INVESTORS GUIDE TO KENYA

PREFACE

This book was prepared by by KenInvest in conjunction with Regional Investment Agency (RIA) of the Common Market for Eastern and Southern Africa (COMESA). It was written to give the busy executive a quick overview of the investment climate, taxation, types of business organisation and accounting practices in Kenya. Making decisions about foreign operations is complex and requires an intimate knowledge of a country's commercial climate. Companies doing or planning to do business in Kenya are advised to get current and detailed information from experienced professionals and investment authorities.

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POLITICS & GENERAL COUNTRY INFORMATION

1.1. GENERAL INFORMATION

Today, Kenya's political system is democratic with numerous political parties. These include major parties such as The National Alliance (TNA), The Orange Democratic Movement (ODM), The United Republic Party (URP) and The Wiper Democratic Party (WPD). In turn, these political parties are organized in two major coalitions; Jubilee, the ruling coalition and the opposing Coalition for Reform and Democracy (CORD).

INDEPENDENCE

Kenya gained its independence from Britain in 1963 and has since maintained a diversified economy in which the private sector has always played a strong role.

The 2010 Kenyan Constitution brought numerous changes to the country's political system, including devolution. As a result, two levels of government were created: a Central Government and 47 county governments. Unlike the federal system, in which sovereignty is constitutionally divided between the Federal Government and the States, devolution in Kenya offers a unitary political concept given the distribution of functions between the two levels of government. Devolution is only autonomous in the implementation of these distinct functions. While the National Government has the three main arms of government, county governments have only two: the County Executive, headed by the Governor, and the County Assembly (Legislature), made up of Members of County Assemblies (MCA), and headed by the Speaker. Each MCA represents a ward, which constitutes a single-member constituency.

For accountability of both levels of government, the Constitution introduced more checks and balances. The bicameral Parliament, consisting of the Senate and National Assembly, has much discretion on budgetary allocations to County Governments. The Commission of Revenue Allocation, meanwhile, makes recommendations to the Senate on the revenue-allocation criteria. The Constitution bars the National Government from intruding willfully with county-government roles and functions unless approved by the Parliament.

Source: Kenya National Bureau of Statistics 2015

OFFICIAL NAME

REPUBLIC OF KENYA

FORM OF STATE

UNITARY STATED WITH MULTI PARTY DEMOCRACY

2014 POPULATION

43 MILLION

DENSITY

77.9 PEOPLE PER SQ. KM

TOTAL AREA

580,367 SQ. KM

47 ADMINISTRATIVE GOVERNMENT COUNTIES

RELIGION

CHRISTIAN, MUSLIM, INDIGENOUS AFRICA AND OTHERS

CURRENCY

100KES = 1USD

TIMEZONE

GMT+3

TOTAL GDP (2014)

$60.9 BILLION

AVERAGE GDP PER CAPITA (2014)

$1,418.7

GDP GROWTH

5.3%

TOTAL EXPORTS VOLUME (2014)

$6.1 BILLION

TOTAL IMPORTS VOLUME (2014)

$18.4 BILLION

AVERAGE ANNUAL CONSUMER PRICE INDEX (2014)

149.7

1.2.
STRUCTURE OF GOVERNMENT AND CHECKS & BALANCES

Traditionally the power of the Kenyan Government has been divided into three main arms: the Executive, the Legislature and the Judiciary. The 2010 Constitution includes a greater separation of powers between these three, as well as the introduction of checks and balances on the Executive and devolution of power on local matters to the 47 counties.

1.3.
LEGISLATIVE BRANCH

There is a bicameral Parliament consisting of the Senate and the National Assembly. The National Assembly consists of 290 representatives from single-member constituencies, 47 women elected from the counties and 12 nominated members to represent special interests. The role of the National Assembly is to exercise oversight of state organs, national revenue and expenditure and appropriate funds for National Government spend along with enacting laws that govern the country.

The Senate consists of 47 members, one elected from each county, and 16 women members nominated by the various parties, as well as two youth representatives and two representatives for individuals with disabilities. The role of the Senate is to protect the interest of the counties, enact laws for the counties, and oversee state officers.

1.4.
THE JUDICIARY

The Judiciary is repositioning itself in the context of the 2010 Kenyan Constitution. It is involved in a major transformation which included the recruitment of the Chief Justice, as well as for other judicial offices, and administrative and paralegal staff. In aiming to fulfill its constitutional mandate under Article 159 and meet public expectations, it is structured along the following lines:

THE SUPREME COURT
The Supreme Court hears and determines cases relating to presidential elections. It also hears appeals on cases that have been concluded by the Court of Appeal, and issues advisory opinions on matters concerning county governments in any case involving the interpretation or application of the Constitution, and in matters of general public importance. Furthermore, it hears appeals from any other court or tribunal as prescribed by the national legislation.

THE COURT OF APPEAL
The Court of Appeal is established under Article 164 of the Constitution, and consists of no fewer than 12 judges. It is organized and administered as prescribed by an Act of Parliament. The Court comprises the President of the Court of Appeal, who is elected by judges of the Court of Appeal from among themselves. The Court of Appeal has jurisdiction to hear appeals from the High Court and any other court or tribunal as prescribed by Parliament.

THE HIGH COURT
The High Court is established under Article 165 and consists of a number of judges as prescribed by Parliament. It has unlimited original jurisdiction in criminal and civil matters, but no jurisdiction on matters reserved exclusively under the Constitution for the Supreme Court or falling within the jurisdiction of the courts considered in Article 162 (2).

The High Court has supervisory jurisdiction over subordinate courts and over any person, body or authority exercising a judicial or quasi-judicial function, but not over the Superior Court.

SUBORDINATE COURTS
Subordinate courts are provided for under Article 169 of the Constitution and include:
- The Magistrates Courts;
- The Kadhis' Courts.

MARTIAL COURTS
Section 84 of the Armed Forces Act gives court-martial power to try and punish any person subject to the Act.

TRIBUNALS
Tribunals in Kenya are administrative bodies established by Acts of Parliament whose purpose is to exercise judicial and quasi-judicial functions. The members of a tribunal are empowered to listen to and rule on specific matters as set out in the statute that has established them. In exercising its powers, tribunals must adhere to the same standards as ordinary Courts and the rule of law.

Further, tribunals are subject to supervision by the High Court. A party who is dissatisfied with the outcome of a tribunal may appeal to the High Court.

1.5.
EXECUTIVE BRANCH

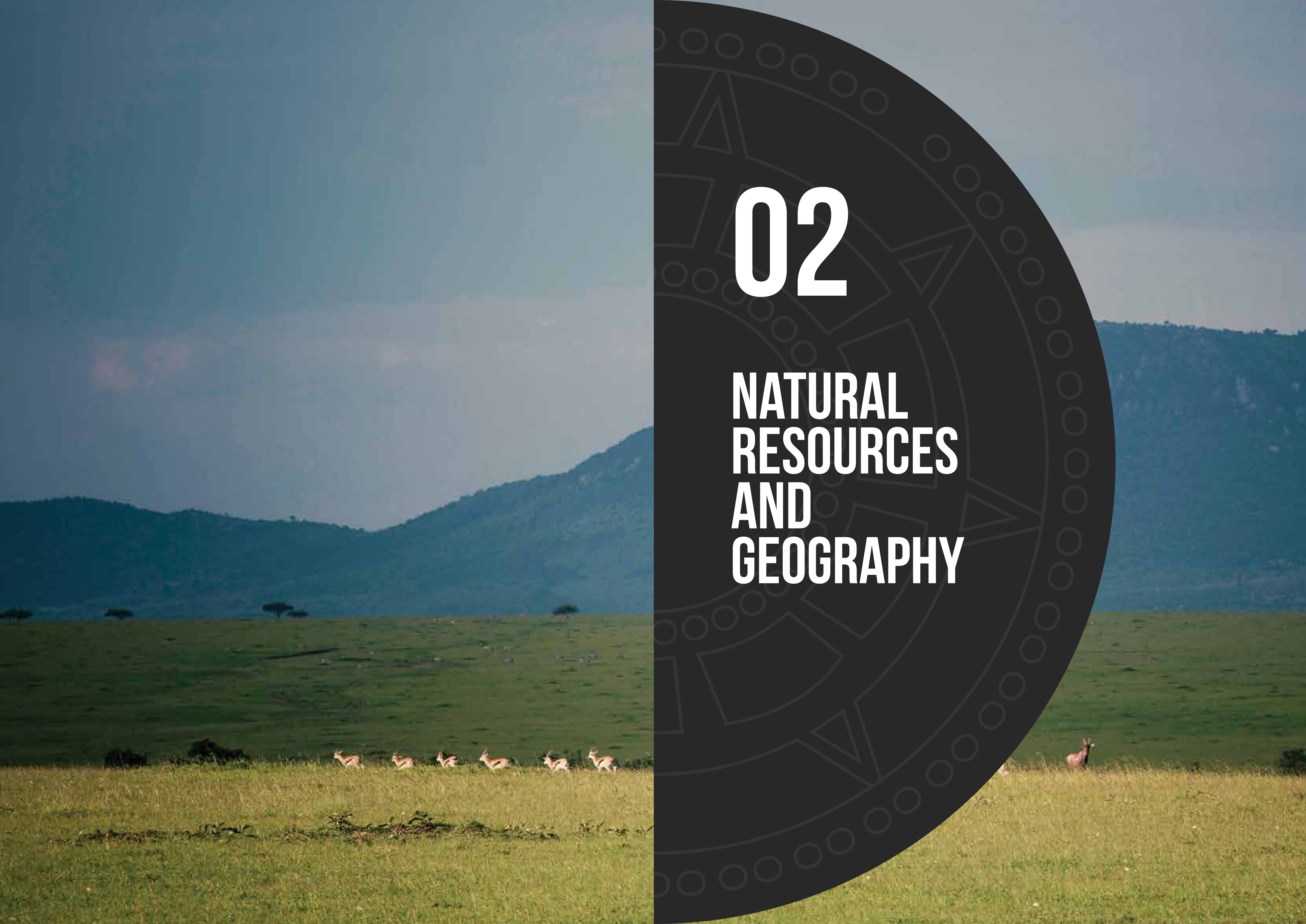
Executive authority derives from the people of Kenya and consists of the President, the Deputy President and the Cabinet. The President is the Head of State and Government, and Commander-in-Chief of Kenya's Defence Forces. Any citizen by birth qualifies for nomination as a presidential candidate but can be elected for no more than two five-year terms. A Presidential candidate wins if he or she receives more than half of all votes cast in an election and at least 25 percent of valid votes in more than half the counties. Where there is no outright winner in the first round, a fresh election is held and the candidate who receives the most votes is declared President-Elect.

The Deputy President is the principal assistant to the President and deputises for the President. The Constitution requires that each Presidential candidate nominate a candidate for the position of the Deputy President. The Cabinet consists of the President, the Deputy President, the Attorney General and 18 Cabinet Secretaries. Unlike before, the Cabinet Secretaries are not members of parliament.

1.6.
ELECTORAL SYSTEM AND PROCESS

Elections in Kenya are held at the national level for Head of State (the President), a Legislature and the county governments, which take place every five years.

The Independent Electoral and Boundaries Commission (IEBC), established under Article 88 of the Constitution, is mandated with conducting or supervising referenda and elections of any elective body or office established under the Constitution, and any other elections as prescribed by Parliament.



02

NATURAL RESOURCES AND GEOGRAPHY

2.1.
GEOLOGY

The geology of Kenya may generally be grouped into the following five major geological successions namely (1) the Archaean (Nyanzian and Kavirondian), (2) Proterozoic (Mozambique Belt and Bukoban), (3) Palaeozoic/Mesozoic sediments, (4) Tertiary/Quaternary volcanics, and (5) Tertiary/Quaternary sediments.

The Nyanzian Shield: The Nyanzian system is mainly composed of lavas and pyroclastics with minor sediments and banded ironstones. The Kavirondian, consists of grits, sandstones, greywackes and conglomerates. Both the Nyanzian and Kavirondian systems are isoclinally folded about axes that have an east-westerly trend.

Mozambique Belt: Within the Mozambique Belt basic igneous complexes are found and range in size from bosses to small dykes. They occur both east and west of the Rift Valley. Some of the older basic intrusions have undergone deformation and metamorphism to give orthoamphibolites and charnockitic gneisses.

Palaeozoic and Mesozoic Formations: Palaeozoic and Mesozoic formations in Kenya are found near the coast and in northeastern Kenya. The earliest of these rocks are Permo-Carboniferous which is mostly sandstones and shales that form the Duruma series. The local formations are Taru; Maji-ya-Chumvi; Mariakani and the Mazeras. They extend for about 100 kilometres from Taru to Mazeras, west of Mombasa.

Tertiary and Quaternary Volcanics: Volcanic rocks cover the central parts of the country from south to north, occurring in the floor of the Rift Valley and on the peneplains west and east of the valley. Quaternary volcanism was mostly within the Rift Valley and has given rise to the craters and cider cones that are found in the floor of the valley e.g. Longonot, Menengai and Suswa.

Tertiary and Quaternary Sediments: There are many deposits of sediments in various parts of Kenya. They usually occur at the base of volcanic succession, intercalated with it or occurring in tectonic troughs.

2.2.
CLIMATE

Generally, Kenya enjoys a tropical climate. It is hot and humid on the coast, moderate inland, and very dry in the north and northeast. The country receives a great deal of sunshine all year round. While it is warm during the day at higher altitudes, it is often cool at night and early in the morning.

The country experiences two rainy seasons: the "long rains" from March to June and the "short rains" from October to December. The rainfall pattern of most of the country is associated with the monsoons of the Indian Ocean. The long rains are brought by southeasterly winds off the Indian Ocean, while the short rains are carried by northeasterly winds from India and across the Arabian Sea to Kenya. Western Kenya, which receives rain almost year-round, is also influenced by winds from across the Congo Basin, bringing rain in July and August.

Only about a quarter of the country receives enough rainfall to support rain-fed farming. The amount of rainfall varies considerably from place to place and from year to year. This means that people in different parts of the country have developed different economies and ways of living.

Climate and soils combine to create different agro-ecological regions. The lowland areas are dry, except for a narrow strip of land along the Indian Ocean where ocean winds bring a lot of rain. However, the desert areas of northern and eastern Kenya receive little rain.

The semi-arid plains in the south and the Great Rift Valley do not get enough rain to support rain-fed agriculture. These areas are home to communities such as the Rendille, Samburu, Turkana, Galla and Maasai who raise livestock for a living. They drink milk and eat meat from their animals and sell animals to buy grains such as maize. They also practice nomadic life especially during the dry season, moving from place to place looking for grass and water for their livestock. In places where water is available, crops, such as vegetables, rice and cotton, are grown under irrigation. Many of Kenya's national parks are also located in these areas. Tourists who visit the parks are an important source of income for the country.

The mountainous areas of the centre and southwest receive a lot more rain. These are the major agricultural areas of Kenya. Maize and beans are the principal food-crops in these parts, while coffee and tea are grown as cash crops. Some areas are also set aside for forests and national parks. Along the coast there is also a narrow strip of land that receives abundant rainfall. Here a variety of crops such as fruit, nuts, and cotton are grown. This is also where Kenya's beautiful beaches are located, bringing in vital tourist revenue.

Temperatures vary from season to season and by altitude. The lowlands are much hotter than the highlands. At cooler times of the year the highlands sometimes get frosts, and hail is quite common. Predictions for climate change made by Global General Circulation Models (GCM) states that by 2050 Kenya will generally be warmer and wetter. However, these trends may differ from area to area. In the highlands, for example, warmer temperatures are expected, along with shorter but more torrential rainy seasons. In contrast, areas in northeastern Kenya are expected to see an increase in rain that may lead to more vegetation. Recent satellite measurements suggest that this is already underway. However, the response of different regions to climate change will also be affected by local factors such as mountains, lakes, population and land use.

Kenya's highland areas provide most of the country's food such as maize and beans and mountain-grown cash crops that include coffee and tea. With climate change, some of these areas may become too warm to produce coffee and tea. Regardless, rising temperatures will make the growing season shorter (better) for maize and other food crops, especially if rainfall stays about the same or increases.

Lowland areas are also predicted to be warmer, especially along the Indian Ocean coast. Although climate-change models also predict more rainfall for lowland areas, rising temperatures may shorten the growing season for maize and many other crops that are now grown there. Farmers in lowland areas may seek to cope with these warmer temperatures by switching to more heat-tolerant crops.

Many other areas of Kenya do not have enough rainfall for agriculture, so herding is more common. These areas already have erratic rainfall from year to year. Although increased temperatures and more rainfall by 2050 may theoretically make farming possible, shorter and more torrential rainy seasons may make farming too risky in all but a few places.

2.3.
SOILS

Many factors contribute to soil formation, including the original rock, climate, slope and height of the land, and the activities of living things. With its diverse landscapes and environmental conditions, Kenya has a wide variety of soil types. Some areas are sandy, while some are clay, and others are very stony. Their characteristics vary according to drainage and original rock matter; some areas are well drained while others become waterlogged during the rains. Kenyans are very aware of these characteristics and farmers and herders vary the use of the land, taking these issues into account.

2.4.
HYDROLOGY

Kenya has many large lakes and a number of rivers. The largest lake in the country, Lake Victoria, which is shared with Tanzania and Uganda, covers 68,000 km^2. Others include the Great Rift Valley lakes, from Lake Magadi in the south to Lake Turkana in the north. These lakes are important to Kenya's economy. The birds and animals they attract support the vital tourism industry.

The longest river in Kenya is the Tana. It rises on Mount Kenya and flows 700 km to the sea, 50 km north of Malindi. Athi River, which rises in hills near Nairobi, joins the Galana River and, after 550 km, flows into the Indian Ocean near Malindi. A third major river is the Ewaso Ngiro. This is a seasonal river; it only flows along its whole 530 km length across the dry lands of northeast Kenya into Somalia, during the rainy seasons.

Other important rivers are the Turkwell and Kerio, both of which flow for about 350 km before entering Lake Turkana. A number of shorter rivers flow into Lake Victoria.

2.5.
WILDLIFE

A remarkable feature of Kenya's natural resources is the wildlife. Wildlife has survived largely because the Kenyan people did not hunt them recreationally, but preserved them. The Maasai, for example, believe that their god made them custodians of all animals, wild and domestic. Today, a large proportion of the country has been set aside for national parks and reserves. There water is available, wildlife protected and dry-season grazing takes place. Among these parks are Lake Nakuru, known for its flamingos; Amboseli, famous for its elephants, and Maasai Mara, where the spectacular annual migration of the wildebeest takes place.

Kenya has many wildlife species, and over a thousand different birds. The animals range from the "Big Five" (elephant, rhinoceros, buffalo, lion and leopard) to numerous antelopes, including the world's smallest, the dik dik. One of the strangest animals is the rock hyrax, which is related to the elephant but is only the size of a rabbit.

2.6.
FLORA

Given the diversity of ecological conditions in Kenya, it is not surprising that the country flora is spectacular in its variety. To experience the range, imagine a trek from the summit of Mt. Kenya to the floor of the Great Rift Valley and across the lowlands to the coast. At the summit of Mt. Kenya are glaciers, where species that are able to survive the great cold can be found, such as alpine flowers and grasses. The descent then takes you through highland rain- and bamboo-forest into the savannas with their euphorbia trees, baobabs and acacias. The drier areas have sparse vegetation with occasional thorny bushes and cacti. Along the coast, the damp winds from the ocean support lush vegetation including palm trees and coastal rainforest.

2.7.

MAJOR ENVIRONMENTAL REGIONS

Kenya has an exceptionally varied environment. It has forests and deserts, mountains and plains, all so close to each other that you can go from snow-capped Mt. Kenya to the near-desert in under 150 km. Along the Indian Ocean coast are glorious, white sandy beaches and coral reefs teeming with life and colorful fish.

THE LAKE VICTORIA BASIN

Lake Victoria, the world's second-largest freshwater lake, is bordered by Kenya, Uganda and Tanzania. Its shores are flat and fertile. Beyond them rise mountains with rainforests that receive year-round rainfall. The basin is one of Kenya's most-productive agricultural areas, with sugar being the principal cash crop. The lake is home to an important fishing industry, though the variety of fish has declined since the introduction of the very competitive Nile Perch, which has replaced many species.

THE CENTRAL HIGHLANDS

These upland areas rise above 1,500 metres and include Mt. Kenya, the Aberdares, the Cherangani Hills and the Mau Escarpment. These are among the most densely settled and agriculturally productive areas of the country. Here, farmers produce maize (corn), beans and bananas as staple food crops; tea and coffee, and - in some areas - horticultural crops are grown for export. The higher locations constitute of various National Parks such as the Mt. Kenya and Aberdare parks and are home to many wildlife species.

THE GREAT RIFT VALLEY

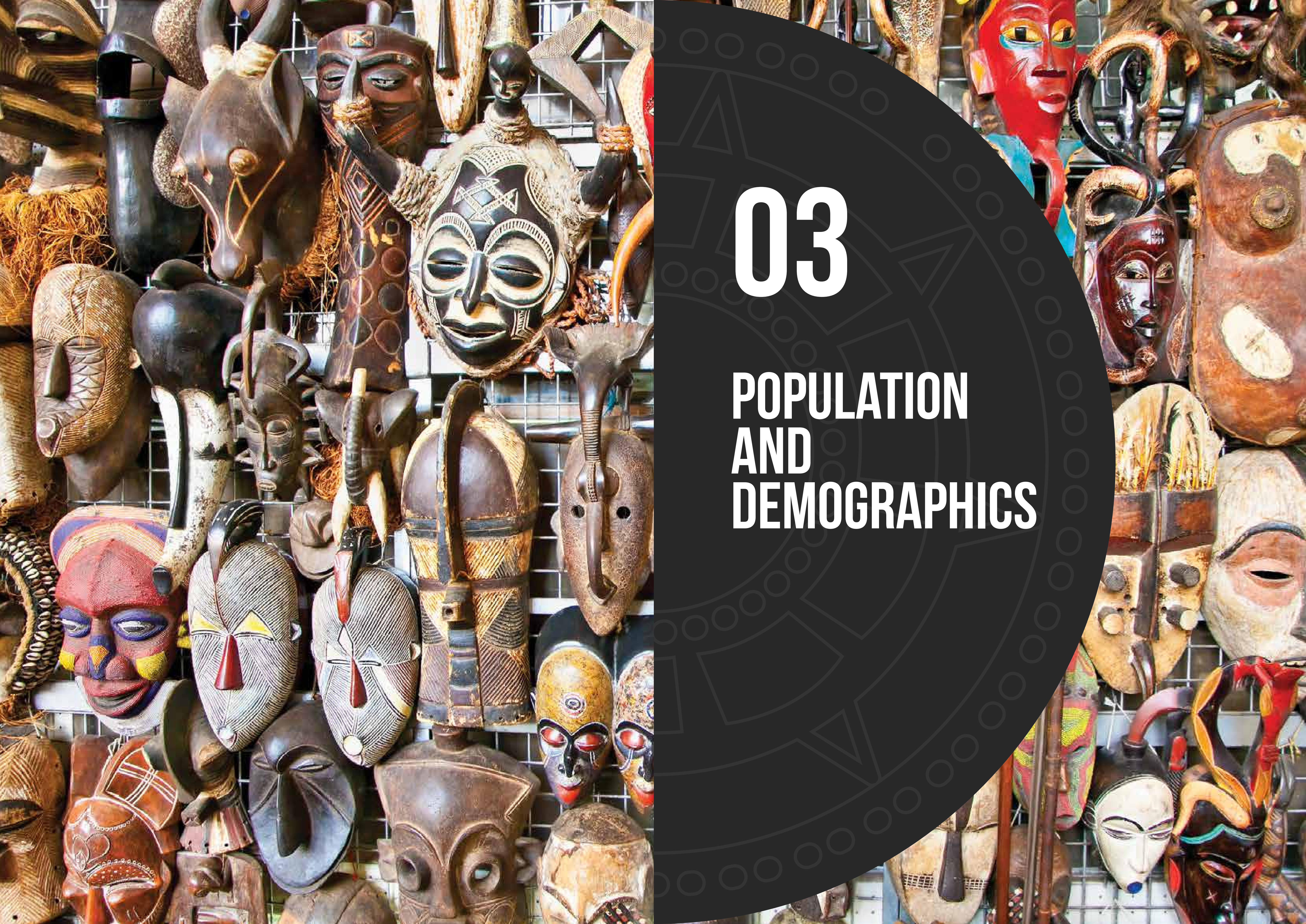
A spectacular feature of the Kenyan landscape, the Great Rift Valley divides the Highlands and is home to a number of freshwater and soda lakes. These include Lake Magadi, where the soda is mined commercially; Lakes Elementaita, Bogoria and Nakuru, where large populations of flamingos are found; Lake Baringo, which has an important fishing industry and, in the north, Lake Turkana, where many exciting discoveries about the origins of the human race were made in archaeological expeditions.

THE LOWLANDS

Kenya's dry lowlands cover about 80 per cent of the country. They extend from the deserts of the north, bordering Sudan, Ethiopia and Somalia, south and east to the semi-arid savannah on the border with Tanzania. The lowlands form an undulating plain, broken only by a few highland outcrops such as Mt. Marsabit, a volcano with a spectacularly beautiful lake in its crater. These dry areas are home to Kenya's nomadic people such as the Turkana, Rendille, Boran and Gabbra. Their livelihoods depend mainly on the herding of camels, cattle, sheep, goats and donkeys. These are among the most isolated and poorest areas of the country. In the southeast are two of the country's most famous national parks, Tsavo and Amboseli, which adjoin the territory of the Maasai people.

THE COAST

Kenya's coastline extends for nearly 450 km from the border with Somalia in the north to Tanzania in the south. The coast receives rains from winds off the Indian Ocean, and the coastal plain has a productive agricultural economy, including coconuts, bananas and other fruits and nuts. The coast is fringed by coral reefs that have spectacular fish life. The coastal ports were part of an ancient trading network that extended across the Indian Ocean to Arabia, India and China. Mombasa, one of these ancient ports, remains the leading seaport on the east coast of Africa. The beaches, climate and historic sites are the basis of a tourist industry that attracts hundreds of thousands of tourists each year.



03

POPULATION AND DEMOGRAPHICS

3.1.

POPULATION AND DEMOGRAPHICS

Kenya's population data show that there are many more young than elderly people, with the age bracket of 0 to 15 making up a huge percentage. At the time of this survey by Kenya National Bureau of Statistics (KNBS), statistics show that more than two of every five persons were under the age of 15, making up about 43% of the total population. Based on the current trend it is expected that, by 2030, Kenya's population will grow to about 65.9 million.

GENERAL POPULATION STATISTICS

POPULATION	43,000,000
AGE STRUCTURE	0-14 years: 42.1% (male 9,494,983/female 9,435,795) 15-24 years: 18.7% (male 4,197,382/female 4,202,399) 25-54 years: 32.8% (male 7,458,665/female 7,302,534) 55-64 years: 3.7% (male 751,296/female 910,523) 65 years and over: 2.8% (male 548,431/female 708,048; 2014 estimate)
DEPENDENCY RATIOS	Total: 81 % Youth: 76.1 % Elderly: 4.9 % Potential support ratio: 20.4 (2014 est.)
POPULATION GROWTH RATE	2.7% (2014 est.)
BIRTH RATE	-30.5 births/1,000 population (2014 est.)
DEATH RATE	7 deaths/1,000 population (2014 est.)
NET MIGRATION RATE	-0.22 migrant(s)/1,000 population (2014 est.)
URBANIZATION	Urban: 25.2% of total population (2014) Rate of urbanization: 4.36% per year (2010-15 est.)
MAJOR CITIES - POPULATION	Nairobi (capital) 3.767 million
SEX RATIO	At birth: 1.02 male(s)/female 0-14 years: 1.01 male(s)/female 15-24 years: 1 male(s)/female 25-54 years: 1.02 male(s)/female 55-64 years: 1 male(s)/female 65 years and over: 0.79 male(s)/female Total population: 1 male(s)/female (2014 est.)
LIFE EXPECTANCY AT BIRTH	Total population: 63.52 years Male: 62.06 years Female: 65.01 years (2014 est.)
TOTAL FERTILITY RATE	3.54 children born/woman (2014 est.)
CONTRACEPTIVE PREVALENCE RATE	45.5% (2008/09)

3.2.

REGIONAL STATISTICS

2009 Kenya population statistics and distribution

ADMINISTRATIVE UNITS

CODE	COUNTY	CAPITAL	AREA (SQ.KM.)	2009 POPULATION CENSUS
30	Baringo County	Kabarnet	11,075.3	555,561
36	Bomet County	Bomet	1,997.9	730,129
39	Bungoma County	Bungoma	2,206.9	1,375,063
40	Busia County	Busia	1,628.4	743,946
28	Elgeyo-Marakwet County	Iten	3,049.7	369,998
14	Embu County	Embu	2,555.9	516,212
07	Garissa County	Garissa	45,720.2	623,060
43	Homa Bay County	Homa Bay	3,154.7	963,794
11	Isiolo County	Isiolo	25,336.1	143,294
34	Kajiado County	Kajiado	21,292.7	687,312
37	Kakamega County	Kakamega	3,033.8	1,660,651
35	Kericho County	Kericho	2,454.5	752,396
22	Kiambu County	Kiambu	2,449.2	1,623,282
03	Kilifi County	Kilifi	12,245.9	1,109,735
20	Kirinyaga County	Kerugoya/Kutus	1,205.4	528,054
45	Kisii County	Kisii	1,317.9	1,152,282
42	Kisumu County	Kisumu	2,009.5	968,909
15	Kitui County	Kitui	24,385.1	1,012,709
02	Kwale County	Kwale	8,270.3	649,931
31	Laikipia County	Nanyuki	8,696.1	399,227
05	Lamu County	Lamu	6,497.7	101,539
16	Machakos County	Machakos	5,952.9	1,098,584
17	Makueni County	Makueni	8,008.9	884,527
09	Mandera County	Mandera	25,797.7	1,025,756
10	Marsabit County	Marsabit	66,923.1	291,166
12	Meru County	Meru	5,127.1	1,356,301
44	Migori County	Migori	2,586.4	917,170
01	Mombasa County	Mombasa	212.5	939,370
21	Murang'a County	Murang'a	2,325.8	942,581
47	Nairobi City County	Nairobi	694.9	3,138,369
32	Nakuru County	Nakuru	7,509.5	1,603,325
29	Nandi County	Kapsabet	2,884.5	752,965
33	Narok County	Narok	17,921.2	850,920
46	Nyamira County	Nyamira	912.5	598,252
18	Nyandarua County	Ol Kalou	3,107.7	596,268
19	Nyeri County	Nyeri	2,361.0	693,558
25	Samburu County	Maralal	20,182.5	223,947
41	Siaya County	Siaya	2,496.1	842,304
06	Taita Taveta County	Voi	17,083.9	284,657
04	Tana River County	Tana River	35,375.8	240,075
13	Tharaka-Nithi County	Chuka	2,409.5	365,330
26	Trans Nzoia County	Kitale	2,469.9	818,757
23	Turkana County	Lodwar	71,597.8	855,399
27	Uasin Gishu County	Eldoret	2,955.3	894,179
38	Vihiga County	Vihiga	531.3	554,622
08	Wajir County	Wajir	55,840.6	661,941
24	West Pokot County	Kapenguria	8,418.2	512,690
TOTAL			**581,309.0**	**38,610,097**

04

ECONOMY

4.1.

GENERAL ECONOMIC INFORMATION

Kenya's economy is the largest in east and central Africa, and has experienced considerable growth in the past few years. The re-based Gross Domestic Product (GDP) figure of USD 60.9 billion in 2014 makes Kenya one of the world's fastest growing economies. Although the economy remains small by global standards, it is distinguished from most African countries by the fact that it is one of the most diversified and advanced. The average annual GDP growth-rate in the 2000s was 3.6 per cent, an increase from the 1990s average of 2.2 per cent.

Key sectors of the economy include agriculture, manufacturing, real estate and services. Although agriculture remains the mainstay of the economy at 27 per cent of GDP, manufacturing's share of GDP has been rising significantly over the years. At 10 per cent, manufacturing is the second-largest contributor to GDP, with the processing of agricultural products a key factor in growth.

INDICATORS	2010	2011	2012	2013	2014
Economic growth (%)	8.4	6.1	5.6	5.7	5.3%
GDP (USD billion)	40.0	41.9	50.4	54.9	60.7
Per capita (USD)	1,040.1	1,061.0	1,240.5	1,314.9	1,418.7

Source: Kenya National Bureau of Statistics

4.2.

GOVERNMENT POLICY (FISCAL, MONETARY & OTHER)

FISCAL POLICY

The National Treasury is responsible for developing and maintaining sound fiscal and monetary policies to encourage socio-economic development. Fiscal policy is informed by the priorities of the Government's Vision 2030, emerging global and domestic challenges and transition to a devolved system of government. Substantial financial resources are required to fund key projects and other programs under Vision 2030, as well as the county governments. As a result, the Government is expanding its revenue base and raising tax compliance by integrating technology in revenue collection. It plans to bridge the financing gap by taking out loans, mainly on concessional terms as it seeks to manage its debt prudently.

MONETARY POLICY

The Central Bank of Kenya's (CBK) principal objective is to formulate and implement monetary policies aimed at achieving and maintaining general price-stability and sustaining the value of the Kenyan shilling. This involves controlling liquidity in the economy in sync with the growth and price objectives set by the Government.

KEY MONETARY POLICY TOOLS

Open Market Operations: Through open market operations, the CBK buys and sells securities in the secondary market to achieve a set level for its own reserves. Alternatively, the CBK injects money into the economy through buying securities in exchange for money stock.

DISCOUNT WINDOW OPERATIONS: As lender of last resort, the CBK may provide secured short-term loans to commercial banks on an overnight basis, at punitive rates. It sets the discount rate to reflect monetary policy objectives.

RESERVE REQUIREMENTS: The CBK is empowered by law to retain a certain proportion of commercial banks' deposits as non-interest-bearing reserves. Any increase in reserve requirements restricts commercial banks' ability to expand credit, with the reverse easing credit restrictions.

4.3.

SECTORAL ECONOMIC INDICATORS

Agriculture is the largest contributor to Kenya's GDP contributing around 27 per cent as of 2014. It accounts for 65 per cent of total exports and provides for about 18 per cent of formal employment. Agricultural output grew by 3.5 per cent in 2014 down from 5.2 per cent in 2013 attributable to erratic rains with some regions experiencing depressed rainfall. The lower levels of rainfall resulted in a decrease in production for some crops as well as pasture regeneration for livestock. Agricultural exports include traditional products such as tea and coffee, and non-traditional such as horticulture.

The manufacturing sector has significant potential to create employment, stimulate growth of other sectors such as agriculture, and offersignificant opportunities to expand exports. In 2014, real growth in the sector expanded by3.4 per cent compared to 5.6 per cent the year before. Modest inflation coupled with reduced oil prices in the second half of the year partly contributed to this growth. The sub-sectors that recorded growths of above 10 per cent were animal feeds,tobacco products, pharmaceutical products, other non-metallic mineral products, fabricated metal products, manufacture of furniture and other manufacturing not elsewhere classified.

Growth in transport and storage also accelerated to 13.7 per cent in 2014, compared to 4.7 per cent the year before., All the sub-sectors registered increases in output values in 2014. Road transport sub-sector recorded an increase of 15.2 per cent in the value of output while Air transport and services incidental to transport grew by 3.6 and 27.0 per cent, respectively, in 2014..

Kenya has managed to keep in tandem with the rapidly evolving technology and is a leading country in mobile money transfer system. The rapid expansion of the ICT sector continued in 2014 as reflected by improvement of key indicators. In 2014, value of ICT output increased by 12.7 per cent to KSh 262.3 billion. Mobile telephone capacity increased by 18.2 per cent while mobile telephone subscriptions rose by 7.4 per cent to stand at 33.6 million. Mobile penetration rose from 74.9 per cent in 2013 to 78.3 per cent in 2014 while the internet subscriptions increased by 6.7 percentage points to 38.3 per cent in 2014.

Growth in financial and insurance accelerated to 6.7 per cent in 2014 from 6.5 per cent the year before. Increased Government spending on infrastructural developmentand improved private-sector activity stimulated further growth in construction in 2014, up to 4.8 per centfrom 4.5 per cent the year before. Cement consumption, a key indicator of construction activity, grew by 16.3 per cent to 5,882.5metric tonnes from 4,267 tonnes. In contrast, the hotel and restaurant sector contracted by 4.6 per cent in 2014 compared with contraction of of 17.2 per cent the year before. Visitor arrivals fell during the year due to security incidents, with the full-year figure down 11.1 per cent to 1.35 million from1.52 million in 2013.

SECTOR CONTRIBUTIONS TO GDP (%)

SECTOR	2010	2011	2012	2013	2014
Agriculture and Forestry	24.8	26.3	26.1	26.4	27.3
Manufacturing	11.3	11.8	11	10.7	10.0
Construction	4.5	4.4	4.5	4.5	4.8
Wholesale and Retail Trade	7.7	8.1	7.8	8.1	8.2
Transport and Storage	6.8	7.1	8.0	7.8	8.3
Finance and insurance activities	5.6	5.7	5.9	6.6	6.7
Public Administration and Defense	4.4	4.3	4.4	4.4	4.5

Source: Kenya National Bureau of Statistics

4.4.

INFLATION

The country's macro-economic environment has been characterized by both high and low inflation since independence. When inflation has been high, it has undermined growth and encouraged poverty by reducing purchasing power. Between 1961 and 1973, inflation held at below 10 per cent but started rising from 1987 to an all-time high of almost 50 per cent in 1993. The following two years saw inflation decline to a low of 1.6 per cent in 1995, a level not seen since the 1960s. From 1996 to 2007, inflation was relatively stable, averaging 8.8 per cent.

Several factors, internal and external, have affected inflation over the years, includingchanges in taxation and weather, which impact agricultural production, as well as in petroleum and petroleum-product prices.In 2014, inflation rose from 5.7 per cent to 6.9 per cent in 2013. The modest increase in the rate of inflation was attributed to increases in the cost of several food and non-food items which outweighed notable falls in the cost of electricity and petroleum products

RECENT INFLATION RATES

2012	2013	2014	2015
9.4	5.7	6.9	6.0

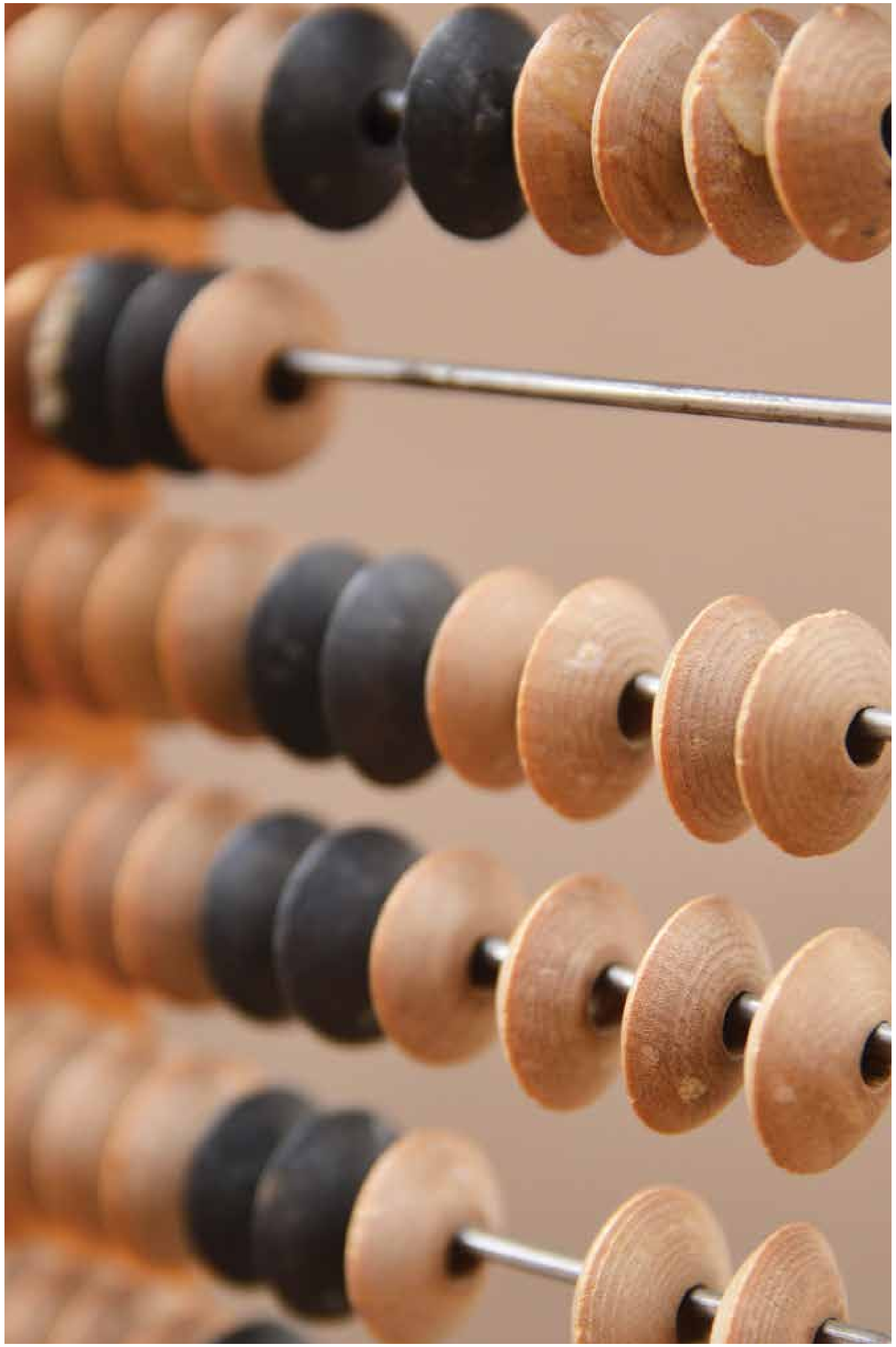
4.5.

FOREIGN EXCHANGE

Before 1993, all foreign-exchange transactions were controlled by the CBK. Until 1975, the Kenyan shilling was fixed at 7.143 to the US dollar (USD). Then, from 1975 to 1982, the shilling was pegged to special drawing rights (SDR), based on a basket of currencies; this was considered to be more stable than the single-currency peg. By early 1990s, there was a lot of pressure from donors to liberalize the economy as a precondition for development loans and grants. Kenya thus adopted a flexible exchange-rate regime in 1993. Since then the shilling has remained largely market driven, with the monetary authorities or the CBK intervening only to correct erratic movements.

With liberalization, fluctuating exchange-rate movements have, regrettably, been common. Studies have shown that these movements have been the result of both temporary shocks, such as speculative attacks, to more basic fundamentals such as interest rates, GDP growth and external factors. According to 2014 World Bank data, the shilling held at below 10 to the dollar from 1963 to 1981, before rising to an average of almost 19 in the decade to 1992, just before foreign-exchange deregulation. With liberalization, the shilling has gone through several phases. It continued to depreciate until 1999, followed by a period of relative stability in the four years to 2004. Between 2005 and 2007, in a break with the past, it appreciated, before declining again to a low of 107 in October 2011.

The Kenya Shilling maintained stable exchange rate over time despite short-term pressures arising from the global strengthening of the US Dollar. The exchange rate stability was supported by foreign exchange inflows through remittances, sale of foreign exchange by the CBK to commercial banks, and sustained foreign investor participation in the Nairobi Securities Exchange (NSE). Proceeds from the sovereign bond floated in June 2014 by the Government also contributed significantly to the exchange rate stability.



4.6.
FOREIGN DEBT

Over the last few years, Kenya has been leveraging its ability to borrow to cover increasingly large fiscal deficits. Deficit financing rose from 4.2 per cent of GDP in fiscal 2010/11 to an estimated 6.6 per cent of GDP in 2013/14. To reduce pressure on domestic-lending rates and to finance infrastructure projects in energy and roads, the Government sold USD 2 billion of Eurobonds in 2014. Gross public debt rose from KSh 1,793 billion (49.8 per cent of GDP) at the end of December 2012 to KSh 2,113 billion (52.6 per cent) a year later. External debt averaged KSh 533.7 billion from 2000 to 2014, reaching an all-time high of KSh 1,089.7 billion in July 2014, compared with a low of KSh 361.7 billion in May 2003. Most of Kenya's public external debt remains concessional, although its commercial component increased to about 15 per cent of total in June 2014 with the Eurobond sale. Domestic debt as a share of GDP rose from 11.4 per cent at the end of December 2012 to 13.2 per cent a year later. Commercial banks have been the biggest holders of this debt.

4.7.
BALANCE OF PAYMENTS

Over the years Kenya has run trade deficits. In 2014, the deficit widened by 18.7 per cent as result of faster growth in imports which grew by 14.5 per cent. The leading export-earners have remained tea, coffee, horticulture, apparel and clothing accessories, collectively accounting for almost 52 per cent of total trade. Petroleum products, industrial machinery, transport vehicles and iron and steel are the leading imports, accounting for 45 per cent of total trade. Similarly, the current-account balance has been in deficit, worsening by almost 30.2 per cent in 2014 to USD 6.1 billion. In contrast, the overall balance of payments has continued to be in surplus, led by increased international reserves largely attributed to proceeds received from sale of Eurobond in 2014.

GLOBAL CREDIT RATINGS

STANDARD & POOR'S	B+ (STABLE)
MOODY'S	B1 (STABLE)

TOTAL IMPORTS AND EXPORTS

	2010	2011	2012	2013	2014
EXPORTS (KSH MILLION)	409,794	512,604	527,847	502,287	460,572
IMPORTS (KSH MILLION)	947,206	1,300,749	1,374,587	1,413,316	1,618,321
BALANCE OF TRADE	(537,412)	(788,145)	(856,740)	(911,029)	(1,081,085)

EXPORTS BY MAIN PRODUCT

EXPORTS (KSH MILLION)	2010	2011	2012	2013	2014
TEA	91,617	102,236	101,441	104,648	93,996
HORTICULTURE	72,092	83,331	81,129	89,339	-
APPAREL AND CLOTHING ACCESSORIES	15,561	22,260	20,676	24,379	28,984
COFFEE, UNROASTED	16,244	20,864	22,271	16,328	19,913

IMPORTS BY MAIN PRODUCT

IMPORTS (KSH MILLION)	2010	2011	2012	2013	2014
PETROLEUM PRODUCTS	122,004	199,120	237,557	252,673	292,643
INDUSTRIAL MACHINERY	158,721	177,174	194,666	231,440	256,672
ROAD VEHICLES	55,812	62,870	73,768	83,330	101,792
IRON AND STEEL	43,558	62,087	56,667	80,749	75,526

4.8. FOREIGN DIRECT INVESTMENT AND EXPORTS

FDI is a significant source of funding for Kenya's economic development, as well as for the transfer of skills and technology, and job opportunities. According to The United Nations Conference on Trade and Development (UNCTAD), FDI almost doubled from USD 514 million in 2013 to USD 989 in 2014, driven mainly by discoveries in oil, natural gas and minerals and manufacturing. Other major recipients of FDI include financial services, information and communications technology and business-support services. Major Multinational Corporations operating in Kenya include General Electric, Toyota, Tsusho, Del Monte, Unilever, Google, Microsoft, Barclays Bank, Tullow Oil and BAT, among many others.

Traditionally the UK, US, India, Mauritius, South Africa and Japan have been the major sources of FDI to Kenya. More recently, however, FDI has grown from other countries such as China, Belgium, Nigeria, France and Germany.

FDI (USD million)

2009	2010	2011	2012	2013	2014
115	178	335	259	514	989

05

SECTORS AND OPPORTUNITIES

5.1.
INTRODUCTION

Kenya is endowed with a range of attractive investment opportunities from agriculture and agro-processing to tourism, manufacturing, information and communications technology (ICT), energy and infrastructure. More recently, minerals and hydrocarbons have grown in interest. To ensure this potential is harnessed and to promote economic growth and development, Kenya continues to promote a business friendly environment by ensuring macroeconomic and political stability. Much of the recent growth has been down to banking, which has expanded rapidly in the last few years, as well as mobile banking and a well-developed stock market.

5.2.
FINANCIAL SERVICES

Through Kenya's Vision 2030, the Government aims to create a "vibrant and globally competitive financial sector that drives high levels of savings to finance Kenya's investment needs", and make Kenya the regional financial-services hub. The financial sector has defied broader recent economic challenges to grow faster than the economy (see chapter on Banking & Financial Services). In 2013, total assets grew by 15.9 per cent, loans by 18.3 per cent and profit before tax by 16.6 per cent.

Meanwhile, the stock market's capitalisation stood at USD 21.5 billion in early 2014, compared with USD 15.4 billion a year earlier. With annualized returns of 36 per cent, the Nairobi Stock Exchange (NSE) has been the second-best performing market on the continent. In 2013, insurance assets grew 18.4 per cent to KSh 358 billion, of which life-insurance grew by 24.1 per cent to KSh 195.9 billion.

OPPORTUNITIES

In banking, there are opportunities to increase scale and enhance the capital base through consolidation and mergers of smaller players. Out of 44 commercial banks, only six are classified as large, controlling 52.4 per cent of assets. The remainder are small and have limited reach, thus restricting competition. Key initiatives include:

- With financial services, particularly cross-border financial services where one or more counterparties are not domestic, becoming increasingly internationalized, the Government plans to set up a Nairobi International Finance Centre (NIFC), a flagship project under Vision 2030;
- Encouraging the sale of shares through initial public offerings to raise capital, and investment in both treasury and corporate bonds;
- Though the uptake of insurance is on the rise in Kenya, penetration is still relatively low, allowing room to develop new products.

5.3.
TOURISM

Tourism is one of Kenya's most important industries, and has strong linkages with transport, food production, retail and entertainment. Kenya is one of the world's most popular tourism destinations, attracting millions each year to its wildlife, beaches, rich culture, striking geographical diversity and landscapes, making it an ideal destination for hospitality investment. Though other attractions include museums, snake parks and historical sites, many of these resources remain largely unexploited.

Along with exports of tea and remittances from Kenyans abroad, the tourist industry is one of Kenya's largest foreign-exchange earners. More than half the tourists come from Europe, including the United Kingdom, Italy, Germany and France, as well as from the United States. Tourist numbers from emerging markets, such as India and China, are on the rise. The Government wants to double the number of tourists and the revenue they generate by diversifying the origin of tourists and the country's tourist offering. Investment opportunities include:

- **CONSTRUCTION OF INTERNATIONAL HOTEL-CHAINS:** Under normal circumstances, tourist demand for accommodation in the areas they visit is either only just met, thus generating high-occupancy rates, or exceeds demand, creating opportunities for hotel developers;

- **INVESTMENT IN CONFERENCE FACILITIES:** Kenya has only one large international conference centre. Given rising demand for conference and exhibition space, the country is seeking investment in this niche area in its three major cities;

- **FILM INDUSTRY:** The vast open spaces, clear blue skies and starry nights, with misty moonlights and inviting camp fires offer a prime destination for Hollywood and global film fans. Many world-famous films such as Born Free, Walking With Lions and Lion King have been shot in arid and semi-arid lands of Kenya;

- **WATER SPORTS:** The waterways of Kenya have not been fully developed as a leisure product. Investment is needed in the west of the country where Lake Victoria connects with Kenya's neighbours and on the Indian Ocean coast;

- **VISION 2030 FLAGSHIP PROJECTS:** These include two new resort-cities on the coast, one in the north, the other in the south and one in Isiolo.

5.4.
AGRICULTURE AND AGRO-PROCESSING

Agriculture is the mainstay of the economy, contributing to approximately 27 per cent of GDP and providing a livelihood to approximately 75 per cent of the population. Agricultural products account for 65 per cent of Kenya's exports and almost 20 per cent of formal employment. Growth in agricultural output declined to 2.9 per cent in 2013 from 4.2 per cent the year before as less rainfall reduced production of maize, beans, cut-flowers and fruits. Agricultural exports include traditional exports, such as tea and coffee, and non-traditional exports such as horticulture. There is considerable scope for diversification and expansion of agriculture through accelerated food-crop production, adding value and more non-traditional exports.
The second Medium Term Plan (MTPII) of Vision 2030 prioritises increasing land-under-irrigation to reduce dependence on rain-fed agriculture. Under the plan, more than 400,000 hectares of irrigated land will be added in the five years to 2017, especially in the arid and semi-arid areas of Turkana and Tana Delta. In addition, the plan envisages a more mechanised agricultural production, reviving cooperatives and farmers unions and subsidising farm inputs to raise productivity. Investment initiatives include:

- Establishment of disease-free zones (DFZ): Four DFZs are to be established to facilitate access of Kenyan meat, leather and leather products to local, regional and international markets. The first to be established is on the coast in the counties of Kwale, Mombasa, Kilifi, Tana River, Lamu and parts of Taita-Taveta outside Tsavo National Park. The other three to be established are in the Laikipia-Isiolo complex, and Uasin Gishu and Garissa counties;

- Value addition of fruits, cash crop and vegetables – Kenya's competitive advantage as an investment location for the coffee and tea industry.

- The Galana-Kulalu Scheme is a flagship project worth USD 2.88 billion and is to be implemented over five years across one million acres. The aim of the project is to enable Kenya to become a food secure nation with opportunities for private sector investment in 50,000 acres of maize, 200,000 acres of sugarcane and 150,000 acres for livestock among others.

5.5.
MANUFACTURING

Vision 2030 identifies manufacturing as a key sector in Kenya's economic development, not just in its contribution to national output (about 10 per cent of GDP) and exports but for job creation as well. Initially developed through a policy of import substitution, manufacturing is now shifting towards exports. The sector is mainly agro-based. It plays a vital role in adding value to agricultural output and providing forward and backward linkages with the agricultural sector.

The sector grew by 4.8 per cent in 2013 (Economic Survey, 2014) as political stability, lower interest rates and a stable exchange rate encouraged investment. Volume grew by 2.6 per cent. More than 280,000 people, representing 12.4 per cent of total, were formally employed in the sector, while another 2 million were engaged informally.

To achieve objectives in Vision 2030, key targets and specific goals have been set to steer industrial growth. These include the development of Special Economic Zones (see relevant chapter – Insert Chapter No.), industrial parks and clusters and niche products. They also cover the promotion of small- and medium-scale manufacturing firms and attracting investors in strategic sectors, such as iron and steel, leather processing, fertilisers, agro-processing, machine tools and machinery, motor-vehicle assembly and spare parts.

There is a wide range of direct and joint-investment opportunities in the sector, including in agro-processing, garments, the assembly of automotive components and electronics, plastics, paper, chemicals, pharmaceuticals, metals and engineering products for domestic and export markets.

5.6.
INFORMATION & COMMUNICATIONS TECHNOLOGY

The information and communications technology (ICT) sector is the success story of the decade in Kenya. New information technologies are playing an increasingly important role in nearly all areas of the economy. The installation of a broadband-backbone connected to three under-sea fibre-optic cables (Seacom, TEAM System and EASSY) has significantly improved Kenya's connectivity and its ICT prospects, be it in business-process outsourcing (BPO) or the development of IT-enabled services (ITeS). The Government has identified ICT as a key enabler in attaining the goals and aspirations of Vision 2030, with the vision to transform Kenya into a knowledge and information-based economy through providing quality, affordable and reliable ICT services.

ICT was vibrant in 2013, especially in the mobile and internet sub-sectors. The number of mobile connections rose from 30.4 million in 2012 to 31.2 million in 2013, while internet subscriptions surged from 8.5 million to 13.3 million in the same period. Mobile-money transfers jumped from KSh 672 billion in June 2012 to KSh 914 billion a year later. Domestic-call traffic rose from 27.6 billion in 2012 to 30 billion a year later. Broadband subscriptions have grown immensely over the last four years. Though broadband penetration rose to 3.4 per cent in 2013, it remains below the African average of 7.4 per cent.

Kenya has enormous investment opportunities in BPO:

- Front office, including call and contact centres;
- Back office, including data hosting, archiving and processing, as well as software development, maintenance and customization, and e-commerce;
- KONZA Techno City – a Vision 2030 flagship project, adding 5,000 acres of land, set aside by the Government, 60km from Nairobi.

5.7.
ENERGY

Energy is one of the key infrastructural "enablers" in the three pillars of Vision 2030. Kenya is expected to use more energy as it moves towards being a middle-income country by 2030. As incomes rise and urbanisation intensifies, household demand for energy will also increase.

Kenya's main sources of energy are wood and other biomass fuel, fossil fuel and hydropower. Generally, petroleum and electricity provide power to the modern commercial sector, while wood-fuel provides energy for the traditional sector including rural communities and urban poor. Biomass accounts for about 70 per cent of total primary energy consumption, while electricity is the most desired.

Hydro-electrical power accounts for more than 36 per cent of total electricity generation by source, while oil, thermal, geothermal and wind make up the rest. The Government plans to add an additional 5,000 megawatts (MW) of power-capacity in the five years, of which more than 280 MW has come from geothermal. The 5,000MW power policy will help meet Kenya's growing demand for electricity through geothermal sources in order to transform it into an industrialised country.

Kenya had no known commercial reserves of petroleum until 2012 when oil was discovered in the north, generating interest in the sector. Though natural gas was discovered in Block L8 at Lamu, it was not commercially viable.

Opportunities in the sector include:

- Generating electricity using renewable sources such as geothermal, hydro, solar, wind, biomass, biofuels, biogas and municipal waste
- Energy generation through coal; huge deposits of coal has been discovered in the Mui Basin of Kitui;
- Petroleum exploration, on-shore and off-shore
- Building hydrocarbon-processing and distribution structures, such the oil pipeline along The Lamu Port Southern Sudan-Ethiopia Transport (LAPSSET) Corridor project, a major pan African transport and infrastructure project

5.8.
INFRASTRUCTURE

Kenya is banking on major infrastructure projects, including roads, rail, sea and airports and pipelines to spur private investment. As part of Vision 2030's Medium Term Plan (MTP II), the Government is seeking to deploy world-class infrastructure facilities and services to cut the cost of doing business, improve productivity and enhance competitiveness. Closing the country's "infrastructure deficit" is an important part of the Government's plan to attract quality foreign direct investment (FDI), and expand opportunities for domestic enterprises and individuals.

While significant gains have been made in developing infrastructure over the last five years, there is further room to enhance Kenya's competitiveness. To address these issues, the Government is accelerating its infrastructure development programme.

Opportunities in the sector include:

- Expanding the Port of Mombasa
- Constructing the new Lamu Port in Manda Bay
- Expanding major airports (Nairobi Green terminal, Mombasa, Malindi, Kisumu)
- Building new airports (Isiolo, Turkana)
- Developing a light-railway system for Nairobi and its suburbs
- Developing LAPSSET – the country's second transport corridor, comprising of a new port at Lamu, highways, railway, three airports, three resort cities and an oil pipeline.
- Road construction: The Government plans to tarmac 10,000 km of roads in the five years through annuity financing
- Upgrade urban water systems.

5.9.
WHOLESALE AND RETAIL TRADE

Trade has been identified as a key engine of the economy due to its significant contribution to GDP (10.1 per cent) and job creation, employing about 190,000 people a year. The industry has expanded considerably over the years, in line with a growing middle and upper-income group. Other key factors include improved infrastructure, which have facilitated the movement of foods and led to better quality products at lower prices. Meanwhile, a sustained property boom has encouraged retailers to open outlets in prime locations near residential neighbourhoods, offering greater convenience to consumers. Furthermore, the Government has reviewed the regulatory regime to allow for elimination, simplification, consolidation or harmonization in the business-license process.

Aggressive competition has also promoted innovation among Kenyan supermarkets, where the retail sector is dominated by companies such as Nakumatt, Uchumi and Naivas. In an effort to secure consumer loyalty and boost revenue, Kenya's nascent supermarket chains are now doing their own packaging and creating their own brand-labels. A recent increase in online retailing platforms is also spurring growth.

Opportunities for investment include:

- Development of Vision 2030 flagship-projects such as building a hub wholesale market and tier-1 retail markets
- Opening more supermarkets, hypermarkets and luxury outlets (e.g. in clothing and cosmetics)
- Establishing a modern, world-class trade, exhibition and convention centre
- Internet retailing
- Establishing trade logistics, such as warehouses

5.10.
TRANSPORT AND LOGISTICS

Rising trade over the years has led to expanding opportunities in transport and logistics. Rapid cargo-throughput growth at Kenya's airports and ports has generated increased business for companies in freight, storage, distribution, clearing and forwarding. Goods exports rose by almost 50 per cent in the four years to 2012 and imports by almost 80 per cent during the same period to KSh 1.37 trillion. Most imports are of capital goods or raw materials for industrial production while exports are generally of agricultural products. The Government continues to invest heavily in transport infrastructure to improve efficiency.

The growth has attracted multi-million dollar investments in Kenya's transport and logistics industry and started a turf war between local and international firms seeking a greater share. With continued development of roads, rail, water and air transport networks, competition in the logistics industry is rising. The biggest players now include Kenya Airways, Saudi Airlines Cargo Company, Aramex, Transglobal Cargo Centre, Swissport Cargo Services and DHL.

Opportunities in the sector include:

- Cargo-handling and storage facilities;
- Domestic air-freight routes;
- Road-cargo transport to serve the LAPSSET corridor;
- Rail-cargo transport, especially with the completion of the standard gauge railway;
- Acquisition of local courier companies;

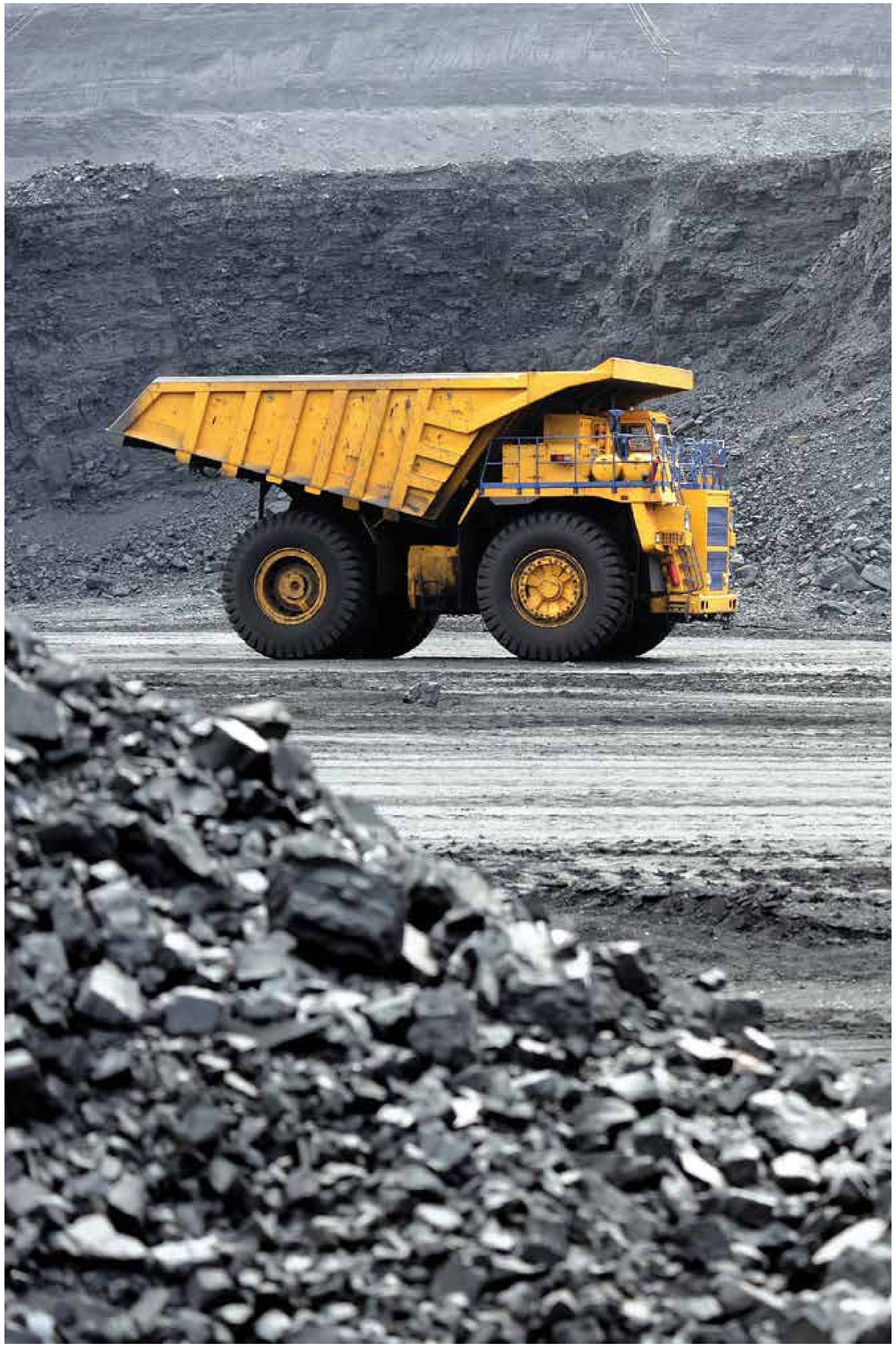
5.11.
MINING AND MINERALS

Though Kenya is not generally known as a mining investment-destination, recent developments have proven that it enjoys significant potential for mineral development, which is largely unexplored. The mining industry is dominated by the production of non-metallic minerals such as soda ash, fluorspar, cement, coloured gemstones and gold, with the latter two mainly from artisan mining. Major mineral sand deposits like titanium ores – titanium, ilementine and zircon – have been discovered along the coast, while significant coal deposits exist in the Mui Basin. The first shipment of Kenyan-mined titanium occurred in 2014. Recent discoveries of oil in the tertiary rift basin, and of natural gas in one of the offshore wells in the Lamu Basin indicate commercially viable quantities of oil and gas, and the potential for Kenya to become a petroleum-producing country.

Though the sector accounts for a very small portion of GDP (just 1 per cent) and exports (3 per cent), output grew by almost 5 per cent in 2013 from 1.45 million metric tonnes the year before. Soda-ash production advanced 4.2 per cent to 468,215 tonnes, driven by international demand. To encourage development in the sector, the Government is updating its mining policies.

Opportunities include:

- Petroleum exploration, on- and off-shore;
- Mineral exploration and extraction;
- Investment in mining logistics and related infrastructure.



5.12.
HEALTHCARE

Through the Bill of Rights, the Constitution places a heavy responsibility on the health sector to ensure the right to health. The Government's goal is to provide equitable, affordable and quality healthcare to all its citizens. To support this goal, the Government has developed a Health Sector PPP Strategy, which provides for a number of investment opportunities in health-service provision. This includes private-sector partners managing public hospitals for a rate of return that does not hamper public access.

Vision 2030 recognizes the role of the private sector, in partnership with the public sector, in improving the delivery of healthcare. Kenya intends to become a regional provider-of-choice for highly specialised healthcare to develop 'health tourism'. Kenya's growing middle class, which is increasingly able to pay for better health-services and pharmaceutical products, has contributed significantly to the development of the sector. The country spends the equivalent of 7 per cent of GDP on health. It also earns about USD 30 million from some 3,000 foreigners who visit the country annually for medical services. In turn, about 10,000 Kenyans spend USD 100 million on specialised treatment overseas each year.

INVESTING IN HEALTH IN KENYA

Kenya's Health Sector PPP Strategy includes other investment opportunities such as telemedicine; referral or sharing of medical resources; local manufacture of generic drugs, adjusting products to meet unmet demand; remote and home-based healthcare; and new opportunities around the rapid growth of mobile-phone technology. The country's priorities include:

- **Making Kenya a regional health-services hub.** 'Health tourism' includes spa and gym, naturopathy, yoga, meditation and other mental and physical exercises and treatments beneficial to health and rejuvenation. Kenya has many geothermal water-springs (in the Great Rift Valley province and parts of the west) where mineral content offers the potential for health spas to serve as curative centres and tourist attractions. The most significant hot-water springs are found in and around Lake Turkana, near the border with Ethiopia and Sudan; Olkaria and Eburu, near Lake Nakuru, which is famous for flamingos; and Simbi on the shores of Lake Victoria. This area is close to Maasai Mara Game Reserve, which is renowned for its wildlife.

- **Beside health tourism, there is also medical tourism.** Medical tourists are broadly defined as people who seek quality treatment abroad or in a neighbouring state where the cost is significantly lower, leaving them with enough money to tour the country as part of their recuperation. Kenya is steadily developing new medical facilities that includes a local private hospital, which is pioneering medical tourism in Kenya and has upgraded infrastructure and equipment. It is now able to perform, at a fraction of the cost, many procedures that previously could only be done in South Africa, Europe or India for instance.

- **Pharmaceutical and medical-equipment manufacturing.** The Kenyan pharmaceuticals market is booming as a result of a growing population that is increasingly able to pay for better health services and pharmaceuticals. This has spurred demand for additional production, both for domestic use and the export of quality products. Opportunities lie in the expansion of the product portfolio, a search for new markets and support for medical research. Kenya is currently the largest producer of pharmaceutical products in the Common Market for Eastern and Southern Africa (COMESA), supplying about 50 per cent of the market. Of the region's estimated 50 recognized pharmaceutical-makers, 30 are based in Kenya. The industry has a strong multicultural heritage, with many foreign firms maintaining significant operations.

- **Private healthcare.** The private sector complements the Government in improving access to health care. There are 6,190 health facilities in Kenya, of which the Government operates 48 per cent and the private sector 34 per cent, making the country's private healthcare industry the largest in the region, with the potential for significant returns. There are opportunities in in- and out-patient care, preventative care and diagnostic services. High-end clinics that target growing middle and upper-income groups are especially profitable, and provide high-quality care that attract both patients and experienced staff. High-volume, low-cost hospitals, usually located in high-end neighbourhoods but targeting low-income people, also offer attractive returns. Private hospitals can achieve local accreditation as training institutions for nurses, midwives and laboratory technicians; and as large multidiscipline universities.

- **Market incentives for investing in health care.** Kenya recognizes that collaboration and partnership between the public and private sector is an important guiding principle in the delivery of health services. Market incentives for private-sector investment in Kenya include: a range of tax incentives; stable pro-investment government; business friendly reforms; a large pool of skilled, enterprising workers; Kenya's strategic location as a financial, communications and transport hub; improved physical infrastructure; a well-established legal and regulatory framework; low cost of internet connectivity, with an undersea and terrestrial fibre-optic infrastructure connecting Kenya to the world; and no foreign-exchange controls. Capital repatriation and the remittance of dividends and interest are guaranteed to foreign investors.

06

BANKING AND FINANCIAL SERVICES

6.1. GENERAL INFORMATION

The financial-services sector in Kenya is made up of banking, insurance, capital markets, pension schemes and quasi-banking institutions. These include Savings and Credit Cooperative Societies (SACCO), Microfinance Institutions (MFI), building societies, the Kenya Post Office Savings Bank (KPOSB) and Development Finance Institutions (DFI). A notable recent development has been in mobile banking. Kenya was the first country in the world to launch mobile money, dubbed M-PESA, which allows users to transfer cash using mobile phones. Based on this success, M-PESA has now been replicated in many countries. Taken together, and supported by its market size and history as a regional centre, this makes Kenya a financial hub in east Africa.

6.2. COMMERCIAL BANKS

Kenya's banking sector comprised 44 banking institutions, 8 represenatitive offices of foreign banks, 9 microfinance banks, 2 credit bureaus and 87 forexexchange bureaus at the end of 2014. Total assets grew 18.5 percent that year; the customer-deposit base increased by 18.7 percent, net advances by 22.7 percent and profit before tax by 12.2 percent. Key commercial banks include Kenya Commercial Bank (KCB), Equity, Barclays, Standard Chartered, Cooperative, Diamond Trust, HSBC, Citibank and Eco Bank. The Central Bank of Kenya (CBK), meanwhile, provides supervisory and regulatory services.

The number of bank-branches increased by 101 from 1,342 in 2013 to 1,443 in 2014. 25 of Kenya's 47 counties– including Nairobi, Mombasa and Kiambu –saw an increase in bank branches in 2014 as economic growth spurred demand for financial services.

COMMERCIAL BANK MARKET SHARE ANALYSIS (KSH MILLION)

PEER GROUP	WEIGHTED MARKET SIZE (%)	NUMBER OF INSTITUTIONS	TOTAL NET ASSETS	CUSTOMER DEPOSITS	CAPITAL & RESERVES
Large	49.9	6	1,561,262	1,136,299	251,667
Medium	41.7	16	1,367,559	953,598	209,348
Small	8.4	21	270,576	202,301	40,718
TOTAL*	100.0%	43	3,199,397	2,292,198	501,733

Note: Charterhouse Bank is not included
Source: Central Bank of Kenya (CBK) 2015

BANKING SECTOR PERFORMANCE (KSH MILLION)

BANKS	PROFIT BEFORE TAX	NET ASSETS	RETURN ON ASSETS (1/2) %	SHAREHOLDERS EQUITY	RETURN ON EQUITY (1/4) %
Equity Bank Ltd.	20,112	277,116	7.3	40,733	49.4
Kenya Commercial Bank Ltd.	22,362	376,969	5.9	72,165	31.0
Standard Chartered Bank (K) Ltd.	14,300	222,636	6.4	40,450	35.4
Barclays Bank of Kenya Ltd.	12,294	226,043	5.4	38,111	32.3
Co-operative Bank of Kenya Ltd.	12,515	282,689	4.4	42,351	29.5

Source: Central Bank of Kenya (CBK) 2015

BANKING SECTOR PERFORMANCE – DECEMBER 2013 (KSH MILLION)

	MARKET SIZE INDEX (%)	NET ASSETS KSH MN	% OF THE MARKET	TOTAL DEPOSITS KSH MN	% OF THE MARKET	TOTAL CAPITAL KSH MN
Weighting	–	0.33	–	0.33	–	0.33
Large Peer Group>5%	–	–	–	–	–	–
Kenya Commercial Bank Ltd.	12.69	376,969	11.8	276,750	12.1	72,165
Equity Bank Ltd	8.7	277,116	8.7	202,485	8.8	40,733
Co-operative Bank of Kenya Ltd.	8.9	282,689	8.8	216,174	9.4	42,351
Standard Chartered Bank (K) Ltd.	7.2	222,636	7.0	154,067	6.7	40,450
Barclays Bank of Kenya Ltd.	7.3	226,043	7.1	164,779	7.2	38,111

	% OF THE MARKET	TOTAL NUMBER OF DEPOSIT ACCOUNTS (MILLIONS)	% OF THE MARKET	TOTAL NUMBER OF LOAN ACCOUNTS (MILLIONS)	% OF THE MARKET
Weighting	–	0.005	–	0.005	–
Large Peer Group>5%	–	–	–	–	–
Kenya Commercial Bank Ltd.	14.4	2.324	8.17	0.278	6.3
Equity Bank Ltd	8.1	8.437	29.67	0.897	20.6
Co-operative Bank of Kenya Ltd.	8.4	2.575	9.06	0.428	9.8
Standard Chartered Bank (K) Ltd.	8.1	0.215	0.76	0.06	1.39
Barclays Bank of Kenya Ltd.	7.6	1.370	4.83	0.287	6.65

Gross loans of subsidiaries rose to KSh 149.6 billion in 2013, compared with KSh 127.3 billion the year before. As a share of total loans, subsidiaries in the following countries accounted for:

- **Tanzania: 44.3%**
- **Uganda: 30.5%**
- **South Sudan: for 8.5%**

6.3.
BANK SUPERVISION DEPARTMENT

The mandate of the Bank Supervision Department (BSD), as stipulated in Section 4(2) of the Central Bank of Kenya Act, is to foster liquidity, solvency and the proper functioning of a stable, market-based financial system. BSD's main functions include:

- Development of legal and regulatory frameworks to foster stability, efficiency and access to financial services. It seeks to achieve this through:
  - Continuous review of the Banking Act, Microfinance Act and Building Societies Act, as well as of regulations and guidelines issued under these. These lay the legal foundation for banking institutions, non-bank financial institutions, deposit-taking microfinance institutions and building societies.
  - Continuous review of regulations and guidelines for foreign-exchange bureaus licensed under the Central Bank of Kenya Act and of credit-reference bureaus licensed under the Banking Act.
- Processing licences of commercial banks, non-bank financial institutions, mortgage-finance institutions, building societies, foreign-exchange bureaus, microfinance banks and credit reference bureaus.
- Conducting onsite evaluation of the financial condition and compliance with statutory and prudential requirements, of institutions licensed under the Banking Act and Microfinance Act, as well as of foreign exchange bureaus licensed under the Central Bank of Kenya Act.
- Carrying out offsite surveillance of institutions licensed under the Banking Act and Microfinance Act and of foreign-exchange bureaus licensed under the Central Bank of Kenya Act through the receipt and analysis of returns received periodically. The BSD also processes corporate approvals for banking institutions looking to open and close places of business; appoint directors, senior managers and external auditors; introduce new products or services, and increase charges.

6.4.
MONEY REMITTANCE REGULATIONS

The salient features of Money Remittance Regulations 2013 are:

- All persons wishing to operate in the money-remittance business shall be licensed by the CBK.
- On starting operations, the minimum core capital required for money remittance providers is KSh20 million.
- Shareholders, directors and management will be vetted prior to appointment.
- Application and license fees will be KSh 20,000 and KSh 100,000 respectively.
- Money-remittance providers will be required to obtain a security bond of not less than KSh 5 million. This will be held as security against obligations to customers who deposit money for remittance.
- Money-remittance providers will be required to maintain a sound information system and adequate records, including the identity of customers, transaction receipts and sources of funds.
- Money-remittance providers will be required to comply with the Proceeds of Crime and Anti-Money Laundering Act 2009 and relevant regulations.
- The CBK will have powers to regulate and supervise all licensed money-remittance providers to ensure compliance.

6.5.
INTERNATIONAL FINANCE CORPORATION

The International Finance Corporation (IFC), an affiliate of the World Bank, finances private-sector investment projects in agriculture, manufacturing, infrastructure and tourism. IFC extends long-term loans and makes equity investments in projects worth more than USD 20 million. Long-term loans are generally in foreign currencies. IFC also manages the Africa Enterprise Fund, which can support lower-cost projects for small- and medium-sized enterprises.

6.6.
DEVELOPMENT BANK OF KENYA

The Development Bank of Kenya (DBK) is owned by the Government of Kenya and is the Government's Industrial and Commercial Development Corporation (ICDC), the Netherlands Overseas Finance Company (FMO), the Commonwealth Development Corporation (CDC), the German Development Bank (DEG) and IFC. DBK provides medium-term local and foreign currency financing for projects in the industrial, agro-processing, and tourism sectors.

6.7.
EAST AFRICAN DEVELOPMENT BANK

The East African Development Bank (EADB), which was established in 1967 with its headquarters in Kampala, Uganda, provides medium- and long-term foreign-currency loans for projects, and offers a broad range of financial services for member states to strengthen regional economic cooperation. Primary owners of the bank are the governments of Kenya, Uganda and Tanzania.

6.8.
EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK

The Eastern and Southern African Trade and Development Bank (PTA Bank) was established in 1985 to provide financial and technical assistance to projects and trade activities with the potential to promote economic growth and integration in the Common Market for Eastern and Southern Africa (COMESA) trading block. The PTA Bank provides financial resources to both public and private sector projects in manufacturing, agro-industry, mining, infrastructure and tourism.

6.9.
INSURANCE

Kenya's insurance industry, which is governed by the Insurance Act and regulated by the Insurance Regulatory Authority, makes a valuable contribution to national development by providing a broad range of insurance products and services, fostering entrepreneurship; and encouraging investment, innovation, market dynamism and competition. Alongside the state, it also offers social protection; as well as easing pressure on public-sector finance, enhancing financial intermediation, creating liquidity and mobilising savings.

As a result, the industry has grown steadily over the years, both quantitatively and qualitatively, with expansion in both the number of industry participants and range of services. There has been a rapid uptake in life, medical and new micro-insurance where lower-earning citizens have been able to secure coverage. As of 2013, there were 47 insurance companies in Kenya including 24 in non-life, 11 in life and 12 in mixed business. Though the industry is dominated by the short-term motor segment, no single company controls the sector. The larger firms include AIG, APA, Blue Shield, the Jubilee, Kenindia and UAP.

6.10.
CAPITAL MARKETS

The Nairobi Stock Exchange (NSE) is sub-Sahara Africa's fourth largest stock exchange by market capitalisation. It offers trading in both equities and bonds, with growing participation by local investors. The NSE has four market segments: Main Investment Market Segment (MIMS), Alternative Investment Market Segment (AIMS), Fixed Income Securities Market Segment (FISMS), and Growth Enterprise Market Segment (GEMS).

The NSE has operated an electronic trading system since 2006 with a wide-area network being added in 2007 to allow brokers to place orders whilst in their offices. Clearing is performed by the Central Depository and Settlement Corporation. After an initial public offering in 2014, the NSE listed its shares on the MIMS, completing its demutualization process. It also rebranded to be more inclusive of Kenyans and to encourage an investment culture among citizens to embrace the capital markets fully. There are 64 companies listed on the exchange, of which all but two are on MIMS. The two are on GEMS.

07

INFRASTRUCTURE & THE COST OF DOING BUSINESS

7.1.

AIR TRANSPORT

Jomo Kenyatta International Airport (JKIA) is the busiest airport in eastern and central Africa, a regional air-transport hub where many carriers call for passenger and cargo traffic. Over the years, JKIA has tapped a significant rise in air-cargo traffic between Asia and Europe. There has also been a notable rise in imports from the Middle East and Asia, making JKIA an emerging force and destination in the air-cargo industry.

Several factors underpin the airport's growth, including:

- A natural logistical and geographical hub, providing easy access from Nairobi to regional capitals and timely connections to Europe, the Middle East, Asia and the Far East.
- Modern cargo facilities, with on-going and planned capacity expansion.
- Short loading and unloading turnaround time, with capacity for up to eight wide-body aircraft at any one time.
- Tailor-made freighter solutions including transit sheds, ramp handlers, forwarders, and relevant industry and authority facilitators.
- A well-established Kenyan horticultural industry that has attracted air-cargo carriers.
- A robust regional market with great potential.

AIR CARGO

Kenya is second only to South Africa on the African continent in horticultural air-cargo exports, rising some 5 per cent each year to about 350,000 metric tonnes. JKIA operates five cargo sheds and can handle as many as eight wide-body aircraft at any one time. Cargo facilities are also being expanded or developed at Eldoret International Airport, Kisumu International Airport and Malindi Airport.

RATES FOR AIRFREIGHT EXPORTS

DOCUMENTATION FEES	KSh 2,000 per shipment
AGENCY	0.45 per cent of CIF value (min. KSh 5,000)
TRANSPORT (WITHIN CITY LIMIT)	About KSh 4,500 (min. KSh 3,000)
KAA CONCESSION FEE (AT COST)	KSh 250 per AWB
GROUND HANDLING	At cost (Kenya Airfreight Handling Ltd, ACHL, CSC, etc.)
AIRWAY BILL	At cost
COMMISSION ON DISBURSEMENT	3 per cent of outlays (min. KSh 2,000)
EXTRA TO BE CHARGED AT COST	16 per cent VAT on fees, including agency, transport, ground handling and airline.

The information presented throughout this section is indicative as reforms are being made regularly. Investors are advised to contact KenInvest for the latest updates.

7.2.

LAND TRANSPORT

Kenya has an extensive network of paved and unpaved roads, while its railway system links the ports and major cities and connects with neighbouring Uganda. According to the Kenya Roads Board, Kenya has 160,886 km (99,970 miles) of roads, with more than 90 per cent paved.

CLASS	DESCRIPTION	PURPOSE	ROADS	PAVED (KM)	UNPAVED (KM)	TOTAL (KM)
A	International trunk roads	Link centres of international importance and cross international boundaries, or terminate at international ports / airports.	A1, A2, A3, A14, A23, A104, A109	2,722	816	3,538
B	National trunk roads	Link nationally important centres (e.g. provincial headquarters).	B1, B3, B8	1,489	1,156	2,645
C	Primary roads	Link provincially important centres to each other or to higher-class roads (e.g. district headquarters).	C107, C111, C115	2,693	5,164	7,857
D	Secondary roads	Link locally important centres to each other, or to more important centres or to a higher-class road (e.g. divisional headquarters).	-	1,238	9,483	10,721
E	Minor roads	Any link to a minor centre.	-	577	26,071	26,648
SPR	Special purpose roads	Government Roads (G) Settlement Roads (L) Rural Access Roads (R) Sugar Roads (S) Tea Roads (T) Wheat Roads (W)	-	100	10,376	10,476
U	Unclassified roads	All other public roads and streets	-	2,318	96,623	98,941
All	Total	All public roads and streets	-	11,137	149,689	160,826

7.3.

RAIL TRANSPORT

The Kenya railway network, which totals almost 2,100 km, was managed by the Kenya Railways Corporation (KRC). The KRC was established through an Act of Parliament (Cap 397) and started operations in 1978. Its mandate was to create a coordinated and integrated system of rail and inland-waterway transport services, and inland port facilities.

The law was amended in 2005 with The Kenya Railways (Amendment) Act to make it possible for the KRC Board of Directors to enter into concession agreements or other forms of rail-services management. With this, the KRC conceded rail-freight operations in 2006 to Rift Valley Railways Ltd. (RVR) for 25 years and one year (renewable) for passenger services.

Now called Kenya Railways (KR) rather than KRC, the mandate is to promote, facilitate and participate in national and metropolitan railway development, and is currently involved in:

- Developing a standard-gauge national railway network that connects with neighbouring countries.
- Developing rail-commuter services in and around major towns such as Nairobi, Mombasa, Nakuru, Eldoret and Kisumu.

Kenya's primary rail network is the metre gauge commonly referred to as 'The Lunatic Line'. Initially called the 'Uganda Railway' after its final destination, construction began in Mombasa in 1896 and was completed in Kenya in 1901 at its terminus in Kisumu. Operations began in 1903, and branch lines were built to Thika in 1913, Lake Magadi in 1915, Kitale in 1926 and from Tororo to Soroti in 1929. This helped to open Kenya up to the vital safari industry. In 1929, the Uganda Railway Authority was renamed Kenya - Uganda Railways. The harbours and main line were extended from Kenya's Nakuru to the Ugandan capital, Kampala, in 1931, thus linking Kampala with the Indian Ocean. The same year, a branch line was built to Mount Kenya.

Construction of the single-track, 1,000 km line -- with occasional sidings and passing points for two-way traffic -- was a huge logistical achievement, and strategically and economically vital to Kenya given that it linked Lake Victoria and the east African interior with the Indian Ocean. The labourers came mainly from India. On the line's completion, many remained, thus creating the Indian community in east Africa.

COMBINING KENYA AND UGANDA RAILWAYS

Recognizing the historical links between Kenya Railways and Uganda Railways, as well as their mutual dependence and the potential benefits of working together, the two countries agreed in 2003 to combine the two entities into the RVR. In 2006, RVR took over freight services for 25 years and passenger services for one year (renewable). It has since been looking at improving the quality of services, and increasing capacity. Initiatives include:

- Acquisition of a tamping machine and a ballast regulator; this is high-performance and fully automated equipment designed to improve track maintenance and rehabilitation.
- Acquisition of a new fleet of 20 locomotives from General Electric.
- Installation of Global Positioning System-based software on trains to monitor movement from a control centre in Nairobi.
- Simulators for locomotive-driver training.
- Locomotive and wagon overhaul and rehabilitation.
- Culverts replacement and track rehabilitation.

STANDARD GAUGE RAILWAY

The Governments of Kenya, Uganda, Rwanda and South Sudan are committed to providing high capacity cost effective railway transport within the Northern Corridor. This will be achieved through the construction of the proposed Standard Gauge Railway (SGR) connecting Mombasa to Kampala and to Kigali and later a connection to Juba from Tororo. The Government of Kenya will develop Mombasa – Malaba/Kisumu section in two phases:
Phase 1 – Mombasa to Nairobi
Phase 2 – Nairobi to Malaba and Kisumu. The construction of the phase 1 (Mombasa - Nairobi Section) is underway and is expected to be complete by 2017. The Mombasa-Nairobi SGR is the biggest infrastructure project in Kenya since independence. It will shorten the passenger travel time from Mombasa to Nairobi from more than ten hours to a little more than four hours. Freight trains will complete the journey in less than eight hours.

7.4.

SEA TRANSPORT

The Port of Mombasa is Kenya's principal seaport, comprising Kilindini Harbour and Port Reitz on the eastern side of Mombasa Island, and the Old Port and Port Tudor on the northern side. The main harbour is Kilindini, which is naturally deep and well sheltered. It has 16 deep-water berths, two oil terminals and safe anchorages, and mooring buoys for ships anchoring at sea.

The Old Port is entered between Ras Serani and Mackenzie Point, and is used only by dhows and small coastal vessels of not more than 55 metres length overall (LOA). There is a cement-loading facility opposite the old-port jetty at Ras Kidomoni (or English Point) for bulk-cement carriers of up to 150 metres LOA and eight meters draught.

Mombasa serves not only Kenya but is also the main gateway to the east African hinterland countries of Uganda, Rwanda, Burundi, the Democratic Republic of Congo and South Sudan. The port is managed and operated by the Kenya Ports Authority (KPA), a semi-autonomous government parastatal. KPA also manages the small seaports of Kiuna, Lamu, Malindi, Kilifi, Mtwapa, Funzi, Shimoni and Vanga.

KPA's vision is to transform Mombasa into a top 20 port in the world. It launched its 25-year Master Plan and Strategic Plan in 2005. Under its equipment-replacement plan, it recently invested more than KSh 5 billion in new cargo-handling equipment and marine craft.

KPA is International Ship and Port Facility Security Code (ISPS) compliant, and is in the process of installing an integrated security system and constructing a control tower fitted with radar monitoring, and a traffic management system to enhance security.

FACILITIES AND SERVICES

Mombasa is a multi-purpose port capable of handling all types of cargo including containers, general cargo, liquid and dry cargo, and passengers. It has:

- 16 deep-water berths and two oil terminals, with a draft ranging from 9.75 and 13.25 metres.
- Deep-water anchorages, and mooring buoys for ships at sea.

THE CONTAINER TERMINAL

Berths 16 to 18 constitute the container terminal, offering 600 metres of quay at a draft of up to 10.36 metres. With the capacity to handle as many as 250,000 twenty-foot equivalent units (TEU) per year, the terminal can accommodate medium-size container ships of up to 2,300 TEU. There is a 250-metre deep back-up area of 14 hectares for stacking and handling containers. The terminal is served by four STS, 12 RTG and two RMG– all acquired in 2005 – and other equipment.

The design capacity of the terminal has almost been doubled. In 2004 over 430,000 TEU were handled. Given heavy traffic at the port, two other berths – 13 and 14 – are also used for container traffic. As there are no gantry cranes at these berths, ships use their own cranes.

GENERAL CARGO

Berths 1 to 12 are for general, loose and bagged cargo, as well as steel products. These are served by electric-luffing portal cranes with a capacity of 3 to 15 tonnes, as well as fork lifts, trailers and mobile cranes. Berths 1 and 2 can also handle cruise ships up to 300 metres LOA and a draft of 9.75 metres. Roll-on, roll-off facilities are also available at the general cargo berths.

THE OIL TERMINALS

There are two main oil terminals:

- Kipevu, situated on the mainland Port Reitz area, is designed to accommodate crude-oil tankers up to 100,000 tonnes deadweight (dwt), depth alongside of 13.41 metres at LOWST and maximum LOA of 259 metres.
- Shimanzi can accommodate vessels up to 30,000 dwt, 198.1 metres LOA and 9.75 metres draught. Slop-tank facilities are also available.

Meanwhile, vegetable-oil handling and storage facilities are available at Mbaraki Wharf, Berth 10 and SOT (Shimanzi Oil Terminal). These are operated by two private companies - Gulf Stream and East African Storage.

SPECIALISED BULK HANDLING FACILITIES

A modern bulk-handling grain facility owned and operated by GBHL, is located at Berth 1. It can handle ships of up to 45,000 deadweight with a 10-metre draft. Discharge is by a combined system of Portolinos and conveyor belt, at a rate of 200 tonnes per hour. Silo-storage capacity is 68,000 tonnes, with another 18,000 tonnes under cover.

At Mbaraki Wharf, there are facilities to handle bulk and bagged cement, fluorspar, coal, clinker, molasses, bull petroleum and vegetable oil. The wharf is 315.75 metres long and 10.36 metres deep. Several private companies, including Bamburi Portland, Kenya Fluorspar, East African Storage and Tecaflex, operate storage facilities behind the wharf.

Berth 9 caters to soda ash, using a conveyor belt, and is operated by Magadi Soda, the sole exporters of soda ash.

NAUTICAL ACCESS

The entrance to Klindini Harbour is via a channel seven nautical miles long, 300 metres wide and up to 13.7 metres deep. It is well marked by solar-powered buoys and leading marks, as per IALA system 'A' requirements. Two traffic-control stations direct and monitor the movement of ships in the channel.

Inside the inner harbour, safe anchorage is provided for open-water ships with a draft up to 13.8 metres. Maintenance dredging is done every five years. Anchorage for coasters and fishing vessels is also available. Anchorage outside the port area is not recommended due to the poor holding-ground and heavy swell.

CLAUSE12. STEVEDORING – CONTAINERISED CARGO

CHARGES SHALL BE LEVIED ON STANDARD 20 FEET (20') AND 40 FEET (40') ISO CONTAINERS TO/FROM SHIP, PER MOVE AS FOLLOWS

		RATE PER MOVE (20')	RATE PER MOVE (40')
12.1	Discharging, loading, shifting on board without landing on cellular vessel.	USD 99	USD 148
12.2	Discharging, loading, shifting on board without landing on non-cellular vessel	USD 120	USD 180
12.3	Discharging, loading, shifting on board without landing on a RORO vessel	USD 74	USD 110
12.4	Transhipment containers	USD 80	USD 120
12.5	Containers loaded and re-landed and re-landed and re-loaded shall be charged 2 times the rates applicable in clause 1 to 3	-	-
12.6	Empty containers shall be charged at 60% of the rates shown in 12.1 to 12.3	-	-
12.7	Containers holding in whole or in part dangerous cargo shall be surcharged at 10% above rates in 12.1 to 12. 4	-	-
12.8	Out of gauge container (export/import)	USD 200	USD 300

Opening and closing of hatch covers will be performed on request. When such opening or closing exceeds 15 minutes idle time charges under clause 11.17 shall apply

12.9. Hatch cover or pontoon can be lifted using a standard ISO twist locks spreader USD 75

12.10. Other covers or pontoon USD 100

12.11. Penalty for late submission of Documents as provided in B (m) of this tariff shall attract penalty of $30 per container or per bill of lading for Conventional Cargo up to a maximum of $ 2,000 per vessel.

CLAUSE14. SHORE-HANDLING – CONTAINERISED CARGO

		RATE PER UNIT (20')	RATE PER UNIT (40')
14.1	Imports – domestic- full	USD 105	USD 160
14.2	Exports – domestic- full	USD 53	USD 80
14.3	Imports – transit- full	USD 85	USD 125
	Exports – transit- full	USD 40	USD 65
14.4	Exports – empty (except direct loadings) - full	USD 40	USD 65
14.5	Out of gauge container (export/import)	USD 200	USD 300
14.6	Domestic & Transit FCL Imports to CFS (KPA Nominated)	USD 65	USD 105
14.7	Domestic & Transit FCL Imports to CFS (Consignee Nominated)	USD 85	USD 125
14.8	Import containers handled at ICDs (Including Shore-handling)	USD 103	USD 157
14.9	Exports containers handled at ICDs (Including Shore-handling)	USD 48	USD 74

Where extra handling of cargo is require, additional charges shall be levied as follows:-

CLAUSE14. SHORE-HANDLING – CONTAINERISED CARGO

		RATE PER UNIT (20')	RATE PER UNIT (40')
14.10	Transfer within the Port Area at customer's request or shut-out containers not removed from the port	USD 33	USD 50
14.11	Stripping or stuffing	USD 80	USD 120
14.12	Survey Fee	USD 60	USD 100
14.13	Reefer containers plugged onto reefer points, per hour or part thereof	USD 2	USD 3
14.14	Re-marshalling charge on expiry of free period for both domestic import containers	USD 110	USD 165
	Empty containers shall be charged 60% of the above	-	-
14.15	In addition to the above, containers holding in whole or in part dangerous cargo shall be surcharged at 10% of the rest in clause14	-	-

CLAUSE15. WHARFAGE – CONTAINERISED CARGO

WHARFAGE CHARGES SHALL BE RAISED ON ALL CARGO INCLUDING EMPTY CONTAINERS PASSING OVER THE QUAYS, WHARVES, JETTIES, BUOYS AND OTHER INSTALLATIONS WITHIN THE HARBOUR LIMITS EXCEPTS FOR TRANSHIPMENT CARGO

		RATE PER UNIT (20')	RATE PER UNIT (40')
15.1	Domestic and transit import full both imports and exports	USD 70	USD 105
15.2	Domestic and transit import empty both imports and exports	USD 30	USD 45
15.3	In addition to the above, containers holding in whole or in part dangerous cargo shall be surcharged at 10% of the rest in clause 15.1 & 15.2	USD 60	USD 100

CLAUSE16. STORAGE CHARGES AND PENALTIES

CONTAINERS REMAINING IN THE AUTHORITY'S PREMISES IN EXCESS OR FREE PERIODS SHALL ACCRUE STORAGE CHARGES AS FOLLOWS

		20'	40'
16.1	**Domestic import containers** • First 4 consecutive days • Thereafter up to the date container is removed from the Port; • 5 to 7 days • 8 to 15 days • 16 to 24 days • Over 24 days	Free USD 30 USD 35 USD 40 USD 45	Free USD 60 USD 70 USD 80 USD 90
16.2	**Domestic export containers** • First 9 consecutive days • Thereafter up to the date vessel is berthed • Free period not applicable for Withdrawn Containers	Free USD 20	Free USD 30
16.3	**Transit import containers** • First 9 consecutive days • Thereafter up to the date container is removed from the Port; • 10 to 11 days • 12 to 18 days • 19 to 24 days • Over 24 days	Free USD 30 USD 35 USD 40 USD 45	Free USD 60 USD 70 USD 80 USD 90
16.4	**Transit export containers** • First 15 consecutive days • Thereafter up to the date vessel is berthed • Free period not applicable for Withdrawn Containers	Free USD 16	Free USD 24
16.5	**Shut-out export containers, first two consecutive days** • first 2 consecutive days • Thereafter up to the date vessel is berthed • Free period not applicable for Withdrawn Containers	Free USD 20	Free USD 30
16.6	**Domestic and transit export containers through ICDs** • First 11 consecutive days • Thereafter up to the date container is removed from the depot	Free USD 20	Free USD 30
16.7	**Transit import containers through ICDs** • First 15 consecutive days • Thereafter up to the date container is removed from the depot	Free USD 16	Free USD 24
16.8	**Domestic and transit export containers through ICDs** • First 15 consecutive days • Thereafter up to the date vessel is berthed • Free period not applicable for Withdrawn Containers	Free USD 16	Free USD 24

Source: KPA

CLAUSE16. STORAGE CHARGES AND PENALTIES

CONTAINERS REMAINING IN THE AUTHORITY'S PREMISES IN EXCESS OR FREE PERIODS SHALL ACCRUE STORAGE CHARGES AS FOLLOWS

		20'	40'
16.9	Dangerous cargo, from second day of receipt or landing (export/import)	USD 44	USD 66
16.10	Out of Gauge containers from date of receipt or landing (export/import)	USD 80	USD 120
16.11	**Empty import containers through ICDs** • First 30 consecutive days • Thereafter until the container Is removed from the depot or loaded onto vessel	Free USD 15	Free USD 22.50
16.12	**Empty import containers** • First 2 consecutive days • Thereafter until the container Is removed from the port or loaded onto vessel	Free USD 15	Free USD 22.50
16.13	**Nominated Empty Export containers** • First 4 consecutive days • Thereafter until the container Is removed from the port or loaded onto vessel	Free USD 15	Free USD 22.50
16.14	**Transhipment full containers** • first 15 consecutive days from arrival of the vessel • Thereafter up to the date container is re-shipped • 16 to 30 days • 31 to 40 days • Over 40 days	Free USD 15 USD 20 USD 25	Free USD 30 USD 40 USD 50
16.15	**Empty transhipment full container** • First 15 consecutive days from arrival of the vessel • Thereafter up to the date container is re-shipped	Free USD 15	Free USD 22.50
16.16	**Over landed full container** • From first day of landing to the date of re-shipment	USD 27	USD 40
16.17	Empty over landed full containers from the date of landing to the date of removed from port	USD 16.50	USD 24.50
16.18	**Containers under through bills of lading (BL)** For ICDs; • First 15 consecutive days from date of landing for Kampala • First 21 consecutive days from date of landing • Thereafter up to the date containers is railed/ trucked	Free Free USD 15	Free Free USD 22.50

Source: KPA

PORT AUTHORITIES

		20′	40′
1	Re-marshalling charge	–	USD 165
2	Storage local containers first three days / per day	USD 30	USD 60
3	Storage local containers next eight days / per day	USD 35	USD 70
4	Storage local containers next nine days / per day	USD 40	USD 80
5	Storage local containers thereafter / per day	USD 45	USD 90
6	Storage transit containers, first two days / per day	USD 30	USD 60
7	Storage transit containers, next seven days / per day	USD 35	USD 70
8	Storage transit containers, next six days / per day	USD 40	USD 80
9	Storage transit containers, thereafter / per day	USD 45	USD 90
10	Shipping lines, container demurrage charge, first seven days	USD 4.00 to USD 10.00	USD 8.00 to USD 20.00
11	Shipping lines, container demurrage charge, next seven days	USD 10.00 to USD 20.00	USD 20.00 to USD 40.00
12	Shipping lines, container demurrage charge, thereafter	USD 14.00 to USD 30.00	USD 28.00 to USD 60.00
13	Customs Authorities	Customs warehouse rent at USD 0.30 per metric ton per working day	

7.5.

UTILITIES

GETTING ELECTRICITY –COMPARISON

INDICATOR	KENYA	SUB-SAHARAN AFRICA	OECD
Procedures (number)	4.0	5.4	4.8
Time (days)	110.0	130.1	77.7
Cost (% of income per capita)	732.3	4,075.6	65.1

GETTING ELECTRICITY - KENYA

NO.	PROCEDURE	TIME TO COMPLETE	ASSOCIATED COSTS
1	Submit application to Kenya Power and Lighting Company (KPLC) and await site inspection	13 calendar days	KES 0
2	Receive site visit from KPLC and await estimate	21 calendar days	KES 0
3	Pay estimate and sign supply contract	1 calendar day	KES 860,000
4	Receive external works, meter installation and electricity flow	75 calendar days	KES 0

Source: World Bank Doing Business 2016

TARIFF	CHARGES (KSH)		
	FIXED CHARGE	ENERGY CHARGE (PER KWH)	DEMAND CHARGE (PER KVA)
DC (Domestic, 240 V / 415 V)	120	First 50kWh: 2.50 51 to 1 500kWh: 11.62 / 19.57	N/A
SC (Small Commercial, 240 V / 415 V)	150	12.00	N/A
CI1 (Commercial, 415 V)	2000	8.7	800
CI2 (Commercial, 11 kV)	4500	7.5	520
CI3 (Commercial, 33 kV)	5500	7.0	270
CIC4 (Commercial, 66kV)	6500	6.8	220
CIC5 (Commercial, 132kV)	17000	6.6	220

7.6.

WATER TARIFFS

According to the Water Services Regulatory Board, below are highlights of the regular water-tariff adjustments for Nairobi, as of November 2014:

STRUCTURE OF PROPOSED TARIFF

CONSUMPTION CATEGORY	PROPOSAL BY THE WSP	WATER SERVICES REGULATORY BOARD RECOMMENDATION
Domestic, Commercial and Industrial • 0 – 6 m^3 • 7 – 60 m^3 • More than 60 m^3	• Flat fee: KSh 200 • KSh 56 • KSh 90	• Flat fee: KSh 204 • KSh 52 • KSh 64
Schools and Institutions • 0 – 6 m^3 • 7 – 60 m^3 • More than 60 m^3	• Flat fee: KSh 200 • KSh 56 • KSh 90	• 0 – 600 m^3 – KSh 48 • 600 – 1200 m^3 – KSh 55 • More than 1200 m^3 – KSh 60
Flats and Gated Communities	KSh 60/ m^3	KSh 53/ m^3

7.7.

STARTING A BUSINESS

INDICATOR	KENYA	SUB-SAHARAN AFRICA	OECD
Procedures (number)	11	8	4.7
Time (days)	26	26.8	8.3
Cost (% of income per capita)	35.3	53.4	3.2
Paid-in min. capital (% of income per capita)	0	45.1	9.6

NO.	PROCEDURE	TIME TO COMPLETE	ASSOCIATED COSTS
1	Reserve a unique company name at the Huduma Center or the Companies Registry	1 day on average	KES 100 per name reservation
2	Receive stamp duty assessment on the memorandum and articles of association and the statement of the nominal capital	1 day	1% of nominal capital (KES 20 for every KES 2,000 or part thereof of capital) + KES 2,000 for stamp duty on Memorandum and Articles of Association
3	Pay stamp duty at the Huduma Center	1 day	KES 110
4	Stamp the memorandum and articles of association, and a statement of the nominal capital	1 day	No charge
5	Sign the Declaration of Compliance before a commissioner of oaths or a notary public	1 day	KES 200
6	Register with the Registrar of Companies at the Attorney General Chambers in Nairobi	12 days on average	KES 9,280
7	Register for taxes at the Kenya Revenue Authority	1 day	No charge
8	Apply for a business permit	5 days	KES 15,000
9	Register with the National Social Security Fund (NSSF)	1 day	No charge
10*	Register with the National Hospital Insurance Fund (NHIF)	1 day	No charge
11*	Make a company seal	2 days, simultaneous with previous procedure	Between KES 2,500 and KES 3,500

** Takes place simultaneously with another procedure*   *Source: : Doing Business 2016*

7.8.
CONSTRUCTION PERMITS

INDICATOR	KENYA	SUB-SAHARAN AFRICA	OECD
Procedures (number)	15	14.4	12.4
Time (days)	146	162.2	152.1
Cost (% of warehouse value)	6.9	6.6	1.7
Building quality control index (0-15)	7	6.9	11.4

NO.	PROCEDURE	TIME TO COMPLETE	ASSOCIATED COSTS
1	Obtain a survey plan from Survey Kenya	1 day	KES 500
2	Submit and obtain approval of the architectural plans	45 days	KES 340,439
3	Submit and obtain approval of the structural plans	10 days	No charge
4*	Obtain a project report from an environmental expert	5 days	KES 50,000
5	Obtain approval of the environmental impact study	30 days	KES 2,936
6*	Obtain stamps on architectural and structural plans from the Nairobi City County - Development Control Section	1 day	No charge
7	Notify the Nairobi City Council of commencement of work	1 day	No charge
8	Request and receive set out inspection	1 day	No charge
9	Request and receive foundation excavation inspection	1 day	No charge
10	Apply for permit to connect to the city sewage system	7 days	KES 7,500
11	Request and receive final inspection by the Municipal Authority after construction	5 days	No charge
12	Obtain occupancy certificate	14 days	No charge
13*	Apply for water connection	1 day	KES 5,000
14	Receive inspection for assessment of connection fees	1 day	No charge
15	Obtain water connection	30 days	No charge

** Takes place simultaneously with another procedure*

Source: : World Bank Doing Business 2016

7.9.

REGISTERING PROPERTIES

INDICATOR	KENYA	SUB-SAHARAN AFRICA	OECD
Procedures (number)	9	6.2	4.7
Time (days)	61	57.5	21.8
Cost (1% of property value)	4.2	8.3	4.2
Quality of the land administration index (0-30)	15	8.4	22.7

NO.	PROCEDURE	TIME TO COMPLETE	ASSOCIATED COSTS
1	Apply and Obtain Land Rent Clearance Certificate from the Commissioner of Lands	19 days (simultaneous with Procedures 2, 3 and 4)	No cost
2*	Apply, pay and obtain Rates Clearance Certificate from the Nairobi City Council	5 days (simultaneous with Procedure 1, 3 and 4)	KES 10,000
3*	File the transfer instrument at the Lands Office and obtain appointment for valuation	4 days (simultaneous with 1,2 and 4)	KES 500
4*	Apply for a search on the title at the Lands Office	3 days (simultaneous with Procedures 2 ,1 and 4)	KES 500
5	Apply and obtain consent to transfer from the Commissioner of Lands	9 days	KES 1,000
6	Receive site inspection by Government valuer and obtain valuation report	20 days	No cost
7	Endorsement of value for stamp duty purposes and assessment of Stamp duty	4 days	No cost
8	Payment of Stamp Duty at Commercial Bank and receive confirmation of payment from Kenya Revenue Authority	4 days	KES 110 (charge for Banker's check) + 4% of property value (stamp Duty)
9	Lodge stamped transfer document for registration and receive duly registered documents	5 days	KES 500

** Takes place simultaneously with another procedure*

Source: : World Bank Doing Business 2016

7.10.

TAXES

TAX OR MANDATORY CONTRIBUTION	PAYMENTS (NUMBER)	NOTES ON PAYMENT	TIME (HOURS)	STATUTORY TAX RATE	TAX BASE	TOTAL TAX RATE (% PROFIT)	NOTES ON TTR
Corporate income tax	5		43	30%	Taxable profit	29.81	
Standards levy	2			0.20%	Net sales	3.54	
Employer paid – social security contributions (NSSF)	12		51	5%	Gross salaries	1.52	
Single business permit - manufacturer	1			KES 100,000	Fixed fee	1.06	
Tax on interest	0			15%	Interest income	0.38	Included in other taxes
Employer paid – training or apprentice tax	2			KES 600 per employee	Number of employees 0.38	0.38	
Land rates	1			0.6%	land value	0.3	
Road maintenance levy	0	Jointly		KES 9 per litre	Fuel consumption	0.28	
Advance motor vehicle tax	1			KES 1,500 per ton	Vehicle weight	0.24	Included in other taxes
Single business permit - trader	1			KES 20,000	Fixed fee	0.21	
Petroleum development duty	0	Jointly		KES 0.4 per litre	Fuel consumption	0.01	
Land rent	1			Various rates		0.01	
Tax on check transactions	1			KES 2 per check	Number of checks	0.01	
Value addedtax (VAT)	1	Online	108	16%	Value added	0	Not included
Fuel tax – excise duty	1			KES 10.31 per litre	Fuel consumption	0	Small amount
Stamp duty on contracts	1			Various rates	Type of contract	0	Small amount
Employee paid – social security contributions (NSSF)	0	Jointly		5%	Gross salaries	0	Withheld
Employee paid – National hospital insurance fund (NHIF)	0	Jointly		Various rates	Gross salaries	0	Withheld
TOTALS:	30.0		201.5			37.1	

Source: World Bank Doing Business 2016

7.11.

TRADING ACROSS BORDERS

INDICATOR	KENYA	SUB-SAHARAN AFRICA	OECD HIGH INCOME
Time to export: Border compliance (hours)	21	108	15
Cost to export: Border compliance (USD)	143	54	160
Time to export: Documentary compliance (hours)	19	97	5
Cost to export: Documentary compliance (USD)	191	246	36
Time to import: Border compliance (hours)	180	160	9
Cost to import: Border compliance (USD)	908	643	123
Time to import: Documentary compliance (hours)	84	123	4
Cost to import: Documentary compliance (USD)	550	351	25

Source: World Bank Doing Business 2016

CHARACTERISTICS	EXPORT	IMPORT
Product	HS 09 : Coffee, tea, matї and spices	HS 8708: Parts and accessories of motor vehicles
Trade partner	Uganda	Japan
Border	Malaba border crossing	Mombasa port
Distance	440	481
Domestic transport time (hours)	9	11
Domestic transport cost (USD)	967	1,100
Domestic transport speed (km/hour)	48.9	43.7
Domestic transport cost per distance (USD/km)	2.2	2.3

Source: World Bank Doing Business 2016

EXPORT DOCUMENTS
Cargo release order
Certificate of origin (COMESA)
Commercial invoice
Customs release order
Customs Transit Document
Export Declaration
Inland Bill of lading
Packing list

IMPORT DOCUMENTS
Bill of lading
Cargo release order
Certificate of conformity
Commercial invoice
Declaration of customs value (Form C- 52)
Import Declaration Form (IDF Form C61-)
Packing list
Proof of payments of customs duties
Terminal handling receipts

Source: World Bank Doing Business 2016

08

EDUCATION AND HUMAN RESOURCES

8.1.
GENERAL INFORMATION

Kenya views Education and Training (E&T) as a primary means of upward social mobility, national cohesion and socio-economic development. Kenya's Vision 2030 places great emphasis on the link between E&T and the labour market, the need to create entrepreneurial skills and competencies and strong public and private partnerships. The Government is further committed to achieving international development objectives such as the Millennium Development Goals (MDG) and Education for All (EFA). The Constitution includes provisions for children's rights to free and compulsory basic education, as well as quality services and access to educational institutions and facilities for all persons, including those with disabilities and from minorities and marginalized groups.

Some of the challenges as Kenya moves towards Vision 2030 include meeting human-resource requirements for a rapidly changing and increasingly diverse economy; ensuring that the education system meets high-quality standards and that its content is relevant to the needs of the economy and society; as well as raising standards in regions that lag behind in school enrolment to bring them to par with other leading areas.

To address these and other challenges, the Government is implementing key programmes including mainstreaming of Early Childhood Development Education (ECDE), curriculum review and reform, integrating information, communication and technology in teaching and learning; establishment of Education Management Information System (EMIS) centres, and the establishment of Technical, Vocational Education and Training (TVET) infrastructure and equipment

8.2.
UNIVERSITY EDUCATION

Kenya's university education system continues to evolve. Accredited universities include 22 public universities, nine public-constituent colleges, 17 private chartered universities, five private university constituent colleges and 13 institutions with letter-of-interim authority. Challenges and opportunities created by the internationalization of university education are impacting the sector. E-learning and other forms of open and distance learning have increased, prompting the need for greater vigilance on quality.

As a result, institutions are putting in place appropriate regulations, standards and guidelines to deal effectively with these developments. Increased access and mobility of students nationally and internationally calls for the harmonization of credit accumulation and transfer systems to enhance the free flow of students. Some initiatives and opportunities in this area include:

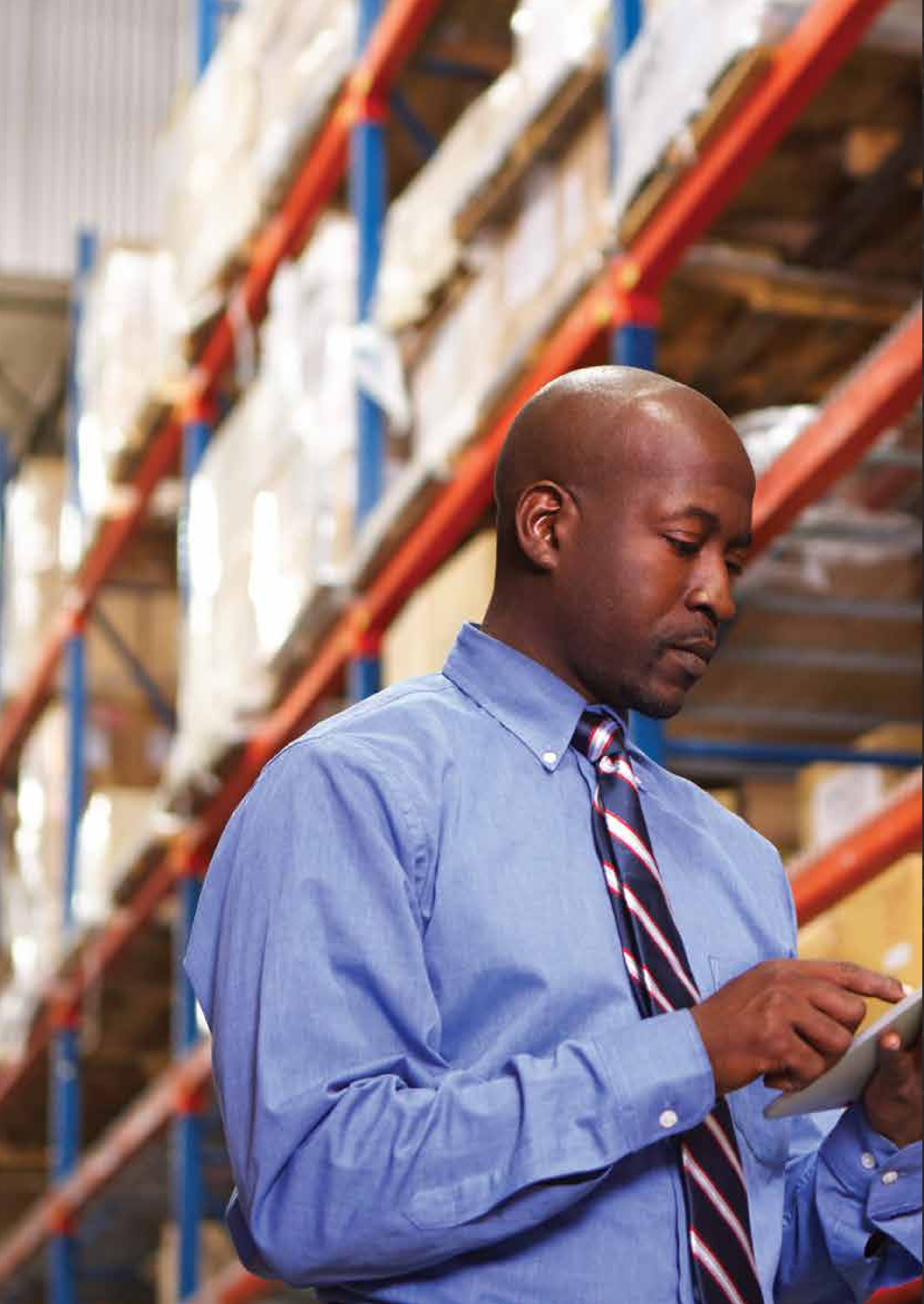
- Establishing open distance education in existing universities;
- Expanding facilities and adding training equipment in newly created university colleges;
- Training faculty staff at Masters and PhD levels, especially in science, technology and innovation;
- Expanding TVET at the national, county and constituency level, particularly in technical-training institutes, institutes of technology, vocational training centres, national polytechnics and technical universities;
- Provision of information and communications technology (ICT) equipment, software and expertise for integrating ICT;
- Establishing specialized technical-training colleges in priority economy areas such as petroleum and mining;
- Establishing centres of excellence in bio-technology research;
- Developing core technologies and innovation to drive economy growth;
- Establishing a national physical-science research laboratory for engineering and new production technologies;
- Rolling out the Kenspace science and technology programme;
- Establishing a centre for nuclear research for peaceful purposes.

UNIVERSITY STUDENT ENROLMENT

	2010/11		2011/12		2012/13		2013/14	
	MALE	FEMALE	MALE	FEMALE	MALE	FEMALE	MALE	FEMALE
Public Universities	85,931	53,839	94,358	63,558	109,821	85,707	167,046	109,303
Private Universities	21,793	16,055	23,342	17,002	25,615	19,408	26,139	22,072
TOTALS	107,724	69,894	117,700	80,560	135,436	105,115	193,185	131,375

8.3.
PRIMARY AND SECONDARY SCHOOLS

Free primary education was introduced in 2003. In the four years to 2012, the number of primary school pupils rose to almost 10 million, while the number of secondary school students increased from 1.3 million to 1.9 million, still below the target of 2.2 million. The number of secondary schools increased from 6,566 in 2008 to 8,197 in the same period. There are a number of reputable international schools available and are a popular choice for expatriate families seeking schooling options.



09

THE LABOUR MARKET

9.1.
TRADE UNIONS

The Labour Relations Act of 2007 regulates employer/employee relations in Kenya and the establishment and registration of trade unions and employers' organisations. Article 4 gives an employee the right to join and exit any legal trade union, while Article 6 gives the employer the right to participate in forming an employers' organisation or a federation of employers' organisations. The trade union movement is strong with an estimated 40 per cent of the labour force in the modern sector members of it. The Central Organisation of Trade Unions (COTU) is the national umbrella-body governing about 30 unions. Kenya also has industrial courts that sit daily to hear and settle industrial disputes. The Federation of Kenya Employers (FKE) is the premier employers' organisation, established in 1959 under the Trade Unions Act Cap 233 to represent the collective interest of employers in Kenya. The Federation's membership includes employers in the private and public sectors, as well as state cooperatives, local authorities and employers' associations.

9.2.
UNEMPLOYMENT AND UNDEREMPLOYMENT

Although national unemployment (the ratio of unemployed to total labour force) dropped from 14.6 per cent in 1998/99 (see 1998/99 Labour Force Survey Results) to 12.7 per cent in 2005/06 (see the 2005/06 Kenya Integrated Household Budget Survey) and 9.2 per cent in 2013 (World Bank), unemployment remains one of the major development challenges in Kenya. For more than 45 years, successive Governments have articulated the need to create sufficient employment for the country's growing labour force. Unemployment and underemployment are Kenya's most difficult and persistent problems.

Along with these, there are glaring gender and age-related gaps that have become a major concern for policy makers. Unemployment is higher among females than among men. The causes of unemployment include high labour force growth rates, high wages and salaries -- which have triggered adoption of labour-saving efforts -- inadequate training, a consequent lack of skills and a skills mismatch, and rural-urban migration.

9.3.
LABOUR ISSUES

ABILITIES AND DEXTERITY
Education and training play a critical role in the development of skills and competencies for employability. The creation of demand-oriented capabilities in Kenya has been hampered by weak linkages between education and training institutions on one hand and with industry on the other in development of curricula. The absence of integrated industrial-training and attachment programmes has also not helped. In addition, there is a gap in technology used by industry, and that used by the education-and training-service providers.

The skills-upgrade nexus between secondary and tertiary institutions, universities and industry is further compounded by an increasing conversion of a number of mid-level colleges, especially national polytechnics and technical institutions, into public universities, without much effort to establish or upgrade other institutions to fill the void.

WAGE DISPARITIES
There are wage disparities across economic sectors in Kenya, with financial and real-estate activities in both the private and public sector paying the highest wages.

Following closely on the wage scale are transport and communications activities, public-sector activities related to trade, restaurants and hotels. Compared with the lowest-earning activities (agriculture, forestry, mining and quarrying) workers in the financial and real-estate sector earn, on average, around four to five times more per month. Importantly, one of the lowest-paid sectors is community, social and personal services which account for one-third of jobs created in the past decade and represent more than 40 per cent of total salaried employment.

MOBILITY
There is free movement of labour in Kenya, with no restriction on where one can work. However, a lack of decent employment opportunities in rural areas has generally led to rural-urban migration.

LABOUR LEGISLATION

- Employment Act 2007
- Children's Act No. 8 2001
- Industrial Training Act
- Labour Relations Act 2007
- Work Injury Benefit Act
- Minimum wage regulations

9.4.

HUMAN RESOURCE MANAGEMENT

SEVERANCE PAY
The Employment Act 2007 allows for the termination of a job on account of redundancy. However the employer must pay the employee declared redundant severance at a rate of not less than 15 days' pay for each completed year of service.

EMPLOYMENT RIGHTS AND BENEFITS
The Employment Act provides for the following basic minimum conditions-of-employment-contract:

- All fixed-term and permanent employees are entitled to a minimum of 21 working-days-per-year of leave with full pay
- An employee is entitled to at least one rest day in every seven
- Where employment is terminated after two or more months of service, the employee is entitled to payment for 1 ¾ days of leave for each completed month of service
- Women are entitled to three months maternity leave with full pay (in lieu of annual leave)
- A male employee is entitled to two weeks paternity leave with full pay
- Sick leave (at least seven days with full pay, thereafter seven days with half-pay in each year). This may vary by industry
- Housing allowance
- Overtime payments are stipulated for some industries under Cap 229
- Severance pay in case of redundancy
- Safe working conditions

HIRING, LAYOFFS AND FIRING
Termination by notice, Issued by employer or employee:
- Notice should be for a mutually agreed period
- Minimum statutory notice period for monthly employment is one month
- Where no notice is given, there should be payment of wages for the notice period in lieu of notice by the party terminating
- Employees are entitled to moneys, allowances and benefits earned while in employment, e.g. salary, accrued-leave payments, bonuses, retirement benefits, etc.
- Certificates of service (testimonials) should be given if asked for
- These terms do not apply to casual workers whose engagement ends at the end of each day

DISMISSAL AND SACKING:
- Due to wrongs done in connection with employment
- Dismissal can be effected after warning or summarily/instantly in cases of gross misconduct
- In the case of dismissal after warning, warnings should be in writing and kept in the employer's records for the particular employee
- Summary dismissal is for serious misconduct. Grounds include absenteeism, crime, intoxication, disobedience, etc.
- Dismissed employees are entitled to moneys, allowances and benefits earned while in employment, e.g. salary, accrued-leave payments, retirement benefits, etc.
- Dismissed employees are entitled to certificates of service (testimonials)
- Upon dismissal, the employer should make a written report to the district labour-office explaining the circumstances leading to, and reasons for the dismissal, as well as giving other specified details of the employee's terms of employment

REDUNDANCY:
- Occurs when employees cannot be utilized for any work, e.g. during a period of recession
- Termination of employment in this manner should be carried out according to the law. The area labour-office should be notified
- Employees are entitled to severance pay (15 days for every year worked), one month's wages in lieu of notice, and accrued leave payments and all other benefits due

10

INVESTMENT PROMOTION AND PROTECTION

10.1.
INVESTMENT LAWS AND REGULATIONS

Kenya's Investment Promotion Act (IPA) 2004, aims to promote and facilitate investment by assisting investors, for instance, in obtaining the relevant licences and through incentives. The National Treasury oversees investment policy and most investment-related institutions, aside from Kenya Investment Authority (KenInvest), which is overseen by the Ministry of East Africa Affairs Commerce & Tourism. KenInvest is responsible for promoting and facilitating local and foreign investments and issuing an investment certificate, which allows the holder a legal entitlement to certain licences. The holder is also entitled to three work-permits for management and technical staff, as well as three others for owners, shareholders, partners and dependents. Both are for an initial but renewable two-year period. Capital repatriation and remittance of dividends and interest are guaranteed to foreign investors under the IPA. Other conditions that may be considered include whether the investment will achieve any of the following: technology transfer; increase in foreign exchange, either through exports or import substitution; use of domestic raw materials, supplies and services; adding value to the processing of local, natural and agricultural resources; the use, promotion, development and implementation of information and communications technology (ICT), and any other factors KenInvest may consider beneficial to the country.

Important regulatory institutions for investment in Kenya include the Central Bank of Kenya (CBK), which provides opportunities for investment in treasury bills and bonds; the Export Processing Zones Authority (EPZA), which provides investors with tax incentives, a facilitated operating environment and good physical infrastructure; the Capital Markets Authority (CMA) on regulation of portfolio investments; and the Nairobi Securities Exchange (NSE) for securities-trading and listed companies. Other key institutions are the National Environment Management Authority for environmental certification and audit, and the Communications Commission of Kenya on regulation of investments in ICT. Investments that may have an adverse effect on health and security are subject to scrutiny before approvals are granted.

In 2011, a new Competition Act replaced the 1989 law. The Act put in place a new competition framework, which aims to foster a well-functioning competitive environment, provide consumer protection, and establish and define the role of the Competition Authority and the Competition Tribunal. Following best practices, the new framework separated policymaking from enforcement, with policymaking the responsibility of a board in the National Treasury. The final approval of mergers and acquisitions rests with the Competition Authority, which also has the power to set the relevant thresholds. The Act prioritises enforcement in sectors that have a high impact on vulnerable members of society, such as food, energy and infrastructure development.

The primary purpose of the 2012 Land Act is to provide a single legal reference on land. The Act has led to the creation of the National Land Commission, which manages public land on behalf of national and county authorities. It evaluates all parcels of public land for capability and classifies them by potential use. The Commission is also mandated with developing guidelines for public-land management by all public agencies and is responsible for allocating land. It is charged with setting aside land for investment to benefit local communities and their economies. If land is not already set aside for investment, then the process can take at least one month (i.e. a 30-day notice to county governor and interested parties, and a three-week period for gazetting).

10.2.
LEGAL FORMS OF INCORPORATION

Corporate entities may be set up as sole proprietorships, partnerships, limited-liability partnerships, cooperative societies or limited-liability companies. The main vehicle used by investors are limited liability companies which can be incorporated as either private or public limited-liability companies. The law also allows foreign companies to set up a branch-office in Kenya with the same legal status as the foreign company.

10.3.
INVESTMENT INCENTIVES

Kenya's Special Economic Zones (SEZ) and Export Processing Zones (EPZ) offer special geographically based incentives (see chapter on SEZ). The Government's Manufacturing Under Bond (MUB) programme is meant to encourage manufacturing-for-export by exempting enterprises from import duties and VAT on imports such as plant machinery, equipment and raw materials. The programme also provides a 100 per cent investment-allowance on plant, machinery, equipment and buildings. Participating companies must export goods produced under the MUB system. If not, the goods are subject to a surcharge of 2.5 per cent, and imported inputs used in their production are subject to all other tariffs and import charges. The program is open to both local and foreign investors, and is administered by the Kenya Revenue Authority.

Investors in manufacturing and hotels are able to deduct from their taxes a large portion of the cost of buildings and capital machinery. The Government exempts from VAT all locally financed materials and equipment (but not motor vehicles, and goods for regular repair and maintenance) used in the construction or refurbishment of tourist hotels. The National Treasury permanent secretary must approve such purchases.
The Government permits some VAT remission on capital goods, including plant machinery and equipment for new, expanded and replacement investment. The investment allowance under the Income Tax Act is set at 100 per cent. Materials imported for use in manufacturing-for-export or for the production of duty-free items for domestic sale qualify for investment allowance. Approved suppliers, which manufacture goods for an exporter, are also entitled to the same import-duty relief. The program is also open to Kenyan companies producing goods that can be imported duty-free, goods for supply to the armed forces or to an approved aid-funded project. There are a number of additional sector-specific investment incentives, the details of which can be provided by KenInvest.

10.4.
RESEARCH AND DEVELOPMENT

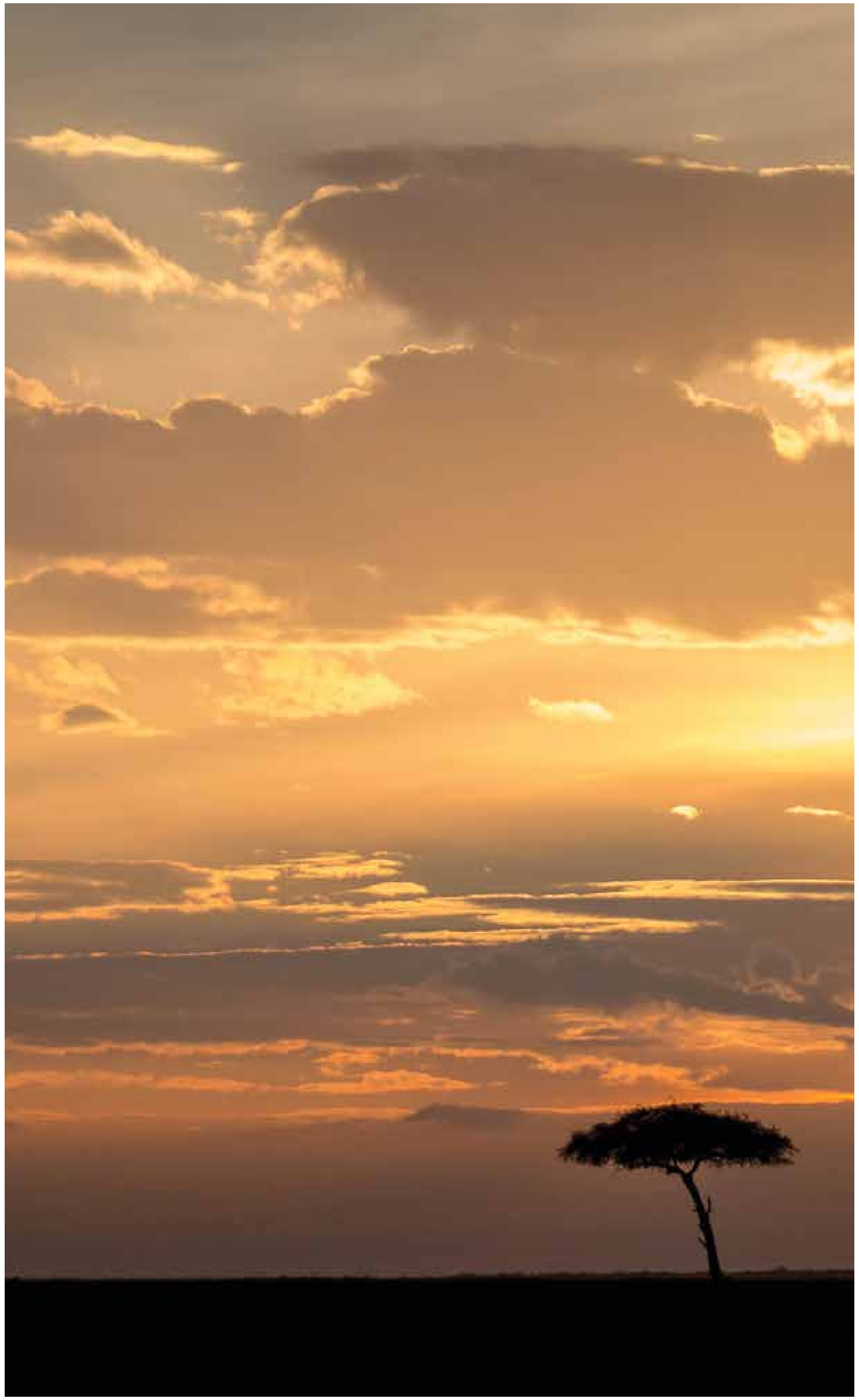
There is no differentiation between local and foreign investors in access to Government-sponsored research.

10.5.
PERFORMANCE REQUIREMENTS

The Government encourages investment in sectors that create employment, generate foreign exchange, and build forward and backward linkages with rural areas. The law applies local-content rules but only for the purposes of determining whether goods qualify for preferential-duty rates within the Common Market for Eastern and Southern Africa (COMESA) and the East African Community (EAC).

10.6.
CONVERSION AND TRANSFER POLICIES

Kenya's Foreign Investment Protection Act (FIPA) guarantees capital repatriation, and the remittance of dividends and interest to foreign investors. They are free to convert and repatriate profits, including un-capitalized retained profits (proceeds of an investment after the payment of the relevant taxes, and the principal and interest associated with any loan). Kenya has no restrictions on converting or transferring funds associated with investment. Kenyan law requires the declaration of amounts above KSh 500,000 (about USD 5,600) as a formal check against money laundering. Foreign exchange is readily available from commercial banks and foreign-exchange bureaus, and can be bought and sold freely by local and foreign investors. The Kenyan shilling has a floating exchange rate tied to a basket of foreign currencies.



10.7.
EXPROPRIATION AND COMPENSATION

Kenyan investment law is modeled on British law. The Companies Act, IPA and FIPA are the main pieces of legislation governing investment in Kenya. The law provides protection against the expropriation of private property, except where due process is followed, and adequate and prompt compensation provided. Various bilateral investment-agreements with other countries also offer further protection. Expropriation may only occur for either security reasons or public interest.

10.8.
RIGHT TO PRIVATE OWNERSHIP AND ESTABLISHMENT

Private enterprises can freely establish, acquire and dispose of interests in business enterprises. The Kenyan legal system is quite flexible on exit options, which are normally determined by agreement between one investor and the others. The Companies Act specifies how a foreign investor may exit from an incorporated company. In practice, a company faces no obstacles when divesting its assets in Kenya, if the legal requirements and licenses are satisfied. The Companies Act gives the procedures for both voluntary and compulsory winding-up processes.

10.9.
PROTECTION OF PROPERTY RIGHTS

Kenya has a comprehensive legal framework to ensure intellectual property rights (IPR) protection, which includes the Anti-Counterfeit Act, the Industrial Property Act, the Trade Marks Act, the Copyright Act, the Seeds and Plant Varieties Act, and the Universal Copyright Convention. Kenya's Copyright Act protects literary, musical, artistic, and audiovisual works; sound recordings and broadcasts; and computer programmes. Kenya is a member of the Convention establishing the World Intellectual Property Organization (WIPO), the Paris Convention for the Protection of Industrial Property and the Patent Co-operation Treaty. Kenya is a signatory to the Madrid Agreement Concerning the International Registration of Marks.

10.10.
INSOLVENCY

Bankruptcies are governed by the Bankruptcy Act 2009. Creditors' rights are comparable to those in other common-law countries. Monetary judgments are typically made in Kenyan shillings. The World Bank's 2016 Doing Business Report puts Kenya at 144 of 189 in "resolving insolvency". However, this is expected to change drastically once Insolvency Act, 2015 comes into force by the Cabinet Secretary repealing the Bankruptcy Act and certain provisions of the Cap 486 by notice published in the Gazette. The Insolvency ACT, 2015 is designed to consolidate the laws relating to the insolvency of natural persons and incorporated and unincorporated bodies, and to provide for matters relating to insolvency in greater detail. The Act provides for alternative procedures to bankruptcy and winding-up that will facilitate the management of the affairs for the benefit of persons, companies and creditors. For instance, it introduces rights to conduct restructurings and bankruptcy work-outs under an administration process in the case of companies

10.11.
COMPETITION LAW

The Competition Authority of Kenya regulates competition law and its enforcement. It regulates mergers, abuse of dominance, and other competition- and consumer-welfare related issues in Kenya. Recently, it imposed a filling fee for mergers with a turnover of between 1 to 50 billion shillings (USD 11.6 million to 578 million), and KSh 2 million (USD 23,108) for larger mergers. All mergers and acquisitions require the Authority's authorization before they are finalized.

Kenya has signed various bilateral-investment agreements to guarantee further investment protection. Kenya is also a member of the Multilateral Investment Guarantee Agency (MIGA), the Africa Trade Insurance Agency (ATI) and the International Centre for Settlement of Investment Disputes (ICSID), which arbitrates cases between foreign investors and host governments.

10.12.
LAND ACQUISITIONS

ACQUISITION
An investor can acquire land in several ways:

- Through a direct purchase on a willing seller basis
- By applying through the county government, NLC or National Government
- Or, with the assistance of investment authorities such as KenInvest or EPZ

LEASING
Leases are given for a maximum of 99 years for property and other installations (such a buildings, long term crops, equipment). Once this lease ends an extension can be applied for. Installations are taken over by the Government, but requests can be made to the Government to remove assets or to negotiate for the sale of strategic installations to the Government. Both whole leaseholds and sub-leases are transferable.

OWNERSHIP AND REPOSSESSION
Ownership of land can be verified by a status search through the Land Registrar. This is done by:

- Completing the Application for Official Search form at **www.ardhi.go.ke**
- Paying an administration fee of approximately KSh 2,000, attaching a copy of the title, Kenyan ID number and PIN number of the applicant
- Submitting the form to the Land Registry

The Government can repossess land if it has been allocated on an area designated for public purpose, if the title is cancelled because it has been fraudulently allocated or irregularly allocated without following the due processes and procedures prescribed in law. Cancellations can happen in the event of double allocations, and the law allows for review of grants to confirm authenticity whenever a title is questionable or contested by two parties.

Companies do not need to have local ownership to access land, however a company that is foreign owned or with one person who is not a citizen is entitled only to leasehold ownership, not freehold ownership. For example, rural farms and titles for agricultural use can only be sold to Kenyan individuals or companies, but foreigners can lease the land for a given period.

11

SPECIAL ECONOMIC ZONES

11.1.
EXPORT PROCESSING ZONES

The first Export Processing Zone (EPZ) was established in 1990 to provide an attractive investment opportunity in designated areas for export-oriented businesses. This sought to support the economy through increased productive-capital investment, job creation, technology transfer and diversified exports.

Managed and promoted by the Export Processing Zone Authority (EPZA), the scheme offers a range of attractive incentives to support low-cost operations, fast set-up, smooth operations and high profitability. An effective one-stop-shop at EPZA aims to facilitate the investment process. Individually and collectively, the seven EPZ -- strategically located around country -- make a compelling case for companies to invest. The EPZ are located in:

- Nairobi;
- Athi River (only 25 km from Nairobi);
- Mombasa;
- Kilifi and Malindi on Kenya's northern coast;
- Voi and Kimwarer, located in the Great Rift Valley region.

As a catalyst for investment and economic growth, the EPZA has created programmes and policies intended to foster investment and encourage investors to take advantage of the country's numerous opportunities, notably its distinctive location as the 'gateway to East Africa'. The EPZA also aims to capitalise on Kenya's investor-friendly fiscal and monetary policies, a supportive political framework, a well-established private sector, entrepreneurial facilities and social amenities; as well as a good quality of life.

The EPZA welcomes all export-oriented investments but is particularly keen to develop projects and attract companies in:

- Food processing
- Fresh produce
- Packaging for shelf-ready products
- Wooden products
- Leather and animal-based products
- Jewelry and gemstones
- Pharmaceutical products and herbal medicines
- Medicinal supplies
- Cosmetic and personal care products
- Packaging products
- Textiles
- Commercial handicrafts
- Transport equipment
- Electronic and electrical goods
- Building materials and furnishings
- Data processing and audio-visual services, and consultancy
- Professional services

EPZ TAX BENEFITS

The following are EPZ tax benefits for investors:

- 10-year corporation tax holiday and 25 percent tax for 10 years thereafter
- 10-year withholding-tax holiday
- Stamp duty exemption
- 100 percent investment deduction on initial investment applied over 20 years
- Perpetual-duty and VAT exemption on company inputs, including machinery, spare parts, construction and raw materials, office equipment, packaging, heavy diesel and fuel oil (excluding other petroleum-based fuels, motor vehicles from outside the zone and motor-vehicle spare parts)

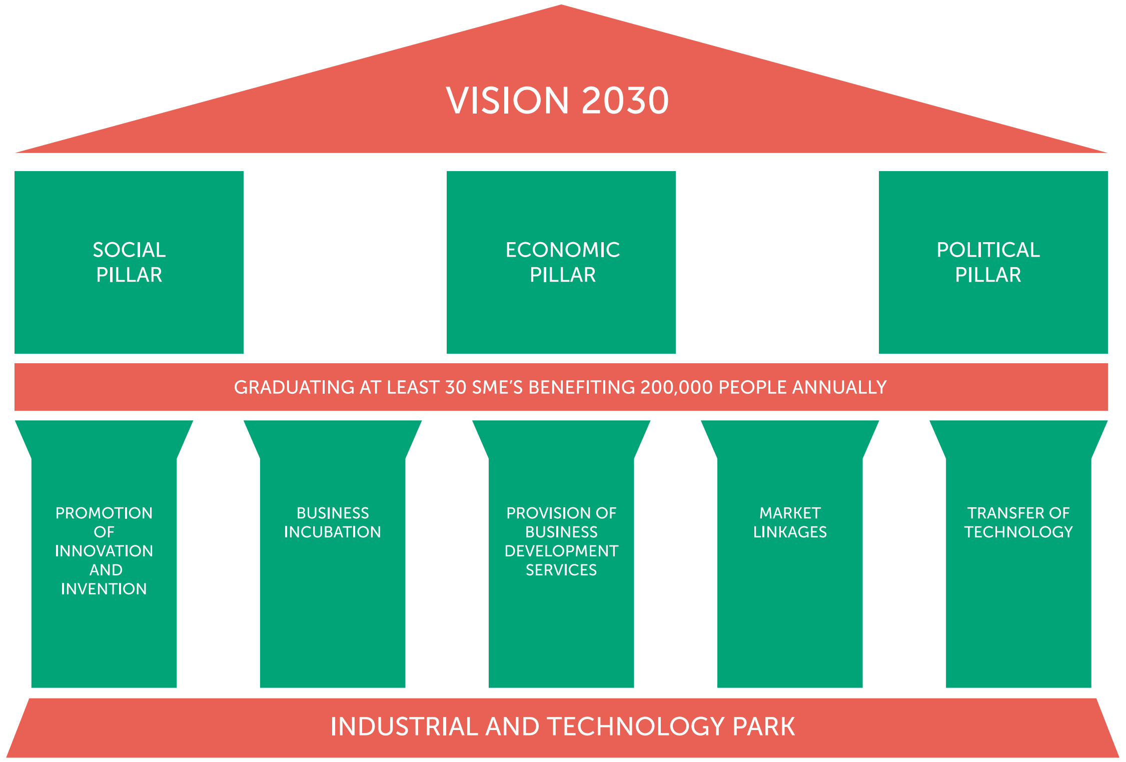
SPECIAL ECONOMIC ZONES

The Government of Kenya has enacted the Special Economic Zones Act 2015 aimed at creating an enabling investment environment for global and local investors in specifically designated areas once it comes into force. The SEZ Act, 2015 creates a SEZ Authority to administer all regulatory responsibilities in the SEZs, allowing for a much simpler and efficient interface between government and SEZ enterprises. The SEZ Act also introduces numerous incentives including protections and benefits for enterprises, including a strong dispute resolution system, fast licensing procedures, and duty-free importation of goods and services.

11.2.
INDUSTRIAL PARKS

Kenya's Vision 2030 recognizes small- and medium-sized enterprises (SMEs), industrial and technology parks as important vehicles for fast-tracking growth in manufacturing, and plugging into the global knowledge economy. The parks create an environment that foster collaboration and innovation, where Government, the private sector and universities can cooperate

Link to Vision 2030
www.vision2030.go.ke



INDUSTRIAL PARK STRATEGIC OBJECTIVES

- To facilitate the transfer of technology and promote local knowledge-based enterprises
- To create an environment for inventiveness and innovation
- To stimulate and manage the flow of knowledge and technology among universities, research and development institutions, as well as companies and markets
- To provide other value-added services, with high-quality space and services
- To translate government policies into sector strategies and action plans.

PRIORITY SECTORS

- Agro-processing
- Agro-machinery
- Electric and electronics
- Metal
- Bio-technology
- ICT
- Packaging

12

LICENSING AND PERMITTING

12.1.
BUSINESS LICENSING

ESTABLISHING A COMPANY
The principal types of business enterprises in Kenya are:

- Registered companies (Private and Public) – companies are registered as limited-liability companies and regulated by the Companies Act (Cap 486);
- Branch offices of companies registered outside Kenya – the branch will be issued with a Certificate of Compliance;
- Partnerships – A partnership is restricted to a maximum of 20 persons, each of whom is jointly and separately liable for all debts incurred and is regulated under the Partnership Act 1981;
- Sole Proprietorships;
- Co-operatives – are regulated under Cooperative Society's Act.

NO.	PROCEDURE	COST
1	Reserve a unique company name at Huduma center	100 per name reservation
2	Obtain company documents from an advocate (Memorandum and articles/declaration of compliance	25,000-Estimate
3	Stamp the memorandum and articles of association and a statement of the nominal capital at Huduma center	1% of nominal capital (KSh 20 for every KSh 2,000 or part thereof of capital) plus KSh 2,000 for stamp duty on Memorandum and Articles of Association
4	Pay company registration fee at Huduma Center and obtain certificate of incorporation at Company registry	2850
5	Make a company seal	Between 2,500 and 3,500

Source: Registrar of Companies

COMPANIES ACT 2015
The said procedures are expected to change significantly once the new Companies Act, 2015 assented in September 2015 comes into force once it gazette. The 'old' Companies Act, Cap 486, will continue to operate until the new Companies Act, 2015 come into force through legal notices prepared by the Cabinet Secretary in the Kenya Gazette. The major changes in relation to company formation include:

- Formerly at least two members were required for a private company and seven for a public company however with Companies Act, 2015, a single person to form a private and a public company. A private company is still restricted to 50 members.
- A company's articles of association will become its main constitutional document and the company's memorandum will be treated as part of its articles. While it will still be important to file a memorandum of association to incorporate a new company, it will no longer form part of the company's constitution.

DOING BUSINESS INDICATORS
Tax codes

- Corporate Income Tax:
  - Resident company: 30 per cent;
  - Non-resident company, operating as a branch under Certificate of Compliance: 37.5 per cent;
- Customs and Excise Duties rates vary for different products;
- Value Added Tax (VAT): 16 per cent, where some items may be exempted.

12.2.
ENTRY LICENSING

Valid passports or other travel documents, including Seaman's Discharge Book, acceptable to the Government, are required for all persons wishing to enter Kenya. Passports must be valid for at least six months.

Exemptions from permits are granted to all persons who are entitled to privileges and immunities under The Kenya Citizenship and Immigration Act 2011, section 34 (3) (a) to (g).

A bona fide visitor may be issued with a visitor's pass on arrival at a port of entry. This pass is valid for no more than three months in the first instance, provided he or she has a valid passport or other acceptable travel document, a valid visa where required, sufficient funds to subsist whilst in Kenya, and a return or onward ticket to country of origin, domicile or destination.

TYPES OF VISAS

- ORDINARY VISA: Issued for single or multiple entries to nationals which require entry visas;
- TRANSIT VISA: Issued for periods of not more than three days to nationals who require entry visas and intend to transit Kenya to another destination;
- DIPLOMATIC VISA: Issued for single or multiple entries to holders of diplomatic passports on official duty;
- COURTESY/ OFFICIAL VISA: Issued to persons holding Official or Service passports on official duty and to ordinary passport-holders who are not entitled to a Diplomatic Visa but where the Director may consider it desirable on the grounds of international courtesy;
- EAST AFRICA TOURIST VISA: This is a joint multiple-entry tourist visa valid for 90 days that entitles holders to travel to and within Kenya, Rwanda and Uganda.
- VISA FEES:
  - Transit: USD 20;
  - Visa referral: USD 10, non-refundable;
  - Ordinary or Single entry: USD 50;
  - Multiple entry, for all nationalities: USD 100;
  - East Africa Tourist Visa: USD 100

12.3.

ENTRY FOR FOREIGN WORKERS

The Department of Immigration's functions and mandate are derived from the following: the Constitution, the Citizenship and Immigration Act No. 12 of 2011, the Kenya Citizens and Foreign Nationals Management Service Act No. 31 of 2011, and other relevant legislation and international conventions. These set the criteria for the issuance of various immigration documents including passports, passes and work permits to investors, missionaries, professionals and other persons working with private and public organisations.

CLASSES OF PERMITS AND THEIR REQUIREMENTS
Under new immigration laws, the Permits and Passes Section issues the following documents:

- Entry Permits (Classes A –M)
- Kenya Special Passes
- Kenya Dependent Passes

SUMMARY OF CLASSES OF PERMITS AND FEES

CLASS OF PERMIT	PROCESSING FEE (KSH)	FEE PER YEAR (KSH)
CLASS A	10,000	250,000
CLASS B	10,000	100,000
CLASS C	10,000	100,000
CLASS D	10,000	200,000
CLASS F	10,000	100,000
CLASS G	10,000	100,000

Note: Nationals of East African Community member states are issued permits free of charge.

CONDITIONS FOR ENTRY PERMITS
All foreign nationals seeking to enter:

- Must have sufficient funds for sustenance/ subsistence;
- Are not a prohibited immigrant or inadmissible person;
- Must indicate a known and traceable physical/ residential address;
- Are able to return to country of origin/ domicile;
- Have valid and acceptable reason for entry;
- Must present a valid and acceptable travel document;
- Must not suffer from a contagious disease and, if they do, must be accompanied by competent medical personnel;
- These conditions may not apply to refugees as described in the Refugees Act of 2006.

General Requirements for All Classes of Work Permits:

- Duly filled and signed application form 26. This form is downloadable at the Kenya Immigration website immigration.go.ke, and must be completed and signed by the employer;
- Applicant's copies of passport (bio-data page and current visa page);
- Two passport-size photographs;
- Application letter detailing nature of company's activities.

PROSPECTING & MINING
CLASS 'A' WORK PERMIT

Foreigners wishing to engage in prospecting and mining must apply for a Class 'A' permit. The requirements are:

- Documentary proof of capital to be invested/already invested, with minimum of USD 100,000 or equivalent in any other currency. This proof is either:
  - Own bank statement from a local bank account;
  - Company bank statement, shareholding certificate and Financial Audited Accounts in case you are joining an existing business.
- Copy of licences held for prospecting;
- Tax compliance for renewals;
- List of Kenyans employed;
- Fee of KSh 250,000 per year (fee payable after approval of permit) and processing fee (non-refundable) of KSh 10,000. Payments are made with a Bankers Cheque addressed to The Director of Immigration Services.

AGRICULTURE & HUSBANDRY
CLASS 'B' WORK PERMIT

This is for foreigners who wish to engage in agriculture and husbandry. The requirements for this permit are:

- Documentary proof of capital to be invested/already invested, with a minimum of USD 100,000 or equivalent in any other currency. This proof is either:
  - Own bank statement from a local bank account;
  - Company bank statement, shareholding certificate and Financial Audited Accounts in case you are joining an existing business.
- Proof of land acquired legally for the purpose;
- Tax compliance certificate for renewals;
- Fee of KSh 100,000 per year (fee payable after approval of permit) and processing fee (non-refundable) of KSh 10,000. Payments are made with a Bankers Cheque addressed to The Director of Immigration Services.

PRESCRIBED PROFESSION
CLASS 'C' WORK PERMIT

This is for foreigners who belong to a prescribed profession. The requirements for this permit are:

- Documentary proof of capital to be invested/already invested, with a minimum of USD 100,000 or equivalent in any other currency;
- Proof of membership of a prescribed profession;
- Copies of personal and company Personal Identification Number (PIN) if business is running;
- Tax compliance for renewals;
- Fee of KSh 100,000 per year (fee payable after approval of permit) and KSh 10,000 processing fee (non-refundable). Payments are made with a Bankers Cheque addressed to The Director of Immigration Services.

EMPLOYMENT
CLASS 'D' WORK PERMIT

The requirements are:

- Employee permits are only issued to foreign nationals who offer specific skills that are not readily available in Kenya;
- There must be a competent Kenyan understudy for eventual Kenyanisation of the post;
- Recommendation from a registered professional body/organization of which applicant is a member (for example, Kenya Medical and Practitioners Board, Architectural Association of Kenya, Nursing Council of Kenya, Institute of Chartered Accountants of Kenya and Law Society of Kenya).
- Detailed curriculum vitae (CV);
- Copies of academic and professional qualifications. If the certificates are not in English, they must be translated and certified by respective Embassies/High Commissions;
- A covering letter from the employer explaining why the applicant is suitable for the position, setting out his or her strengths (e.g. experience, training, ability and qualifications) and why the applicant - as opposed to a Kenyan citizen - got the job;
- Duly filled and signed Form 27 (Kenyanisation Form);
- Fee of KSh 200,000 per year (fee payable after approval of permit) and KSh 10,000 processing fee (non-refundable). Payments are made with a Bankers Cheque addressed to The Director of Immigration Services.

SPECIFIC MANUFACTURING
CLASS 'F' WORK PERMIT

This is foreigners who are engaged in specific manufacturing. Before applying for the permit, for which the requirements follow, the company must first be registered.

- Documentary proof of capital to be invested/already invested, with a minimum of USD 100,000 or equivalent in any other currency. This proof is either:
  - Own bank statement from a local bank account;
  - Company bank statement, shareholding certificate and Financial Audited Accounts in case you are joining an existing business.
- Copy of licence;
- Registration certificate of the company or Certificate of Incorporation;
- Copy of company's Memorandum, and Articles of Association;
- Copies of personal and company Personal Identification Number (PIN) if business is running;
- Tax compliance for renewals;
- List of Kenyans employed;
- Fee of KSh 100,000 per year (fee payable after approval of permit) and processing fee (non-refundable) of KSh 10,000. Payments are made with a Bankers Cheque addressed to The Director of Immigration Services.

SPECIFIC TRADE /BUSINESS
CLASS 'G' WORK PERMIT

The requirements are:

- Documentary proof of capital to be invested/already invested, with a minimum of USD 100,000 or equivalent in any other currency. This proof is either:
  - Own bank statement from a local bank account;
  - Company bank statement, shareholding certificate and Financial Audited Accounts in case you are joining an existing business.
- Registration certificate of the company or Certificate of Incorporation;
- Copy of company's Memorandum, and Articles of Association;
- Copies of personal and company Personal Identification Number (PIN) if business is running;
- Tax compliance for renewals;
- List of Kenyans employed;
- Fee of KSh 100,000 per year (fee payable after approval of permit) and processing fee (non-refundable) of KSh 10,000. Payments are made with a Bankers Cheque addressed to The Director of Immigration Services.

DEPENDENT PASS

The application requirements are:

- The applicant must be:
  - Kenyan;
  - Holder of valid entry permit;
  - Exempted person under Immunities Act (Cap. 179) and who is covered under section 4(3) (a) to (g).
- Application form (Form 28) filled and signed;
- Passport copy of the dependent;
- Two passport-size photos of the dependent;
- Copy of birth or marriage certificate for immediate family members;
- Fees: KSh 5,000.

SPECIAL PASS

This is a document issued to person(s) for specific employment by specific employer for a duration not exceeding three months. The application requirements are:

- Application form (Form 32) filled and signed;
- Passport copy;
- Two passport-size photos;
- Forwarding letter from institution/ applicant;
- Copies of academic/professional certificates;
- CV;
- Clearance from regulatory bodies (medical and dentist board, pharmacy and poisons board, engineering board, NGO council, Ministry of Information);
- Fees: KSh 15,000 per month or part thereof.

13

INTERNATIONAL ORGANIZATION MEMBERSHIPS, MARKET ACCESS AND SPECIAL TRADE REGIMES

13.1.

COMMON MARKET FOR EASTERN AND SOUTHERN AFRICA (COMESA)

Kenya is one of the 20 members of the Common Market for Eastern and Southern Africa (COMESA), the largest regional economic community in Africa, with a population of over 469 million and a combined GDP of more than USD 636 billion in 2014. After creating a customs union in 2009, COMESA now offers duty-free access to at least 16 member-states. COMESA continues on the road of regional integration by supporting the development of better investment conditions, thus making it an increasingly internationally competitive economic community. COMESA member states include: Angola, Burundi, Comoros, Democratic Republic of Congo, Djibouti, Egypt, Eritrea, Ethiopia, Kenya, Madagascar, Malawi, Mauritius, Namibia, Rwanda, Seychelles, Sudan, Swaziland, Uganda, Zambia and Zimbabwe. Also notable is the free-trade area under negotiation between COMESA, the Southern African Development Community (SADC) and East African Community (EAC), covering a market of over 620 million in 26 countries, with a combined GDP of almost USD 1.2 trillion.

13.2.

EAST AFRICAN COMMUNITY (EAC)

The EAC is a fully-functioning customs union composed of five states (Burundi, Kenya, Rwanda, Tanzania and Uganda) with a market of 147 million people and a combined GDP of USD 111 billion. The common market was set up in 2010 and negotiations for east African monetary union (which started in 2011). The fast-tracking of an East African Federation underscore the serious determination with which the regional leadership and its citizens are seeking to build a powerful and sustainable economic and political block.

13.3.

MULTILATERAL INVESTMENT GUARANTEE AGENCY (MIGA)

The Multilateral Investment Guarantee Agency (MIGA) is a member of the World Bank group with a mission to promote foreign direct investment (FDI) in developing countries by providing political-risk-insurance guarantees to private-sector investors and lenders. MIGA guarantees protect investments against non-commercial risks and can help investors obtain access to funding with improved financial terms and conditions.

13.4.

BILATERAL INVESTMENT AGREEMENTS

Kenya is a beneficiary of the African Growth and Opportunity Act (AGOA), which helps the country to export textiles, garments and other goods to the United States. Kenya has signed bilateral investment agreements with: Burundi, China, Finland, France, Germany, Iran, Italy, Libya, the Netherlands, Slovakia, Switzerland and the United Kingdom. However, only those with France, Germany, Italy, the Netherlands, Switzerland and the UK are in force.

The EAC is also in the process of renewing an Economic Partnership Agreement with the European Union, with both sides optimistic about concluding negotiations soon.

13.5.

DOUBLE TAXATION AGREEMENTS

Kenya has ratified double-taxation agreements with the following countries: United Arab Emirates, Zambia, Norway, Denmark, Sweden, the UK, Germany, Canada and India. It has also signed but yet put into force agreements with Italy, Tanzania and Uganda. It is also in negotiation with France, Thailand, Seychelles, Nigeria, South Africa, Mauritius, Finland, Russia and Iran.

14

QUALITY OF LIFE – ENTERTAINMENT AND AMENITIES

NAIROBI IS ONE **FASTEST-GROWING** CITIES IN AFRICA AND RANKED AS THE **TOP ENTERTAINMENT DESTINATION** ON THE CONTINENT.

Many visitors find it as a city that is sad to leave and one to which they vow to return. Nairobi is home to more than 3 million people and is a bubbling melting pot for most of the country's 40-plus ethnic groups. The name "Nairobi" comes from the Maasai words Enkare Nyrobi, which translate as "cold water", the Maasai name for the Nairobi River, which lends its name to the city. Popularly known as the "Green City in the Sun", Nairobi is surrounded by several expanding villa-suburbs.

The city has several tourist attractions. The most famous is the Nairobi National Park, which is unique in being the only game-reserve in the world to border a capital or major city. The park contains many animals including lions, giraffes, and black rhinos, and is home to over 400 species of birds. The Nairobi Safari Walk is a major attraction in the Nairobi National Park as it offers a rare, on-foot experience of the animals.

The Kenyan capital is also home to several museums, sites and monuments. The Nairobi National Museum, the city's largest, houses a big collection of artefacts from Kenya's rich heritage in history, nature, culture, and contemporary art. It also includes the full remains of a homo erectus, popularly known as the Turkana boy. Other prominent museums are the Nairobi Gallery, Nairobi Railway Museum and the Karen Blixen Museum, located in the affluent Karen suburb. Uhuru Gardens, a national monument and the largest memorial park in Kenya, is the place where the first Kenyan flag was raised at independence. It is located along Langata road near Wilson Airport.

Nairobi is nicknamed the safari capital of the world and has many spectacular hotels to cater to safari-bound tourists. Five-star hotels include: Nairobi Serena, Laico Regency (formerly Grand Regency Hotel), Windsor (Karen), Holiday Inn, Nairobi Safari Club (Lillian Towers), The Stanley Hotel, Safari Park & Casino, InterContinental, Panari Hotel, Hilton Nairobi, and the Norfolk Hotel.

Other recent hotels include: Crowne Plaza Hotel Nairobi in Upper Hill, the Sankara Nairobi in Westlands, Tribe Hotel-Village Market, House of Wayne, The Eastland Hotel, Ole Sereni, and The Boma located along Mombasa highway. Other international hotel-chain groups are also setting up prime properties in Nairobi.

Shopping malls in Nairobi include: The Yaya Centre (Hurlingham), Sarit Centre (Westlands), Westgate Shopping Mall (Westlands), ABC Place (Westlands), The Village Market (Gigiri), Junction shopping centre (Ngong Road), Prestige Plaza (Ngong Road), Crossroads Shopping Centre (Karen) and T-Mall (Langata).

Nakumatt, Uchumi, and Tuskys are the largest supermarket chains with modern stores throughout the city.

The Nairobi Java House is a popular coffee house and restaurant chain with multiple branches around the city, including one at Jomo Kenyatta International Airport (JKIA). Other coffee chains include Dormans Coffee House and Savannah, which is part of Sasini Tea, a blue-chip tea producer in Kenya owned by Naushad Merali, an admired investor. Kenyan tea and coffee are very popular, both locally and internationally. One can purchase premium gourmet blends at any of these outlets.

Nairobi's nightlife is very popular with tourists, both young and the more mature. With a collection of gourmet restaurants offering local and international cuisine, Nairobi has something to offer every age and pocket. The best-known food establishments include The Carnivore and Tamarind Restaurants which have outlets in Langata, City Centre and the Village Market. The more discerning traveller can choose from a wide array of local cuisine, Mediterranean, fast food, Ethiopian and Arabian.

The city's nightlife is mostly centred on friends and colleagues meeting up after work, especially on Fridays – commonly known as Furahiday (Happy Day), as well as on theme nights, events and concerts, and, of late a new trend, "herbal bubble" or "shisha". The most popular clubbing spots are in upmarket Westlands, which has come to be known as "Electric Avenue", as well as in Karen, Langata, Hurlingham, and "uptown" venues in the city centre. Nairobians general go out every day of the week and most establishments are open till late.

Ksh

CURRENCY

Kenya's unit of currency is the shilling (KSh), or bob in slang. There are no currency-transaction restrictions; foreign-exchange bureau are available at the airport and in the city centre offering various currencies.

MONEY

- ATMs are available country-wide with 24-hour access;
- All major international cards are accepted;
- Travellers' cheques are accepted.

HEALTH

Several vaccinations are highly recommended. These include Yellow Fever, Typhoid, Hepatitis A and Diphtheria. It is also recommended to be up to date with polio and tetanus vaccinations.

TIPPING

Tipping is appreciated. Most hotels and restaurants include a 10 per cent service charge.

BUSINESS HOURS

08:30 to 12:30 and 14:00 to 17:30 Monday to Saturday. Many businesses work Saturday mornings

ELECTRICITY

220-240 volts AC, with standard 13-amp three square-pin plugs.

WATER

Bottled water is readily available.

SECURITY

The Government of Kenya has taken a number of steps to tackle security issues. As a result, security has been heightened in recent years to safeguard members of the public.

KenInvest
PROMOTING INVESTMENTS IN KENYA

COMESA

Regional Investment Agency
RIA
COMESA