economy, thereby supporting economic activity and hence local jobs (not shown in the exhibit below). These effects are calculated based on the average spending pattern of households which can be derived from the input-output table and employment intensities for the country in focus.

In total, the direct and indirect effects add up to $6.9 million of value-added impact and 645 jobs.

Exhibit 18: Example general finance

Please note that for trade finance we assume that the related economic activity supported is equal to the amount of trade finance provided. The model consequently follows the same steps as described above.

\[ \text{Output/job: } \$34,470 \]

\[ \text{Output/job: } \$17,200 \]

\[ \text{Capital intensity } \frac{\text{p} \times \text{k}}{\text{k}} \text{ ratio 0.9} \]

\[ \text{Direct value-added: } \$2.4 \text{ million} \]

\[ \text{Indirect value-added: } \$4.5 \text{ million} \]

\[ \text{Direct impact: } 261 \text{ jobs} \]

\[ \text{Indirect impact: } 384 \text{ jobs} \]

\[ \text{Total impact: } 645 \text{ jobs} \]

\[ \text{Total economic effect: } \$6.9 \text{ million} \]

54 The type of finance that is extended (i.e. trade finance or general finance) influences the extent to which clients record additional revenues. We assume that trade finance does not lead to direct additional revenues because its impact on productivity can be debated. For general finance, we use the productivity to capital (p/k) ratio to determine additional revenues resulting from increased access to finance. This is shown in the example.
Sources and underlying assumptions

The exhibit below shows the information sources used to calculate the impact of Standard Chartered in 2016, using Kenya as an example.

<table>
<thead>
<tr>
<th>1. Input sources</th>
<th>2. Modelling</th>
<th>2. Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. RMI Singapore</td>
<td>Exposure per sector</td>
<td>Development indicators</td>
</tr>
<tr>
<td>Corporate and Commercial Banking</td>
<td>Capital productivity</td>
<td>Supported value chain</td>
</tr>
<tr>
<td>Limits (USD) Outstanding (USD) Customer segment Economic sector client Booking location Trade direction</td>
<td>Associated beneficiary economic output</td>
<td>Value-added Jobs</td>
</tr>
<tr>
<td>b. Local team</td>
<td>Global Trade Analysis Project (GTAP)</td>
<td></td>
</tr>
<tr>
<td>Retail and Business banking</td>
<td>I/O Table</td>
<td></td>
</tr>
<tr>
<td>Limits (USD) Outstanding (USD) Customer segment</td>
<td>Capital per sector</td>
<td></td>
</tr>
<tr>
<td>c. Macrodata</td>
<td>Kenya Statistical Office</td>
<td></td>
</tr>
<tr>
<td>Kenya Statistical Office</td>
<td>Labour per sector</td>
<td></td>
</tr>
<tr>
<td>Output per sector</td>
<td>Central Bank of Kenya</td>
<td></td>
</tr>
<tr>
<td>Loans per sector</td>
<td>GTAP</td>
<td></td>
</tr>
<tr>
<td>GTAP I/O Table</td>
<td>World Bank</td>
<td></td>
</tr>
</tbody>
</table>
| Capital per sector | Total priv. sector capital | />

Central data sources ensure scalability and replicability

Investment-related data are retrieved directly from Standard Chartered Bank databases. Macroeconomic data are retrieved from various public sources.

GTAP Data Base

The Global Trade Analysis Project (GTAP) is a global database describing bilateral trade patterns, production, consumption and intermediate use of commodities and services consisting of over 100 tables for individual countries or a group of countries and 57 sectors. The database uses input from a global network of institutes, researchers and policy makers conducting quantitative analysis of international policy issues. It is coordinated by the Center for Global Trade Analysis in Purdue University’s Department of Agricultural Economics.

World Bank Development Indicators Databank

These are the primary World Bank collection of development indicators which are compiled from officially - recognised international sources. It presents the most current and accurate global development data available, and includes national, regional and global estimates.

Employment intensity

Kenya National Bureau of Statistics

Capital intensity

World Bank: % private sector capital

GTAP: Total capital stock & total output per sector

1. SMEs are considered 20% less capital intensive than average55.
2. Corporates are considered 27% more capital intensive than average.

Using these insights, we used two metrics to determine the (direct) output of Standard Chartered’s clients in Kenya (or, in the case of Financial Institutions, the output of clients’ clients):

- Low capital intensity – used for clients in the Financial Institutions and Business Banking segments
- High capital intensity – used for clients in the Corporate Banking and Commercial Banking segments.

Spending pattern

GTAP Database; Kenya I/O table; 57 sectors

Base year: 2001; Submitted 2007

SMEs and corporates in the same sector/country have the same spending patterns


44
Limitations of the model

The major advantage of the methodology is that it allows quantifying the wider impact of investing in various economic sectors, both directly and through FIs. It is a rigorous academic method that is widely agreed upon and for which Wassily Leontief received the Nobel Prize in 1973.

However, it is also important to point out the limitations of this methodology:

1. Given that the analysis is conducted for a specific moment in time, it does not take into account any structural changes of the economy (e.g. increased productivity);
2. Estimates are based on historical relations, while the methodology is based on the most recent (macro) economic data available;
3. Equity and debt are treated the same way which may underestimate the less tangible positive effect of private equity investing;
4. Standard Chartered Bank’s investments are treated as investments from any other lender and it has been assumed that Standard Chartered Bank’s financial support does not affect the relations of sectors within an economy.

Annex 2:
Differences 2014 and 2017 studies

Methodological differences

The methodology used for this study differs somewhat from the one conducted in 2014, that was based on 2012 data, with respect to the scope as well the data collection process.

We slightly adapted the scope:

Leveraged impact is not considered in this study
- Government securities are not taken into account in this study
- The study’s focus is primarily on quantifiable impacts, whereas we previously also included in-depth discussions of the Bank’s (qualitative) community programmes

We simplified the data collection process:

Capital intensities of companies are retrieved from public sources
- Operations information is obtained from the local Annual Report (Kenya), and from local Financial Statements (Tanzania and Uganda)

The scope adaptions were made in order to better focus on the more direct contributions of Standard Chartered and reflect the learnings of the 2014 study. The leveraged impact is the effect on households that are able to borrow money by using the income they have earned to increase their household expenditure. Although Standard Chartered indirectly supports this effect, other impact pathways are more directly linked to the Bank’s activities. Government securities were excluded in order to focus on the Bank’s contribution to the real economy (these often serve as financial guarantees that are not being put to productive use).

The data collection process has been simplified to enable the development of a standardised tool to continuously quantify the impact of the Bank’s loan book instead of producing a one-time report.
Comparison 2014 and 2017 results (Kenya)

The results for Kenya obtained by this study, in comparison to the 2014-results, shows that somewhat less granular data directionally generates the same results:

- High level results 2017 (based on 2016 data) are similar to the ones from 2014 (based on 2012 data);
- The details of the impact composition however differ and depend on the portfolio distribution over economic sectors and customer segments;
- As such, Standard Chartered can more frequently update its economic impact results and use these into its business strategy to create value for the Bank, as well as for the countries in which it operates;
- Standard Chartered’s impacts are largely in line with our 2014 recommendations due to its focus on manufacturing and its community contributions to gender and innovation. SME financing has declined, although this could be a reclassification resulting from the restructuring of bank segments. More detailed analyses are required to study the Bank’s contributions to economic complexity and development agencies.

Table 4 compares the 2017 findings to the 2014 results.

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outstanding amount</td>
<td>$2,098 million</td>
<td>$1,763 million^{56}</td>
</tr>
<tr>
<td>GDP supported</td>
<td>$2,038 million^{57}</td>
<td>$1,363 million^{57}</td>
</tr>
<tr>
<td>Share GDP supported</td>
<td>5.5%</td>
<td>1.9%</td>
</tr>
<tr>
<td>GDP per $1 invested</td>
<td>$0.89^{58}</td>
<td>$0.71</td>
</tr>
<tr>
<td>Jobs supported</td>
<td>323,000</td>
<td>330,000</td>
</tr>
<tr>
<td>Share jobs supported</td>
<td>2.9%</td>
<td>1.6%</td>
</tr>
<tr>
<td>Largest beneficiary</td>
<td>Households</td>
<td>Companies</td>
</tr>
<tr>
<td>Strongest related sector</td>
<td>Manufacturing</td>
<td>Manufacturing</td>
</tr>
</tbody>
</table>

The key insights from this comparison are:

- The overall size of the loan portfolio included in the study decreased by 16% (mainly due to exclusion of government debt ($363 million in 2016) as part of the refreshed 2017 methodology);
- Standard Chartered Bank’s relative contribution to GDP decreased by more than half;
- For the portfolio as a whole, the GDP-impact per $1 investment decreased;
- The absolute number of jobs supported increased;
- Not households but firms are the largest beneficiaries.

---

^{56} This excludes $363 million outstanding government securities

^{57} Includes impact of Standard Chartered Bank’s operations in Kenya

^{58} $1.9 billion impact related to portfolio /$2.1 billion outstanding amount
A major reason for the reduction of relative GDP related to Standard Chartered Bank is that Kenya’s GDP was rebased in 2014 which resulted in an overnight 25%-growth of the economy. This means that the same amount of supported value-added impact makes up a smaller relative contribution to overall GDP. In addition, the outstanding loan amounts traced in 2016 are lower than in 2012. The ‘GDP impact per $1 investment’ for the portfolio as a whole is largely driven by three factors: (i) a shift in the portfolio towards more general finance; (ii) a shift in the portfolio towards more retail and FI clients; and (iii) a shift in the portfolio towards more capital intensive clients. The latter shift more than off-sets the first two, leading to the overall decrease in the impact per $1 investment. The type of finance (general or trade) that is extended affects clients’ additional revenues. More trade finance in the portfolio leads to lower impacts per $1 financing compared to general finance due to its smaller impact on client productivity. This is a result from the lower capital intensity, or capital productivity, associated with trade finance. Capital intensity influences the additional revenues a client generates with the Standard Chartered financing. For retail clients and customers of FIs this additionality of financing tends to be greater than for Standard Chartered’s global and local corporate clients, as these tend to be more capital intensive firms. In terms of sectors, capital intensive sectors like utilities tend to benefit less from additional financing than more labour intensive sectors such as agriculture or trade. The overall shift towards such sectors consequently explains that overall impact decrease per $1 of financing. Annex 1 provides a summary of the shifts in Standard Chartered’s portfolio.

The increase in number of supported jobs is largely driven by changes in labour productivity (Table 5). The labour productivity rates that we used for the manufacturing, trade, and the public sectors used in the 2016 study is lower than in the 2014 study. Consequently, $1 of additional activity supported in these sectors relates to relatively more jobs. A considerable proportion of Standard Chartered’s portfolio consists of manufacturing clients. This implies that the decrease in labour productivity in that sector is an important driver of the overall increase in related jobs. The other large sector in the loan portfolio is utilities. Since this sector is relatively capital intensive, changes in this sector have less effect on employment.

Finally, the shift towards private firms being the largest beneficiary group, instead of households, can be explained by lower levels of self-employment in the Kenyan economy. Because more people found employment at companies, the fruits of their labour increased the private sector’s income (in contrast, when people are self-employed their rewards are directly counted as salaries).

### Table 5: Development labour productivity ($/worker)

<table>
<thead>
<tr>
<th>Sector</th>
<th>Output/worker 2012 study</th>
<th>Output/worker 2016 study</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture &amp; Forestry</td>
<td>1.718</td>
<td>2.370</td>
<td>652</td>
</tr>
<tr>
<td>Mining</td>
<td>39.528</td>
<td>59.612</td>
<td>20.084</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>15.772</td>
<td>6.764</td>
<td>-9.008</td>
</tr>
<tr>
<td>Utilities</td>
<td>18.606</td>
<td>64.907</td>
<td>46.301</td>
</tr>
<tr>
<td>Construction</td>
<td>6.557</td>
<td>16.454</td>
<td>9.897</td>
</tr>
<tr>
<td>Wholesale and Retail Trade</td>
<td>6.157</td>
<td>4.219</td>
<td>1.938</td>
</tr>
<tr>
<td>Transport &amp; Communication</td>
<td>13.373</td>
<td>21.218</td>
<td>7.845</td>
</tr>
<tr>
<td>Business Services</td>
<td>47.366</td>
<td>77.733</td>
<td>30.367</td>
</tr>
<tr>
<td>Public Services</td>
<td>9.566</td>
<td>4.993</td>
<td>-4.573</td>
</tr>
</tbody>
</table>

---

69 BBC News, Kenya’s economy grows by 25% after recalculation, September 2014
60 See Annex 1 for an explanation on the relationships between the type of finance that is extended and additional client revenues.
61 Based on official labour, (formal and informal) employment, and output statistics.
62 Based on 2011 figures retrieved from Kenya National Bureau of Statistics
63 Based on 2014 figures retrieved from Kenya National Bureau of Statistics
Annex 3: Kenya

This study finds that Standard Chartered Bank Kenya supports:

- $1.4 billion of value-added impact across the country, which is around 1.9% of Kenya’s GDP;
- 330,000 jobs in Kenya: nearly 1.6% of Kenya’s total labour force.

Exhibit 20 below provides a more detailed understanding of Standard Chartered’s impact on Kenya. The graph on the left hand side categorises the total value-added effects into round of impact and it presents a breakdown of the related incomes by recipient. The right hand side of the graph distinguishes the jobs supported by Standard Chartered per round of impact.

Exhibit 20: Value-added (per round and recipient) and employment (per round)

Value-added

<table>
<thead>
<tr>
<th>Million $</th>
<th>Salaries</th>
<th>Profits</th>
<th>Taxes</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>First round</td>
<td>135</td>
<td>349</td>
<td>54</td>
<td>838</td>
</tr>
<tr>
<td>Second round</td>
<td>217</td>
<td>422</td>
<td>67</td>
<td>378</td>
</tr>
</tbody>
</table>

Employment

<table>
<thead>
<tr>
<th>Thousand jobs</th>
<th>Standard Chartered</th>
<th>First round</th>
<th>Second round</th>
<th>Induced</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>115</td>
<td>136</td>
<td>78</td>
<td>330</td>
<td></td>
</tr>
</tbody>
</table>

Key

- Standard Chartered
- First round
- Second round

See the Methodology section for a definition of the rounds of impact.
Exhibit 21 sheds more light on the Bank’s value-added impacts per economic sector and round of impact. When value-added impact is compared to Kenya’s GDP per economic sector, it is found that the Bank (directly and indirectly) supports 3.4% of the manufacturing sector’s total contribution to GDP, 3.3% of the utilities sector’s share of GDP, 3.5% of the trade sector’s GDP contribution, and 2.5% of the transport sector’s share of GDP. A similar chart is shown in Exhibit 22 for the company’s supported employment. Standard Chartered’s value-added and employment impacts per sector are summarized in Table 6 below.

Exhibit 21: Value-added impacts per sector

<table>
<thead>
<tr>
<th>Sector</th>
<th>First round</th>
<th>Second round</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>72</td>
<td>28</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>181</td>
<td>198</td>
</tr>
<tr>
<td>Utilities</td>
<td>8</td>
<td>42</td>
</tr>
<tr>
<td>Wholesale &amp; Retail Trade</td>
<td>168</td>
<td>149</td>
</tr>
<tr>
<td>Transport</td>
<td>45</td>
<td>75</td>
</tr>
<tr>
<td>Business Services</td>
<td>54</td>
<td>148</td>
</tr>
<tr>
<td>Standard Chartered</td>
<td>66</td>
<td>378</td>
</tr>
<tr>
<td>Public Services</td>
<td>100</td>
<td>838</td>
</tr>
<tr>
<td>Total</td>
<td>146</td>
<td>1,400</td>
</tr>
</tbody>
</table>

Exhibit 22: Employment impacts per sector

<table>
<thead>
<tr>
<th>Sector</th>
<th>First round</th>
<th>Second round</th>
<th>Induced</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>30</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>94</td>
<td>29</td>
<td>94</td>
</tr>
<tr>
<td>Utilities</td>
<td>37</td>
<td>4</td>
<td>37</td>
</tr>
<tr>
<td>Wholesale &amp; Retail Trade</td>
<td>30</td>
<td>24</td>
<td></td>
</tr>
<tr>
<td>Transport</td>
<td>24</td>
<td>3</td>
<td>24</td>
</tr>
<tr>
<td>Business Services</td>
<td>2</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Standard Chartered</td>
<td>12</td>
<td>19</td>
<td>12</td>
</tr>
<tr>
<td>Public Services</td>
<td>115</td>
<td>136</td>
<td>115</td>
</tr>
<tr>
<td>Total</td>
<td>151</td>
<td>160</td>
<td>151</td>
</tr>
</tbody>
</table>
Table 6: Summary of value-added and employment impacts

<table>
<thead>
<tr>
<th>Impact per sector (million USD)</th>
<th>Total</th>
<th>Salaries</th>
<th>Profits</th>
<th>Taxes</th>
<th>Jobs ('000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>1,363</td>
<td>538</td>
<td>702</td>
<td>122</td>
<td>330</td>
</tr>
<tr>
<td>Agriculture</td>
<td>100</td>
<td>63</td>
<td>27</td>
<td>10</td>
<td>53</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>379</td>
<td>121</td>
<td>242</td>
<td>16</td>
<td>181</td>
</tr>
<tr>
<td>Utilities and Construction</td>
<td>176</td>
<td>111</td>
<td>44</td>
<td>21</td>
<td>10</td>
</tr>
<tr>
<td>Wholesale and Retail Trade</td>
<td>191</td>
<td>66</td>
<td>107</td>
<td>18</td>
<td>42</td>
</tr>
<tr>
<td>Transportation &amp; Communication</td>
<td>175</td>
<td>42</td>
<td>119</td>
<td>14</td>
<td>8</td>
</tr>
<tr>
<td>Business Services</td>
<td>129</td>
<td>52</td>
<td>66</td>
<td>12</td>
<td>3</td>
</tr>
<tr>
<td>Standard Chartered</td>
<td>146</td>
<td>54</td>
<td>64</td>
<td>28</td>
<td>2</td>
</tr>
<tr>
<td>Public Services</td>
<td>66</td>
<td>30</td>
<td>33</td>
<td>4</td>
<td>31</td>
</tr>
</tbody>
</table>

Focusing on the impact pathways in more detail, Exhibit 23 shows the impact composition by customer segment and type of finance. Standard Chartered’s impact in Kenya is well distributed over the various customer segments. In terms of individual segments, Retail finance relates to relatively the most incomes and Corporate finance to relatively the most jobs. In terms of type of finance, general loans make up the majority of the total impact ($909 million and 267,000 jobs).

Exhibit 23: Breakdown of total impact by customer segment & type of finance
Annex 3: Tanzania

In Tanzania, Standard Chartered’s activities support:
• $579 million in value-added impact among direct and indirect clients and suppliers. This is equivalent to 1.1% of the country’s GDP;
• 222,000 jobs (direct, indirect, and induced effects) in the country, which is around 1% of all employed Tanzanians.

Exhibit 24 shows Standard Chartered’s support to value-added and employment in the country.

**Exhibit 24: Value-added (per round and recipient) and employment (per round)**

Value-added

<table>
<thead>
<tr>
<th>Million $</th>
<th>Salaries</th>
<th>Profits</th>
<th>Taxes</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>89</td>
<td>177</td>
<td>25</td>
<td>171</td>
</tr>
<tr>
<td></td>
<td>141</td>
<td></td>
<td>61</td>
<td>379</td>
</tr>
<tr>
<td></td>
<td>379</td>
<td>57</td>
<td>11</td>
<td>437</td>
</tr>
</tbody>
</table>

Employment

<table>
<thead>
<tr>
<th>Thousand jobs</th>
<th>Standard Chartered</th>
<th>First round</th>
<th>Second round</th>
<th>Induced</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>0.3</td>
<td>76</td>
<td>78</td>
<td>68</td>
<td>223</td>
</tr>
</tbody>
</table>

Key

- Standard Chartered
- First round
- Second round
Exhibit 25 reveals the Bank’s contribution to Tanzania’s economic sectors. Compared to these sectors’ contributions to Tanzanian GDP, it is found that Standard Chartered is linked to 3.5% of the trade sector and 3.7% of the manufacturing sector (excluding mining and other industrial activities).

The Bank’s support to employment in specific economic sectors is shown in Exhibit 26. Table 7 summarises the value-added and employment effects that can be related to Standard Chartered’s Tanzanian activities.
### Table 7: Summary of value-added and employment impacts

<table>
<thead>
<tr>
<th>Impact per sector (million USD)</th>
<th>Total</th>
<th>Salaries</th>
<th>Profits</th>
<th>Taxes</th>
<th>Jobs ('000)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total</strong></td>
<td>579</td>
<td>277</td>
<td>211</td>
<td>92</td>
<td>223</td>
</tr>
<tr>
<td>Agriculture</td>
<td>156</td>
<td>82</td>
<td>52</td>
<td>22</td>
<td>116</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>98</td>
<td>23</td>
<td>50</td>
<td>25</td>
<td>19</td>
</tr>
<tr>
<td>Utilities and Construction</td>
<td>25</td>
<td>11</td>
<td>10</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>Wholesale and Retail Trade</td>
<td>193</td>
<td>94</td>
<td>74</td>
<td>25</td>
<td>75</td>
</tr>
<tr>
<td>Transportation &amp; Communication</td>
<td>16</td>
<td>4</td>
<td>10</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Business Services</td>
<td>50</td>
<td>42</td>
<td>1</td>
<td>8</td>
<td>2</td>
</tr>
<tr>
<td>Standard Chartered</td>
<td>29</td>
<td>11</td>
<td>13</td>
<td>8</td>
<td>0</td>
</tr>
<tr>
<td>Public Services</td>
<td>12</td>
<td>9.0</td>
<td>0.8</td>
<td>1.7</td>
<td>6.2</td>
</tr>
</tbody>
</table>

The pathways through which Standard Chartered’s Tanzanian impact is realised are shown below. Of the Bank’s various customer segments, Corporate Banking and Financial Institutions instigate 83% of total value-added impact that is linked to Standard Chartered. As a result, 89% of total employment effects are associated with these two customer segments. In addition, the right hand side of Exhibit 27 reveals that general finance is linked to $306 million in value-added, trade finance is associated with $222 million in value-added, while Standard Chartered’s own operations relate to $52 million in value-added.

### Exhibit 27: Breakdown of total impact by customer segment & type of finance
Annex 5: Uganda

In Uganda, we found that Standard Chartered’s operations and loan portfolio support:

- $896 million of value-added impact across the country, which is around 3.5% of Uganda’s GDP;
- 491,000 Ugandan jobs: nearly 3.5% of all employed Ugandans.

Exhibit 28 reveals Standard Chartered’s support to value added (left-hand side) and employment (right-hand side) in Uganda. It shows that households are the primary beneficiary of Standard Chartered’s presence in Uganda, due to relatively high support to salary payments.

**Exhibit 28: Value-added (per round and recipient) and employment (per round)**
Exhibit 29 shows the value-added that the Bank supports across Uganda’s various economic sectors. Similarly, Exhibit 30 shows the Bank’s support to employment across economic sectors. Compared to total employment in Uganda, Standard Chartered supports 7% of those employed in both the manufacturing and transportation sectors and 6% of people in the utilities and construction sector. This is well above the company’s average contribution to employment in Uganda. Standard Chartered’s impact on Uganda is summarised in Table 8 below.
### Table 8: Summary of value-added and employment impacts

<table>
<thead>
<tr>
<th>Impact per sector (million USD)</th>
<th>Total</th>
<th>Salaries</th>
<th>Profits</th>
<th>Taxes</th>
<th>Jobs ('000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>896</td>
<td>580</td>
<td>204</td>
<td>113</td>
<td>491</td>
</tr>
<tr>
<td>Agriculture</td>
<td>174</td>
<td>145</td>
<td>23</td>
<td>7</td>
<td>226</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>126</td>
<td>62</td>
<td>29</td>
<td>34</td>
<td>80</td>
</tr>
<tr>
<td>Utilities and Construction</td>
<td>206</td>
<td>93</td>
<td>61</td>
<td>52</td>
<td>20</td>
</tr>
<tr>
<td>Wholesale and Retail Trade</td>
<td>160</td>
<td>104</td>
<td>49</td>
<td>7</td>
<td>90</td>
</tr>
<tr>
<td>Transportation &amp; Communication</td>
<td>36</td>
<td>21</td>
<td>12</td>
<td>3</td>
<td>23</td>
</tr>
<tr>
<td>Business Services</td>
<td>96</td>
<td>84</td>
<td>9</td>
<td>4</td>
<td>16</td>
</tr>
<tr>
<td>Standard Chartered</td>
<td>29</td>
<td>17</td>
<td>8</td>
<td>4</td>
<td>1</td>
</tr>
<tr>
<td>Public Services</td>
<td>70</td>
<td>53</td>
<td>13</td>
<td>3</td>
<td>36</td>
</tr>
</tbody>
</table>

Standard Chartered supports the Ugandan economy somewhat through its own activities, but most of the impact in Uganda comes from its lending. Financial Institutions and Corporate Banking clients are accountable for the majority of socio-economic effects that are linked to the Bank, as is shown in Exhibit 31. As in Kenya and Tanzania, most impacts also pertain to Standard Chartered’s provision of general finance, as opposed to trade finance (right-hand side of the exhibit).

### Exhibit 31: Breakdown of total impact by customer segment & type of finance