

# **INVESTING IN KENYA**

# **KENYA BUSINESS SEMINAR**

# **IN OSAKA**

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Authority

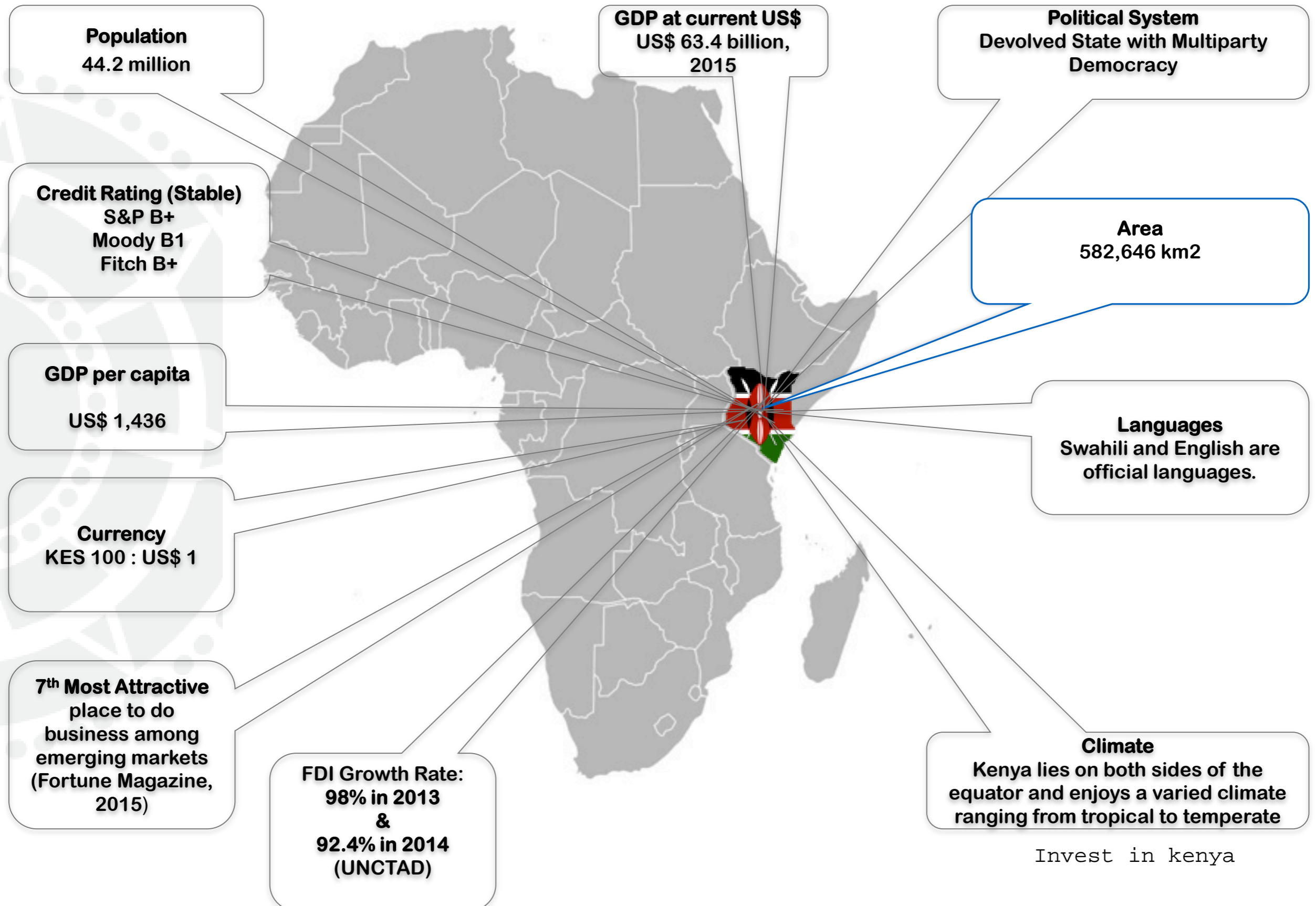




# **OUTLINE**

- 1. Kenya at a Glance**
- 2. Kenya–Japan Trade**
- 3. Investment Trends**
- 4. Policies & Regulations promoting Investment**
- 5. KenInvest Support to Investors**
- 6. Overview of Investment Opportunities**

# KENYA AT A GLANCE



# Why Kenya?

- **East & Central Africa's Largest Economy:**  
5th largest in SSA; strong growth prospects; fastest growing middle class.
- **Nairobi is a Regional Hub:**
  - PwC ranked Nairobi as the most attractive FDI destination to Africa in 2015.
  - Nairobi ranked 11 among the top 20 cities most successful cities in the world for its innovation, liveability and capacity to reinvent itself in 2016
- **Strategic geographic location:**
  - JKIA connects Africa to Europe, Asia and soon the USA
  - The Port of Mombasa is gateway to East and Central Africa region

# Why Kenya?

- **Reputed to have the best human resource in terms of quality in Africa.**  
Strong public and private investment in education continues.
- **Well Established Private Sector:** Key players in voicing Private Sector concerns include KEPSA, KNCCI, FKE, KAM, UBA.
- **Wide market access:** EAC & COMESA regional markets. Tripartite FTA between EAC, COMESA & SADC (market of 600 million) has been agreed upon. Access to USA market via AGOA; Access to EU market via EPAs.
- **Political stability & favorable investment policy:**  
Vision 2030, new constitution, new devolved government
- **Numerous investment opportunities** across all sectors and the 47 devolved government units (counties).

# Why Kenya? - Global Reach



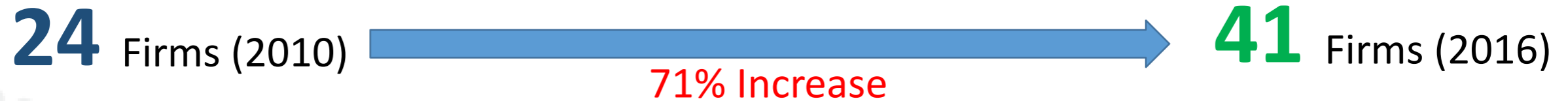
# Why Kenya? - Global Brand Presence


# Trend of Japanese Investment Activities in Kenya:

## Diversified fields



Number of Japanese Companies on the rise, showing the increased confidence



SECTOR	PROJECT TYPE	PLAYERS
<b>Infrastructure Development</b>	Mombasa Port Expansion	Toyota Tsusho & Toyo Construction with assistance from JICA
	Transport Corridor	JICA activities in Norther Corridor & LAPSET
	Crude Oil Pipeline	Toyota Tsusho
	Water Desalination	Toyota Tsusho
<b>Energy Production</b>	Geothermal Power	Toyota Tsusho and Toshiba
<b>Processing</b>	Fertilizer	Toyota Tsusho
	Food Products	JKUAT Nissin
	Dried Fruits	Kenya Fruits Solution
<b>Manufacturing &amp; Assembly</b>	Vehicle Assembly	Toyota Tsusho
	Motorcycle Assembly	Toyota Tsusho (Yamaha) & Honda
<b>Consumer Goods</b>	Food Products	Ajinomoto
	Food Restaurants	Toridoll Kenya ( Teriyaki), Cheka Restaurant
	Cosmetics	Rohto Mentholatum
	Sanitary Equipment	Lixil Corporation
<b>Automotive Sales</b>	Personal & Commercial Vehicle	Toyota, Honda, Nissan, Isuzu (GM) & Mitsubishi (Simba Colt)
	Equipment & Machinery	Komatsu Limited
<b>Consulting Services</b>	Investment Consultancy	Hankyu Hanshin Express, Africa Scan, Africa Development Partners,



# Types of business growing more diversified

 **HANKYU HANSHIN**  
EXPRESS Co., Ltd.







**Kenya Fruits Solutions**



# Types of business growing more diversified

## Ajinomoto



## Rohto Mentholatum Kenya



## LIXIL



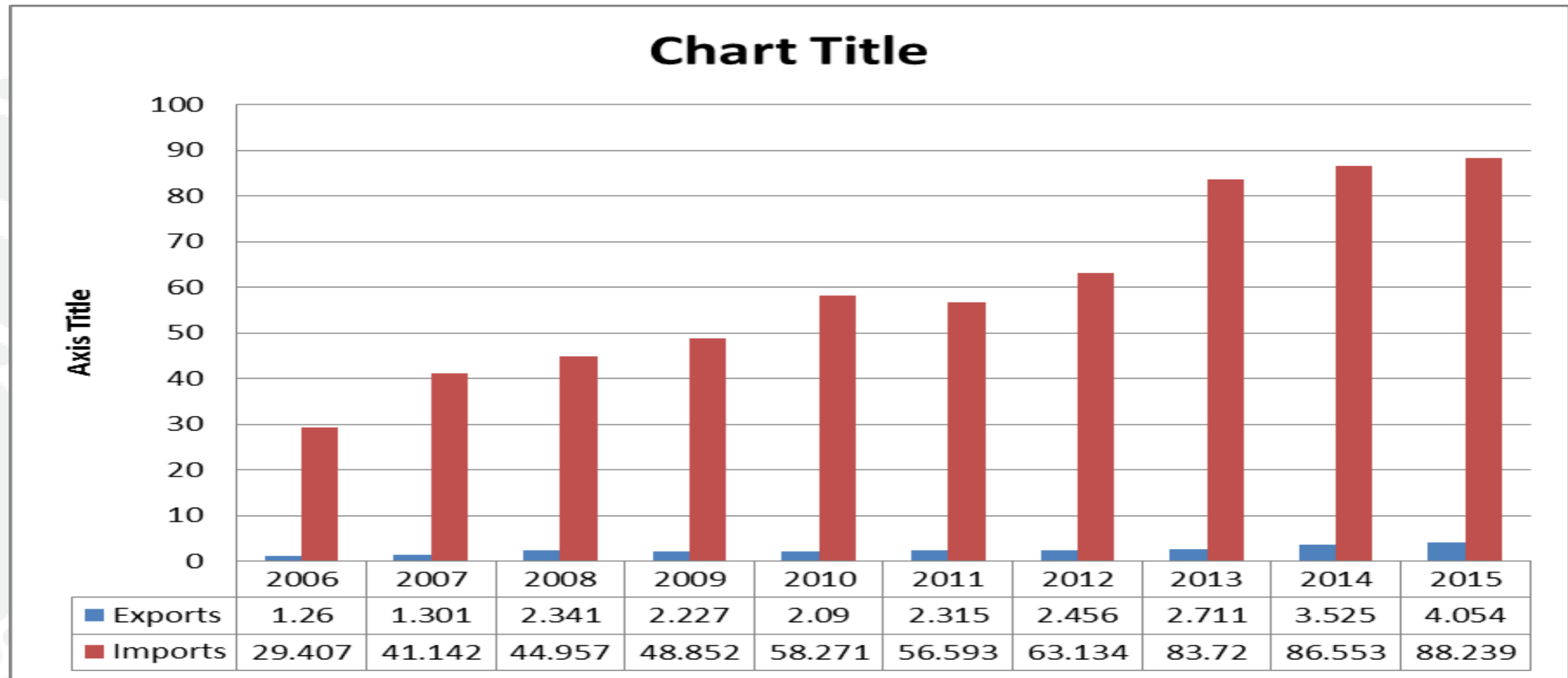
- 4<sup>th</sup> largest stock exchange in SSA by market capitalization (2014)
- Financial market development: Rank 24/144 (Global Competitiveness Index, GCI)
- 2013 Country Policy and Institutional Assessment (CPIA): Rank 3 in Africa (WB)
- Literacy rate, adult total (% of people ages 15 and above): 72.2% (UNESCO)
- Internet users (per 100 people): 39 in 2013 (WB)
- Mobile cellular subscriptions (per 100 people): 73.8 in 2014
- Kenya's middle class (% of popn.): 36.1% in 2012. CAGR of 2% over last 10 yrs
- Quality of the education system: Rank 30/144 (GCI)
- Capacity for innovation: Rank 33/144 (GCI)
- Availability of research and training services: Rank 32/144 (GCI)
- Financing through local equity market: Rank 30/144 (GCI)
- Local supplier quantity: Rank 19/144 (GCI)
- Legal rights index: Rank 1/144 (GCI)
- Hiring and firing practices: Rank 17/144 (GCI)

# Some findings of independent analysis



Parameter	Rank
Moody's Rating	B1 (STABLE)
Country Policy and Institutional Assessment (CPIA)	4.32 (2013) Position 3 in Africa
Nairobi is Africa's Most Intelligent City	Intelligent Community Forum
Kenya's growth rate third globally 2015	Bloomberg
Ranked 1 <sup>st</sup> in improving the delivery of public services-2015 globally	United Nations Public Service Award (UNPSA)
Nairobi the most attractive destination FDI in Africa-2015	PWC
Ranked among seven most promising global investment destinations with good governance structures-2015	Fortune Magazine
Ranked the 6th most 'Internet-ready' country in Africa -2015	INSEAD, French business school
Africa largest producer of geothermal energy-2015	World Bank
Kenya has received half of \$ 9.3 billion to EA in impact investment funds over the last 5 years - 2015	DfID & GIIN
Ranked first in Brookings financial inclusion 2015	Brookings
Ranked third in Barclays Africa Trade Index	Barclays Bank
Ranked 3 <sup>rd</sup> most improved country in ease doing business 2015	World Bank
Nairobi Ranked 7 <sup>th</sup> hardest working city in the world	CNN Money

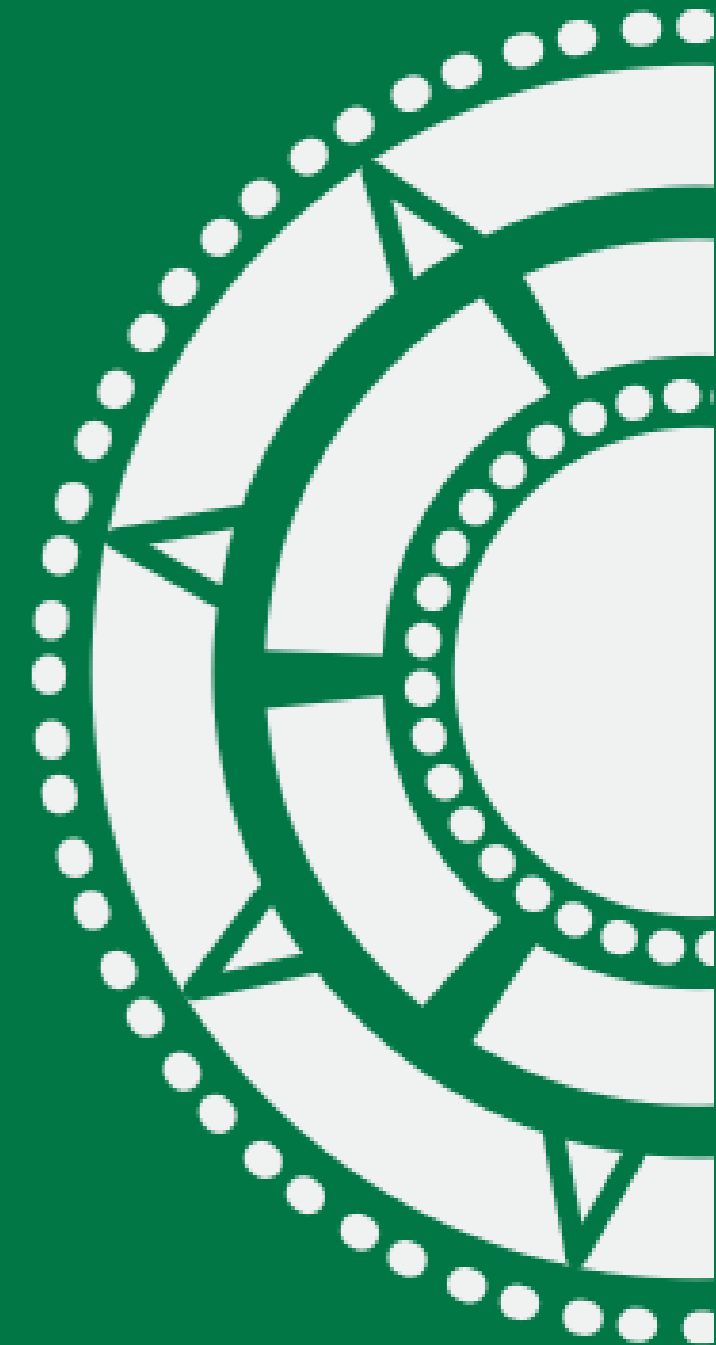
# Kenya-Japan Trade



**Main exports from Kenya to Japan:** Ores and concentrates of base metals, Tea and mate, Crude vegetable materials, Coffee and coffee substitutes, Fruit and nuts (fresh or dried). **Main imports from Japan:** Motor cars, iron or non-alloy steel products, accessories of the motor vehicles of group, Synthetic fibres suitable for spinning Civil engineering and contractors' plant and equipment

# INVESTMENT TRENDS

Over the last 3 years, FDI into Kenya is doubling annually. It is coming from different parts of the world and going into different sectors of the economy.



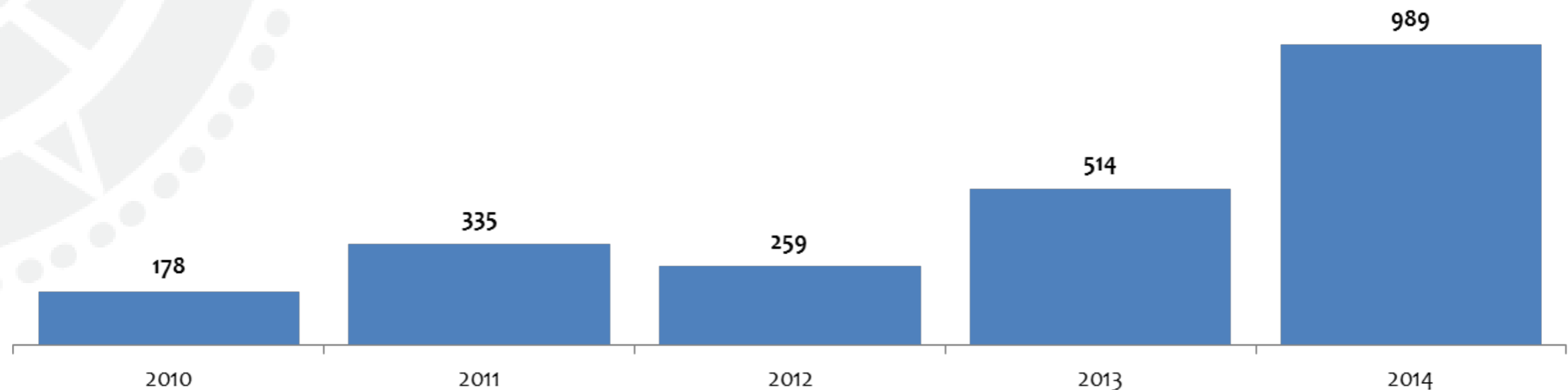
# Investment Levels--Overall

To achieve the objectives of Vision 2030, investment as percentage of GDP is expected to rise to and be maintained above 32% for the period 2014-2030

Currently, overall Kenya's investment as percentage of GDP is at 24.7 %

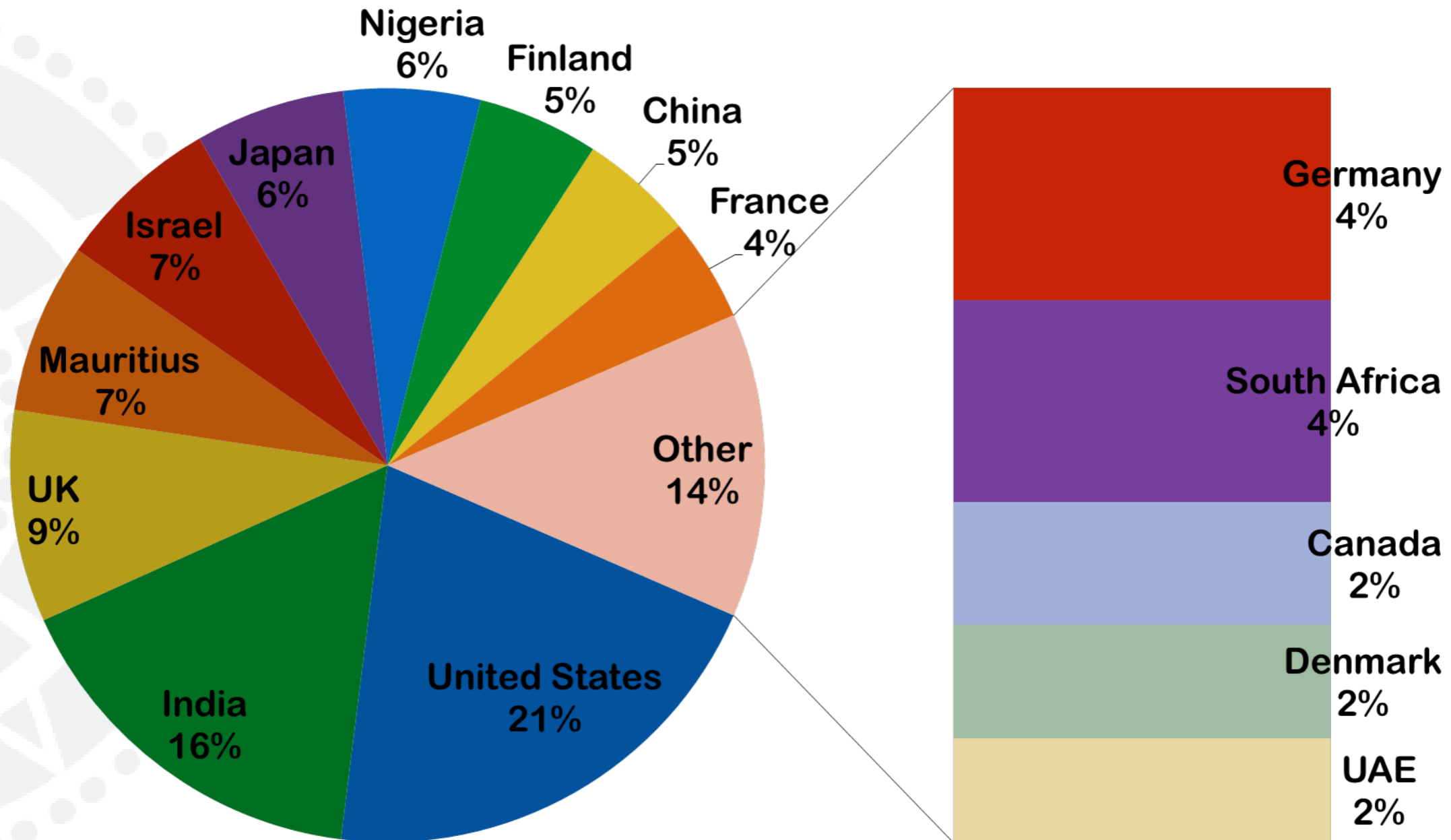
FDI is on rise as per UNCTAD data:

FDI in USD Millions



# FDI Source Markets

### Top 15 Source Countries





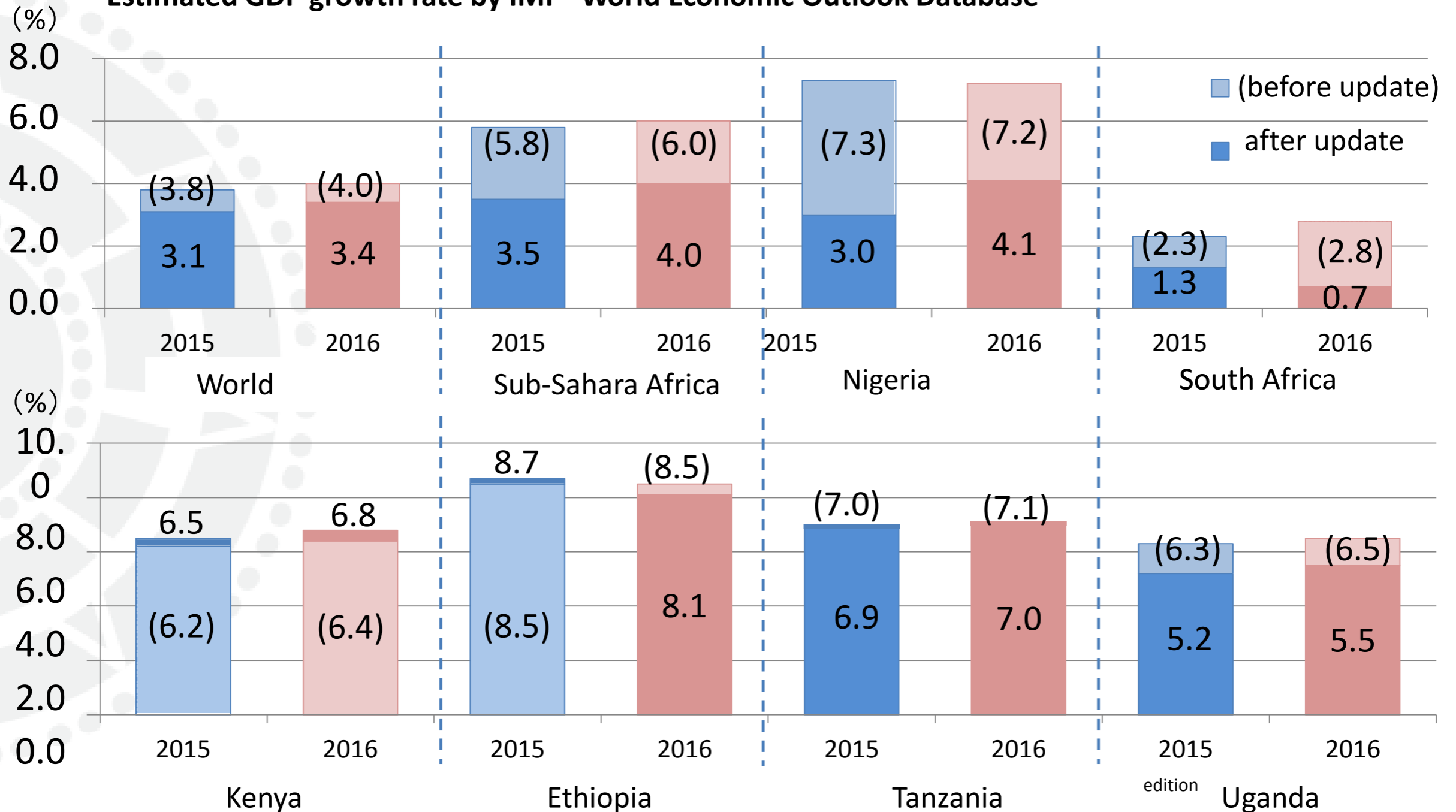
# Main FDI Recipient Industries

Industry	2010	2011	2012	2013	2014	2015	Total
<b>Manufacturing</b>	49.6	789.7	102.6	628.0	269.6	662.0	2,501
<b>Electricity</b>	235.9	471.8	300.0	-	1,023.4	122.6	2,154
<b>ICT &amp; Internet Infrastructure</b>	219.4	150.0	-	900.0	458.2	27.4	1,755
<b>Construction</b>	98.8	-	-	864.9	-	514.9	1,479
<b>Logistics, Distribution &amp; Transportation</b>	45.7	154.6	61.0	609.0	42.4	75.0	988
<b>Business Services</b>	37.2	162.7	158.2	112.7	173.4	230.7	875
<b>Sales, Marketing &amp; Support</b>	94.8	99.2	177.7	196.9	99.4	205.3	873
<b>Headquarters</b>	39.8	90.9	61.1	30.7	93.8	72.5	389
<b>Extraction</b>	-	325.6	-	-	-	-	326
<b>Design, Development &amp; Testing</b>	-	35.4	60.5	9.1	56.0	-	161
<b>Education &amp; Training</b>	-	30.4	18.7	5.6	-	27.6	82
<b>Research &amp; Development</b>	-	-	16.8	31.1	-	32.9	81
<b>Customer Contact Centre</b>	45.4	4.5	-	10.5	-	-	60
<b>Maintenance &amp; Servicing</b>	8.4	7.5	23.1	-	-	-	39

# East African economy continues to be strong

- Real GDP growth of Sub-Sahara Africa for 2015 expected to be 3.5%.
- East African economy continues to be strong. Kenya expected to grow 6.5%.

Estimated GDP growth rate by IMF "World Economic Outlook Database"



"World Economic Outlook Database" October 2014, October 2015, Uganda and January 2016

Source: IMF

# BUSINESS ENVIRONMENT: Facilitative Policies & Regulations

*Business-friendly environment to stimulate growth of private investment is a key priority of government. Key institutions like a Cabinet Committee, Business Environment Delivery Unit, One Stop Shop for investors are in place or in process of set up. Kenya is improving in various business environment indices.*

# KENYA VISION 2030

- Kenya Vision 2030 is transformative and hence strong investability credentials
- The economic pillar in V2030 focuses and consists of the following priority sectors:



Tourism



Manufacturing



Agriculture



Livestock &  
fisheries



Trade



Oil & other minerals



BPOS/ITES

- It aims to transform Kenya into a newly industrializing ‘middle-income country providing a high quality life to all its citizens by the year 2030’.
- Aimed at increasing real GDP growth to at least 10% per annum.
- **Kenya’s Industrial Transformation Programme** is equally transformative: to turn Kenya into an industrial hub!

# Reform of Policies & Regulations

**Reducing Burdensome Regulation:** The government has initiated reforms to hasten, streamline and simplify procedures directly affecting businesses with reference to the Doing Business Indicators by the World Bank. The Government is also in the process of coming up with Investment One Stop Centre. **Ranking up from 137 to 108!**

**Investment promotion and facilitation:** KenInvest, EPZA, other public agencies and private sector. SEZA on the way.

**Review of Public procurement regulations:** To speed up business and create affirmative action for special groups like youth, women and persons with disability. Also support for products manufactured in the country.

# Reform of Policies & Regulations

**Infrastructure development:** Generation of electricity from cheaper and renewable sources (280 MW from geothermal in 2014), Standard Gauge Railway, Thika Road, Improvement of Northern Corridor e.t.c.

**Enhancing Security for Investment:** the government continues to allocate substantial resources on security modernization to ensure effective enforcement of law and order and protection of property. CCTV security cameras in major cities, increase of police officers and vehicles available to them, improvement of terms of service to motivate officers, e.t.c.

**Fight against corruption:** The president has been an advocate of tackling Kenya's culture of corruption within government. Kenya has put the necessary legal framework in place to address this problem including strengthening of EACC.

# Attractive Incentives to Investors

- Some of the plant, machinery and equipment are exempt from VAT
- Plant, Machinery and equipment are duty exempt
- 100 % Investment Allowance:
  - To qualify Investment should be more than Kshs. 200 million
- Preferential corporate tax treatment for newly listed Company for the first three years
- Feed-in-tariff for power generated from renewable energy source (wind, solar and geothermal)
- Shipping Investment Deduction- 40%

- **EPZ Scheme:**
  - 10 year tax holiday
  - 25% corporate tax for another 10years
  - Duty & VAT exemption
  - Single license
  - Exemption from stamp duty
  - Exemption for withholding tax
- **Incentives for listing in the Capital Market**
  - Issuance of at least 40% of share capital- 20% tax for 5 years
  - Issuance of at least 30% of share capital of share- 25% tax rate for 5 years
  - Issuance of at least 20% of share capital- 27% tax rate for 3 years.

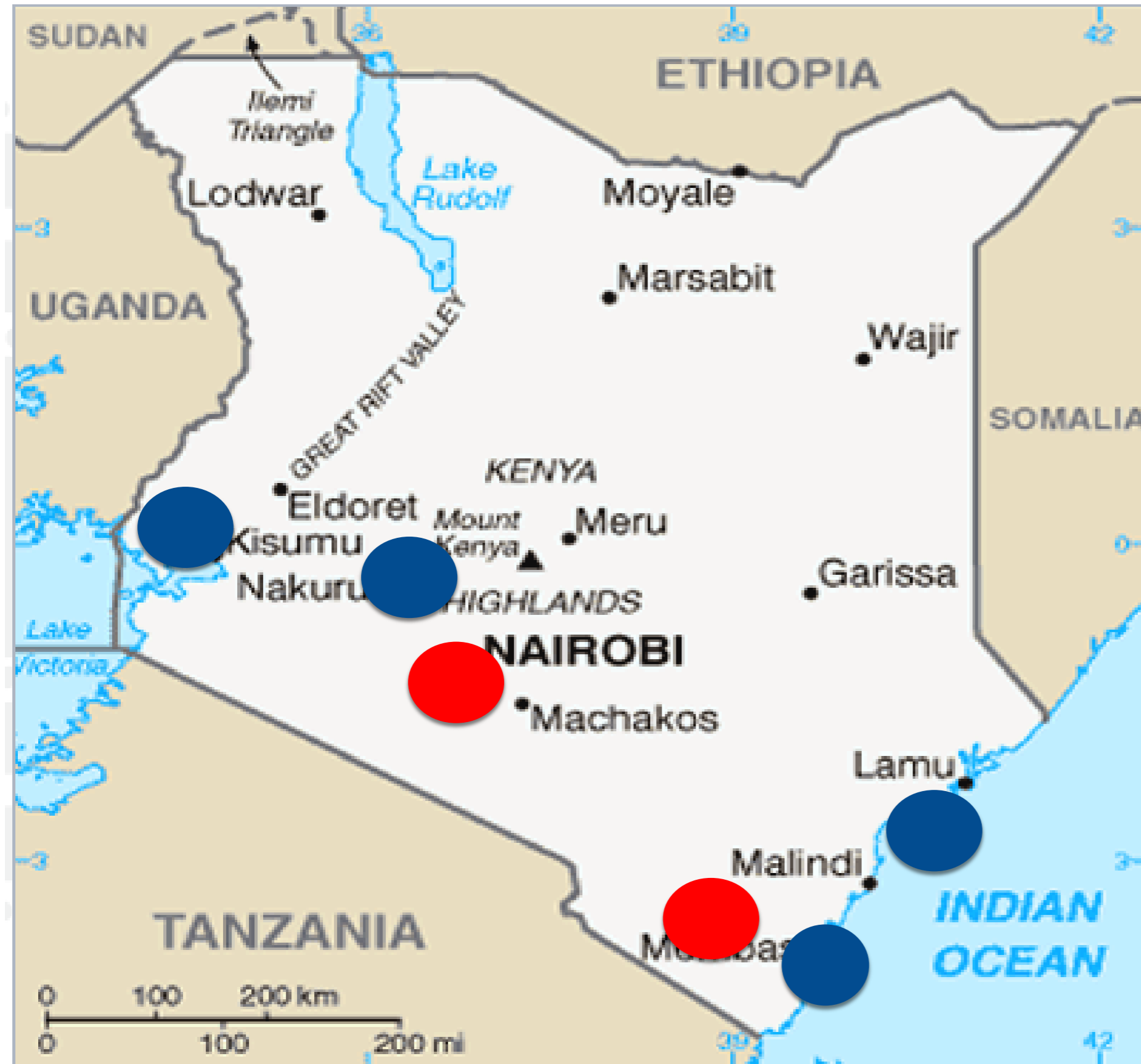
# Attractive Incentives to Investors

## Special Economic Zones (SEZs)

1. Corporate tax of 10% (1<sup>st</sup> 10 years); 15% next 10 years
2. Exemption from all taxes and duties payable under:
  - a. Excise Duty Act
  - b. Income Tax Act
  - c. EAC Customs Management Act and
  - d. VAT Act
2. Exemption from stamp duty
3. Entitlement to work permits of up to 20% of their full-time workers
4. Exemption taxes on dividend income



# Location of SEZ's AND EPZA's



- EPZ
- SEZ

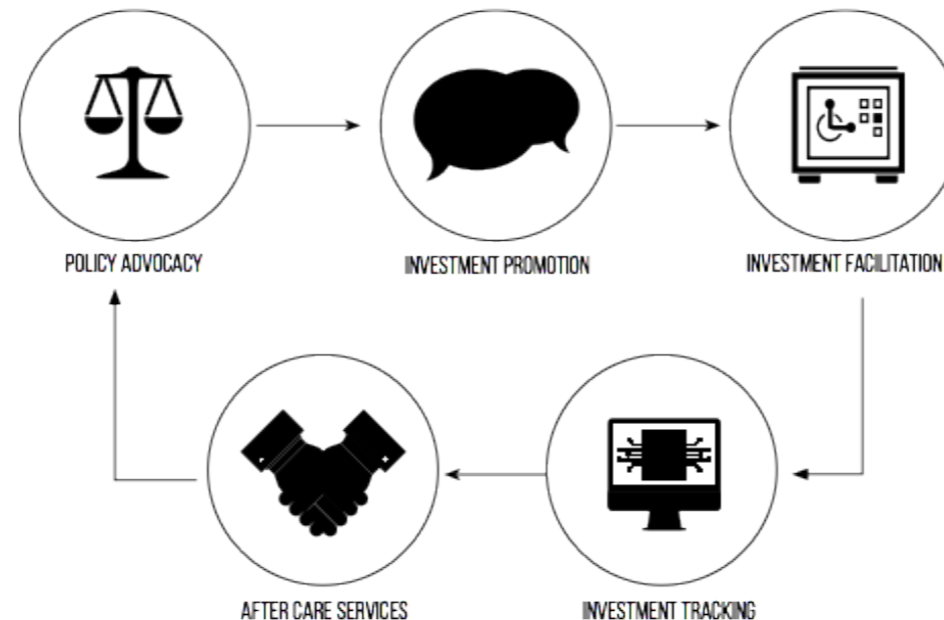
# Security of Investment

- **KENYA CONSTITUTION**  
guarantees against expropriation of private property except for purposes of public use or security.
- **NO EXCHANGE CONTROLS**  
guarantees repatriation of capital, profits and interests.
- **Member of the International Centre For Settlement Of Investment Dispute (ICSID)**
- **Member of the Multi-lateral Investment Guarantee Agency (MIGA)**  
an affiliate of the World Bank that insures foreign investments against non-commercial risks.
- **Member of The Africa Trade Insurance Agency (ATIA)**, headquartered in Nairobi and insures against commercial and non-commercial risk.
- **Bilateral Investment Treaties:** Kenya has negotiated and signed and continues to sign various investment promotion and protection agreements (IPPAs) and avoidance of double taxation agreements (DTAs) with a number of countries.
- **MOST IMPORTANTLY, KENYA GOVERNMENT HAS NOT CONFISCATED OR NATIONALIZED PRIVATE PROPERTY SINCE INDEPENDENCE IN 1963.**

# **KENINVEST SUPPORT TO INVESTORS**

**Kenya Investment Authority has the mandate and capacity to promote Kenya to investors, assist them get established in the country, and provide various post-establishment services.**

**We welcome you to Make It Kenya!**



## INVESTMENT PROMOTION

- Providing information on investment opportunities or sources of capital.
- Promoting the opportunities for investment available in Kenya by organizing forums, workshops and other marketing initiatives.

## INVESTMENT FACILITATION

- Investor tracking after care services
- Assisting in issuing investment certificates
- Assisting in obtaining necessary licenses and permits
- Assisting in obtaining incentives or exemptions under various acts of law & other regulations.
- Facilitate joint venture

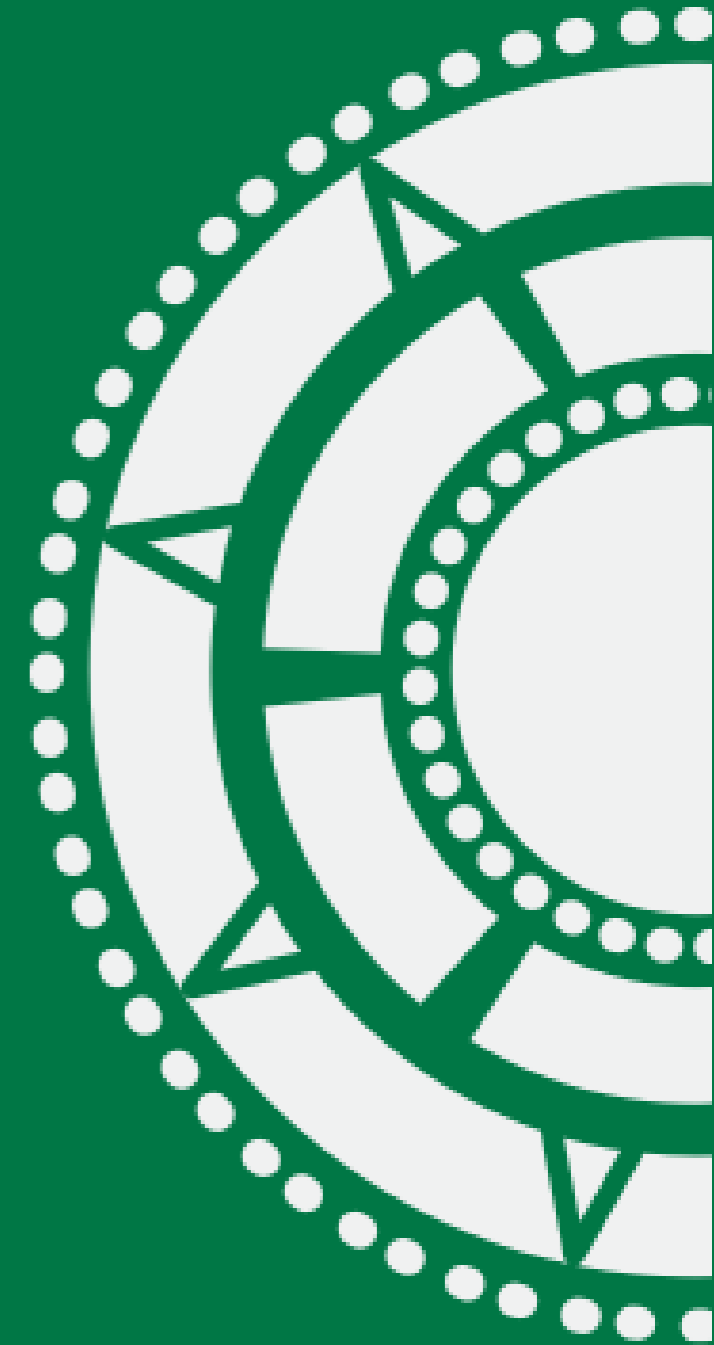
between local & foreign investors

## POLICY ADVOCACY

- Reviewing the investment environment and making recommendations to Government and other stakeholders with respect to changes that would promote and facilitate investment, including changes in licensing requirements.

# OVERVIEW OF INVESTMENT OPPORTUNITIES

**Investment opportunities in Kenya are many across all sectors and the 47 Counties. The opportunities range in size from mega to small. There is something for everyone and the returns are highly competitive.**



## **AGRICULTURE, LIVESTOCK AND FISHERIES**

“Innovative, Commercially Oriented and Modern Farming Livestock and Fisheries Sector”

- Emphasis is placed on increasing productivity at the same time expanding processing activities.
- Contributes to 26% of the GDP (CBK)
- Accounts for 65% of Kenya’s total exports, 18% & 60% of the formal and total employment respectively.

## **OPPORTUNITIES**

1. There are several large scale farming & Agroprocessing opportunities in the Counties
2. Tana Delta Irrigation Sugar Project – Joint Venture – Project Promoter: Tana Athi Rivers Development Authority (TARDA)
3. Fish Port Development Project – PPP – Coast Development Authority (CDA)
4. Agricultural Development along LAPSSSET Corridor

# Galana-Kulalu Food Security Project



The Galana-Kulalu Scheme is a flagship project worth USD 2.88BN to be implemented over five years on **one million acres** with an aim to enable Kenya to become a food secure nation

## Overview of the Scheme

- The Galana-Kulalu project is a government initiative to **enhance national food security** by optimising on the productivity of the Galana and Kulalu Ranches on **one million acres of land irrigated** over the next five years
  - This will occur through targeted investments in the production of crops, livestock and fisheries, the optimisation of eco-tourism activities and the integration of sustainable utilization of other natural resources

## Core Benefits

- ✓ Integrated farming for crops and animal production
- ✓ Export of surpluses to regional and international markets
- ✓ Revenue generation
- ✓ National food security
- ✓ Social and political stability

## Government Support in Galana-Kulalu

**Water development** on the Tana and Sabaki Rivers

Establishment of **production support and value chain structures**

**Development of transport and communication infrastructure**

**Land use planning and development**

**Environmental and social impact assessments**

## Production Opportunities for the Private Sector



**Maize:**  
500 000 acres



**Sugarcane:**  
200 000 acres



**Livestock:**  
150 000 acres



**Horticulture:**  
100 000 acres



**Crop Rotation:**  
50 000 acres

*There are many in different sub-sectors and parts of the country. Agro-processing is top priority in the country's industrial transformation programme.*

- 1. Processing of other fruits: passion fruits, citrus, avocados*
- 2. Mombasa Food Hub: Logistics and Services*
- 3. Cold storage infrastructure for various produce ranging from milk, meat to fruits and vegetables: cost of power coming down substantially.*
- 4. Meat and Leather processing: another major priority subsector in industrial transformation programme.*



# Water Sector

- Water is a critical resource whose availability and proper use is a key factor for Kenya's sustainable social and economic development. The country is water scarce at 670M<sup>3</sup> per capita freshwater endowment and water storage well below international standards.
- The economic and social developments anticipated by Vision 2030 will require more high quality water supplies than at present.

## Opportunities

1. Construction of Water and waste water systems. Eg The supply from Thwake Dam
2. Construction of dams- Bute and Itara dam supplies
3. Nairobi Bulk Water Supply Project. Construction of Maragua and Ndarugu Dams and the supply of bulk water to Nairobi County.

## **Manufacturing**

- “Robust Diversified and Competitive Manufacturing Sector”
- Objective is to increase its contribution to Gross Domestic Product (GDP) by at least 10% per annum & propel Kenya towards becoming Africa’s industrial hub.
- The Eastern African market is dominated by imports from outside the region and therefore provides potential market for Kenyan products.

## **Opportunities**

- Shimoni Cement Production - PPP – Project Promoter: CDA
- Establishment of SEZs – MoIED
- Development of SME & Industrial Parks – MoIED
- Development of Industrial Clusters- Textile and Leather Cities top priority

## **Wholesale & Retail**

- “A Formal Sector that is Efficient, Multi-tiered, Diversified in Product range and Innovative”
- Identified as one of the key engines of the economy due to its immense contribution to Kenya’s GDP & employment creation through trade and investments.

## **Opportunities**

- Development of Wholesale Hub Markets
- Establishment of SEZs in Mombasa
- Construction of 3 wholesale hubs
- Construction of 3 Tier-1 Retail Markets
- Establishment of world class Trade, modern Exhibition and Convention centre

# OPPORTUNITIES UNDER THE EPZ PROGRAMME



## MANUFACTURING

**1. LEATHER PRODUCTS** :Jackets, Skirts & Pants,Boots, Shoes & Sandals, Bags, Belts, Wallets, gloves, Upholstery.

### 2. MINERALS AND GEMSTONE PROCESSING:

Gemstone Cutting/Polishing, Base Metal production, Dimension stone, Jewelry

### 3. MEDICAL AND PHARMACEUTICAL

products: Human and Veterinary medicines, Medical Supplies incl. catheters

**AGRO-PROCESSING**: Food products including value added tea, fruit juices, Value added dairy including dried milk, processed cheese, Plant extracts, post-harvest processing of flowers and horticulture. Fibre e.g. sisal, essential oils and vegetable extracts

## COMMERCIAL

Regional distribution of assorted products targeting Ethiopia, Southern Sudan, Somalia, DRC and other COMESA countries, but excluding EAC Countries (i.e. no local sales).

## REAL ESTATE DEVELOPMENT

Development of Private EPZs: Offices and office parks for Regional HQ, ICT and service companies

Warehouses

Industrial sheds

Service plots for sub-lease

For lease to EPZ investors

# OPPORTUNITIES UNDER THE SEZ PROGRAMME

The Special Economic Zones seek to promote and facilitate global and local investments in Kenya. These facilities include:-

- Free Trade Zones (FTZ)
- Industrial parks,
- Free ports,
- Information Communication Technology parks,
- Science and Technology parks,
- Agricultural Zones
- Tourism and Recreational Zones
- Business Service parks.

## **TOURISM**

“To be a top 10 long haul tourist destination offering a high-end, diverse, and distinctive visitor experience.”

- Sector vital for the Kenyan economy. Target of at least 3 million international tourists p.a. against current level of 1.5-1.8 million.
- Based on: abundant wildlife, over 500 km long all-year warm sandy coastal beaches, a rich and diverse cultural heritage & a robust and thriving business hub that attracts most of regional and international business travelers.

## **OPPORTUNITIES**

1. Development of Lamu, Isiolo and Lake Turkana Resort Cities – PPP – Promoter: MEACT;
2. Mombasa International Convention Centre (MICC) – PPP – Promoter: TFC;
3. Bomas International Convention & Exhibition Centre (Bomas of Kenya)– PPP;
4. Accommodation and other services.

Current power generation: About 2,300 MW  
Generation of additional **5,000+MW** of electricity in less than 3 years from various sources.

## **OPPORTUNITIES**

- Coal Fired Power Plants – IPP
  - 480 MW x 2 – Coast (Initial Imports)
  - 480 MW x 2 – Kitui (Local Coal)
- Geothermal: 1,000 MW
- Liquefied Natural Gas (LNG): 1,000 MW
- Other sources: 1,070 MW

## INFRASTRUCTURE

- Kenya Government has laid down ambitious plans to construct a total of over 10,000 km of tarmacked roads across the country in the next 3 years. This will cost over USD 90 Million.

## OPPORTUNITIES

1. Construction of Isiolo Airport;
2. Development of Lamu Port;
3. Opportunities along Mombasa-Nairobi Standard Gauge Railway;
4. Nairobi Commuter Rail – Concession;
5. Railway Cities – Joint Venture – Nairobi, Mombasa and Kisumu;
6. Thika Toll Road – Concession;
7. Dry Port at Voi – PPP;
8. Mombasa 2nd Container Terminal – PPP; and
9. Multi-Storey Terminal at Likoni – PPP.

## BUILDING & CONSTRUCTION

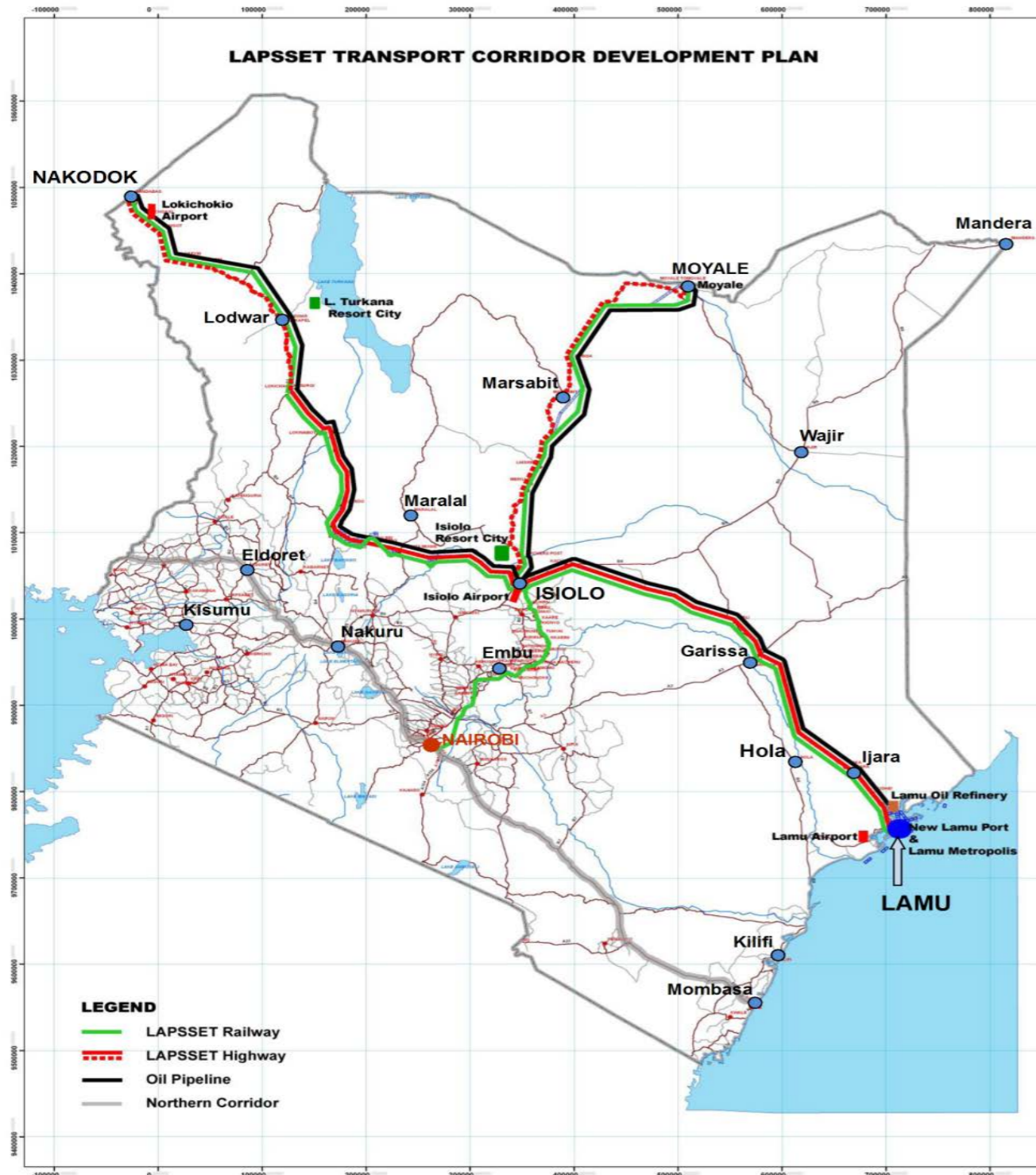
- Kenya requires a minimum of 150,000 housing units per annum to meet demand.
- Kenya has a well-developed building and construction industry with quality engineering, building and architectural design services being readily available.
- Returns to investment in real estate are very high in Nairobi and Mombasa.

## KEY ONGOING AND PLANNED PROJECTS:

1. Many large private integrated development projects around the country e.g. Two Rivers, Tilisi, Tatu City;
2. 39 Storey Hazina Trade Centre;
3. Proposed Kilifi Resort City;
4. Konza Techno City (5,000 acres), Machakos/Makueni;
5. Proposed Resort Cities;
6. Development of Lamu Port;
7. Mombasa City Convention Centre (MICC).

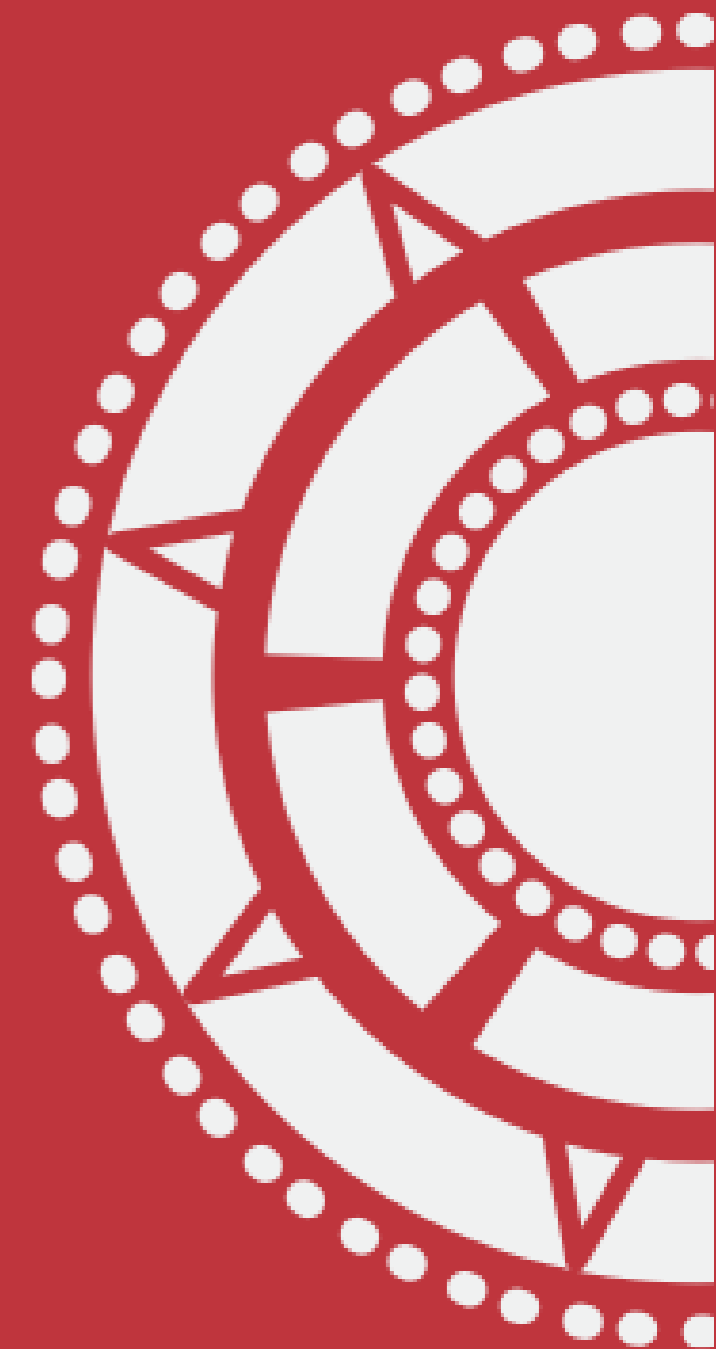


# LAPSSET CORRIDOR PROJECT



PROJECT COMPONENTS	
1	Lamu Port
2	Railway Line
3	Highway
4	Crude Oil Pipeline Product Pipeline
5	Oil Refinery
6	Resort Cities
7	Airports
SUPPORT INFRASTRUCTURE	
	High Grand Falls
---	Lamu Metropolis

**WE WELCOME  
YOU TO MAKE IT  
KENYA!**





**Thank you**