International Trade Centre

EXPORT IMPACT FOR GOOD

INVESTMENT PROFILE:

Agro-Processing and Light Manufacturing

KENYA

© thinkstock.com

© shutterstock.com

AN OVERVIEW

The Republic of Kenya is regarded as the regional hub for finance and trade in East Africa. Kenya's main port, Mombasa, is the largest seaport in East Africa that serves as a gateway to many other East and Central African nations as well, many of which are land-linked.

Kenya has a population of approximately 44.86 million (2014), out of which an estimated 26 million lies in the working age group of 15–64. Kenya also has one of the largest youth populations in Africa, with almost 16 million people lying in the age group of 15–34 years. By 2050, it is expected that Kenya's total population will cross 97 million, with a working age population of approximately 60 million.

Kenya has a strong banking sector, and its legal, regulatory and accounting systems are transparent and consistent with international norms. There are no exchange controls after the 1994 liberalization, which removed all restrictions. Kenya's banking sector consists of 43 commercial banks, out of which 13% are either 100% foreign owned or have significant foreign share.

Kenya is the second largest East African and fifth largest Sub-Saharan economy.

Key facts	
Capital:	Nairobi
Area:	581,309 km^2
Population:	44.86 mm (2014)
Labour force (over 15 years):	17.5 mm (2014)
Youth literacy rate (15–24 years):	
Male:	83.2% (2008–2012)
Female:	81.6% (2008–2012)
GDP (nominal):	US$ 60.94 bn (2014)
GDP (growth):	5.3% (2014)
FDI inflow:	US$ 944.33 mm (2014)
Exports:	16.4% of GDP (2014)
Imports:	33.9% of GDP (2014)
Govt. expenditure:	US$ 14.55 bn (2015 est.)
Govt. revenue:	US$ 10.6 bn (2015 est.)
Currency:	Kenyan shillings (KES)
Language:	English, Swahili

**Source:* KenInvest, 2015; World Bank, 2015; UN, 2013; CIA, 2016

ECONOMY OVERVIEW

AGRO-PROCESSING AND LIGHT MANUFACTURING

Kenya is Central and East Africa's hub for transportation, communication and financial services. Its other major sectors are agriculture, forestry and fishing, mining, manufacturing, energy and tourism.

The cotton, textiles and apparel (CTA) industry is the second biggest manufacturing activity in Kenya, providing livelihood to approximately 200,000 households.

With the expected doubling of Kenya's population by 2050, there should be significant investment opportunities in all sectors.

Opportunities in agro-processing include commercial irrigation, grains milling and marketing (maize and wheat), sugar, dairy, fruits (mangoes, pineapples and oranges), poultry, pigs and oil crops (sunflower, sesame, canola and groundnuts).

Opportunities in light manufacturing include construction materials, agricultural machinery and equipment, plastic and packaging industry, leather industry, pharmaceuticals and animal feeds.

WHY KENYA?

KENYA'S GLOBAL AND REGIONAL MARKET ACCESS

Kenya's global and regional market access

Market access under:	Markets
African Growth and Opportunity Act (AGOA)	The United States of America (third country fabric provision)
Economic Partnership Agreement (EPA)	Europe (third country fabric provision)
East African Community (EAC)	The Republic of Burundi, the Republic of Rwanda, the Republic of Uganda and the United Republic of Tanzania
Common Market for Eastern and Southern Africa (COMESA)	Burundi, the Union of the Comoros, the Democratic Republic of the Congo, the Arab Republic of Egypt, the Republic of Djibouti, the State of Eritrea, Libya, the Republic of the Sudan, the Republic of Madagascar, the Republic of Malawi, the Republic of Mauritius, Rwanda, the Kingdom of Swaziland, Uganda, the Republic of Zambia, the Republic of Seychelles and the Republic of Zimbabwe
Tripartite Free Trade Area (TFTA) between EAC, COMESA and Southern African Development Community (SADC)	Regional markets, including South Africa

KENYA'S TRADE SCENARIO

- Overall sector exports from Kenya have grown from US$ 253 million in 2009 to US$ 444 million in 2014 at a compound annual growth rate (CAGR) of 10%.
- The United States of America is the largest market, accounting for almost 82% of Kenya's CTA exports. Kenya's apparel exports have witnessed a CAGR of 14% from US$ 195 million in 2010 to US$ 379 million in 2014.

BUSINESS ENVIRONMENT

LEGAL AND REGULATORY FRAMEWORK

- The key corporate and investment laws applicable in Kenya are the Companies Act (Cap 486) and the Investment Promotion Act, 2004.
- Kenya's Government has introduced a new competition law, Public Partnership Act and capital markets regulations to increase market competitiveness and to attract foreign investment.
- Government has also reduced the number of licenses required to set up a business from 300 to 11 in order to promote investment.

LOGISTICS AND CONNECTIVITY

- Kenya is the gateway to East Africa.
- There are three sea ports in Kenya – Mombasa, Lamu and Malindi.
- Improvement in roads infrastructure is in progress, and recent improvements have reduced the transit times from 18 days to five days from Nairobi to the Port of Mombasa.
- There are four international airports in Kenya – Mombasa International Airport, Jomo Kenyatta International Airport, Kisumu International Airport and Eldoret International Airport.
- Kenya Railways Corporation is in the process of developing a standard gauge railway line with a route length of 472 km to connect Kenya, Mombasa, Rwanda, the Republic of South Sudan and Uganda (Railway Technology, 2015).

MANPOWER SCENARIO

- There is abundant availability of a relatively well-educated population.
- Wage rates: Unskilled worker – US$ 70 to US$ 130; skilled worker – US$ 125 to US$ 170.

POWER SCENARIO

- Kenya has a well-established power sector, with a total installed capacity of 1,783 MW.
- Kenya is the largest producer of geothermal energy in Africa.
- The average power cost in Kenya is US$ 0.18/kWh, while export processing zones (EPZs) enjoy subsidized power supply at US$ 0.09/unit.

GOVERNMENT SUPPORT FOR CTA SECTOR

- Support is provided to smallholder farmers by providing planting seeds, and advisory service through research and extension service.
- The Kenyan Government supports irrigation scheme rehabilitation to restore production of irrigated cotton over the course of the next five to 10 years.
- Kenya Investment Authority (KenInvest) facilitates implementation of new investment projects, and providing aftercare services for new and existing investments.
- Incentives are provided to investors under EPZs, including tax incentives and holidays, VAT exemption, business allowance and investment deductions.

ADVANTAGE KENYA

Cotton, textile and apparel sector investors in Kenya can benefit from the following:

- Financial, communication and transport hub of East and Central Africa
- Population expected to double by 2050
- Politically stable country
- Preferential market access
- Labour availability
- Good infrastructure
- Strong buyer linkages
- Investor-friendly policies

SUCCESS STORIES

- **China-Africa Development Fund (CADFund):** The Chinese investment fund entered into an agreement with the Ministry of Transport, Infrastructure, Housing and Urban Development to build houses for the Ngara City Project. CADFund is also partnering with Suraya Property Group Ltd, a Kenyan company, and China Construction Engineering Consultant Corporation (CCECC) to build 20,000 homes.
- According to a 2016 World Bank study, 400 Chinese companies operate in Kenya, with 64% of the value of Chinese investment made in manufacturing. Specific investments include automotive parts, food, consumer electronics and communications. According to the study, Chinese investments generally create more jobs per investment than investments from other countries.

INVESTMENT OPPORTUNITIES

COMMERCIAL IRRIGATION OPPORTUNITIES

- There are 9.2 million hectares in Kenya with good potential for irrigated agriculture, but only 54,000 acres is currently under irrigation, chiefly for flowers and horticulture, and only because of private sector efforts. There might be opportunities for public-private partnerships in large agricultural projects.

GRAINS MILLING AND MARKETING

- Kenya is in perpetual state of maize and wheat deficit, with production of 30 million bags of maize for a 40–42 million bag consumption and a production of 350,000 tons of wheat for a consumption of 900,000 tons.

DAIRY

- Kenya has the largest and best-quality dairy herd on the continent, with 3.5 million improved dairy cows and another nine million dual-purpose zebu crossbreeds with high raw milk contribution potential.
- The country is self-sufficient in milk, with surplus for exports to North Africa and Asia.
- State-of-the-art technology could create an industry for transformation into long-life and powder milk, including for export.

FRUITS

- Kenya's fruit sector has grown by 12% per year between 2005 and 2015 due to the demand for healthy drinks and fresh fruits, powered by rising incomes.
- In Kenya, 40% of fruit crop goes to waste and only 8% of the fruits are currently processed.
- There are opportunities for finished juices and soft drinks, as well as for integrated pulps and concentrates.

PIGS

- The Food and Agriculture Organization (FAO) projects that pork consumption will increase 155% in Sub-Saharan countries by 2030 and by 167% across low-income countries globally. However, the regional dealer exports 2,000 tons of pork a year to the COMESA region, only by importing 660 tons of pig carcasses from the Federative Republic of Brazil, Canada and the Federal Republic of Germany.
- There are opportunities to invest in the integrated commercial pig production chain and in feed production.

CONSTRUCTION MATERIALS

- Construction has been the fastest-growing sector in Kenya, fuelled by mega infrastructure projects, with a 13.1% growth in 2014 against a GDP growth of 4.6%.
- With fast population growth, the housing deficit in Nairobi is 150,000 units per year and is expected to be 1.6 million units in the entire country by 2030.
- There will be low-cost housing supply chain opportunities, as well as for roofing materials, windows, doors, kitchens, bathrooms and finishing materials.

AGRICULTURAL MACHINERY AND EQUIPMENT

- There are opportunities to manufacture tractors locally, with more than 3,000 tractor units required for government projects over the next few years and a minimum average of 1,760 tractors to be replaced annually by commercial farmers.

PLASTIC AND PACKAGING

- There is significant opportunity for consumer plastic bags, and various paper, aluminium, glass, plastic and rubber articles used for packaging and produced by advanced technology. The use of plastics is expected to triple in the next five years in Africa and demand for consumer plastic products has been growing at 15%–20% per year in Kenya.

LEATHER

- Kenya's leather products sector has grown 18% per year for the past decade. There is a wide domestic deficit with a demand of 38 million pairs of shoes per year where local producers can only meet a demand of four million.
- There are significant opportunities for improving the processing of Kenya's leather products in the following promising markets: low value-added footwear for the domestic market, handbags and travel-wear for US and EU consumers, and finished leather for the Chinese and EU markets.

PHARMACEUTICALS

- While there are 42 local registered pharmaceutical manufacturers (and one multinational – GlaxoSmithKline), most local companies do not meet the World Health Organization's Good Manufacturing Practices, excluding them from international donor-funded procurements. Those procurements are worth an estimated US$ 97 million a year. A joint venture with these local producers will allow them to tap into this market.

KEY CONTACTS:

Ministry of Industry, Trade and Cooperatives
Tel.: +254 202 731 531
E-mail: cs@industrialization.go.ke
Website: www.industrialization.go.ke

Kenya Investment Authority (KenInvest)
Tel.: +254 730 104 200
+254 730 104 210
E-mail: info@investmentkenya.com
Website: www.investmentkenya.com

Export Processing Zones Authority (EPZA)
Tel.: +254 456 621 000
E-mail: info@epzakenya.com
Website: www.epzakenya.com

Produced under Partnership for Investment and Growth in Africa (PIGA). A project funded by the Department for International Development, Government of the United Kingdom and implemented by the International Trade Centre.

PIGA project implemented by:
International Trade Centre