



Kenya

The Gateway to Africa

by


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AFRICA AT A GLANCE

☞ Vast continent; equivalent to

- China
 - India
 - Western Europe
 - USA
 - Argentina
 - New Zealand
- 



AFRICA AT A GLANCE

- ☞ Population: 740 million
 - ☞ 52 countries
 - ☞ Huge debts of about \$220 billion
 - ☞ 2/3 of LDCs
 - ☞ Huge digital divide
 - ☞ Low Human Development Indices
 - ☞ Vast natural resources
 - ☞ 2/3 of population young and eager to learn
 - ☞ NEPAD initiative
 - ☞ High prevalence of pandemics
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Kenya at a glance

- ✔ Population of 30 million
- ✔ Gross Domestic product (GDP) estimated at US\$10 billion
- ✔ Agriculture accounts for 24% of the GDP
- ✔ 75% of the population depends on agriculture
- ✔ Manufacturing accounts for 13% of the GDP
- ✔ Tourism accounts for 12% of the GDP
- ✔ These sectors provide the largest number of employment opportunities

Kenya's Investment Priority Areas

- ☛ Agriculture and Agro-processing
- ☛ Tourism
- ☛ Trade in services
- ☛ Privatisation
- ☛ Textiles and garment manufacturing
- ☛ Knowledge-based industries

Macro-Economic Framework

Major objectives include:

- ☛ Poverty alleviation
- ☛ Creation of employment opportunities
- ☛ Government divesting from State enterprises
- ☛ Implementation of the Free Trade Area (FTA) duty reductions under the Common Market for East and Southern Africa (Comesa) Agreement
- ☛ As a market based economy, Kenya is fully integrated in the Global market through its participation in the World Trade Organisation (WTO)

Economic Policy framework

- ☛ Kenya pursues tight monetary policy so as to:
 - ❖ Contain inflation at a single digit
 - ❖ Contain liquidity expansion in the economy
 - ❖ Maintain low and positive interest rates
 - ❖ Maintain a balanced budget
 - ❖ Stabilize government revenue to 24% of GDP
 - ❖ Maximize productivity to justify government expenditure

Liberalisation Measures

- Removal of price controls
- Removal of exchange controls
- Removal of import and export licensing
- Reduction of duty rates on all capital goods
- Removal of restrictions to both domestic and foreign borrowing
- Privatisation

Why Invest in Kenya

- ☞ Business friendly tax system
- ☞ Simple Investment procedures
- ☞ Relatively developed infrastructure
- ☞ Highly developed human resource

- ☞ Political stability-The country has:
 - ❖ Enjoyed peace and political stability since independence
 - ❖ Presidential and general elections every five years
 - ❖ Multiparty Democracy

Why Invest in Kenya(contd.)

- The country is actively involved in the New Partnership for Africa's Development (Nepad) initiative
- This initiative aims at developing the continent's capacity to sustain growth at levels required to achieve poverty reduction and sustainable development
- Nepad also strives to improve matters pertaining to governance of its member states as this directly affects the levels of Foreign Direct Investments (FDI)

Current Investment Incentives

- ☞ Investment allowance at 100% on plant, machinery, equipment and buildings
- ☞ Liberal depreciation allowances as follows:
 - ❖ 2.5% on industrial buildings
 - ❖ 4 on hotels
 - ❖ 12.5% on plant and machinery
 - ❖ 25-37.5% on motor vehicles, trucks and tractors
 - ❖ 30% on computers and office equipment
 - ❖ Businesses that suffer losses can carry forward such losses to be offset against taxable profits

Manufacture Under Bond Programme

- Grants 100% investment allowance, duty and VAT exemption on plant, machinery, equipment, raw materials and immediate inputs.

Duty Remission Facility:

Imported materials intended for use in manufacture of exports are eligible for duty remission under the Export promotion Programmes Office (EPPO)

Market Access

Kenyan products have access to the following markets:

- The newly relaunched East African Community with a population of 80 million people
- Common Market for East and Southern Africa with an estimated population of 340 million people
- United States of America under the African Growth and Opportunity Act (AGOA)
- European Union-exports to the EU are entitled to trade preferences such as duty free entry of industrial and a wide range of agricultural products

Guarantees to Investors

- ☛ Kenya constitution guarantees against expropriation of private property except for purposes of public use or security
- ☛ Removal of exchange controls guarantees investors repatriation of capital, profits and interests.
- ☛ Member of the Multi-lateral Investment Guarantee Agency (MIGA), an affiliate of the World Bank that insures foreign investments against non-commercial risks

Investors' Guarantees (contd.)

- Kenya is a member of the International Centre for Settlement of Investment Disputes (ICSID) which arbitrates cases between foreign investors and host governments
- The country is also a member of the Africa Trade Insurance Agency (ATIA) which insures investors against political risks

Investment Procedures

- Registration of the business by the Registrar of Companies
- Applications for approval of investments are submitted to Investment Promotion Centre (IPC)
- Approval is based on security, health and environmental requirements-Approval within four weeks from the date of application
- Issuance of Certificate of General Authority by IPC-
The certificate enables the investor to immediate commence implementation of his projects as he processes other relevant licenses

Taxation

- ☞ Corporate tax stands at:
 - ❖ 30% for all companies
 - ❖ 25% for new listing at Nairobi Stock Exchange for 5 years
- ☞ Withholding tax is 5%
- ☞ Rate of VAT:
 - ❖ Standard 18%
 - ❖ Restaurants 16%
 - ❖ Input for health care, education and exports of goods and services 0%

Taxation (contd.)

- Excise duties levied on beer, tobacco, matches, wines, spirits, mineral water and confectionaries
- Personal tax is charged on the income earned in Kenya. Rates are graduated to a maximum of 30%
- Import duties range:
 - ❖ From 0% to 35% for finished products
 - ❖ 0% for capital goods, intermediate inputs and basic raw materials

Infrastructure & Support

- Road, railway and telecommunications and postal services
- 3 international and several domestic airports
- Mombasa port that ranks among the largest and busiest on the East African Coast
- Nairobi as the hub of East and Central Africa
- Only United Nations office in the Third World
- Diplomatic capital of the region
- Largest number of foreign correspondents in Africa
- Kenya Airways providing links to much of Africa

Human Resource

- ☛ Kenya has a highly trained human resource. More than 400,000 students complete education at various levels every year. At University level 12,000 graduate every year, 40% in science and technology disciplines
- ☛ Many are trained in various artisan and craft skills
- ☛ Disciplined and hard working labour with a strong entrepreneurial spirit
- ☛ International Exposure

Natural Resources

- Has a land area of 582,646sq km. This presents a huge potential for cash crops and horticulture
- Ground water can be exploited for human use and irrigation projects
- Potential for oil exploration and deposits of material for manufacture of building materials e.g cement
- Hot climate at the Coast has potential for large scale salt production utilising sea water
- Geothermal potential in the Rift Valley can be used for electric power generation

Imports

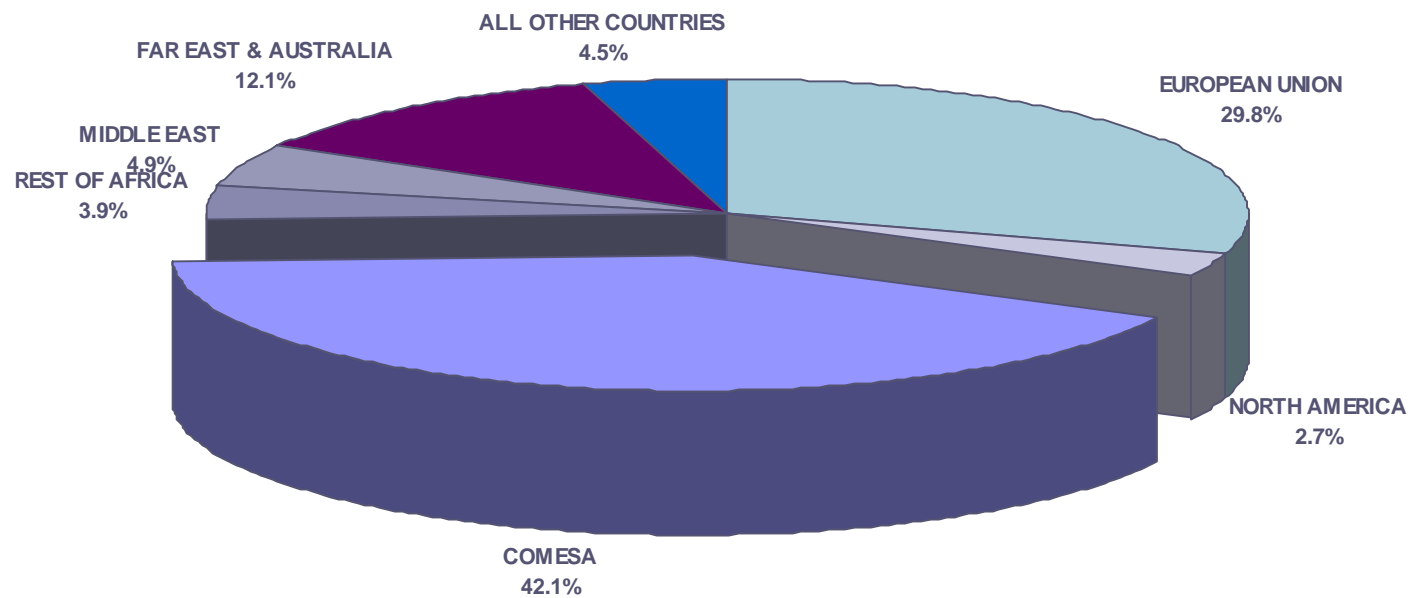
- Major imports from Japan include:
 - ❖ Motor vehicles designed for human transport
 - ❖ Internal combustion piston engines and parts
 - ❖ Telecommunication equipment and parts
 - ❖ Rubber tyres and interchangeable tyre treads
 - ❖ Rotating electric plants and parts
 - ❖ Flat rolled products of iron or non alloy steel
 - ❖ Special purpose motor vehicles

Exports

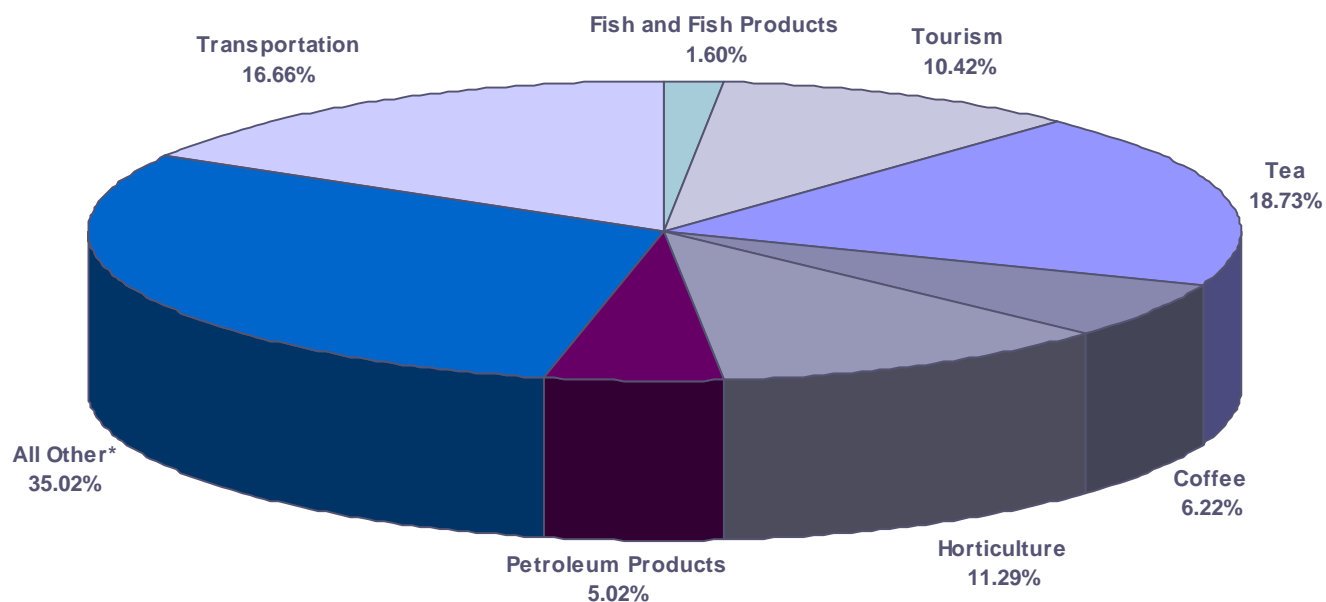
Major exports to Japan include:

- Fruits and nuts
- Fish
- Tea
- Coffee
- Tobacco
- Vegetables
- Precious and semi precious stones
- Textile fibre

Trading Partners



Exports(products and services)



*All Others Include :
Private Income (Excludes Investment Income) - 1.34%
Soda Ash - 0.77%
Cement - 0.72%
Pyrethrum Extract - 0.37%
Fluorspar - 0.34%

Investment Opportunities- Agriculture

Many support institutions have been established to ensure the success of this sector:

- Coffee Board of Kenya
- Tea Board of Kenya
- Horticultural Crops Development Authority
- National Cereals and Produce Board
- Kenya Plant Health Inspectorate
- Kenya Agricultural Research Institute
- Universities and Colleges

Horticulture

- Opportunities exist in production and export of products such as:
 - Cut-flowers
 - French beans
 - Pineapples
 - Mangoes and other fruits

Manufacturing

- Has vast opportunities for investments providing forward and backward linkages
- Opportunities exist in agro-processing, manufacture of textiles, garments and apparels

Construction

- ✓ Kenya has a well developed construction industry
- ✓ Quality engineering, building and architectural design services are locally available

Truck loading facility in Mombasa

- The project will involve the installation of a common user truck loading facility at Mombasa to facilitate uplifting of products by the oil marketers operating in the region
- It is estimated to cost US\$12 million

Telecommunications link

- Replacement of Kenya's portion of the Pan-African telecommunications (Panaftel) link is a project that is estimated to cost approximately US\$25 million

Roads

- ☛ The government is currently considering and exploring possibilities of introducing alternative methods of financing road construction and maintenance such as:
- ☛ Build, Operation and Transfer (BOT)
- ☛ Build, Operate and Own (BOO)

Fish Filleting

- The exploitation of the fish resource in Lake Victoria and its subsequent processing into fish fillet for both export and domestic markets is a big opportunity
- It is estimated that an initial investment of US\$1.5 million would be a good start

Sugar Production

- ☛ There is great potential in sugar production. A number of existing sugar factories are on offer for privatisation as the government divests from them
- ☛ Opportunities exist in these companies as well as new ones

Kenya Wines Agency Ltd

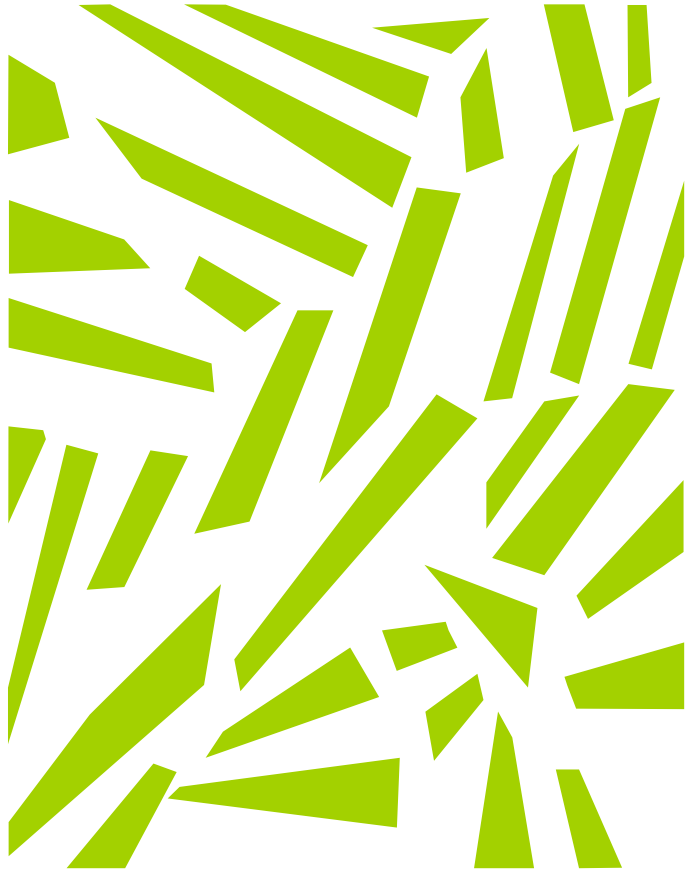
- ☛ This is an existing company, profitable, and with a distribution network within East Africa
- ☛ There is a potential opportunity for investment, as plans to privatise the company are underway
- ☛ Its products are wines and spirits

MESSAGE TO JAPANESE COMPANIES

- ☛ Africa is natural resources rich
- ☛ Africa is not as bad as portrayed
- ☛ Africa has huge potential
- ☛ Africa has its centres of stability and progress and Kenya is one of them
- ☛ Africa will be the new development frontier
- ☛ Africa is geographically advantaged

EXPECTATIONS OF G8 COUNTRIES

- ☞ Increase market access
- ☞ Capacity building
- ☞ Debt waivers
- ☞ Demand good governance
- ☞ Alleviate poverty
- ☞ Address pandemics e.g. HIV/AIDS
- ☞ Bridge the digital divide
- ☞ Transfer of technology



Thank you
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