

DELEGATE PROGRAMME

DOING BUSINESS IN KENYA

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Kenya Investment Authority

3RD JULY 2019

Overview of the Republic of Kenya

- ☐ Kenya is the fifth largest economy in Sub-Saharan Africa.
- ☐ It is the dominant economy in the East African Community (EAC), contributing more than 50% of the region's GDP.



GDP (2018)
US\$ 89.205B

FDI inflows (2017)
US\$ 672M



GDP Growth (2018)
6%

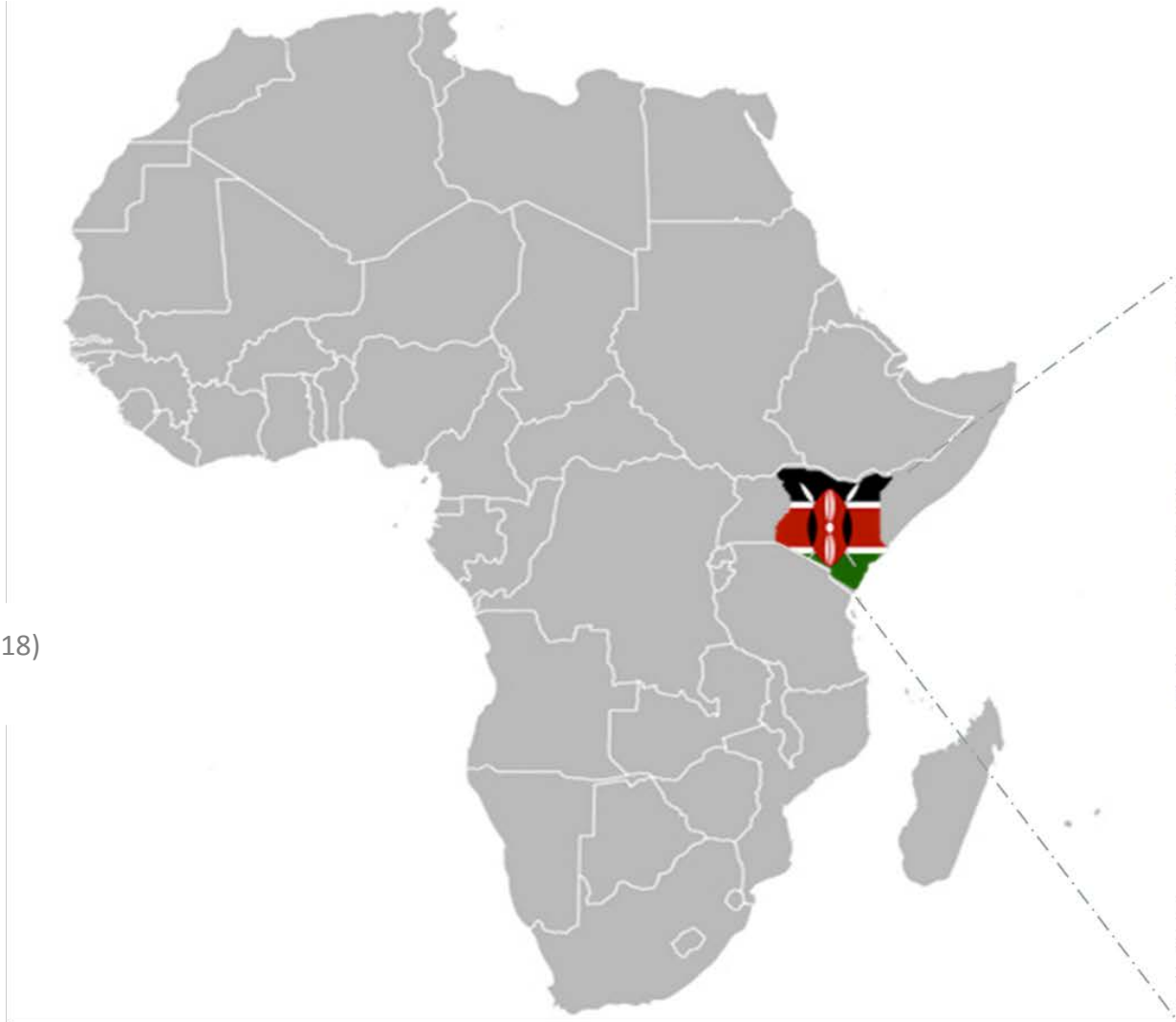
FDI Growth (2017)
71%



Average GDP Per Capita (2018)
US\$ 1,865



Av. Exchange Rate
US\$ 1 - KES 100.8



Area
582,650 sq km

Population
51.12M

Age structure
0-14 years: 40.02%
15-35 years: 35%
36-64 years: 21.98%
65 years and over: 3%

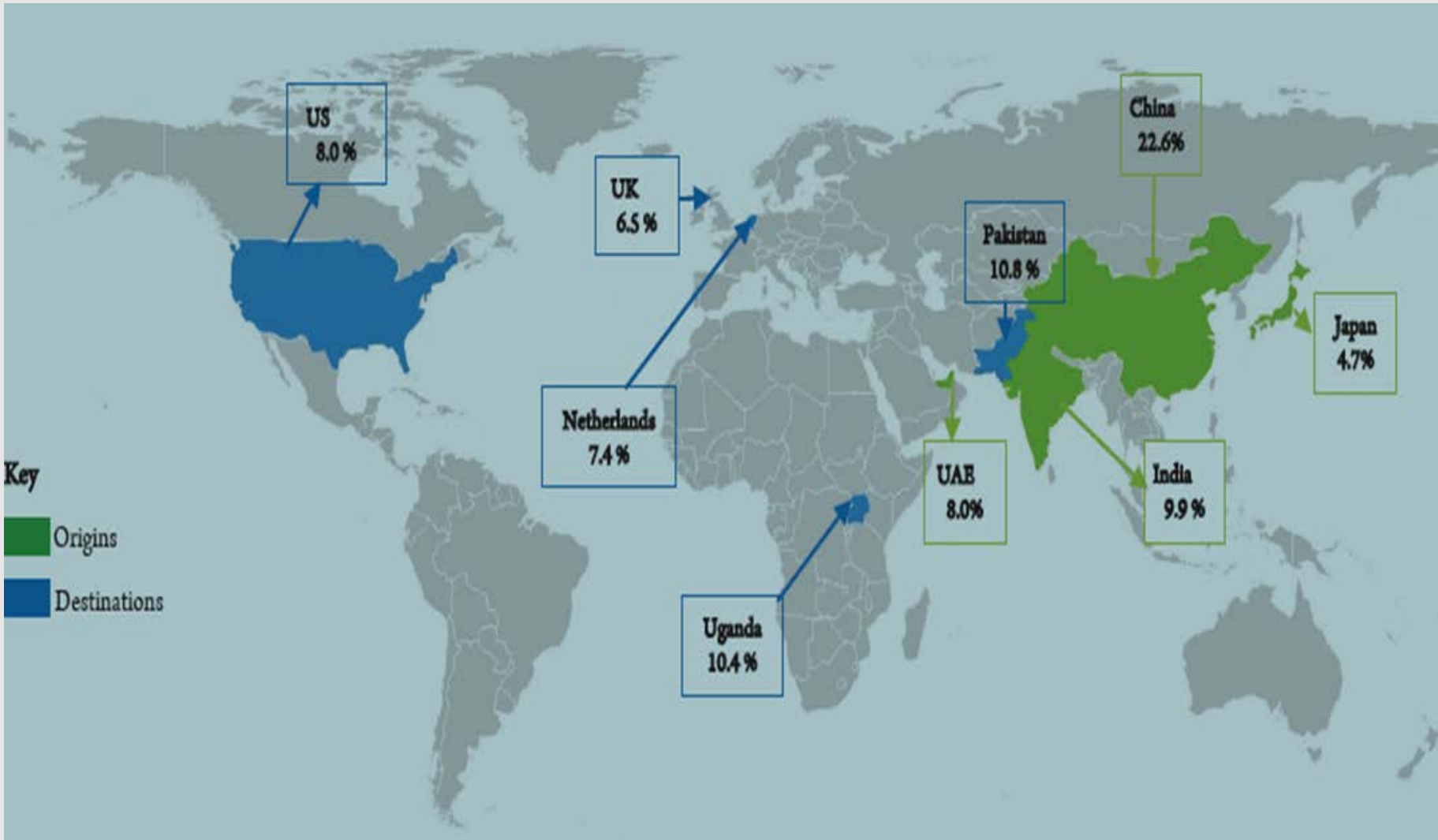
Official language
English

Political system
Devolved State with
Multiparty Democracy,
47 Counties

Kenya lies on the equator and enjoys a varied climate ranging from tropical to temperate (10° C to 40° C)



Sources & Destinations of Kenyan products



Kenya has signed Preferential Trade Agreements with a total population of over **1.4 Billion people** & a market value of over **\$ 29 Trillion**

Bilateral and multilateral agreements;

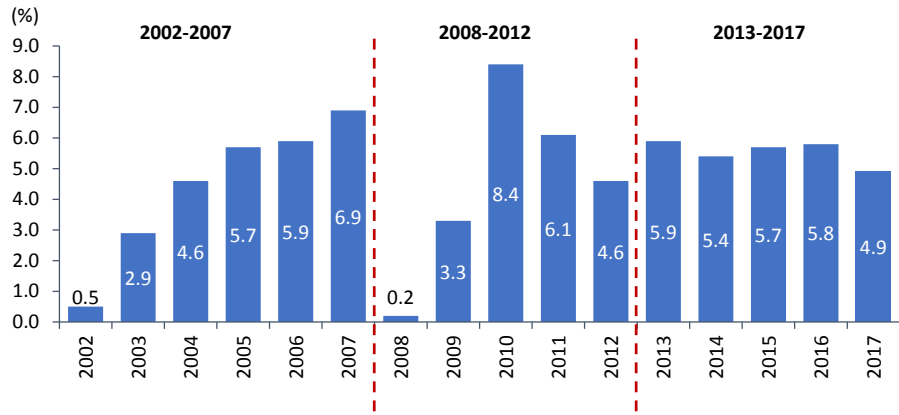
- AGOA
- EPA
- COMESA
- ACFTA

Source: KNBS

****China remains the top exporter of its products into Kenya by value and quantity.**

Kenya has Experienced Sustained and Resilient Economic Growth

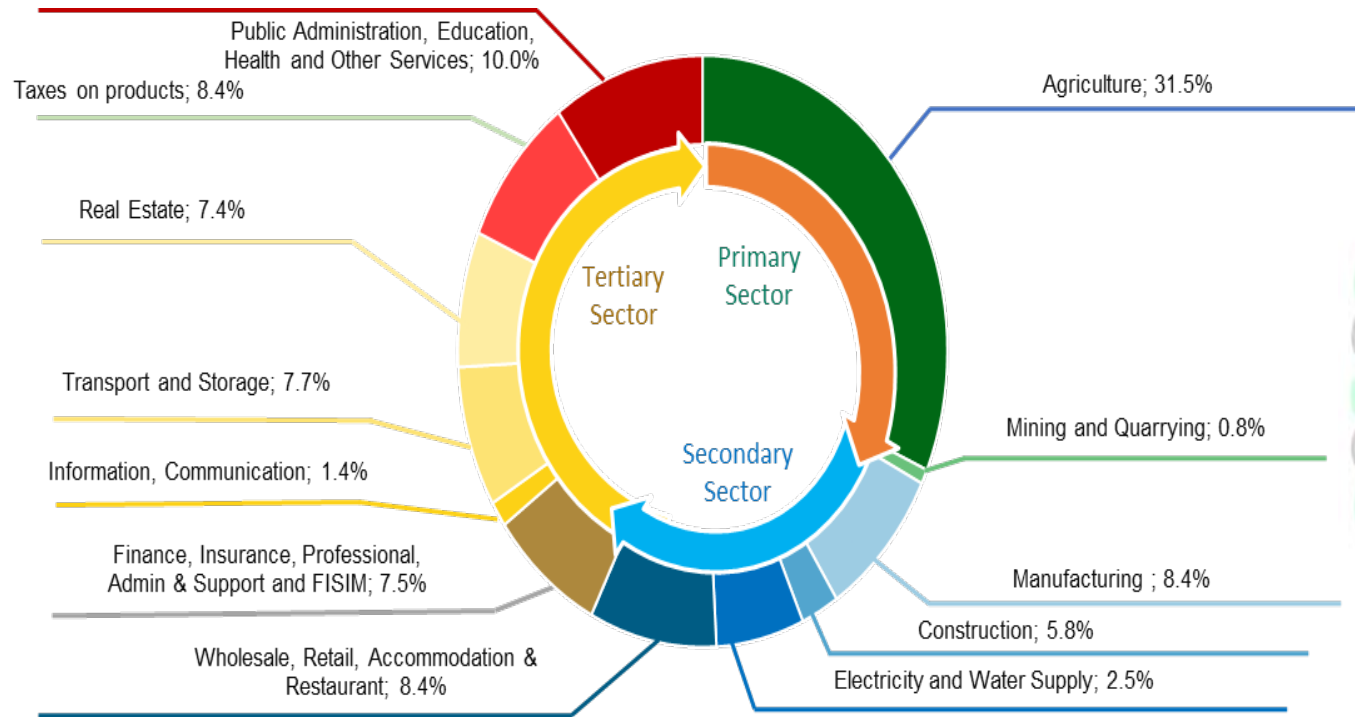
Real GDP Growth Rates (2002-2017)



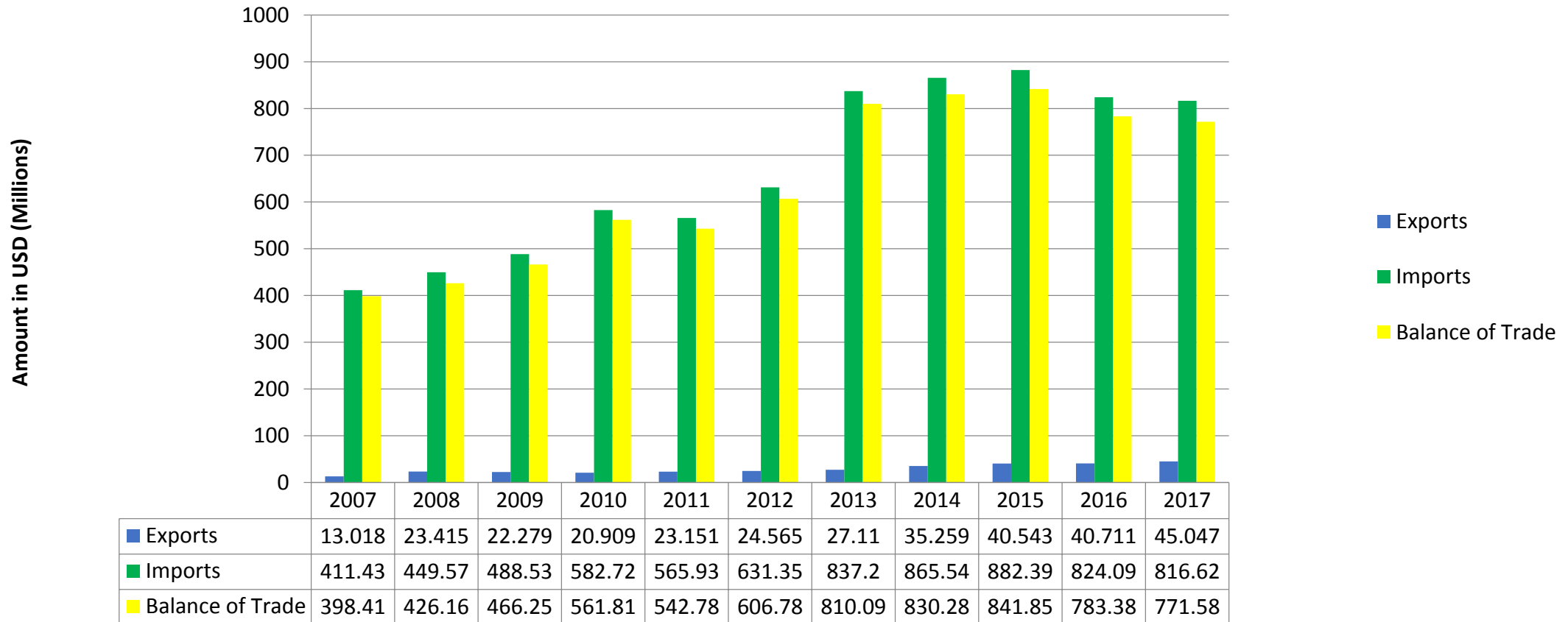
Source: 2018 Budget Policy Statement. (19 January 2018)

- ▶ Kenya GDP growth averaged 5.5% (2013 - 2017) versus 4.5% (2008 - 2012) and 5.2% (2003 - 2007).
- ▶ The strong growth reflects strong macroeconomic and structural reforms implemented during the last 5 years.

A Well Diversified Economy Underpins Kenya's Resilient Growth



Source: KNBS

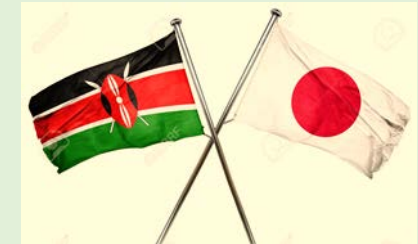


Top Exports: Ores and concentrates of base metals, crude vegetable materials, non ferrous base metal waste and scrap, tea and mate, coffee, fruits and nuts

Top Imports: Motor vehicles, flat rolled products of iron and non alloy steel, mechanical handling equipment, parts and accessories of motor vehicles, synthetic fibers, plant and equipment

According to JETRO report of 2019, Kenya is the most preferred investment destination for Japanese Companies over the last 3 consecutive years

The Japanese Business Association in Kenya has recorded an increase in the number of Japanese companies setting up in Kenya;



The companies have ventured into various sectors with vast opportunities;






Business type	Company(ies)
Infrastructure and construction project	Toyota Tsusho, Toshiba, Toyo Construction
From trade to local production	Honda, Yamaha, Toyota, Nissin Foods, Kenya Fruits Solution
Inclusive business and targeting emerging middle class	Ajinomoto, Toridoll Kenya, Rohto Mentholatum Kenya, LIXIL
Consulting services for Japanese companies	Hankyu Hanshin Express, Africa Scan, Nippon Express, MOL Logistics
SMEs and independent firms	CHEKA Japanese Izakaya, Vemmerge Ltd, Sakura Holdings Company Limited

Kenya offers an excellent business ecosystem...


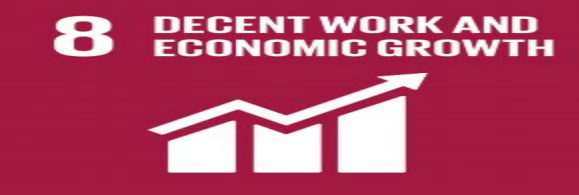

Kenya's foreign investment inflows in 2017 soared to 71% defying Africa's slump. The improved business environment has seen a number of MNCs setting up in Kenya among them Japanese companies viz;



Through the Sustainable Development goals, Kenya has been able to borrow immensely to identify the priority needs of the country

SUSTAINABLE DEVELOPMENT GOALS	OBJECTIVE
 <p>1 NO POVERTY</p> <p>The icon shows a family of four (two adults and two children) in white silhouette on a red background.</p>	<p>The proportion of the world's workers living on less than \$1.90 per person a day declined significantly over the past two decades, falling from 26.9 per cent in 2000 to 9.2 per cent in 2017.</p>
 <p>2 ZERO HUNGER</p> <p>The icon shows a white bowl with three wavy lines representing steam or smoke rising from it, on a gold background.</p>	<p>After a prolonged decline, world hunger appears to be on the rise again. Conflict, drought and disasters linked to climate change are among the key factors causing this reversal in progress</p>
 <p>3 GOOD HEALTH AND WELL-BEING</p> <p>The icon shows a white heartbeat line and a white pill, on a green background.</p>	<p>Many more people today are living healthier lives than in the past decade. Nevertheless, people are still suffering needlessly from preventable diseases, and too many are dying prematurely</p>
 <p>4 QUALITY EDUCATION</p> <p>The icon shows an open book and a pencil, on a dark red background.</p>	<p>More than half of children and adolescents worldwide are not meeting minimum proficiency standards in reading and mathematics. Refocused efforts are needed to improve the quality of education.</p>
 <p>5 GENDER EQUALITY</p> <p>The icon shows a white female symbol with an equals sign inside, and a male symbol to its right, on a red background.</p>	<p>gender inequality continues to hold women back and deprives them of basic rights and opportunities. Empowering women requires addressing structural issues & developing progressive legal frameworks that promote equality between women and men.</p>
 <p>6 CLEAN WATER AND SANITATION</p> <p>The icon shows a white water tap with a drop of water falling into a white basin, on a blue background.</p>	<p>Increasing water efficiency and improving water management are critical to balancing the competing and growing water demands from various sectors and users.</p>

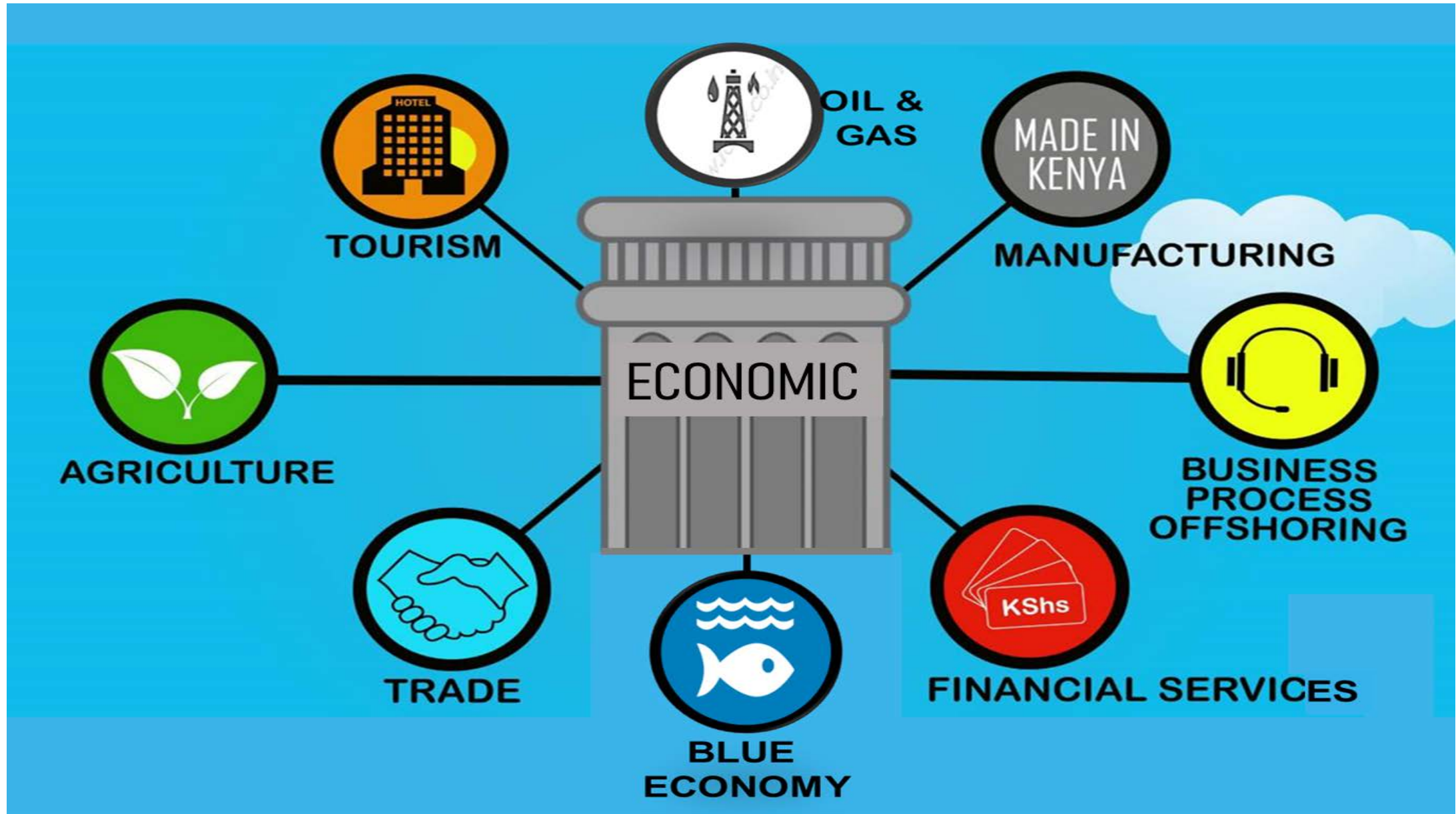
Through the Sustainable Development goals, Kenya has been able to borrow immensely to identify the Kenyan needs

SUSTAINABLE DEVELOPMENT GOALS	OBJECTIVE
 <p>7 AFFORDABLE AND CLEAN ENERGY</p>	National priorities and policy ambitions still need to be strengthened to put the world on track to meet the energy targets for 2030
 <p>8 DECENT WORK AND ECONOMIC GROWTH</p>	Globally, labour productivity has increased and the unemployment rate has decreased . However, more progress is needed to increase employment opportunities, especially for young people, reduce informal employment and labour market inequality
 <p>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</p>	To achieve inclusive and sustainable industrialization, competitive economic forces need to be unleashed to generate employment and income, facilitate international trade and enable the efficient use of resources.
 <p>10 REDUCED INEQUALITIES</p>	ensuring adequate housing and infrastructure to support growing populations, to confronting the environmental impact of urban sprawl , to reducing vulnerability to disasters.
 <p>11 SUSTAINABLE CITIES AND COMMUNITIES</p>	Decoupling economic growth from resource use is one of the most critical and complex challenges facing humanity today. Doing so effectively will require policies that create a conducive environment for such change, social and physical infrastructure and markets, and a profound transformation of business practices along global value chains.

Through the Sustainable Development goals, Kenya has been able to borrow immensely to identify the Kenyan needs

SUSTAINABLE DEVELOPMENT GOAL	OBJECTIVE
 <p>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</p>	Developed country Parties continue to make progress towards the goal of jointly mobilizing \$100 billion annually by 2020 to address the needs of developing countries in the context of meaningful mitigation actions.
 <p>13 CLIMATE ACTION</p>	This calls for urgent and accelerated action by countries as they implement their commitments to the Paris Agreement on Climate Change.
 <p>14 LIFE BELOW WATER</p>	Advancing the sustainable use and conservation of the oceans continues to require effective strategies and management to combat the adverse effects of overfishing, growing ocean acidification and worsening coastal eutrophication
 <p>15 LIFE ON LAND</p>	A growing number of forest areas are being sustainably managed, integrating policies and practices that protect forest ecosystems and address drivers of degradation.
 <p>16 PEACE, JUSTICE AND STRONG INSTITUTIONS</p>	Progress is being made in regulations to promote public access to information, albeit slowly, and in strengthening institutions upholding human rights at the national level.
 <p>17 PARTNERSHIPS FOR THE GOALS</p>	Strengthen global partnerships to support and achieve the ambitious targets of the 2030 Agenda, bringing together national governments, the international community, civil society, the private sector and other actors

Through Vision 2030, Kenya has identified priority sectors to spur economic growth. Key and numerous opportunities have been identified in these sectors...



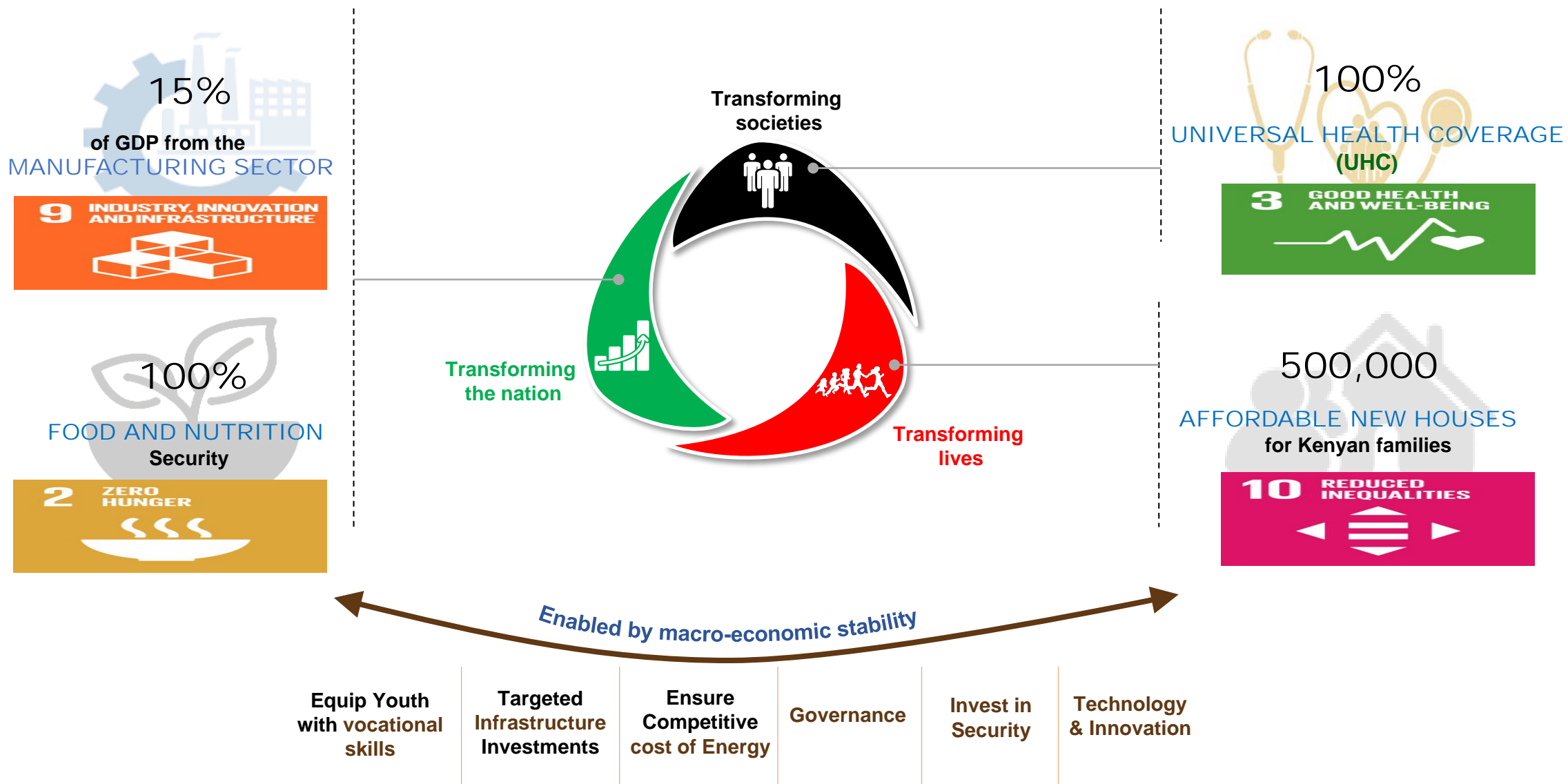


The Big Four Agenda

Kenya's Strategic Development Priorities

The Big Four Plan: Policy priorities for Public investments to unlock growth constraints

The Big 4 Agenda is an accelerated 5 year development plan designed to fast track the realization of the country's Vision 2030



Objective: Raise the share of the sector to GDP from the current 8.3% to 15% by 2022 by adding \$2 - \$3 billion to the economy.

- ❑ Over the last 5 years, manufacturing has accounted for, on average, 20% of total FDIs to Kenya.
- ❑ An estimated 60% of Kenyan manufactured exports go to the EAC markets and 40% to the rest of the world.

Investment opportunities

- 1. Textile & Apparel production:** 90% of the fabric used in Kenya's Apparel sector is imported. There is therefore a great opportunity for import substitution through local production e.g. in Cotton processing and Ginning industries, Existing and new textile mills and apparel manufacturing within existing and planned Special Economic Zones (SEZs)
- 2. Leather processing:** Processing of finished leather and leather goods; substituting approximately USD 86 million in shoe imports yearly; Setting up of Tanneries
- 3. Manufacture of Construction materials and equipment** for use in the ongoing developments in airports, malls, hotels, railways (SGR) and pipelines; Scalable low-cost construction technology and modern innovative building technologies
- 4. Agro-processing opportunities:** Local value addition for tea, coffee, meat, dairy, fruits, nuts and oils, fish feed mills, Warehousing & Cold chains
- 5. Heavy industries (Oil & Gas, Mining and Iron & Steel):** Exploration, exploitation and production of coal, oil & gas and minerals deposits in Joint Ventures with the Government of Kenya
- 6. ICT products & services:** Local consumer and light electronics assembly i.e. phones, laptops and televisions; Business Process Outsourcing (BPO) services



Objective: Develop innovative affordable housing (about 500,000 units) and increase Real estate & construction sector GDP contribution from 7% to 14% by 2022.

- ❑ 22% of Kenyans live in cities and the urban population is growing at the rate of 4.2% every year; nearly 56% of these urban households live in slums.
- ❑ Kenya has a deficit of 250,000 housing units annually. **The low cost housing agenda seeks to plug in on the acute shortage of habitable housing units nationally through;**
 - Cutting the cost of construction through the use of innovative technologies
 - Reducing the cost of mortgages;
 - Raising low-cost funds from private and public sector for investment in large-scale housing construction.

Investment Opportunities

1. Development of affordable housing to cater for the needs of low income Kenyans (PPP - USD 265 Million) viz; Kibera Zone B (approx. 3,000 units); Mariguini (approx. 2,100 units) and Mavoko (approx. 5,000 units)
2. **Setting up factories for Industrial Building Systems (IBS) for timely delivery of construction inputs**
3. **Financing of affordable homes - Investment in the Housing Fund; provision of affordable long term Tenant Purchase Schemes (TPS);**
4. **Engage in joint ventures with county governments towards delivery of affordable housing in respective counties.**
5. Construction and operation of mass rapid transit systems within urban centres

Incentive: 15% corporate tax for developers of 100 low cost residential units and above.

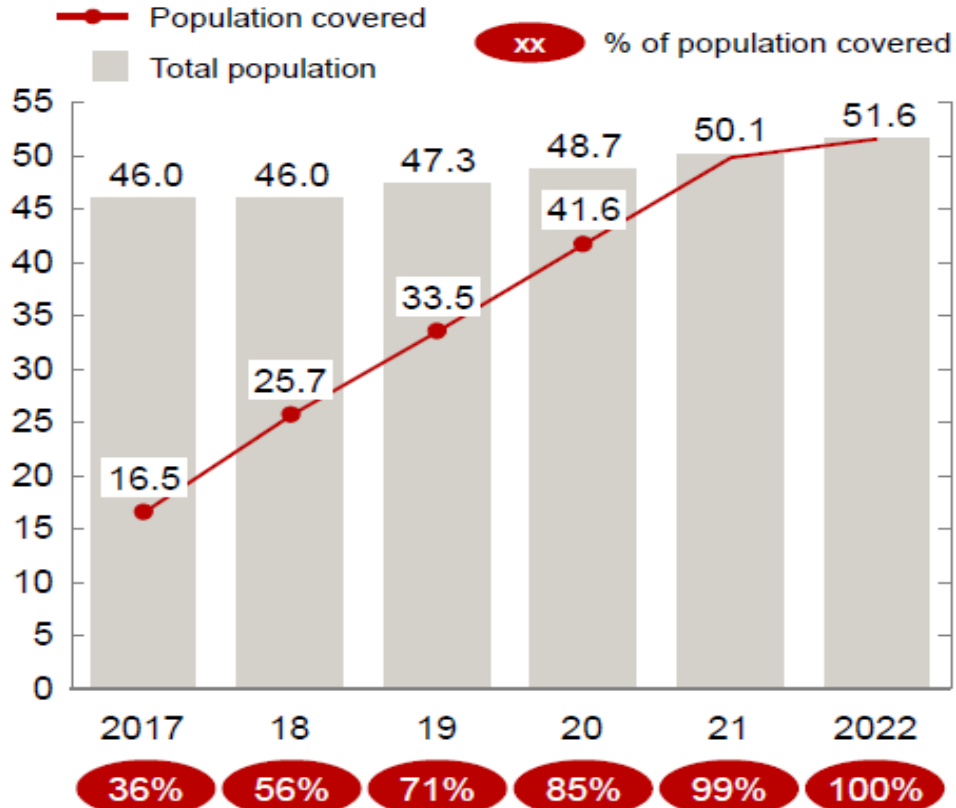
Food and nutrition is strongly linked to vibrancy in the Agricultural sector, which is the mainstay of Kenya's economy and contributes about 51% to GDP: 26% directly & 25% indirectly.

A high proportion of the population have no access to food in the right amounts and quality, a majority of whom rely on food relief due to poverty and frequent droughts in most parts of the country.

Available opportunities;

- ❖ Large-scale commercial agricultural production: **Fisheries (aquaculture), Crop production, Orchards, Animal products (dairy & meat)**
- ❖ Production of agricultural inputs: **Local manufacture, distribution & direct sales of fertilizers, high quality animal feeds, pesticides, certified crop seeds, livestock feed mills & animal brood stock.**
- ❖ Agricultural equipment: **Leasing, direct sales & operation of warehousing, cold store chains, driers, storage & handling equipment, tractors, transplanters, combined harvesters, weeders & irrigation equipment**
- ❖ Agriculture support services: **Dairy processing and cold chain development, Provision of crops and animal insurance services**

Population and NHIF coverage, M



Objective: Ensure 100% Universal coverage

- ❑ Current health coverage: **16.5Million**
- ❑ Target: **35Million**
- ❑ Population covered by 2022: **51Million**

Pilot project for UHC launched in Dec 2018 to equip health facilities in 4 Counties.

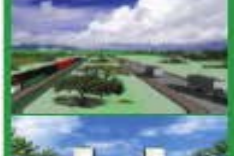
Opportunities & Initiatives

- ✓ **Enhance low cost private insurance coverage and schemes**
- ✓ **Private healthcare facilities and services**
- ✓ **Provision of medical commodities and equipment**
- ✓ **Digitization of healthcare e.g. Supply chain telemedicine**
- ✓ **Provision and implementation of alternative financing**

8 KEY COMPONENTS OF LAPSSET



LAPSSET



- 1. Lamu Port and a 700 sq KM SEZ
- 2. Highways
- 3. Oil Pipelines
- 4. Railway
- 5. International Airports
- 6. Resort Cities
- 7. Oil Refinery
- 8. High Grand Falls Dam

Additional Components: Electricity Transmission, Fiber Optic Connectivity, Water Supply

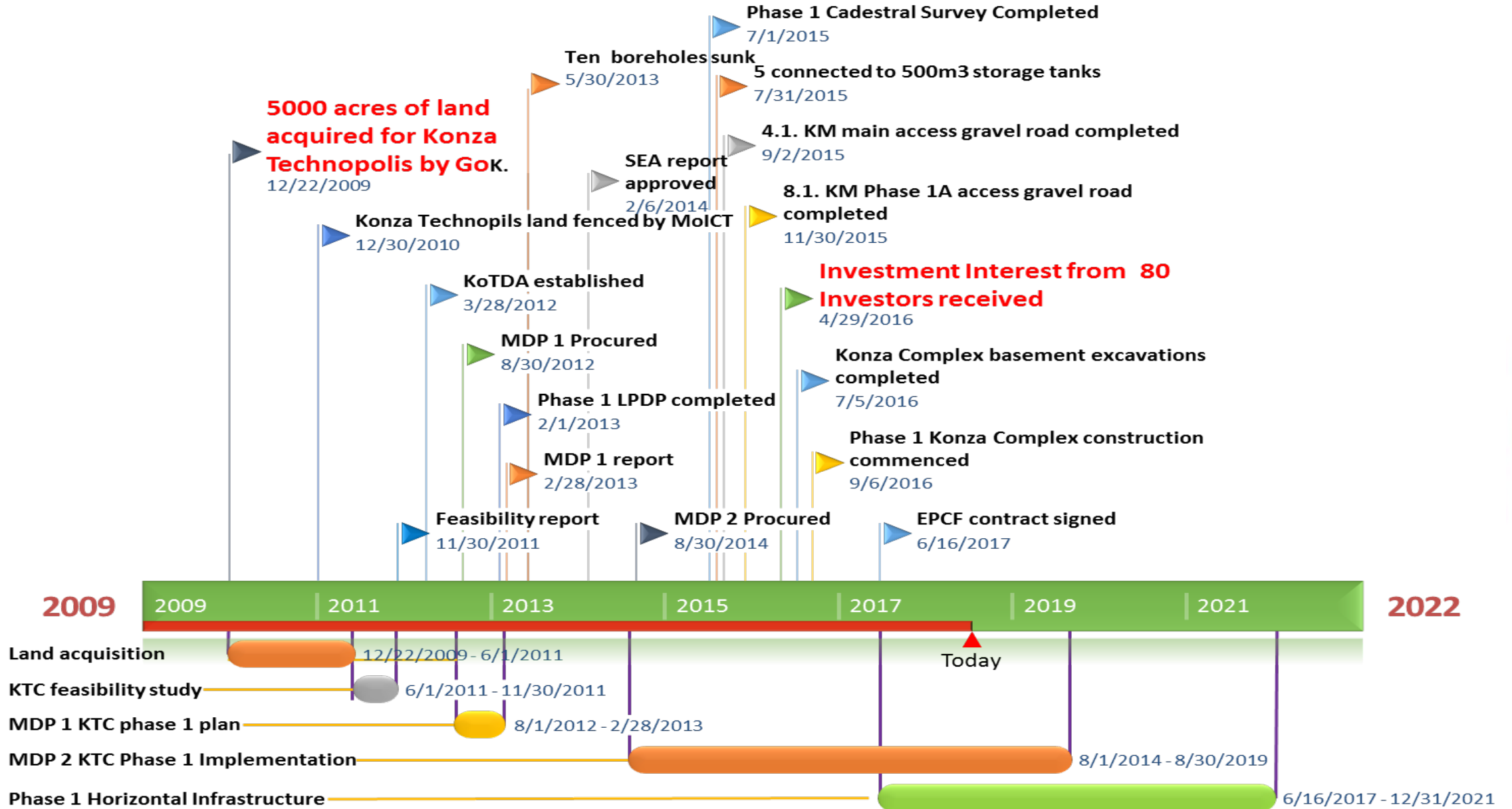


LAPSSET Project Summary

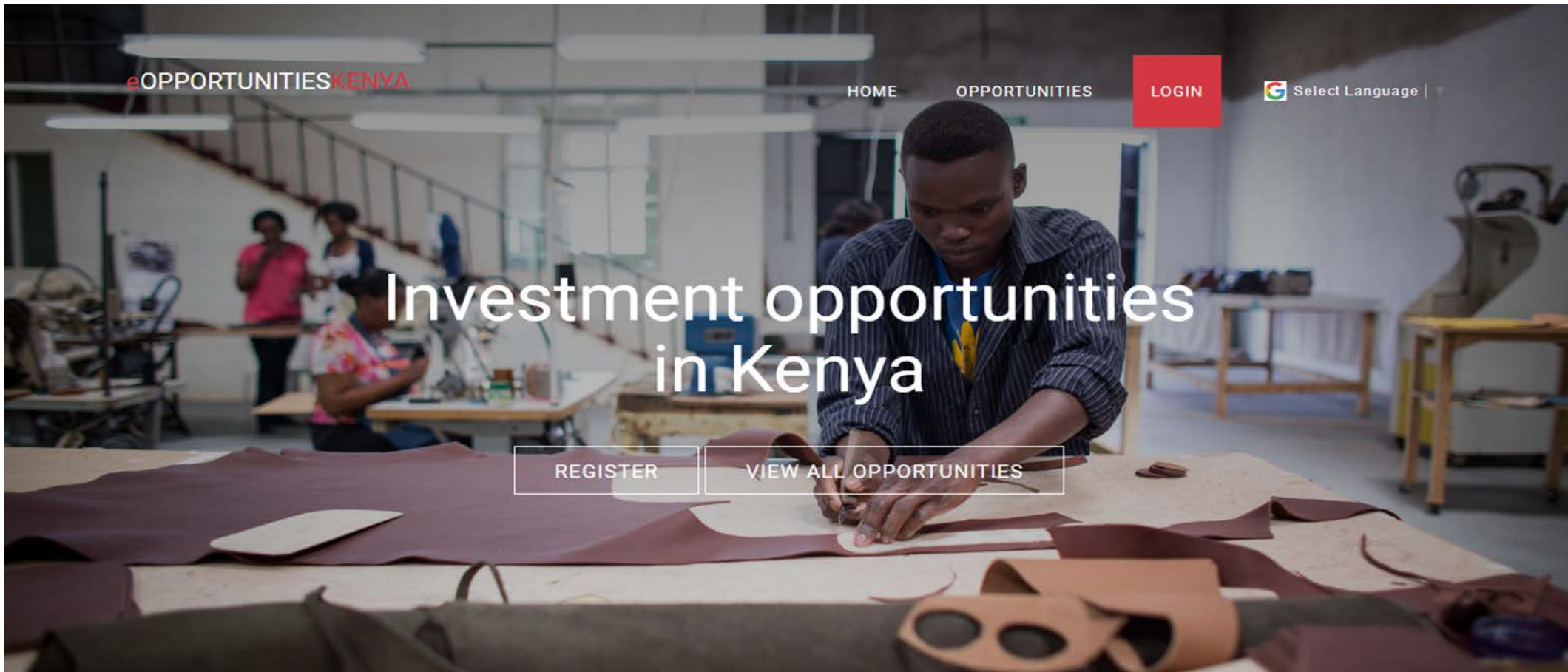
Component	Project Description	Cost
Highways	<ul style="list-style-type: none"> ○ Links Lamu Port with Addis Ababa 	US\$ 420M EIRR = 21.7%
Railway	<ul style="list-style-type: none"> ○ Bilateral agreement signed btn Kenya & Ethiopia. ○ Preliminary design and feasibility study completed 	US\$ 7.099B EIRR = 17.8%
Port	<ul style="list-style-type: none"> ○ To be the largest deep sea port on East coast of Africa ○ 1st three berths under construction, funded by government. ○ 29 berths available for investment through PPP arrangement 	US\$ 5B EIRR = 23.4%
SEZ & LAMU Port City	<ul style="list-style-type: none"> ○ 700 sq km of land identified to be developed in phases ○ To be financed and constructed by the private sector 	> US\$ 10B
Oil pipeline	<ul style="list-style-type: none"> ○ From Lamu Port to Hawassa in Ethiopia 	US\$ 1.532B EIRR = 13.9%
Regional Airports	<ul style="list-style-type: none"> ○ At Lamu, Isiolo, Turkana & Hawassa. ○ Isiolo Airport completed. ○ Lamu and Lokichogio (Turkana) Airports to be constructed: by private sector 	US\$ 15.1M Lamu EIRR = 19.1% Lokichogio EIRR = 12%



KONZA Project: Kenya's Silicon Savannah



- ❑ A market place for investment opportunities in Kenya.
- ❑ Allows investors to search for investment opportunities by sector, county, and the type of opportunity (whether a merger and acquisition, PPP, Joint venture, equity ...)





Why Kenya?



Kenya's business environment has continued to improve thus making the country a destination of choice for investors..

Kenya Steps Up in Ease of Doing Business

(Out of 190 countries, rank 1 is the highest)



Year	Rank
2018	61
2012	170

Sub-Sahara Africa Rank

3

Logistics Outperformance Cementing Kenya's Status as East Africa's Trade Hub

(Out of 160 countries, rank 1 is the highest)



Year	Rank
2018	68
2012	122

Change

54 ↑

Large Young & Educated Population



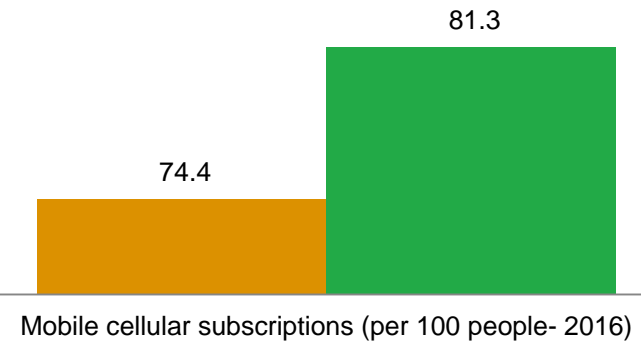
79%
Total adult literacy
(age 15+ years)

29.2Mn
Population aged 15-64 years
(total population estimate of 51.12Mn as of 2018)

Leading ICT Innovation Hub in Africa

High Level of Mobile Penetration

■ Sub-Saharan Africa (excluding high income) ■ Kenya



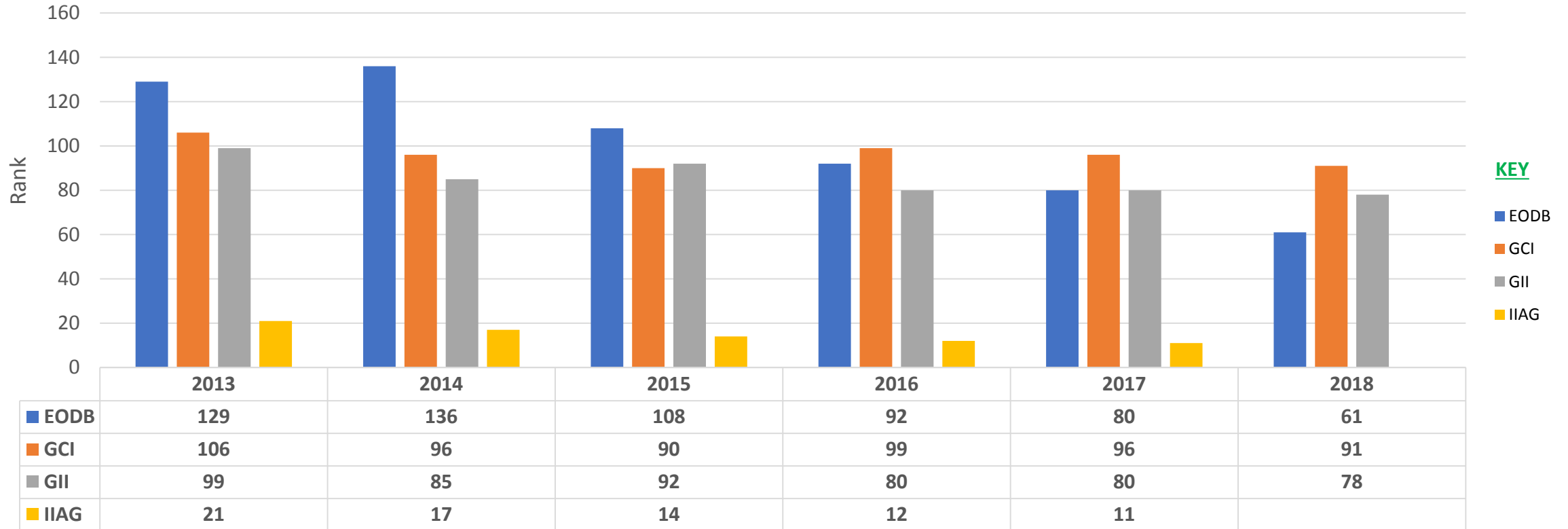
M-PESA Well-adopted mobile money ecosystem



Domestic government debt securities traded on mobile platform

Kenya's business environment has continued to improve

Kenya's business environment has improved substantially, as indicated by rankings under various indices....



Ease of Doing Business rankings

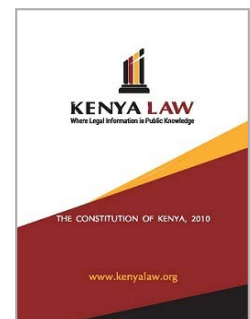


The safety of your investment is guaranteed in Kenya...

- No foreign exchange control, allowing for full repatriation of profits, capital or interests
- Foreign Investments Protection Act (FIPA)- FIPA guarantees against expropriation of investment by the government ensuring investments by foreigners is protected
- Member of the International Centre For Settlement Of Investment Dispute (ICSID).
- Member to the Multilateral Investments Guarantee Agency (MIGA), providing political risk insurance guarantees to private sector investors and lenders in member countries.
- A member country of the Africa Trade Insurance Agency (ATIA)- provides export credit, political risk insurance and investment insurance lowering the risk and cost of doing business.
- Explicit Constitutional protection of private property.



African Trade Insurance Agency
Agence pour l'Assurance du Commerce en Afrique





General Incentives

1. Capital goods and raw materials are zero-rated (Plant, Machinery and equipment)
2. SOME of the plant, machinery and equipment are exempt from VAT;
3. Investment allowance:
 - 100% Nairobi, Mombasa and Kisumu cities; and
 - 150% for those in other parts of the country (must have invested over KES 200 Million)
4. Market access in COMESA & EAC markets with no taxes



Incentives in the EPZs & SEZs...



EPZs

- 1 10 years corporate tax holiday
- 2 25% corporate tax for another 10 years; 30% from the 21st year;
- 3 10 years withholding tax holiday on remittances to non-residents
- 4 Stamp duty exemption
- 5 Import duty and VAT exemption on raw materials, machinery and other inputs
- 6 100% investment deduction over 20 years on building and machinery

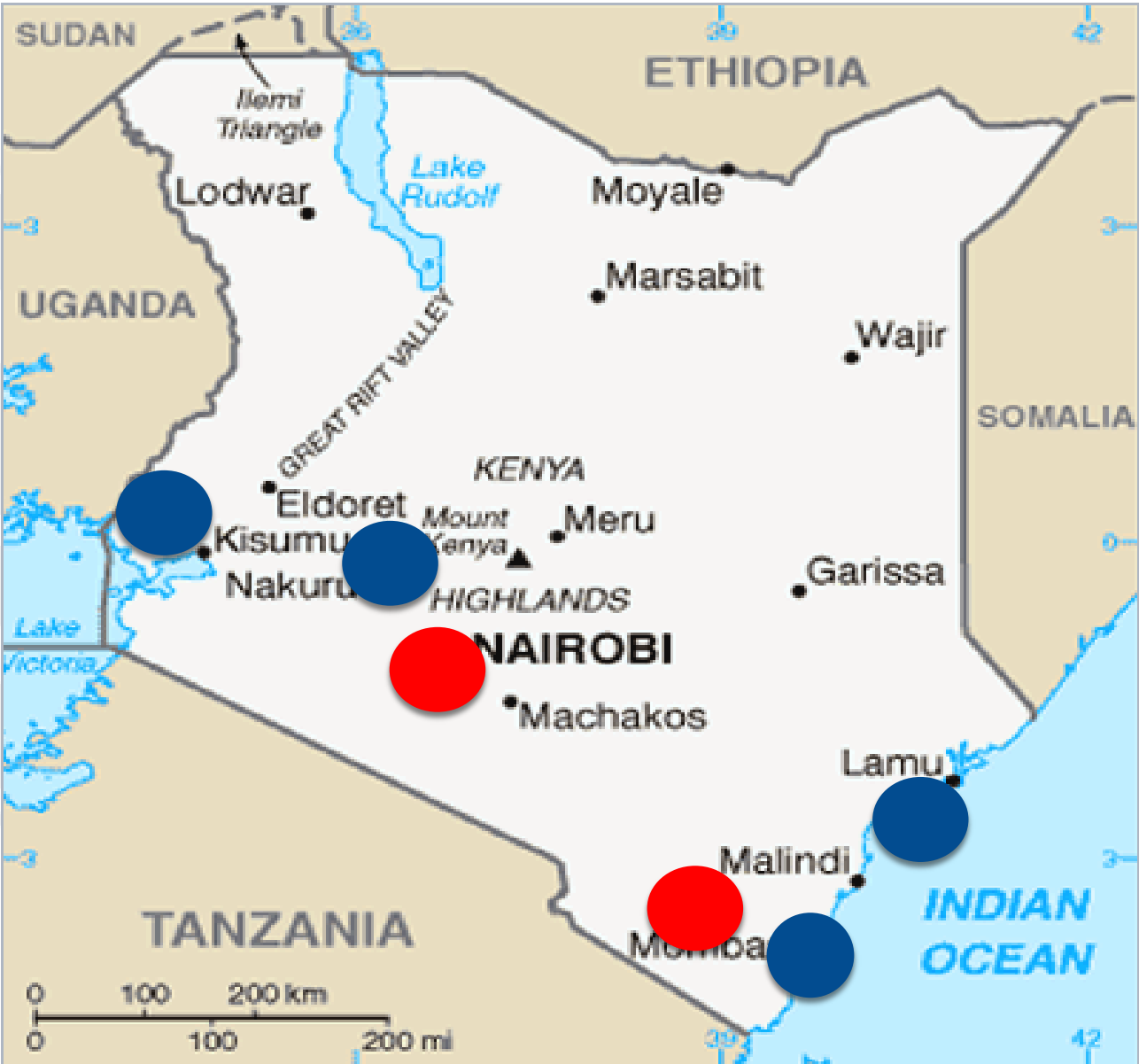
SEZs

- 1 10% corporate tax for the first 10 years
- 2 15% corporate tax for another 10 years; 30% from the 21st year;
- 3 10 years withholding tax holiday on remittances to non-residents
- 4 Stamp duty exemption
- 5 Import duty and VAT exemption on raw materials, machinery and other inputs
- 6 100% investment deduction over 20 years on building and machinery

Other benefits in the designated Zones

- 1 Full operation under one single license
- 2 Project approval and licensing within 30 days
- 3 Foreign currency accounts and offshore borrowing allowed – no exchange controls
- 4 Unrestricted investment by foreigners
- 5 One-stop shop service for facilitation and after-care
- 6 Ready-made factory building and office premises
- 7 Readily available services – water, sewerage, electricity, landscaping etc.
- 8 High security standards – 24 hours security, illuminated perimeter fences.
- 9 On-site customs documentation

Location of SEZ's AND EPZA's



EPZ



SEZ

Stable macroeconomic environment - supported by stable inflation rates

Preferential market access – EAC, COMESA-SADC, AGOA, EU, CFTA

Distribution hub and commercial powerhouse in the East & Central Africa

Fully liberalized economy

Repatriation of capital, profits

Highly developed social and physical infrastructure

Favorable Tax treaties and investment protection Agreements

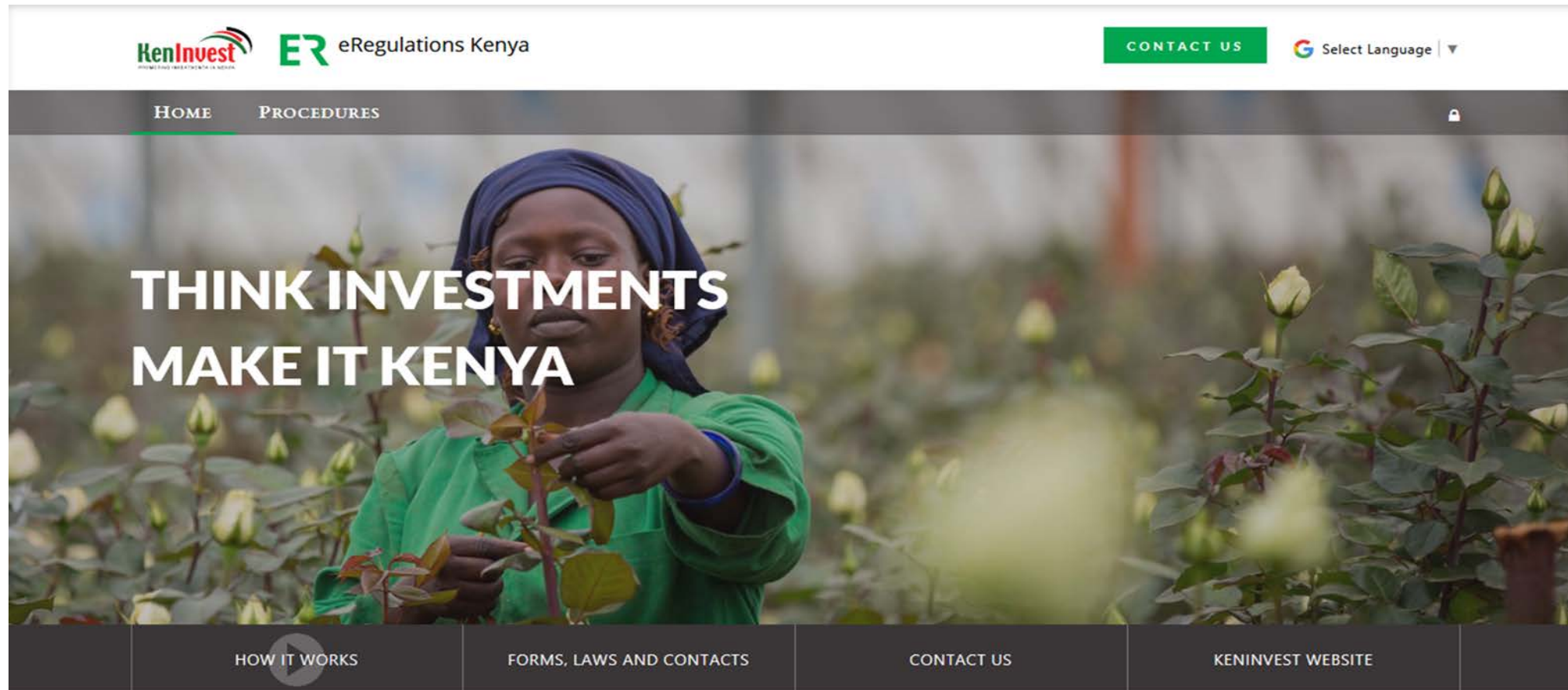
Pool of Highly Productive, Skilled & Youthful workforce

Well established & Vocal private sector – KEPSA, KNCCI, KAM





- ❑ An online guide on the step by step procedure of investing in Kenya.
- ❑ Currently, over 115 investment procedures published in the portal. Has since become the most visited of such portals in Africa.



A state corporation under the Ministry of Industry, Trade & Cooperatives established under the Investment Promotion Act No. 6 of 2004, with the mandate of promoting & facilitating investment in Kenya.



Investment Promotion

- Profile investor ready projects and provide information on investment opportunities.
- Business advisory services and Enterprise development.

Investment Facilitation

- Assist in obtaining necessary licenses and permits
- Assist in obtaining incentives/exemptions under various regulations
- Investment Tracking & Aftercare services
- Issuance of Investment certificate
- Facilitate Joint Venture between local & foreign investors

Policy Advocacy

- Review investment environment and make recommendations to Government and other stakeholders with respect to changes that would promote and facilitate investment



KenInvest

*"We are a One Stop Center
for all your investment needs"*



ONE-STOP-CENTRE (OSC) at KenInvest

- KenInvest provides a wide range of pre-investment facilitation services.
- The OSC has streamlined the overly complex processes. Some of the key functions currently facilitated by the OSC are;

EPZ or SEZ
Set Up

Obtaining a Work
Permit

Power Connection

Obtaining import/
export permits

Obtaining a
Construction
Permit

Obtain an
Environment
Permit

Registration of
Land

Social Security
Registration

Company
Registration

Tax Registration



The One Stop Centre



Think investment...



Kenya Investment Authority
www.invest.go.ke
Email: info@investmentkenya.com
Tel: +254 730 104200



Republic of Kenya
**Ministry of Industry,
Trade and Cooperatives**

www.industrialization.go.ke
Email: ps@industry.go.ke

Welcome and be part of the success!