A Practical Guide to Doing

Business in

KENYA


KENYA
National capital
Provincial capital
Town, village
Airports
International boundary
Main road
Secondary road
Other road or track
Railroad
0 50 100 150 200 km
0 25 50 75 100 mi
SOUTH SUDAN
Administrative Boundary
ETHIOPIA
UGANDA
UNITED REPUBLIC OF TANZANIA
INDIAN OCEAN
Lake Turkana (Lake Rudolf)
Lake Chew Bahir
Sibiloi National Park
Central Island N. P.
South Island N. P.
Marsabit National Park
South Turkana Nat. Reserve
Losai National Reserve
Maralal Game Sanctuary
Mount Elgon N. P.
Shaba Nat. Res.
Meru Nat. Park
Bisanadi Nat. Res.
Rahole Nat. Reserve
Kora National Reserve
North Kitui Nat. Res.
Aberdares N. P.
Mt. Kenya Nat. Park
Mt. Kenya 5199 m
Masai Mara Nat. Res.
South Kitui Nat. Res.
Tana River Primate Nat. Reserve
Arawale Nat. Res.
Dodori Nat. Res.
Amboseli Nat. Park
Tsavo East National Park
Tsavo West Nat. Park
Shimba Hills Nat. Park
Kilimanjaro 5895 m
Nyumba Ya Mungi Reservoir
Masinga Reservoir
Lake Victoria
Lake Natron
L. Magadi
L. Naivasha
L. Baringo
L. Bogoria
L. Amboseli
L. Bisinga
L. Opeta
Ungama Bay
Turkwel
Suam
Ewaso Ng'iro
Tana
Athi
Galana
Tsavo
Dawa
Laga Bor
Loga Bogal
Lak Dera
Konso
Negēlē
Yabelo
Houdat
Mega
Banissa
Ramu
Moyale
Takaba
El Wak
Buna
Tarbaj
Girito
Wajir
Dif
Habaswein
Mado Gashi
Liboi
Hagadera
Garissa
Bura
Kolbio
Hola
Lamu
Garsen
Malindi
Kilifi
Mombasa
Mariakani
Moa
Tanga
Wete
Pemba I.
Korogwe
Same
Moshi
Arusha
Taveta
Voi
Tsavo
Mtito Andei
Kibwezi
Namanga
Sultan-Hamud
Kajiado
Magadi
Machakos
Kitui
Mwingi
Nguni
Nairobi
Thika
Murang'a
Embu
Nyeri
Meru
Nanyuki
Isiolo
Kinna
Archer's Post
Kisima
Maralal
Laisamis
Baragoi
Marsabit
Loiyangalani
North Horr
Banya
Sabarei
Kelem
Todenyang
Lolimi
Lokichokio
Kakuma
Kaabong
Lokwa Kangole
Lodwar
Moroto
Lokichar
Lokori
Tot
Mbale
Kitale
Tororo
Lorule
Eldoret
Busia
Webuye
Butere
Kakamega
Marigat
Nyahururu (Thomson's Falls)
Solai
Kisumu
Londiani
Nakuru
Molo
Kericho
Mfangano I.
Homa Bay
Kisii
Gilgil
Naivasha
Migori
Narok
Musoma

PREFACE

This book was prepared by COMESA Regional Investment Agency in cooperation with Kenya Investment Authority. 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 business in Kenya, or planning to do so, are advised to get current and detailed information from experienced professionals. This book reflects information current as of November 2014.

INVESTOR'S GUIDE TO KENYA

In the preparation of this guide, every effort has been made to offer current, correct and clearly expressed information. However, the information in the text is intended to afford general guidelines only. This publication is distributed with the understanding that COMESA RIA is not responsible for the result of any actions taken on the basis of information in this publication, nor for any errors or omissions contained herein.

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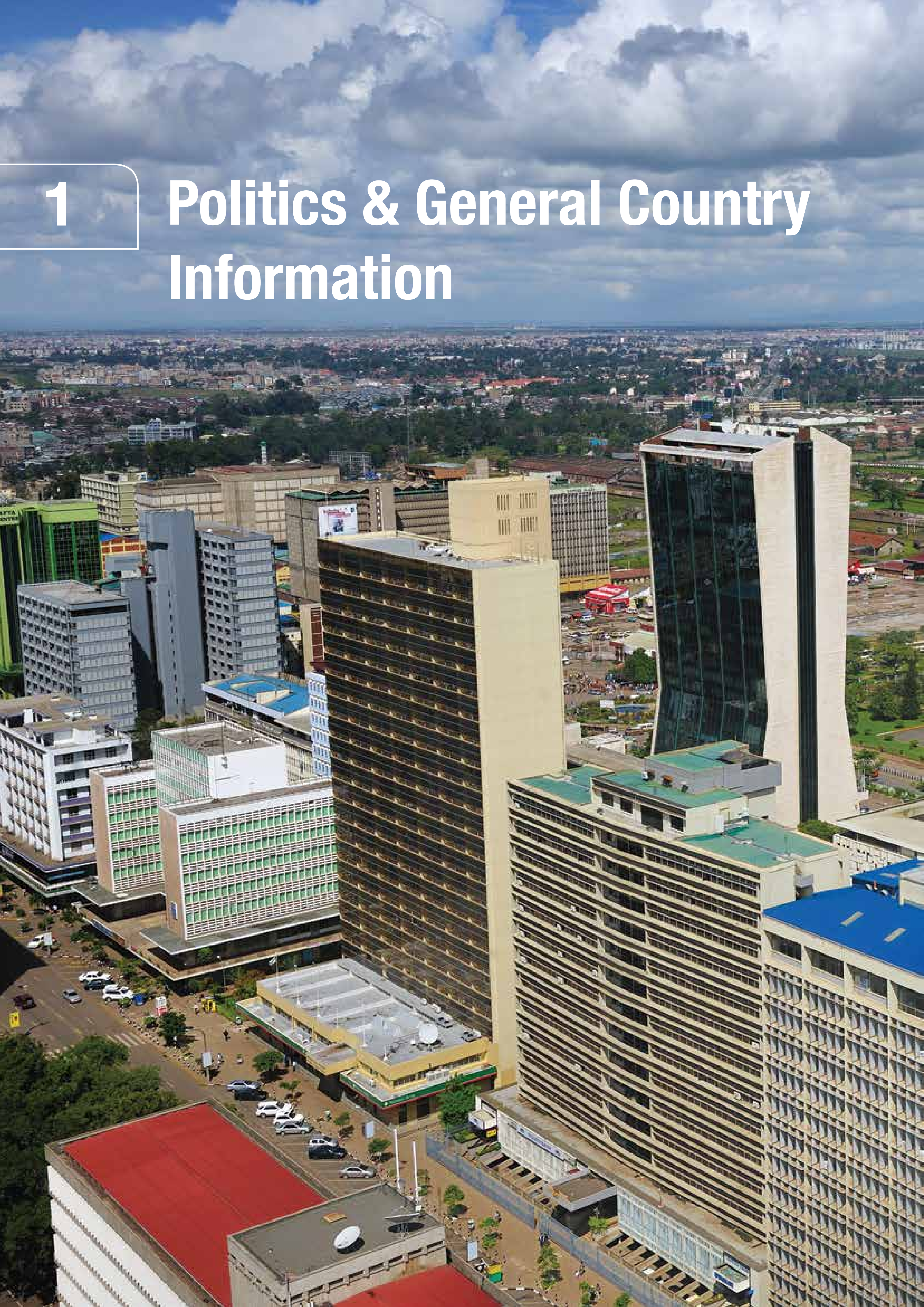
1 Politics & General Country Information



1. Politics & General Country Information

1.1. General information

Official Name	Republic of Kenya
Form of state	Unitary stated with Multi party democracy
Surface Area	582,646 km^2
Population	45,010,056 (2014 est.) with population growth rate at 2.11 per cent Urban population (% of the total) 24.8 Per cent Kenya's middle class (% of population) 36.1 (2012)
Density	77.9 people per KM^2
Official Language	Swahili is the national language and English & Kiswahili are official languages. In addition, Kenya's 42 communities have their own languages
Climate	Kenya lies on both sides of the equator and enjoys varied climate ranging from tropical to temperate. The central highland and Rift Valley have the most pleasant climate, with temperatures ranging from the low teens to the mid-twenties Celsius.
Religion	Christian, Muslims, indigenous African and others
Administration	47 counties
Time Zone	GMT +3
Currency	1 Kenya Shillings is equal to 100 cents
GDP at current price USD	USD 55.2 B (2013)
Per Capita GDP USD	USD 1,246 (2013)
GDP Growth	5.7 (2013)
Total Exports Volume	USD 5.8B (2013)
Total Imports Volume	USD 16.4B (2013)
Human development Index	0.519 (2013)
Standard and Poor rating	B+ (STABLE)
Moody's Rating	B1 (STABLE)

Kenya attained its independence in 1963 from Britain and since then has maintained a diversified economy in which the private sector has always played a strong role. Today, Kenya's political system is characterized by a democratic republic government and numerous political parties, major parties including the National Alliance (TNA), the Orange Democratic Movement (ODM), the United Republic Party (URP) and the Wiper Democratic Party (WPD). These parties are organized in two major coalitions-Jubilee, the ruling and Coalition for Reform and Democracy (CORD), the opposition.

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

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

1.2. Structure of Government and Checks & Balances

Traditionally the power of the Kenyan Government has been divided into three main arms: the Executive, Legislature and Judiciary. The 2010 Constitution includes a greater separation of powers between the Legislature, Executive and Judiciary, 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 twelve nominated members to represent special interests. The roles of the National Assembly are to: exercise oversight of state organs, national revenue and expenditure, appropriate funds for expenditure by the National government, and enact laws that govern the country.

The Senate consists of 47 members, one elected from each county and 16 women nominated by the various parties, 2 youth representatives, and 2 representatives of persons with disabilities. The roles of the Senate are: to protect the interests of counties, to enact laws that affect counties, and to provide oversight of state officers.

1.4. Judicial Branch

The Judiciary is repositioning itself within the context of the 2010 Kenyan Constitution. The Judiciary is involved in a major transformation programme which includes the competitive recruitment of the Chief Justice, other judicial offices, as well as administrative and paralegal staff. The major reorganisation of the institution is currently underway to enable it to fulfil its constitutional mandate under article 159 and meet public expectation. It includes the hierarchy detailed below.

The Supreme Court

The Supreme Court hears and determines cases relating to presidential elections, hears appeals on cases that have been concluded by the Court of Appeal, 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, the Supreme Court hears appeals from any other court or tribunal as prescribed by national legislation.

The Court of Appeal

The Court of Appeal is established under Article 164 of the Constitution and consists of a number of judges, being not fewer than 12, as prescribed by an Act of Parliament, and is organized and administered in the manner prescribed by an Act of Parliament. The Court comprises of a President of the Court of Appeal who is elected by the 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 an Act of Parliament.

The High Court

The High Court is established under Article 165 and consists of a number of judges to be prescribed by an Act of Parliament. The High Court has unlimited original jurisdiction in criminal and civil matters.

The High Court does not have jurisdiction with respect to matters reserved for the exclusive jurisdiction of the Supreme Court under the Constitution or falling within the jurisdiction of the courts contemplated 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 any person subject to the Act for any offence which under the Act is triable by Martial Courts, and to award for such an offence any punishment provided by the Act for that offence.

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 establishing 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.

Arbitration

Arbitration is recognized in Kenya in Article 159 of the Constitution as one of the ways of settling disputes. The constitution promotes the use of Alternative Forms of Dispute Resolution (ADR) including reconciliation, mediation, arbitration and traditional dispute resolution mechanisms to the extent that it does not contravene the Bill of Rights and is not repugnant to justice and morality or results in outcomes that are repugnant to justice or morality; or is inconsistent with the Constitution or any written law. The other statutes apart from the Constitution that govern the process are The Arbitration Act Cap 1995, The Arbitration Rules the Civil Procedure Act Cap 29 and the Civil Procedure Rules 2010.

The Chartered Institute of Arbitrators and the Nairobi Centre for International Arbitrators promote and facilitate the determination of disputes by arbitration and other forms of ADR in the country. The Law Society of Kenya is in the process of building an arbitration centre in Nairobi which will have a court room and arbitration rooms among other amenities for purposes of ADR.

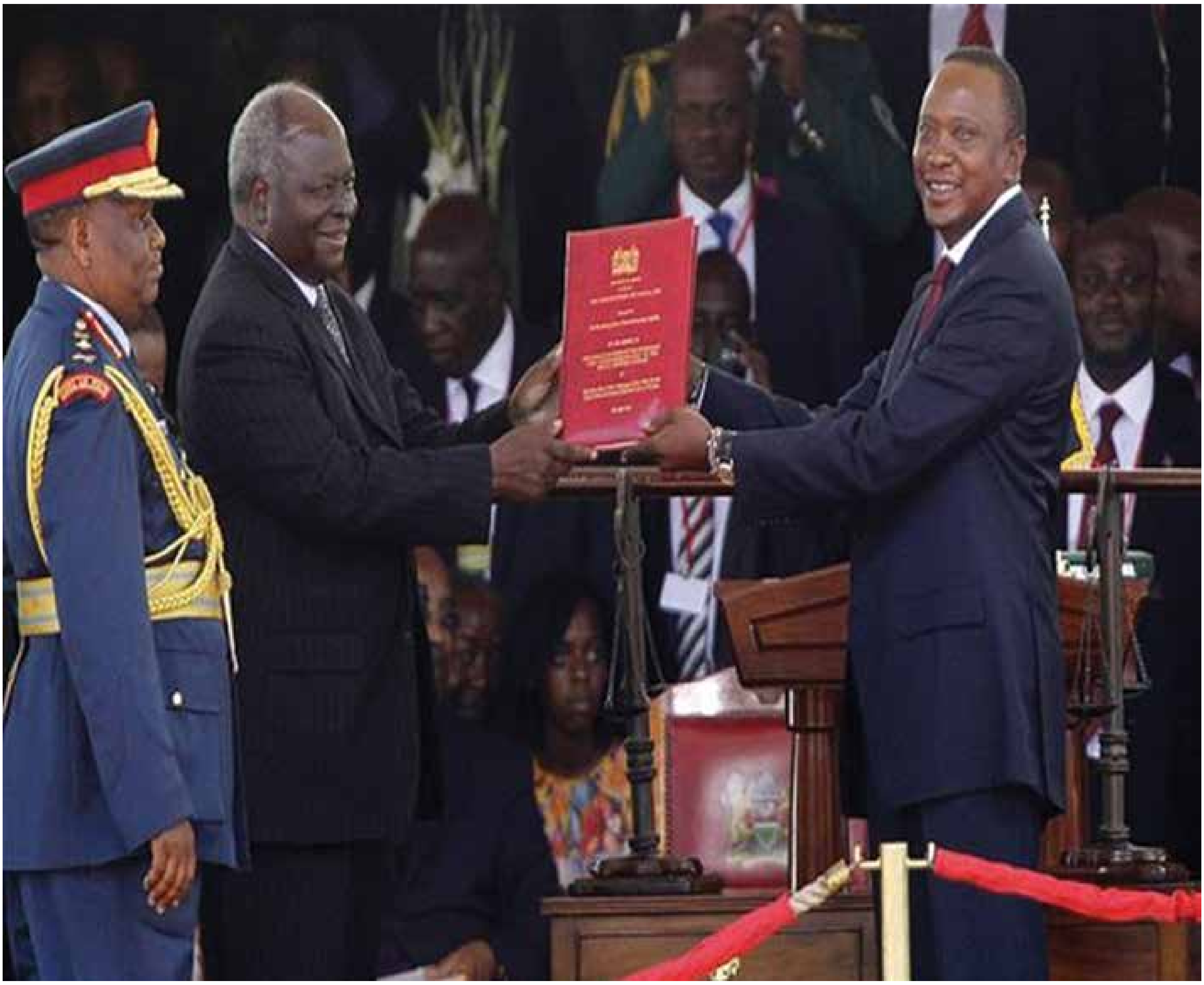
1.5. Executive Branch

Executive authority derives from the people of Kenya and comprises the President, the Deputy President and the rest of the Cabinet. The President is the Head of the State and Government and also Commander-in-Chief of Kenya's Defence Forces. Any citizen by birth qualifies for nomination as a presidential candidate and can only be elected for two five-year terms. A presidential candidate is declared president if the candidate receives more than half of all votes cast in an election and must receive at least of 25 percent of the valid votes cast in more than half of the counties. In case there is no outright winner in 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 deputizes the President in the execution of his or her functions. The constitution requires that each candidate in the presidential election to nominate a person as a candidate for Deputy President. The nominated candidate is declared Deputy President once the presidential candidate is declared President Elect. The Cabinet consists of the President, the Deputy President, and the Attorney General and eighteen Cabinet Secretaries. Unlike before, the cabinet secretaries are not members of the parliament.

1.6. Electoral System & Process

Elections in Kenya are done at the national level to elect the Head of State – the President, a Legislature and the county governments. The election of the President, the Legislature and county governments are held concurrently every 5 years. The Independent Electoral and Boundaries Commission (IEBC) established under article 88 of the Constitution of Kenya has the mandate of conducting or supervising referenda and elections of any elective body or office established by the Kenyan Constitution, and any other elections as prescribed by an act of Parliament.



2 Economy

2. Economy

2.1. General Economic Information

Kenya's economy is the largest in east and Central Africa and has experienced considerable growth in the past few years, driven by several key factors. The re-based Gross Domestic Product (GDP) figures of USD 55.2 billion places Kenya as the fifth largest economy in Sub-Sahara Africa and ninth in Africa. Although the economy remains small by global standards, it is distinguished from those of most of African countries by the fact that it is one of the most diversified and advance. The average annual growth rate of gross domestic product (GDP) in the 2000s was 3.6 percent, an increase from the 1990s average of 2.2 percent. Currently, the average growth rate stands at 4.0 percent. The World Bank had projected a growth rate of 5.1 percent in 2014 before the national accounts were rebased

Key sectors of Kenya's economy include Agriculture, manufacturing, real estate and services. Although agriculture remains the mainstay of the economy at 25.3 percent of GDP, manufacturing contribution to GDP has been increasing significantly over the years. Manufacturing which has been strong in processing agricultural products is the second largest contributor to GDP at 13 per cent. The performance of these sectors over the years has greatly impacted on the growth of the Kenya Economy.

Indicator	2009	2010	2011	2012	2013
Economic growth	2.7	5.8	4.4	4.6	4.7
GDP (USD billion)	30.5	32.2	33.6	40.7	44.2
Per capita (USD M)	767.8	787.1	799.1	942.5	1055.4

Source: Economic Survey 2014

2.2. Government Policies

Fiscal Policy

It's the responsibility of the National Treasury to develop and maintain sound fiscal and monetary policies that facilitate socio - economic development. Fiscal policy in Kenya is being informed by the priorities of the in the Vision 2030, emerging global and domestic challenges as well as the transition to a devolved system of government. Substantial amount of financial resources is required to fund the key projects and other programs under the Vision as well as the county governments. As result, the Government has been undertaking measures aimed at expanding the revenue base and increasing tax compliance through integration of technology in revenue collection. The Government purposes to bridge the financing gap by contracting loans mainly on concessional terms, conscious of ramifications of imprudence in debt management

Monetary Policy

The Central Bank of Kenya principal object is formulation and implementation of monetary policy directed to achieving and maintaining stability in the general level of prices. The aim is to achieve stable prices – that is low inflation - and to sustain the value of the Kenya shilling. It involves the control of liquidity circulating an economy to levels consistent with growth and price objectives set by the Government

Major Tools the Bank Uses to Implement Monetary Policy

Open market operations: Through open market operations, the Bank buys or sells securities in the secondary market in order to achieve a desired level of Bank reserves. Alternatively, the Bank injects money into the economy through buying securities in exchange for money stock

Discount window operations: The Bank, as lender of last resort, may provide secured short-term loans to commercial banks on overnight basis at punitive rates, thus restricting banks to seek funding in the market resorting to Central Bank funds only as a last solution. The discount rate is set by the Central Bank to reflect the monetary policy objectives.

Reserve requirements: The Central Bank is empowered by the law to retain a certain proportion of commercial banks' deposits to be held as non-interest bearing reserves at the Central Bank. An increase in reserve requirements restricts commercial banks' ability to expand bank credit and the reverse is regarded as credit easing.

2.3. Sectoral Economic Indicators

Agriculture is the largest contributor to Kenya's GDP contributing around 25.3 percent to the economy. It forms 65% of Kenya's total exports and provides 18% of formal employment. Agriculture output grew by 2.9% in 2013 against a growth of 4.2 per cent in 2012 as a result of depressed rainfall reducing production of maize, beans, cut flowers and fruits. Kenya's agricultural exports include traditional agricultural exports (tea and coffee) and non-traditional agricultural exports (horticulture)

The manufacturing sector has a high potential for employment creation, a stimulus for growth of other sectors such as agriculture and offering significant opportunities for export expansion. Manufacturing sector accounted for 8.9 per cent of the Gross Domestic Product (GDP) and provided 12.4 per cent of employment in the formal sector in 2013. The sector recorded a positive growth in real output of 4.8 per cent in 2013 compared to 3.2 per cent in 2012. The volume of output grew by 2.6 per cent during the same period. This is partly associated with the political stability that prevailed after the March 2013 general elections which increased investor confidence. Manufacturing of non-food products was mainly propelled by increased manufacture of rubber products, fabricated and basic metals, and furniture and pharmaceutical products.

Transport and communication recorded an improved growth of 6.0 per cent in 2013 compared to a revised growth of 4.7 per cent in 2012. The enhanced growth in the sector was mainly on account of an accelerated growth in post and telecommunication which expanded by 9.3 per cent while transport and storage grew by 3.6 per cent during the review period. Air and land transport sub-sectors recorded the most significant growths of 3.8 per cent and 4.0 per cent, respectively within the transport in 2013. The communication sector expansion was attributed to the continued rapid expansion in mobile telephony and related service activities including mobile broadband utilization.

Financial intermediation recorded an overall growth of 7.2 per cent in 2013 compared to 6.5 per cent in 2012. Though uncertainties associated with the general election led to low credit demand at begging of 2013, with the peaceful conclusion of March 2013 general election, the demand for credit greatly improved. Interest rates recorded a mixed movement over the years based on the Central Bank's Rate.

Construction; Increased spending on infrastructural development by the Government and improved private sector construction activities in the country has seen the construction sector maintain an upward growth momentum. The sector registered an overall growth of 5.5 per cent in 2013 compared to 4.8 per cent in 2012. Cement consumption, a key indicator in the construction industry grew by 6.9 per cent during the period under review from 3,937.3 metric tonnes to 4,266.5 metric tonnes in 2013. The commercial banks' credit extended to the sector increased by 2.3 per cent in 2013

Hotel and restaurants sector recorded a contraction of 4.5 per cent in 2013 compared to a growth of 2.6 per cent in 2012. The sector was faced with both external and internal challenges that impacted negatively on its performance. The challenges included a sluggish growth in tourist source markets, a fire at Jomo Kenyatta International Airport (JKIA) which caused a temporary disruption, and insecurity incidents. Visitor arrivals in the second half of the year fell significantly impacting negatively on the sector leading to a decline of 11.2 per cent from 1,710.8 thousand in 2012 to 1,519.6 thousand in 2013.

Sector Contributions to GDP (%)

Sector	2010	2011	2012	2013
Agriculture and Forestry	21.2	23.8	24.6	25.3
Manufacturing	9.8	9.6	9.5	8.9
Construction	4.2	4.1	4.2	4.4
Wholesale and Retail Trade	10.1	10.5	10.5	10.2
Transport and Communication	10.0	10.0	9.6	9.1
Financial Services	5.6	6.3	5.2	4.8
Public Services	5.5	5.0	5.5	6.7

Source: Kenya National Bureau of Statistics (KNBS)

2.4. Inflation

The country's macroeconomic environment has been characterized by high and low inflation since independence. High levels of inflation have increased cost of living, including posing a real risk of economic slump and a rise in poverty levels due to decline in purchasing power. Between the years 1961 to 1973 the inflation rate in Kenya was below 10 per cent. From 1987, inflation maintained an upward trend reaching an all-time high of 49.98 in 1993. The following two years saw inflation fall to a low of 1.55 per cent level in 1995 last reached in 1960s. Another period of inflation stability was witnessed from1996 to 2007 where inflation averaged at 8.8 per cent. Over the years the movement in inflation level in Kenya has been influenced by both internal and external forces including changes in taxation, changes in weather patterns which affect agricultural production and prices of petroleum and its products. The overall annual average inflation rate declined from 9.4 percent in 2012 to 5.7 percent in 2013, largely reflecting the impact of monetary policy measures in place. The increase was attributed to a notable rise in food prices in September 2013 following the application by some traders of Value Added Tax (VAT) on non VAT-able food items.

Recent Inflation Rates

Year	2009	2010	2011	2012	2013
Inflation Rate	10.5	4.1	14.1	9.4	5.7

Source: KenInvest

2.5. Foreign Exchange

Prior to 1993, Kenya employed foreign exchange controls where all foreign exchange transactions were controlled by the Central Bank of Kenya (CBK). Kenya Shilling exchange rate remained fixed at Kshs. 7.143 to the US dollar until 1975. Between October 1975 and December 1982, the Kenya shilling was pegged to the special drawing rights (SDR), calculated from a basket of currencies and 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 one of the precondition for development loans and grants. Kenya adopted the flexible exchange rate regime in October 1993 and since then the shilling has remained largely market driven, with the monetary authorities or the CBK only intervening to correct erratic movements of the exchange rate.

2.6. Public Debt

Kenya has been leveraging its ability to borrow in order to run increasingly large fiscal deficits in the past few years. Deficit financing rose from 4.2 percent of GDP in 2010/11 to an estimated 6.6 percent of GDP in fiscal 2013/14. To reduce pressure on domestic lending rates, the government issued a USD 2 billion

Eurobond in June 2014 to finance infrastructural projects in energy and roads. Gross public debt increased from KSh 1,793 billion (49.8 percent of GDP) at the end of December 2012 to KSh 2,113 billion (52.6 percent) at the end of December 2013. External Debt in Kenya averaged 533.72 KSh billion from 2000 until 2014. Most of Kenya's public external debt remains on concessional terms, although its commercial component increased to about 15 percent by June 2014 with the Eurobond taken into account. Most of the debt has been used for infrastructure development specifically the construction of a standard gauge railway across the country, geothermal electricity generation and a new port in Lamu.

2.7. Balance of Payments

Over the years Kenya has recorded trade deficit as the amount of imports outweigh domestic import. In 2013, the trade deficit continued to widen, deteriorating by 6.3 per cent attributed to 3.0 per cent export decline while imports increased by almost an equivalent margin. The leading export earners in Kenya has remained tea, horticulture, articles of apparel and clothing accessories and coffee, collectively accounting for 51.5 per cent of total export earnings. Petroleum products, industrial machinery, road motor vehicles and iron and steel remain the leading imports jointly accounting for 45 per cent of the total import bill.

Contrarily the overall balance of payment continued to record surplus though the surplus declined in 2013 by 3.9 per cent. The overall BoP surplus is attributed to increased short term capital flows and surplus in foreign direct investment account. Similarly, The current account balance worsened by 14.7 per cent to record a deficit of USD 4,789.5 million in 2013.

Global Credit Rating

Standard and Poor rating	B+ (STABLE)
Moody's Rating	B1 (STABLE)

Total Imports and Exports

	2010	2011	2012	2013
Exports (Ksh million)	409,794	512,604	527,847	502,287
Imports (Ksh million)	947,206	1,300,749	1,374,587	1,413,316
Balance of Trade	(537,412)	(788,145)	(856,740)	(911,029)

Source: KNBS economic survey 2014

Imports and Exports by Main Product

Exports (Ksh million)	2010	2011	2012	2013
Tea	91,617	102,236	101,441	104,648
Horticulture	72,092	83,331	81,129	89,339
Articles of Apparel and Clothing Accessories	15,561	22,260	20,676	24,379
Coffee, unroasted	16,244	20,864	22,271	16,328

Source: KNBS economic survey 2014

2.8. FDI

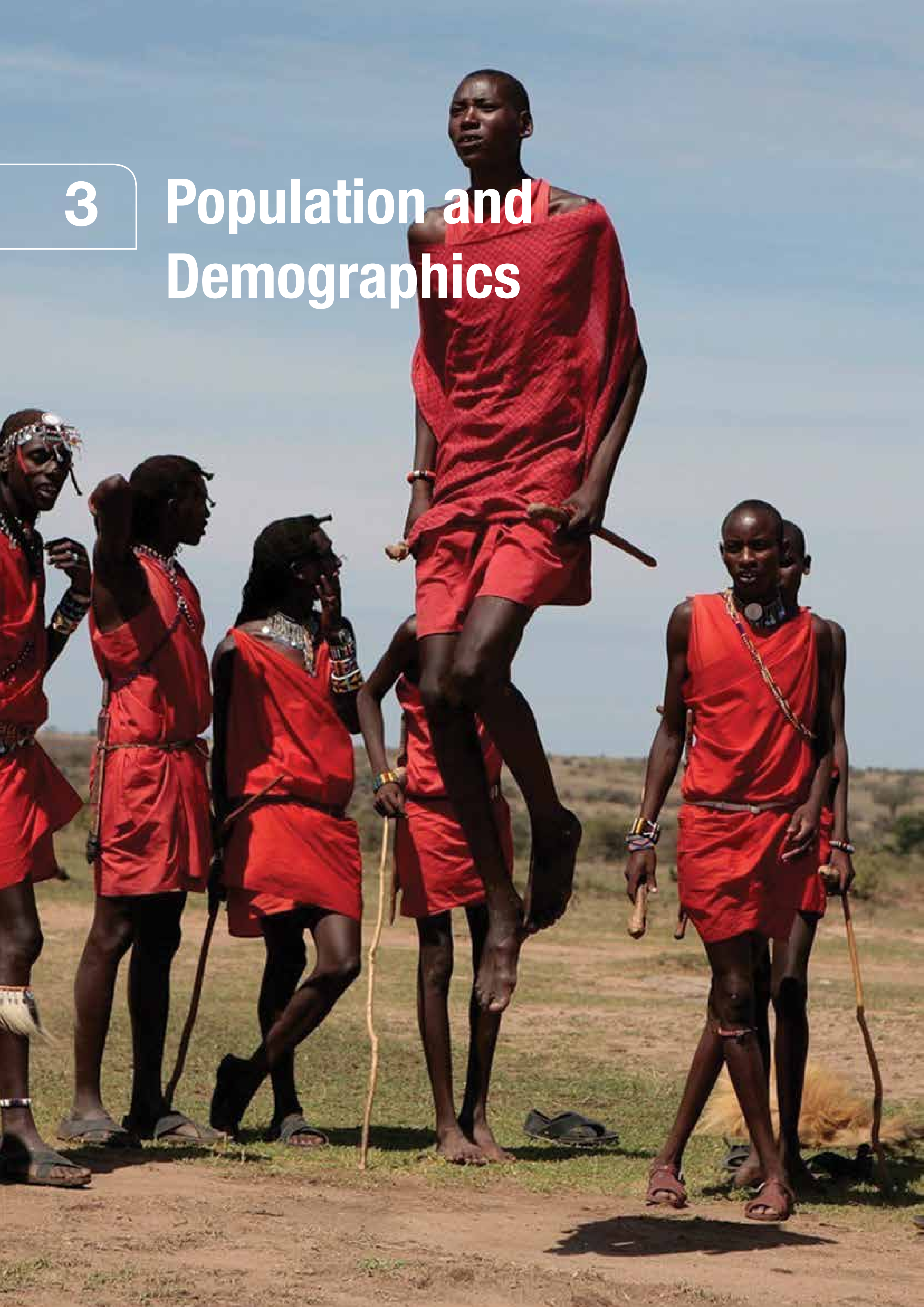
According to the US Department of State 2014 Investment Climate Statement, the recent focus on extractive resources, including oil, gas, and minerals is creating a paradigm shift in the types of FDI moving into Kenya – from market seeking FDI to resource seeking FDI. The implementation of key economic reforms is contributing to a structural transformation. These reforms include the policy and legal framework for Public Private Partnerships (PPPs) enacted in 2012 and the passage of the legislative framework for establishment of Special Economic Zones.

FDI is a significant source of economic development as it provides an inflow of foreign capital and funds as well as enhancing transfer of skills and technology and expanding job opportunities. According to UNCTAD, FDI inflows to Kenya almost double from USD 259 million in 2012 to USD 514 million in 2013mostly driven discoveries of oil, natural gas and other minerals; and manufacturing. Other sectors that are major recipient of FDI include financial services, ICT and business support services. Some of major multinationals operating in Kenya includes Delmonte, Uniliver, Google, Microsoft, Barclays Bank,Tullow oil and BAT among others. Traditionally the UK, US, India, Mauritius, South Africa and Japan have been the major source of FDI in Kenya. However, recently Kenya has recorded growth in FDI inflows from other countries such as China, Belgium, Nigeria, France, and Germany among others.

flows and surplus in foreign direct investment account. Similarly, The current account balance worsened by 14.7 per cent to record a deficit of USD 4,789.5 million in 2013.

FDI

Country	2009	2010	2011	2012	2013
Kenya (USD million)	115	178	335	259	514



3 Population and Demographics

3. Population and Demographics

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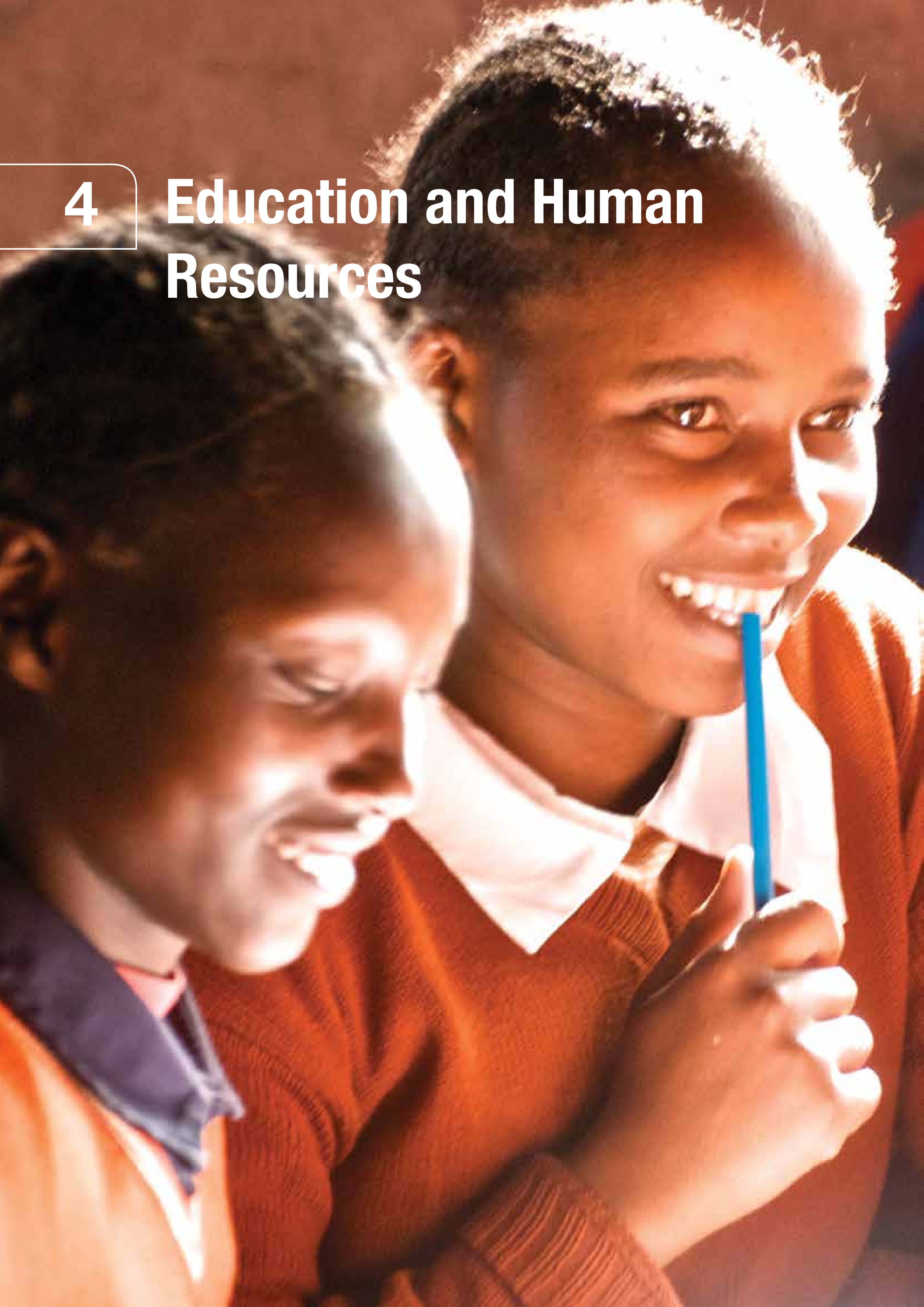
In terms of age, the Kenya population figures indicates there are more people in the younger age bracket than the elderly, with the age bracket of 0 to 15 making up a huge percentage.

At the time of this survey, the population statistics reveal more than two out of every five persons were found to be under the age of 15 - making about 43% of the total Kenya population. Going by the current trend it's expected that by the year 2030, Kenya population will grow to about 65.9 million.

General Population Statistics

Population	45,010,056 (2014 est.)
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 est.)
Dependency Ratios	• Total dependency ratio: 81 % • Youth dependency ratio: 76.1 % • Elderly dependency ratio: 4.9 % • Potential support ratio: 20.4 (2014 est.)
Population Growth Rate	2.11% (2014 est.)
Birth Rate	28.27 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 population: 24.8% of total population (2011) • Rate of urbanization: 4.36% annual rate of change (2010-15 est.)
Major Cities - Population	Nairobi (capital) 3.363 million; Mombassa 972,000 (2011)
Sex Ratio	• 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)



4 Education and Human Resources

4.Education and Human Resources

4.1. General Education Information

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

Nationally, some of the challenges facing the sector in the context of Kenya's transformation to Vision 2030 include meeting the human resource requirements for a rapidly changing and more diverse economy; ensuring that the education system meets high quality standards and that its contents are relevant to the needs of the economy and society; raising the standards of the regions that lag behind in school enrolment to bring them at par with other leading areas.

To address these challenges and many more, the government is implementing key programmes going forward which include; Mainstreaming of Early Childhood Development Education (ECDE), Curriculum Review and Reform, Integrating Information, Communication and Technology into Teaching and Learning; Establishment of Education Management Information System (EMIS) Centres and establishment Technical, Vocational Education and Training (TVET) Infrastructure and Equipment.

4.2. University Education and statistics

Kenya's university education system continues to evolve through on-going reforms and other emerging issues in the provision of education. Challenges and opportunities created by the internationalization and cross-border university education are already impacting on the education sector. E-learning and other forms of Open and Distance Learning modes of provision have increased, leading to the need to be more vigilant in quality assurance. As result, the relevant institutions are formulating appropriate regulations, standards and guidelines to deal with each emerging development effectively. Increased access and mobility of students nationally and internationally calls also for harmonization of Credit Accumulation and Transfer systems to enhance free flow of students.

Accredited universities in Kenya include 22 public universities, 9 public constituent colleges, 17 private chartered universities, 5 private university constituent colleges and 13 institutions with letter of interim authority.

Student Enrolment in Kenya

	2010/11		2011/12		2012/13		2013/14	
	Male	Female	Male	Female	Female	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
Total	107,724	69,894	117,700	80,560	135,436	105,115	193,185	131,375

Source: Commission for Higher Education

4.3. International Primary and Secondary Schools

International Schools in Nairobi

- ***International School of Kenya (ISK)***
  Address: PO Box 14103
  00800 Nairobi, Kenya
  Tel: +254 20 209 1308/ 9
  Tuition Rates: USD 11,950 – USD 22,950 per year

  The ISK Academic Curriculum provides English language education for students in Pre-Kindergarten to Grade 12. Kiswahili is taught within the context of the Kenya units of inquiry. ISK is fully accredited by the CoIS and MSA.

- ***Braeburn Schools***
  Address: PO Box 45112
  00100 Nairobi, Kenya
  Tel: +254 20 501 8000
  Tuition Rates: Inquire at school

  There are several branches of the co-educational Braeburn School in Nairobi. They follow the British English curriculum with testing for the IGCSE and A-level examinations. The school is accredited by CoIS.

- ***GEMS Cambridge International School (About GEMS CIS-Nairobi)***
  Address: Magadi Road, Karen/ Langata, PO Box 15593
  00509 Nairobi, Kenya
  Tel: +254 20 266 9200, +254 708 989569, +254 739 891623
  Tuition Rates: Inquire at school

  GEMS is an English-speaking school from Foundation Stage to Year 13. It offers the IGCSE exams, as well as British-style A-levels for graduates. Uniforms are required.

- ***Hillcrest International School***
  Address: Langata Rd.
  Nairobi, Kenya
  Tel: + 254 20 806 7783/ 4, + 254 20 266 2137/ 8
  Tuition Rates: Inquire at school

  Modeled after the UK school system in the UK, the language of instruction is English. Students are 13 years old on arrival to Year 9, culminating in IGCSE and A Level qualifications. School uniforms are required.

- ***Rosslyn Academy***
  Address: Off Limuru Road, off Unep Avenue, past Unep., off Magnolia Close, PO Bwx 14146
  00800 Gigiri, Nairobi, Kenya
  Tel: +254 20 263 5294, +254 20 263 5295, +254 20 263 5296, +254 20 263 5261
  Tuition Rates: Inquire at school

  A private co-ed day school with a North American curriculum for grades Pre-K through 12. It offers a Christian based, English language education.

- ***Rusinga School***
  Address: PO Box 25088-00603
  Lavington, Nairobi, Kenya
  Tel: +254 20 387 2290/ 387 2395/ 387 2296
  Tuition Rates: Inquire at school

  This school follows the British National Curriculum. A Christian faith based education, up to Year 9 students study the set national curriculum subjects adapted to suit the Kenyan situation. In Years 10 and 11, the curriculum follows a two year IGCSE course administered by the University of Cambridge through Cambridge International Examinations Board (CIE). Uniform is required.

- ***West Nairobi School***
  Address: PO Box 1333
  00502 Kenya
  Tel: +254 733 610 394, +254 733 626 244, +254 20 808 6290
  Tuition Rates: Inquire at school

  An American curriculum international school with Christian education that follows the English or the US American curriculum. The school caters to pre-kindergarten through high school. The school is accredited by MSA and ACSI, and is a part of the NICS.

- ***Peponi School***
  Address: PO Box 236
  Ruiru, Kenya
  Tel: +254 20 6725 058
  Tuition Rates: Inquire at school

  An English-language independent, co-educational boarding school with an internationally recognized school-leaving examinations at 16 (IGCSE), 17 (A/S) and 18 (A2) Years.

- ***Aga Khan Academy (AKES)***
  Address: Waiyaki Way, PO Box 42171-00100
  Nairobi, Kenya
  Tel: +254 736 801 580
  Tuition Rates: Inquire at school

  A not-for-profit independent school registered with the Ministry of Education in Kenya. The Academy offers an international curriculum leading to the International General Certificate of Secondary Education (IGCSE) administered from the Cambridge University and International Baccalaureate. There are several campuses across Kenya and around the world.

French International Schools in Nairobi

- ***Lycée Denis Diderot***
  Address: PO Box 47525
  Nairobi, Kenya, 00100 GPO
  Tuition Rates: Inquire at school
  Curriculum is based on the French system with classes taught in French. The school operates under the auspices of the French Ministry for Foreign Affairs and is run in conjunction with the AEFE (Agency for the Teaching of French Abroad). It is a Cambridge Testing Center.

German International Schools in Nairobi

- ***Deutsche Schule Nairobi / German School Nairobi (DSN)***
  Address: Limuru Road, opposite Village Market, PO Box 978
  00621 Nairobi, Kenya
  Tel: +254 721 258 417 or +254 733 445 685
  Tuition Rates: Inquire at school

  This school caters to German-language expatriate families in the Kenyan capital. It has a German curriculum with instruction in German. It is accredited by the "Kultusminister-konferenz - KMK" (The Standing Conference of the Ministers of Education and Cultural Affairs of the Länder in the Federal Republic of Germany). From Class 8 upwards geography is taught in English while history is taught bilingually (English/German) from Class 9. A bilingual kindergarten and a boarding house are attached to the school. DSN observes all Kenyan public holidays as well as the Day of German Unity (3 October).

Japanese International Schools in Nairobi

- ***Nairobi Japanese School***
  Address: PO Box 948
  00502 Nairobi, Kenya
  Tel: +254 20 2513321
  Tuition Rates: KSH 31,200 – KSH 32,400 per year

  - Japanese language and curriculum;
  - Education is approved by the Japanese government.

Scandinavian International School in Nairobi

- ***Svenska Skolan i Nairobi***
  Address: Makindi Road, off Ngong Road, PO Box 21324
  Nairobi, 00505 Kenya
  Tel: +254 20 386 65 44
  Tuition Rates: Inquire at school

  The school accepts students from all Scandinavian countries. The school provides primary to secondary in Swedish, with Danish, Finnish and Norwegian pupils receiving instruction in their mother tongue. There is also English instruction from pre-school through graduation. Boarding is available.

International School in Mombasa

- ***Mombasa Academy***
  Address: PO Box 86487
  80100 Mombasa, Kenya
  Tel: +254 41 471 629, +254 41 473 246
  Tuition Rates: Inquire at school

  A private coeducational international school. It caters to children from two and a half years old in play groups to nineteen years (A2 level). It follows the British National curriculum, with all the subjects being taught in English.

International Schools in Nakuru

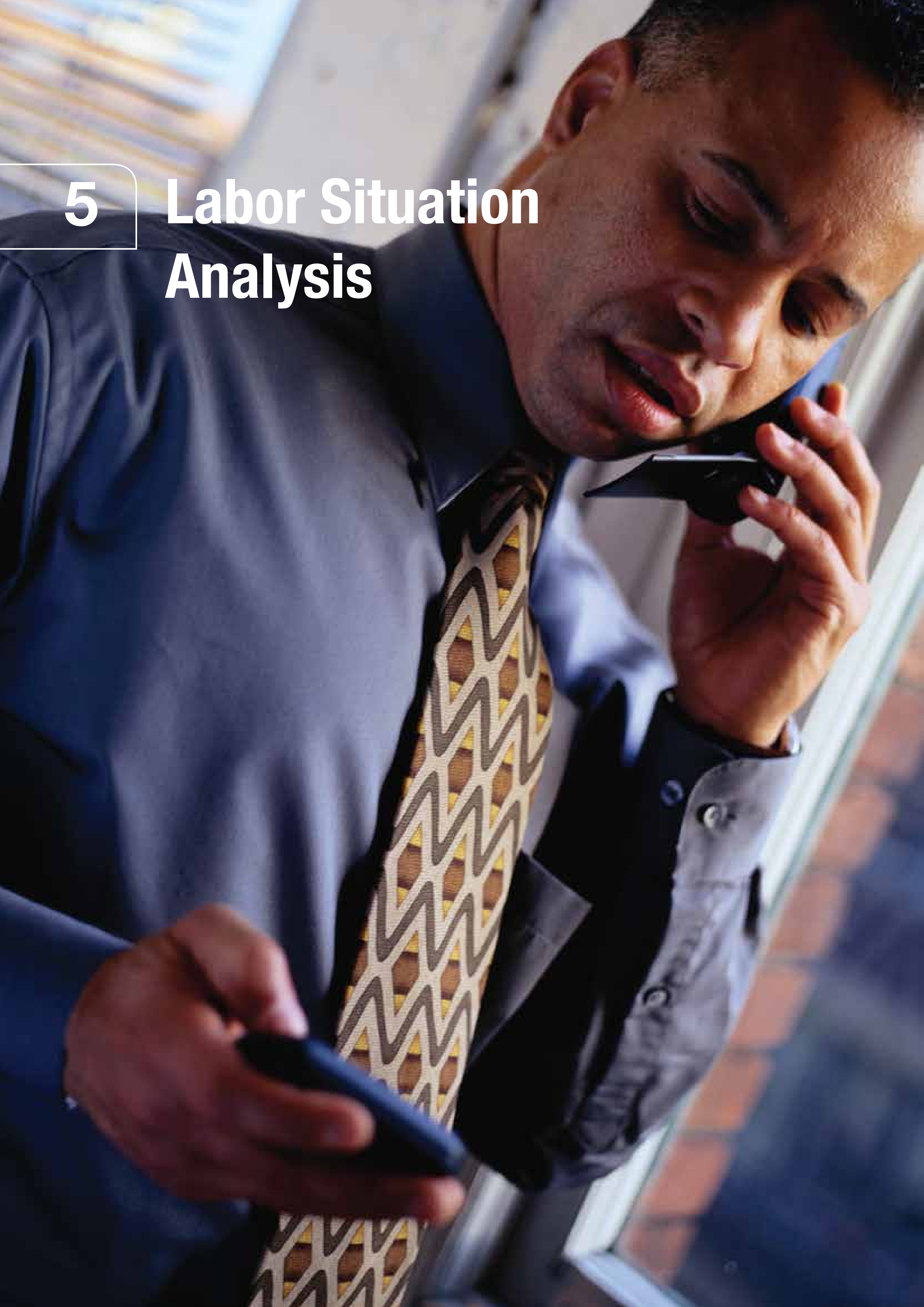
- ***St. Andrew's School, Turi***
  Address: Private Bag
  Molo, 20106 Kenya
  Tel: +254 722 209750, +254 20 202 5709
  Tuition Rates: KSH 221,000 – KSH 638,000 per year

  An international, multi-cultural, Christian Boarding School in Kenya offering a British Curriculum education. It is a University of Cambridge testing center. It is accredited by COBIS. Boarding is available.

- ***Greensteds International School***
  Address: Mbaruk Rd.
  Nakuru, Kenya
  Tel: +254 50 50770
  Tuition Rates: KSH 67,000 – KSH 545,000 per year

  Greensteds International School is a co-educational day and boarding school. The education is adapted to the National Curriculum of England from Reception to 'A' level. The school is a recognized centre for the University of Cambridge Local Examinations Syndicate and offers courses through the CIE and Edexcel education boards.

5 Labor Situation Analysis



5. Labor Situation Analysis

Trade Unions

The labour relations act 2007 regulates employer/employee relations in Kenya and establishment and registration of trade unions and employer's organizations. Article 4 of the act gives an employee a right to join and exit any legal trade union. Article 6 gives employer the right to participate in forming an employers' organization or a federation of employers' organization. The trade union movement is strong with an estimated 40% of the labour force in the modern sector belonging to various trade unions. 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 employer's organization in Kenya, 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 – including state cooperation's, the local authorities and employers' associations.

Unemployment and Underemployment

Although the national unemployment (ratio of unemployed to total labour force) rate in Kenya dropped from 14.6% in 1998/99 (see 1998/99 Labour Force Survey Results) to 12.7% in 2005/06 (see the Results of the 2005/06 Kenya Integrated Household Budget Survey) and 9.2 percent in 2013(World bank), unemployment remains one of the major development challenges in Kenya. For more than four and a half decades now, the Kenya government has continuously articulated the need to create sufficient employment opportunities to absorb the country's growing labour force. Unemployment and underemployment have been identified as Kenya's most difficult and persistent problems.

Along with the problem of unemployment and underemployment, there are glaring gender and age-related gaps that have become a major concern for policy makers. The incidence of unemployment in Kenya is higher among females than among men. The causes of unemployment in Kenya has been identified as; high labour force growth rates, high wages and salaries, which triggered adoption of labour-saving techniques of production, inadequate training and consequent lack of skills and skills mis-match and rural-urban migration among others.

Labour issues in Kenya

Labour Abilities and Dexterity:
Education and training plays a critical role in the production of skills and competencies necessary for employability. The effective creation of demand oriented capabilities in Kenya has been hampered by the weak linkage between education and training institutions, and industry in development of curricula; and the absence of integrated industrial training and attachment programmes. In addition, a gap exists between the level of technology used by industry and those used by the education and training service providers to undertake training. The skills upgrading nexus between secondary, tertiary institutions, universities and industry is furter compounded by an increasing conversion of number of middle-level colleges, especially national polytechnics and technical institutions converted into public universities, without much effort to establish or upgrade other institutions to fill the void

Sectoral Labour Issues:

There is wage disparities across economic sectors in Kenya, with financial and real estate activities paying the highest wages, both in the public and private sectors, followed closely by transport and communications activities and public-sector activities related to trade, restaurants and hotels. Indeed, compared to the lowest earning activities (i.e. agriculture and foresting, and mining and quarrying) workers engaged 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 the community, social and personal services sector, which accounted for one-third of jobs created in the past decade and represents more than 40 per cent of total salaried employment.

Mobility and Regional Labor Issues:
There is free movement of labour within Kenya as there is no restriction on where one can work in Kenya. Labour mobility in Kenya is determined by availability of employment opportunities across the country. Lack of decent employment opportunities in rural areas has led to rural-urban migration in Kenya.

Labor Legislation

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

Human Resource Management

Severance Pay

The employment act of 2007 allows for termination of job on account of redundancy but the employer must pay the employee declared redundant severance pay at the rate of not less than fifteen days pay or each completed year of service.

Employment Rights and Benefits

The employment Act 2007 provides for basic minimum conditions of employment contract as follows:

- All fixed-term and permanent employees are entitled to a minimum of 21 working days per year of leave with full pay;
- An employee shall be an employee shall be entitled to at least one rest day in every period of seven days;
- Where employment is terminated after two or more months of service, payment for one and three quarters 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 employer shall be entitled to two weeks paternity leave with full pay;
- Sick leave (at least 7 days with full pay, thereafter 7 days with half-pay) in each year. This may vary by industry;
- Housing or house allowance;
- Overtime payments are stipulated for some industries under Cap 229;
- Severance pay in case of redundancy;
- Safe working conditions.

Hiring, Layoffs and Firing – Employment Act 2007

Termination by Notice Issued by Employer or Employee:

- Notice should be for the 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;
- Does not apply for casual workers whose engagement ends at the end of each day.

Dismissal and Sacking:

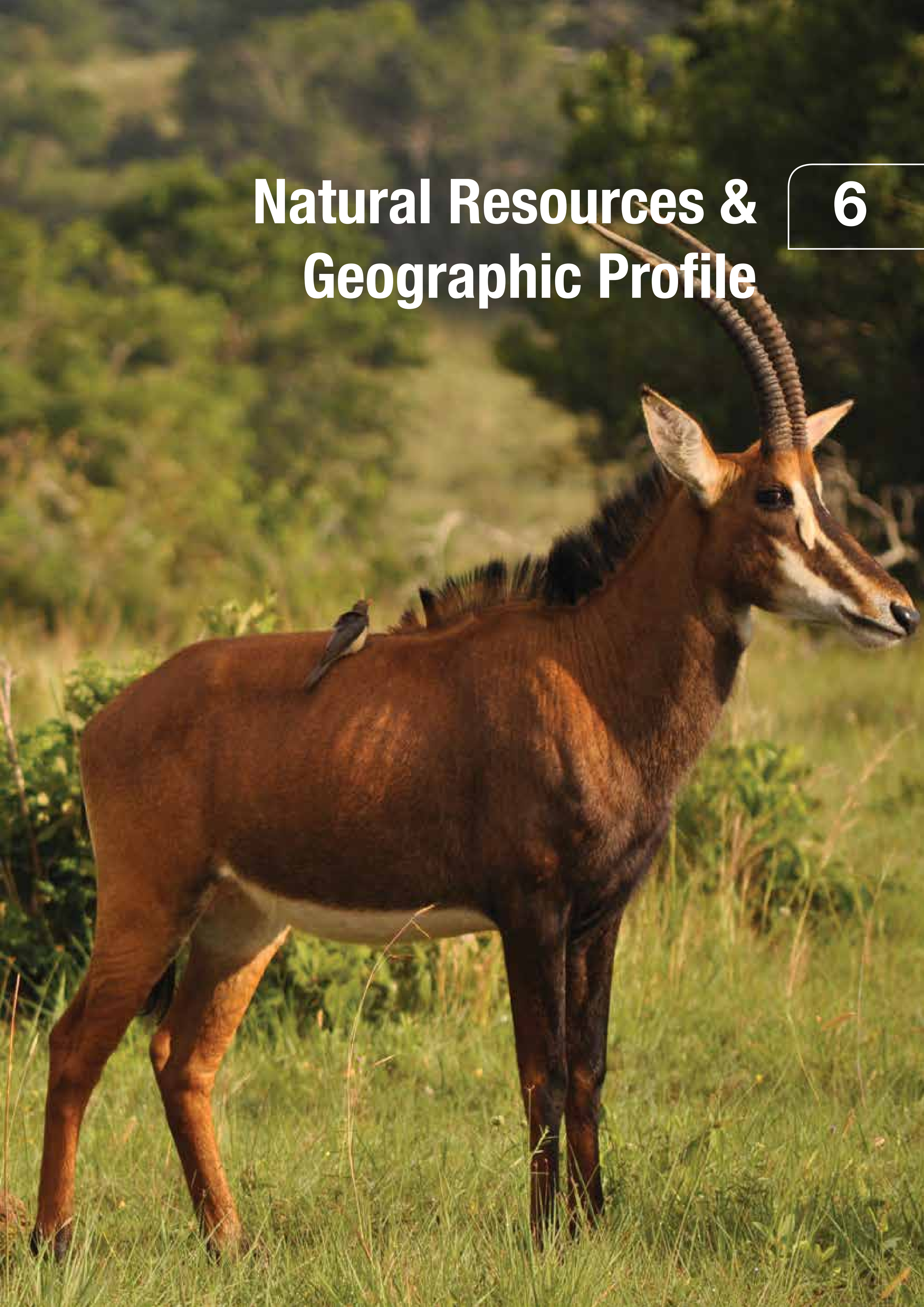
- Due to wrongs done in connection with employment;
- Dismissal can be effected after warning or summarily/ instantly in case of gross misconduct;
- In the case of dismissal after warning, warnings should be in writing and kept in the employer's records for the particular employee;
- Summary dismissal 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 also to certificates of service (testimonials);
- Upon dismissal, the employer should make a written report to the district labor 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 when the company has little business;
- Termination of employment in this manner should be carried out according to law and the area labor 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.

Natural Resources & Geographic Profile

6



6. Natural Resources & Geographic Profile

6.1. Geology

The African continent represents the interior of the world's original continental landmass, Pangaea, from which the other continents began to break away about 200 million years ago. This process, known as continental drift, continues today, and the African continent is splitting up into smaller segments. Kenya is part of a large portion of northeast Africa that is slowly breaking away from the rest of the continent and moving towards India. The break is marked by the Great Rift Valley, which represents a series of faults in the earth's surface. The Great Rift Valley extends 8,000 km from Central Asia through almost the length of Africa, including 3500 km from the Red Sea to Mozambique. Eventually the Rift Valley will deepen and lengthen and once it connects to the ocean it will flood, forming a feature similar to the Red Sea.

Volcanic activity and earthquakes occur as part of this break up. Rocks of volcanic origin are common in Kenya, covering about one-third of the country's surface. There are two other major classes of rocks in the country. To the south and east of the volcanic rocks are ancient rocks that form a spine that runs north-south through the center of the country, and relatively new sedimentary rocks cover much of the east of Kenya. The geology of Kenya is reflected in the elevation of the country with highland areas center and east of the country and scattered hills and uplands elsewhere

6.2. Climate

Generally, Kenya enjoys a tropical climate. It is hot and humid at the coast, temperate inland, and very dry in the North and North Eastern parts of the country. The country receives a great deal of sunshine all the year round and, while it is warm during the day in higher elevations 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 blowing off the Indian Ocean, while the short rains are carried by northeasterly winds that blow from India and across the Arabian Sea to Kenya. Western Kenya, which receives rain almost year-round, is also influenced by winds that blow across the Congo Basin, bringing rain in July and August.

Only about one fourth 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 life, and nearly everyone is vulnerable to the effects of droughts, which occur with depressing regularity.

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

The semi-arid plains in the south and the Rift Valley do not get enough rain to support rain fed agriculture. These areas are the home of peoples such as the Rendille, Samburu, Turkana, Galla and the Maasai who raise livestock for a living. They drink milk and eat meat from their animals and they sell animals to buy grains, like maize (corn). These people also practice nomadic life especially during the dry season. They move from place to place looking for grass and water points 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 center and the southwest of the country receive a lot more rain. These are the major agricultural areas of Kenya. Maize and beans are the principal food crops for these communities while coffee and tea are grown as cash crops. Some areas are also set aside as forests and national parks.

Along the coast is a narrow strip of land that receives abundant rainfall. This is an area where a variety of crops such as fruits, nuts, and cotton are grown. It is also the location of Kenya's beautiful beaches. The tourism industry is very important.

Temperatures vary from season to season and by elevation of the place. The lowlands are much hotter than the highlands. In the cool time of the year the highlands sometimes get frosts, and hail is quite common. Predictions of climate change made by global General Circulation Models (GCMs) are in broad agreement that by 2050 Kenya will be generally warmer and wetter. These trends may differ for specific areas. For example, in the highlands of Kenya, warmer temperatures are expected along with shorter but more torrential rainy seasons, while areas of north eastern Kenya are expected to see increases in rain that may lead to more vegetation and there is evidence from recent satellite measurements that this may already be underway. Although GCMs predict that Kenya will be warmer and wetter, different regions will likely have complicated responses because of mountains, lakes, human population size, and people's land.

The highland areas of Kenya provide most of Kenya's food (like maize and beans) and mountain-grown cash crops (like coffee and tea). Warmer temperatures in the cool highland areas are expected to be too warm for coffee and tea, which will have to be moved to cooler and higher areas. The warmer 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 the models also predict more rainfall for lowland areas, too much warming will shorten the growing season for maize and many other crops that are grown there now. Farmers in lowland areas may expect 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 make farming theoretically possible, the characteristics of the rainy seasons (shorter and more torrential) may make farming too risky in all but a few places.

6.3. Soils

Many factors contribute to soil formation, including the original rock, the climate, the slope and height of the land, and the activity of living organisms. With its diverse landscapes and environmental conditions, Kenya has many different soil types. Some are sandy, some clays, and others are very stony. Their characteristics vary according to drainage and original rock matter; some are well drained while others become waterlogged during the rains. Kenyans are very aware of these characteristics, and farmers and herders vary their use of the land to take account of these differences.

6.4. Hydrology

Kenya has many large lakes and a number of rivers. The largest lake, Lake Victoria that is shared with Tanzania and Uganda, covers 67,493 km2. Others include the Rift Valley lakes that run from Lake Magadi in the south to Lake Turkana in the north. These lakes are important to Kenya's economy. The birds and animals that the lakes attract support an important tourist industry.

The longest river in Kenya is the Tana River. It rises on Mount Kenya and flows for 700 km to the sea 50 km north of Malindi. The Athi River that 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. This means that it only flows along its whole 530 km course 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.

6.5. Wildlife

A remarkable feature of Kenya's natural resources is the wildlife. Wildlife have survived largely because the Kenyan people did not hunt them for fun but deliberately 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 as national parks and national reserves. These are areas within which the wildlife is protected and in which dry season grazing and water is found. Among these 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 - (Photos 20-25) to numerous antelope including the world's smallest antelope, the dik dik. One of the strangest of animals is the rock hyrax, which is about the size of a rabbit yet is related to the elephant.

6.6. Flora

Given the diversity of ecological conditions in Kenya, it is not surprising that the country's flora is spectacular in its variety. The range of flora can be experienced by imagining a trek from the summit of Mt. Kenya down to the floor of the Rift Valley and across the lowlands to the coast. At the summit of Mt. Kenya are glaciers, and species able to survive in great cold are found, such as alpine flowers and grasses. The descent takes you through highland rain forests 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 rain forest.

6.7. 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 Mount Kenya to the near-desert in under 150 kilometers. Along the coast of the Indian Ocean are glorious white sand beaches and coral reefs teeming with colorful fish.

The Lake Victoria Basin

Lake Victoria, the world's second largest freshwater lake, covers 67,493 square kilometers, and is bordered by Kenya, Uganda, and Tanzania. The lands on the shore are flat and fertile and around them rise mountains with rain forests that receive year-round rainfall. The Basin is one of Kenya's most productive agricultural areas, with sugar the principal cash crop. The lake is the location of an important fishing industry, though the variety of fish has declined markedly since the introduction of the very competitive Nile Perch, which has replaced many species.

The Central Highlands

These upland areas rise above 1,500 meters 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. Farmers produce maize (corn), beans, and bananas as staple food crops; tea and coffee, and in some areas horticultural crops for export. The higher locations are enclosed in National Parks such as the Mt. Kenya and Aberdares parks, and are the home of many wildlife species.

The Rift Valley

A spectacular feature of the Kenyan landscape, the Great Rift Valley, divides the Highlands. A number of freshwater and soda lakes are found in the floor of the Rift Valley. 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 of the exciting discoveries about the origins of the human race were made by Kenyan archaeological expeditions.

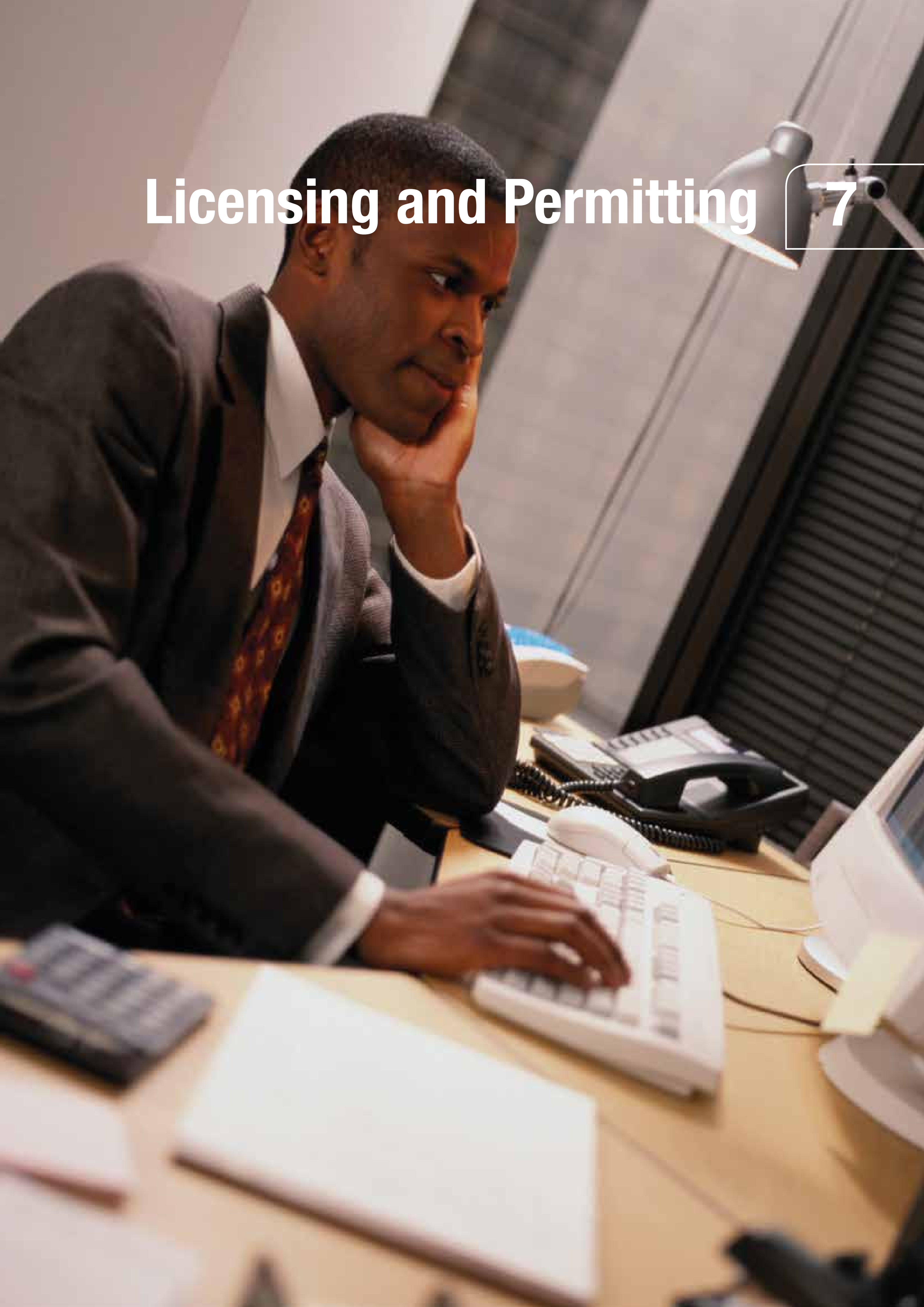
The Lowlands

Kenya's dry lowlands cover about 80 percent of the land area. They extend from the deserts of the north that border Sudan, Ethiopia, and Somalia, south and east to the semi-arid savannas that border Tanzania. They 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 the 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 poor areas of the country. In the southeast of Kenya 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 kilometers from the border with Somalia in the north to Tanzania in the south. The coast receives rains from winds blowing 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.

Licensing and Permitting 7



7. Licensing and Permitting

7.1. Business Licensing

Establishing a company in Kenya

The principal types of business enterprises in Kenya are:

- Registered Companies (Private and Public) – Companies are registered as limited liability companies and are 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.

Cost and Procedure of Incorporating a Company

No.	Procedure	Cost
1	Reserve a company name and get it approved Registrar of Companies	Ksh 100
2	Prepare the Memorandum of Association and Articles of Association (The applicant will be required to engage a professional lawyer/ company secretary to draft the Memorandum of Articles which will set out the objects of the company and the internal constitution of the company)	Depends on the legal firm
3	Stamp the memorandum and articles of association, and a statement of the nominal capital	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
4	Register with the Registrar of Companies at the Attorney General Chambers in Nairobi	KES 7,360
5	Certificate of Incorporation will be issued by the Registrar of Companies	Nil

Source: Doing Business Indicators 2014

Tax codes

- Corporate Income Tax:
  - √ Resident company: 30%;
  - √ Non-resident company operating as a branch under Certificate of Compliance: 37.5%;
- Customs and Excise Duties rates vary for different products;
- Value added tax: 16 %; some items are exempted;

7.2. Entry Licensing

Valid passports or other travel documents including Seaman's Discharge Book, acceptable to the Government of Kenya are required for all persons wishing to enter Kenya. The passports must be valid for at least six (6) months.

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

A bona fide visitor may be issued with a visitor's pass on arrival at a port of entry into Kenya valid for a period not exceeding three months in the first instance provided that he is in possession of a valid passport or other travel document acceptable to the Government of Kenya, has a valid visa where required, is in possession of sufficient funds for subsistence while in Kenya and a return, or onward ticket to his country of origin, domicile or destination.

Types of Visas

- Ordinary Visa: Issued for Single or Multiple entries to persons whose nationalities require visas to enter Kenya;
- Transit Visa: Issued for periods not exceeding three days to persons whose nationalities require visas to enter Kenya and who intend to transit through Kenya to a different destination;
- Diplomatic Visa: Issued for single or multiple entries to holders of diplomatic passports who are 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 it is considered by the Director to be desirable on the grounds of international courtesy;
- East Africa Tourist Visa: This is a joint tourist visa that entitles holders to travel to and within the Republic of Kenya, Republic of Rwanda and Republic of Uganda. For the purpose of tourism validity of East Africa Tourist Visa: 90 (Ninety days) Multiple Entry.
- Visa Fees:
  - √ The transit visa fee shall be USD 20;
  - √ The visa referral visa fee shall be USD 10 non-refundable;
  - √ The current standard visa fee for an ordinary or a Single Journey entry visa shall be USD 50;
  - √ The standard fee for multiple journey visas shall be USD 100 for all nationalities;
  - √ East African Tourist Visa USD 100.

7.3. Entry for Foreign Workers

Introduction

The Department of Immigration is a service department whose functions and mandate are derived from: 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 Laws set criteria for issuance of various immigration documents including passports, passes and work permits to investors, missionaries, professionals, and persons working with various private and public organizations.

Classes of Permits and their Requirements

The Permits and Passes Section under the new immigration laws issues the following documents:

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

Summary of Classes of Permits and Fees

Class of Permit	Processing fee (Kshs)	Fee per year (Kshs)
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 gratis.

Conditions of Entry Permits in Kenya

All foreign nationals seeking to enter Kenya:

- Must be of benefit to Kenya;
- Must have sufficient funds for sustenance/ subsistence;
- Not a prohibited immigrant or in admissible person;
- Must indicate a known and traceable physical/ residential address;
- Returnable to country of origin/ domicile;
- Valid and acceptable reason for entry;
- Must present a valid and acceptable travel document;
- Must not suffer from a contagious disease or 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 downloaded at the Kenya Immigration website: www.immigration.go.ke and it must be completed and signed by the employer;
- Applicant's copies of passport (bio-data page and current visa page);
- 2 passport size photographs of the applicant;
- Application letter detailing nature of company's activities.

Class 'A' Work Permit (Prospecting and Mining)

Class 'A' permit is applied for by foreigners who wish to engage in prospecting and mining business.

The requirements for applying for a Class 'A' Work Permit are:

- Documentary proof of capital to be invested/already invested 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 Kshs. 250,000 per year (fee payable after approval of permit) and processing fee – non-refundable of Kshs.10,000. (Payments done through a Bankers Cheque addressed to: The Director of Immigration Services).

Class B Work Permit (Agriculture & Husbandry)

This class of permit is applied by foreigners who wish to engage in agriculture and husbandry business.

- The requirements for applying for a Class 'B' Work Permit are:
- Documentary proof of capital to be invested/already invested 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 Kshs.100,000 per year (fee payable after approval of permit) and processing fee – non-refundable of Kshs.10,000 (Payments done through a Bankers Cheque addressed to: The Director of Immigration Services).

Class 'C' Work Permit (Prescribed Profession)

This class of permit is applied foreigners who belong to a prescribed profession and one must show proof of membership to such profession.

The requirements for applying for a Class 'C' Work Permit are:

- Documentary proof of capital to be invested/already invested minimum of USD 100,000 or equivalent in any other currency;
- Proof of membership to a prescribed profession;
- Copies of Personal & Company Personal Identification Number (PIN) if business is running.

- Tax compliance for renewals;
- Fee of Kshs.100,000 per year (fee payable after approval of permit) and processing fee – non-refundable of Kshs.10,000. (Payments done through a Bankers Cheque addressed to: The Director of Immigration Services).

Class 'D' Work Permit (Employment)

The requirements for applying for a Class 'D' Work Permit are:

- Employee Permits are only issued to foreign nationals who bring in specific skills that are not readily available in Kenya;
- There must be competent Kenyan understudy for purposes of eventual Kenyanization 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, among others).
- Detailed curriculum vitae;
- Copies of academic and professional qualifications. (Note that if the certificates are not in English, they have to be translated and certified by respective Embassies/High Commissions);
- A covering letter from the employer explaining why the applicant is suitable for the position, why the applicant was issued with the job as opposed to a Kenyan citizen and setting out applicants strengths e.g. experience, training, ability, qualifications among others;
- Duly filled and signed Form 27 (Kenyanisation Form);
- Fee of Kshs.200,000 per year (fee payable after approval of permit) and processing fee – non-refundable of Kshs.10,000. (Payments done through a Bankers Cheque addressed to: The Director of Immigration Services).

Class F Work Permit (Specific Manufacturing)

Class F work permit is applied by foreigners who are engaged with specific manufacturing business. To apply for Class 'F' work permit, it is necessary that the company first be registered.

The requirements for applying for a Class 'F' Work Permit are:

- Documentary proof of capital to be invested/already invested 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 held;
- Registration certificate of the company Or Certificate of Incorporation;
- Copy of company's Memorandum and Articles of Association;
- Copies of Personal & Company Personal Identification Number (PIN) if business is running;
- Tax compliance for renewals;
- List of Kenyans employed;
- Fee of Kshs.100,000 per year (fee payable after approval of permit) and processing fee – non-refundable of Kshs.10,000 (payments done through a bankers cheque addressed to: the Director of Immigration Services).

Class G Work Permit (Specific Trade /Business)

Class G Work Permit is applied for by foreigners who are engaged in specific trade or business.

The requirements for applying for a Class 'G' Work Permit are:

- Documentary proof of capital to be invested/already invested 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 & Company Personal Identification Number (PIN) if business is running;
- Tax compliance for renewals;
- List of Kenyans employed;
- Fee of Kshs.100,000 per year (fee payable after approval of permit) and processing fee – non-refundable of Kshs.10,000 (payments done through a bankers cheque addressed to: the Director of Immigration Services).

Dependant Pass

The requirements for applying for a Dependant Pass are:

- The applicant must be:
  - √ Kenyan;
  - √ Holder of valid entry permit;
  - √ Exempted person under Immunities Act (Cap. 179) and who are covered under section 4(3) (a) to (g).
- Application form (Form 28) dully filled and signed;
- Copy of the national passport of the dependant;
- Two passport size photos of the dependant;
- Copy of birth certificate or marriage certificate for immediate family members;
- Fee for Dependant Pass: Kshs. 5,000.

Special Pass

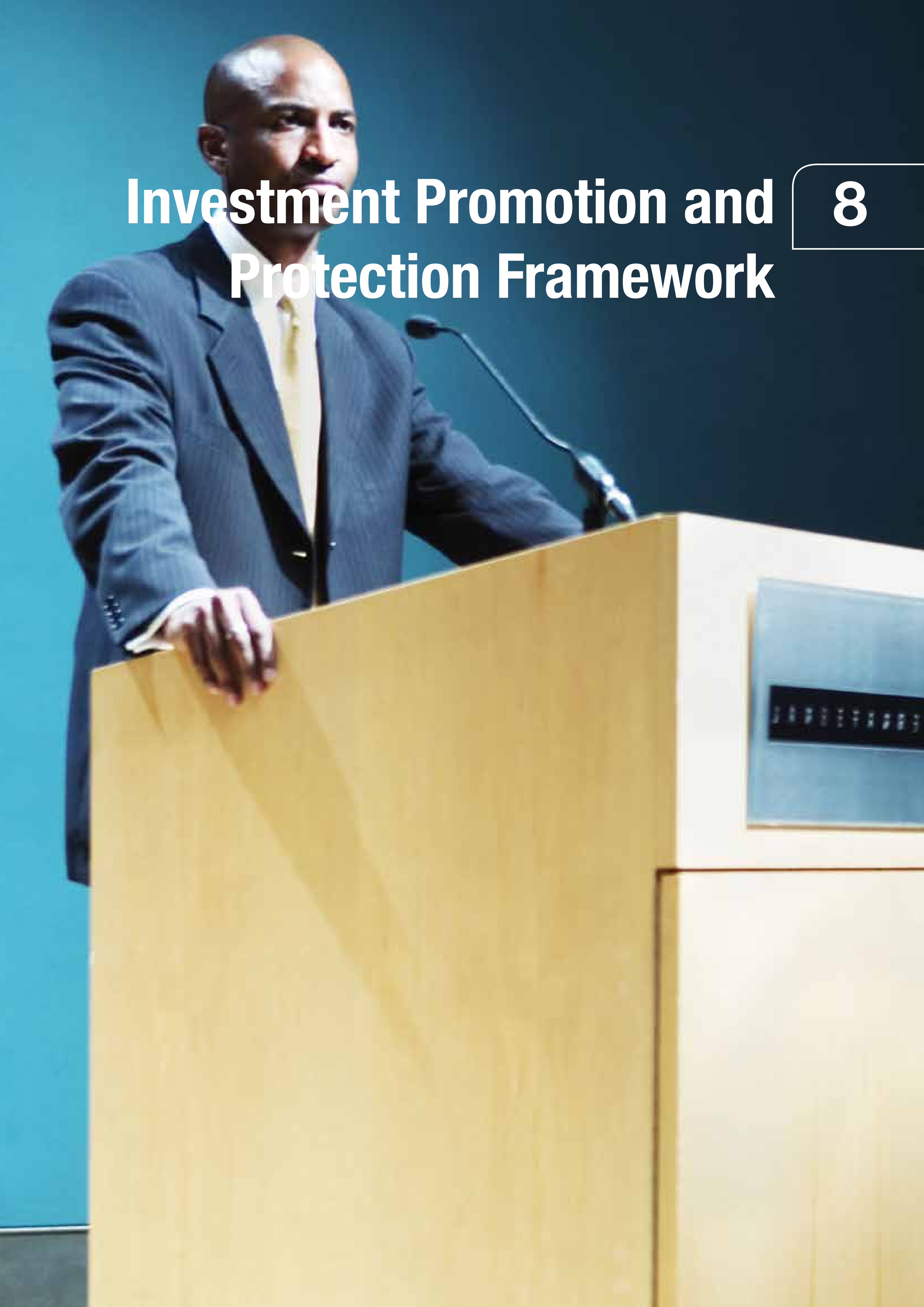
This is a document issued to person(s) given specific employment by specific employer for a short duration not exceeding three (3) months.

The requirements for applying for a Special Pass are:

- Application form(Form 32) dully filled and signed;
- Copy of the national passport;
- Two passport size photos;
- Forwarding letter from institution/ applicant;
- Copies of Academic/professional certificates;
- Copy of CV;
- Clearance from regulatory bodies (medical and dentist board, pharmacy and poisons board, engineering board, NGO council, Ministry of Information);
- Fee for special pass: Kshs. 15,000/= per month or part thereof.

8

Investment Promotion and Protection Framework



8. Investment Promotion and Protection Framework

Legal Framework

Investment Laws and regulations

Kenya's investment promotion Act. (2004). The Act aims at promotion and facilitation of investment by assisting investors in obtaining the licences necessary to invest, and providing other assistance and incentives for related purposes. Investment policy and most investment related institutions in Kenya including Kenya Investment Authority, the agency responsible for promotion and facilitation of both local and foreign investments in Kenya, remain under the oversight of the Ministry of Finance. The Authority issues an investment certificate, which allows the holder a legal entitlement to certain licences. A certificate holder is also entitled to three entry work permits for management and technical staff, as well as three others for owners, shareholders, partners and dependants. Both are for an initial, but renewable, two-year period. Capital repatriation and remittance of dividends and interests are guaranteed to foreign investors under the IPA. Other conditions that may be considered include whether such 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; value addition in the processing of local, natural and agricultural resources; and the utilization, promotion, development and implementation of ICT and any other factors the Authority considers beneficial to Kenya.

Important regulatory institutions on investment in Kenya include the Central Bank of Kenya (CBK), which provides, inter alia, opportunities for investment in treasury bills and bonds; the Export Processing Zones Authority (EPZA), which provides investors with tax incentives, a facilitating 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 the ICT sector. Ideally, regulatory authorities in any sector of the economy serve to ensure adherence to the existing laws and regulations. Investments that may have adverse effect on health and security are subject to scrutiny before approvals are granted.

In August 2011, a new Competition Act replaced the 1989 Law. The new Act puts 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 good practice, the new framework introduces a separation between policymaking and enforcement, which is now the responsibility of a Board within the Ministry of Finance. The final approval of mergers and acquisitions (M&A) rests with the Competition Authority, which also has the power to set the relevant thresholds. The Act prioritizes 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 one reference document for land. The new Act has given way to the creation of a National Land Commission, which will manage public land on behalf of national and county authorities. It will evaluate all parcels of public land for capability and classify them by potential use. The Commission is also mandated with developing guidelines for public land management by all public agencies and will be responsible for allocating land. The Commission is charged with setting aside land for investment, which will benefit local communities and their economies. If land is not already set aside for investment, then the process can take a minimum of one month (a 30-day notice to county governor and interested parties and a three-week period for gazetting).

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 vehicles utilised 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.

Investment Incentives

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

Investors in the manufacturing and hotel sectors are able to deduct from their taxes a large portion of the cost of buildings and capital machinery. The government allows all locally financed materials and equipment (excluding motor vehicles and goods for regular repair and maintenance) for use in construction or refurbishment of tourist hotels to be zero-rated for purposes of VAT calculation. The Ministry of Finance permanent secretary must approve such purchases.

The government permits some VAT remission on capital goods, including plants, machinery, and equipment for new investment, expansion of investment, and replacement. The investment allowance under the Income Tax Act is set at 100 percent. Materials imported for use in manufacturing for export or for production of duty-free items for domestic sale qualify for the investment allowance. Approved suppliers, who 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 or goods for supply to the armed forces or to an approved aid-funded project.

Research and Development

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

Performance Requirements

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

Conversion and Transfer Policies

Kenya's Foreign Investment Protection Act (FIPA) guarantees capital repatriation and remittance of dividends and interest to foreign investors, who are free to convert and repatriate profits including un-capitalized retained profits (proceeds of an investment after 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 freely bought and sold by local and foreign investors. The Kenyan shilling has a floating exchange rate tied to a basket of foreign currencies

Expropriation and Compensation

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

Right to Private Ownership and Establishment

Private enterprises can freely establish, acquire, and dispose of interest in business enterprises. The Kenyan legal system is quite flexible on exit options, which normally are determined by the agreement that the investor has with other investors. 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 have been satisfied. The Companies Act gives the procedures for both voluntary and compulsory winding-up processes.

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.

Bankruptcy

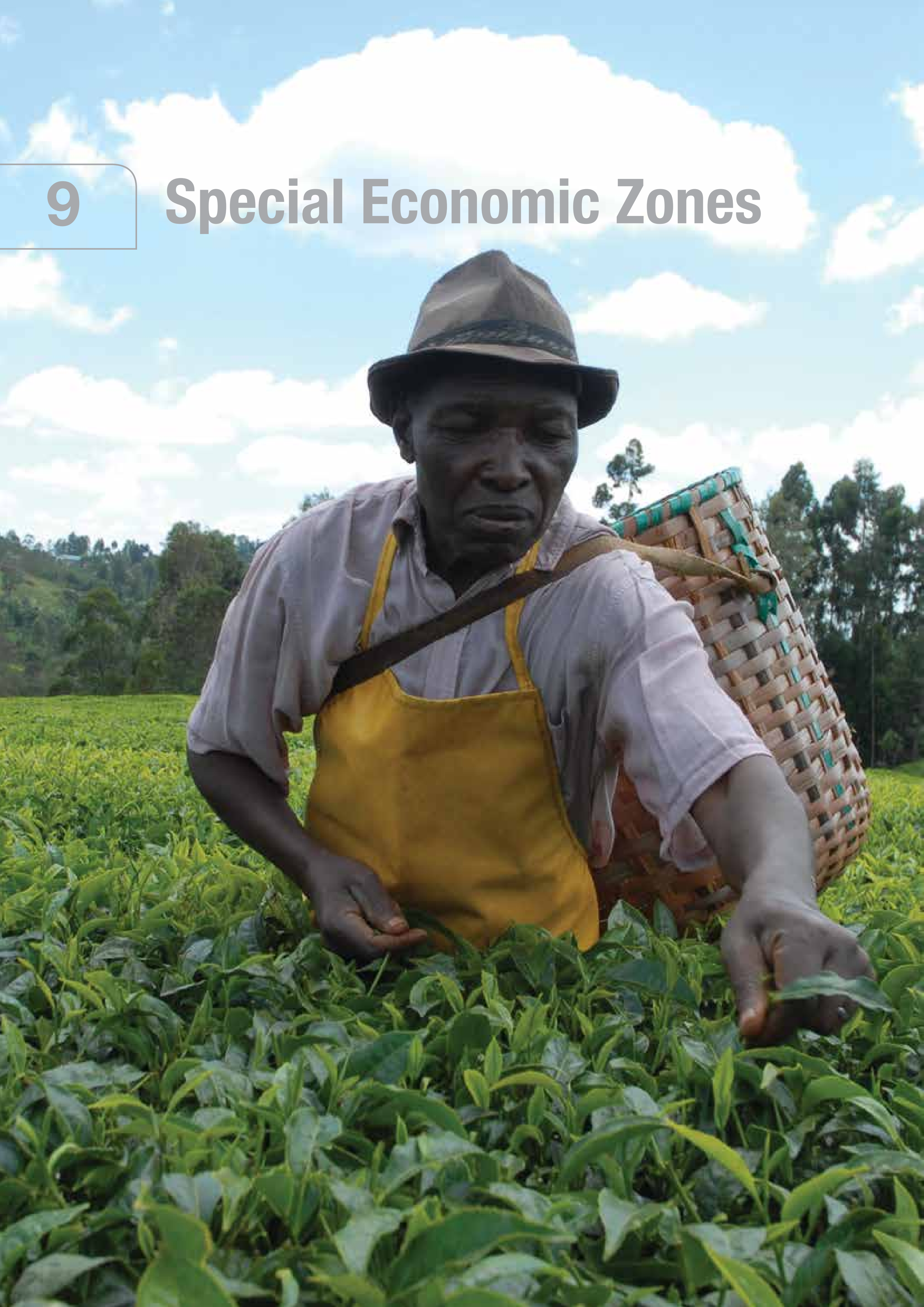
Bankruptcies are governed by the Bankruptcy Act (2009); creditors' rights are comparable to those in other common law countries. Monetary judgments typically are made in Kenyan shillings. The World Bank's 2014 Doing Business Report puts Kenya at 123 of 189 countries in the "resolving insolvency" category. This is down 22 rankings from 2013. The report states that 4.5 years are typically required to close an estate in Kenya, at a cost of 22 percent of the estate. Estates are sold as a going concern, and the recovery rate is 24.7 cents on the dollar.

Competition Law

The Competition Authority of Kenya regulates Kenyan competition law and its enforcement. They regulate mergers, abuse of dominance, and other competition and consumer – welfare related issues in Kenya. They have recently imposed a filing fee for mergers and acquisitions, set at one million shillings (USD 11,554) for mergers involving turnover of between one and 50 billion shillings (USD 11.6 million to USD 578 million), while two million shillings (USD 23,108) will be charged 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 protection of investment from countries with whom Kenya has signed the agreement with. Kenya is 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.

9 Special Economic Zones



9. Special Economic Zones

9.1. Kenya's Export Processing Zones Authority (EPZA)

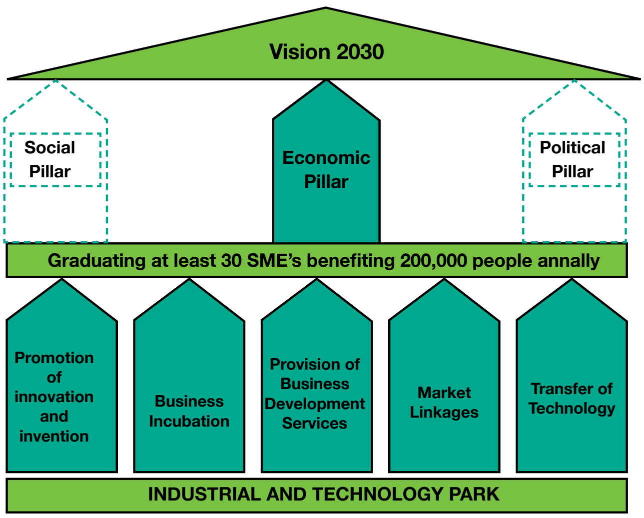
The first Export Processing Zone (EPZ) program was established in 1990 to provide an attractive investment opportunity for export-oriented business ventures within designated areas or zones. This sought to help the economy through increased productive capital investment, jobs generated, technology transferred, backward linkages developed and diversified exports.

Managed and promoted by the Export Processing Zone Authority, the scheme offers a range of attractive incentives to ensure low cost operations, fast set-up, smooth operations and high profitability. An effective one-stop-shop service at the EPZ Authority facilitates the investment process.

Singularly and collectively, the seven Export Processing Zones (EPZs) strategically located across the country constitute an economic proposition that makes a compelling case for companies and businesses to contemplate. Kenya is a fiscally sensible destination for assured returns on their investments while engaging in planned and sustainable development of the national economy and providing employment to the country's workforce. The individual EPZs are located in the capital city Nairobi, Athi River (only 25 km from Nairobi), the Indian Ocean port city of Mombasa, nearby Kilifi and Malindi along Kenya's North coastline, Voi and Kimwarer in the country's inland Rift Valley region. Together they are constituted under the umbrella of and managed and promoted by the Export Processing Zones Authority (EPZA).

As a catalyst for investment and economic growth, the EPZA has conceived programmes and policies that are intended to foster a bright investment for investors and further encourage them to take advantage of the numerous opportunities the country offers by virtue of its distinctive location as the 'gateway to East Africa', investor-friendly fiscal and monetary policies, supportive political framework, well established private sector, entrepreneurial facilities and social amenities and the quality of life in the country.

Link to Vision 2030



The EPZA welcomes all export-oriented investments but is particularly keen to develop projects and attract companies in the areas of 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 & furnishings, data processing & audio-visual services, and consultancy and professional services.

Tax benefits under EPZA

Following are the tax benefits for investors:

- 10 year corporation tax holiday and 25% tax thereafter;
- 10 year withholding tax holiday;
- Stamp duty exemption;
- 100% investment deduction on initial investment applied over 20 years;
- Perpetual duty and VAT exemption on company input including machinery, spare parts , construction material, raw materials, office equipment, packaging, heavy diesel and fuel oil, excluding other petroleum based fuel, motor vehicles that are from outside the zone and motor vehicle spare parts.

9.2. Industrial Parks

Kenya's Vision 2030 recognizes SME Industrial and Technology Parks as important vehicles through which the growth of Kenya's manufacturing sector can be fast-tracked.

Industrial and Technology parks are key elements of the infra-structure supporting the growth of today's global knowledge economy.

By providing a location in which government, private sector and universities cooperate, these parks create environments that foster collaboration and innovation

Industrial Park Strategic Objectives

- To facilitate transfer of technology and promote local knowl-edge-based enterprises;
- To create an environment for inventiveness and innovation;
- To stimulate and manage the flow of knowledge and technology amongst university, R&D institutions, companies and markets;
- To provide other value added services together with high quality space and services;
- To translate government policies into sectoral strategies and action plans.

Priority Sectors

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

10 International Organizations Membership, Market Access, and Special Trade Regimes

10. International Organizations Membership, Market Access, and Special Trade Regimes

Common Market for Eastern and Southern Africa

Kenya is one of the 19 Member States forming the Common Market for Eastern and Southern Africa (COMESA), the largest Regional Economic Community (REC) in Africa, with a population of over 470 million, and a combined GDP of over USD 640 billion. COMESA offers duty-free access to 16, and soon 17, of its Member States. Having successfully launched its Customs Union in 2009, COMESA is continuing on the road of regional integration by supporting the continual creation of better investment conditions, making it an increasingly internationally competitive economic community.

COMESA Member States include: Burundi, Comoros, Democratic Republic of Congo, Djibouti, Egypt, Eritrea, Ethiopia, Kenya, Libya, Madagascar, Malawi, Mauritius, Rwanda, Seychelles, Sudan, Swaziland, Uganda, Zambia & Zimbabwe.

Also to be taken into consideration is the Tripartite 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 inhabitants, 26 countries, and a combined GDP of almost USD 1.2 trillion.

East African Community

The East African Community is a fully-function customs union composed of five Member States including Burundi, Kenya, Rwanda, Tanzania and Uganda, with a market of 147 million and a total GDP of USD 111 billion. The EAC Common Market was launched in 2010, and the negotiations for the East African Monetary Union, which commenced in 2011 and fast tracking of the East African Federation all underscore the serious determination of the East African leadership and citizens to construct a powerful and sustainable East African economic and political block.

Multilateral Investment Guarantee Agency (World Bank) and African Trade Insurance Agency (ATI)

MIGA is a member of the World Bank Group with a mission is to promote foreign direct investment (FDI) into developing countries by providing political risk insurance guarantees to private sector investors and lenders. Ethiopia is among its 181 members. MIGA's guarantees protect investments against non-commercial risks and can help investors obtain access to funding sources with improved financial terms and conditions.

Bilateral Investment Agreements

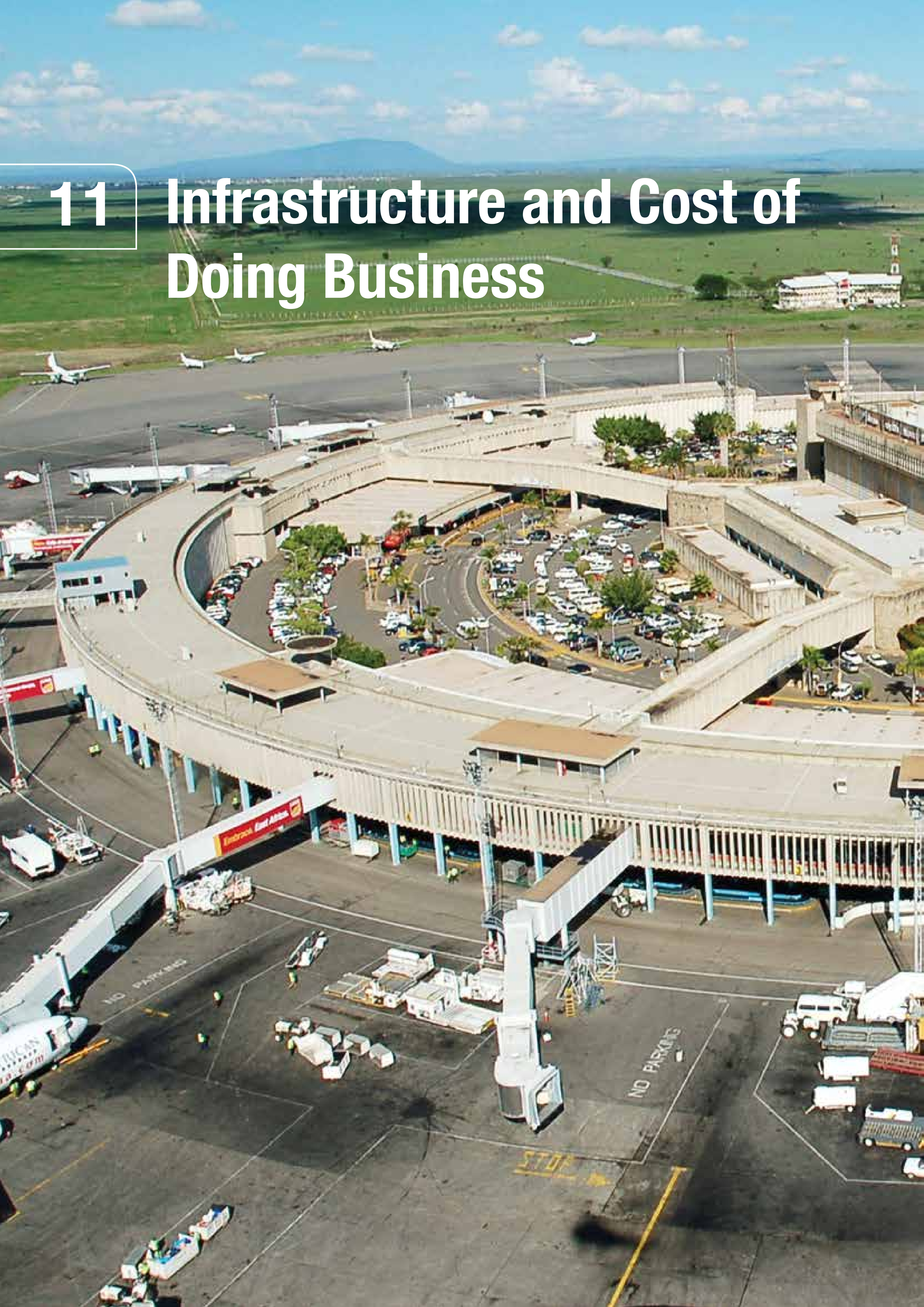
Kenya is a beneficiary of the African Growth and Opportunity Act (AGOA), which helps it export textile, garment, and other goods to the United States. Kenya has signed bilateral investment agreements with Burundi, China, Finland, France, Germany, Iran, Italy, Libya, the Netherlands, Slovakia, Switzerland, and the United Kingdom, although only those with France, Germany, Italy, the Netherlands, Switzerland, and the United Kingdom have entered into force.

The EAC is also in the process of renewing an Economic Partnership Agreement with the EU, with both sides optimistic about negotiations concluding in upcoming months despite some remaining hurdles.

Double Taxation Agreements

Kenya has ratified Double Taxation agreements with the following countries: Zambia, Norway, Denmark, Sweden, UK, Germany, Canada and India, has signed but not put into force agreements with Italy, Tanzania and Uganda, and is currently negotiating with France, Thailand, Seychelles, Nigeria, South Africa, Mauritius, Finland, Russia, UAE, and Iran.

11 Infrastructure and Cost of Doing Business



11. Infrastructure and Cost of Doing Business

11.1. Air Transport

Jomo Kenyatta International Airport (JKIA) is considered the regional hub for air transport and a number of carriers call on Nairobi for passenger and cargo traffic. It is the biggest airport in Eastern and Central Africa. For the past 2 to 3 years, JKIA has witnessed a significant boost in air cargo traffic between Asia and Europe. There has also been a notable rise in imports from the Middle East and Asian countries making it an emerging force and destination in the air cargo industry. The airport is endowed with distinctive features such as:

- Modern cargo facilities with planned and ongoing capacity expansion;
- It is 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;
- A well-established horticultural industry attracting cargo airlines to Nairobi for air cargo exports/imports
- Nairobi is the main entry to Kenya and the regional economic and trade centre advantages experienced by air cargo carriers at JKIA;
- Market: robust and untapped potential;
- Speed: short turnaround time;
- Slots: adequate slots for up to 8 wide bodied freighters at any one time for offloading/ loading;
- Solutions: tailor made for freighters with transit sheds, ramp handlers, forwarders, industry and authorities.

Air Cargo

Kenya is currently at second position after South Africa in cargo volume of 350,000 metric tonnes of horticultural produce exportation with a growth rate of 5%. JKIA currently has 5 cargo sheds and an apron that can accommodate 8 wide bodied aircraft at any given time to facilitating the processing and exportation of these produce. Cargo facilities are being developed and expanded at the Eldoret International Airport, Kisumu International Airport and Malindi Airport.

Rates for Airfreight Exports

Documentation charges	Kshs 2,000 per shipment
Agency fee	Kshs 0.45% of CIF value (Min. Ksh 5,000)
Transport (within city limit)	Kshs 4,500(minimum Kshs 3,000)
KAA Concession fee (at cost)	Kshs 250 per AWB
Ground Handling charges	At cost (KAHL, ACHL, CSC, etc.)
Airway bill fee	At cost
Commission on disbursement	3.0% of outlays, min. Kshs 2,000
Extra to be charged at cost	16% VAT ON Agency fee/Transport /Ground Handling Agent/ Airline charges and any other miscellaneous charged at cost.

11.2. Land Transport

Kenya has an extensive network of paved and unpaved roads. Kenya's railway system links the nation's ports and major cities and connects Kenya with neighboring Uganda.

According to the Kenya Roads Board, Kenya has 160,886 kilometres (99,970 mi) of roads with all but 11,189 km (6,953 mi) unpaved.

Class	Description	Purpose	Roads	Paved	Unpaved	Total (in km)
A	International Trunk Roads	Link centres of international importance and cross international boundaries or terminate at international ports or airports.	A1, A2, A3, A14, A23, A104, A109	2,772	816	3,588
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	26,649

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				

11.3. Rail Transport

The Kenya railway network, managed by the Kenya Railways Corporation, totals 2,066 km. The Kenya Railways Corporation was established by an Act of Parliament (Cap 397) of the Laws of Kenya, and commenced operations on January 20, 1978. The overall mandate of the Corporation then was to provide a coordinated and integrated system within Kenya of rail and inland waterways transport services and inland port facilities.

The Act was amended through The Kenya Railways (Amendment) Act 2005 to make it possible for the Board of Directors to enter into concession agreements or other forms of management for the provision of rail transport services. Following this Amendment, KR conceded railway operations to Rift Valley Railways Ltd (K) from November 1, 2006 for 25 years for freight services and 1 year for passenger services.

Kenya Railways (KR) is mandated to promote, facilitate and participate in the National and Metropolitan Railway development. In this regard, KR is currently involved in the following initiatives:

- Developing a Standard Gauge Railway network within the country and connected to neighbouring countries;
- Developing rail commuter services within and around major towns in Kenya (Nairobi, Mombasa, Nakuru, Eldoret and Kisumu).

The current rail network in Kenya is the metre gauge commonly referred to as 'The Lunatic Line'. It was initially named the 'Uganda Railway' after its destination. Its construction began in the Port city of Mombasa in 1896 and was completed in 1901 at the lines terminus in Kisumu. Operations on the line commenced in 1903. The Lunatic Line links Kampala in Uganda with the Indian Ocean town of Mombasa.

Branch lines were built to Thika in 1913, Lake Magadi in 1915, Kitale in 1926, Naro Moru in 1927 and from Tororo to Soroti in 1929. In 1929, the Uganda railway became Kenya Uganda Railways & Habours. In 1931, a branchline to Mount Kenya was completed and the main line was extended from Nakuru to Kampala in Uganda.

The line is 1,000 mm and is a single track all through with occasional sidings and passing points to deal with opposing traffic. Construction was carried out by labourers brought in from India. After completion, some of the Indians remained behind thus creating the Indian community in East Africa.

The line was a huge logistical achievement and became strategically and economically vital for Kenya, linking the Indian Ocean with Lake Victoria and the East African interior. Branch lines were built and the railway became an essential part of safari adventures in the early decades of the 20th Century.

Concession of the Kenya Uganda Railways

Recognizing the historical links between Kenya Railways and Uganda Railways, the mutual dependency of the railways on each other and the potential benefits to be derived by concessioning the railways jointly, in June 2003, the Governments of the two countries made a strategic decision that Kenya Railways (KR) and Uganda Railways (UR) should be concessioned jointly.

On 1st November last year, Rift Valley Railways (K) took over passenger and rail transport services for a period 1 year (renewable) and 25 years respectively from Kenya and Uganda Railways.

RVR is currently undertaking a number of initiatives aimed at improving quality of service and increase hauling capacity. The initiatives include:

- Acquisition of a tamping machine and a ballast regulator. These are high performance, fully automated equipment that will boost track maintenance and rehabilitation
- Acquisition of a new fleet of 20 locomotives from General Electric in the US.
- Installation of Global Positioning System based software on trains. This allows online visualization of train movement from an operations control center in Nairobi.
- Use of train simulators to train locomotive drivers;
- Locomotives and wagon overhaul and rehabilitation;
- Culverts replacement and track rehabilitation.

11.4. Sea Transportation

The port of Mombasa is the Principal Kenyan seaport and comprises of Kilindini Harbour and Port Reitz on the Eastern side of the Mombasa Island and the Old Port and Port Tudor north of the Mombasa Island.

Kilindini is naturally deep and well sheltered and is the main harbour where most of the shipping activities take place. It has 16 deep water berths, two oil terminals and safe anchorages and mooring buoys for sea-going ships.

The Old Port is entered between Ras Serani and Mackenzie Point and is used only by dhows and small coasting vessel of 55 metres LOA. A cement loading facility is located opposite the old port jetty at Ras Kidomoni (English Point) for bulk cement carriers of up to 150 metres LOA and 8.0 metres draught.

The Port of Mombasa not only serves Kenya but is also the main gateway to the Eastern African hinterland countries of Uganda, Rwanda, Burundi, DRC and Southern Sudan.

The port of Mombasa is managed and operated by the Kenya

Ports Authority (KPA) a semi-autonomous government parastatal.

KPA also manage the small sea ports of Kiunga, Lamu, Malindi, Kilifi, Mtwapa, Funzi, Shimoni, and Vanga.

KPA vision is to transform the port of Mombasa into one of the top 20 ports in the world by the year 2010.
KPA launched its 25 year Master Plan and Strategic Plan in 2005 which aim at transforming the port into an E-Port and landlord port by 2010.

The port of Mombasa recently invested over 5 billion Kenya shillings in new cargo handling equipment and marine craft under its equipment replacement plan

KPA is ISPS compliant and is in the process of installing an integrated security system and constructing a control tower fitted with radar monitoring and traffic management system to enhance security.

Facilities and Services

The port is a multi-purpose port capable of handling all type of cargo including containers, general cargo, liquid and dry cargo and passengers. It has the following facilities:

- 16 Deep water berths and 2 oil terminals draft ranging between 9.75 and 13.25 meters
- Deep water anchorages and mooring buoys for sea-going ships.

The Container Terminal

Berths 16, 17 and 18 form the container terminal. The three berths form a 600 meters quay length with a draft of 10.36 meters. Designed capacity 250000 TEUs annually. Medium size container ships of up to 2300 TEUs can be accommodated. There is a 250 meters deep back-up area of 14 hectors for stacking and handling containers.

The terminal is served by 4 STS, 12 RTGs and 2 RMG all acquired in 2005 and a number of other terminal handling equipment.

The designed capacity of the terminal has almost been doubled. In 2004 over 430,000 TEUs were handled. In view of this Berths 13 and 14 are used as container berths. Ships use their own cranes as no gantry cranes are installed on these berths.

General Cargo Berths

Berths 1 to 12 are general cargo berths for handling general cargo ships carrying loose cargo, steel products, bagged cargo etc. Berth 1 and 2 are designated as cruise ship berths and can handle cruise ships of up to 300 meters length and 9.75 meters draft.

Ro-Ro facilities are available at the general cargo berths mostly Berths 1 and 5.
The General cargo berths are served by electric luffing portal cranes with capacity of 3 to 15 tonnes and supplemented by fork lifts, trailers and mobile cranes.

The Oil Terminals

There are two main oil terminals:

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

Vegetable oil handling and storage facilities are available at the Mbaraki Wharf, Berth 10 and SOT and are operated by two private companies Gulf Stream and East African Storage.

Specialised Bulk Handling Facilities

A modern grain bulk handling facility owned and operated by GBHL is located at Berth 3 and is capable of handling ships of up to 45,000 tons deadweight with 10 meters draft. Discharge is by a combined system of Portolinos and conveyor belts. Discharge rate is 200 metric tons an hour and storage capacity is 68000 tons on silos and 18,000 tons on covered shades.

At the Mbarki wharf facilities are provided for handling bulk/bagged cement, fluorspar, coal, clinker, molasses and bulk petroleum and vegetable oil. The Wharf is 315.75 metres long with 10.36 metres depth. Several private companies including Bamburi Portland, Kenya Fluorspar, East African Storage and Tecaflex have storage facilities behind the wharf.

Beth 9 caters for the loading of soda ash by means of a conveyor belt and is operated by Magadi Soda who are the sole exporters of soda ash

Nautical Access

The entrance from the sea to Kilindini Harbour is by an approach channel 7 nautical miles long, 300 metres wide and dredged to a maximum depth of 13.7 (1997). The channel 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 deep and safe anchorages are provided for sea-going ships with draft of up to 13.8m. Siltation is minimum in Kilindini harbour and maintenance dredging is done every 5 years.

Anchorage for coasters and fishing vessels is also available. Anchorage outside port area is not recommended due to the poor holding ground and heavy swell.

Stevedoring – Containerized Cargo

Charges on standard 20 feet (20’) and 40 feet (40’) ISO containers to/from Ship, per move

		Rate per Move (20’)	Rate per Move (40’)
1	Discharging, loading, shifting within the hold or shifting on deck without landing and vice –versa without landing, on cellular vessel.	USD 90	USD 135
2	Discharging, loading, shifting within the hold or shifting on deck without landing and vice –versa on non-cellular vessel.	USD 110	USD 165
3	Discharging, loading, shifting within the hold or shifting on deck without landing and vice –versa on a Ro-Ro vessel	USD 70	USD 105
4	Transhipment containers	USD 80	USD 120
5	Over-landed, Shipped and re-landed, landed and re-Shipped or shifted from hold to hold containers shall be charged 1.5 times the rates applicable in clause 1 to 3		
6	Empty containers shall be charged at 60%of the rate shown in 1 to 4		
7	Containers holding in whole or in part dangerous cargo shall be surcharged at 10% above rates in 1 to 4		
8	Out of Gauge container (Export/Import)	USD 180	USD 270

Shore-handling – Containerized cargo

		Rate per Unit (20’)	Rate per Unit (40’)
1	Imports – Domestic	USD 90	USD 135
2	Exports – Domestic	USD 45	USD 68
3	Imports – Empty	USD 20	USD 30
4	Exports – Empty (except direct loadings)	USD 20	USD 30
5	Imports – Transit	USD 72	USD 110
6	Exports –Transit	USD 35	USD 55
7	Out of Gauge container (Export/Import)	USD 180	USD 270

Containers remaining in the Authority’s premises in excess of free periods shall accrue storage charges as follows:

Storage – rate per day or part thereof

		20’	40’
1	Domestic import containers, first 7 consecutive days	Free	Free
2	Domestic import containers, thereafter up to the date container is removed from the Port or is customs warehouse due.	USD 25	USD 37.50
3	Domestic export containers, first 11 consecutive days	Free	Free
4	Domestic export containers, thereafter up to the date container is nominated or withdrawn		USD 30
5	Transit import containers, first 15 consecutive days	Free	Free
6	Transit import containers, thereafter up to the date container is removed from the Port or is customs warehouse due	USD 20	USD 30
7	Domestic and transit export containers through ICDs, first 15 consecutive days	Free	Free
8	Domestic and transit export containers through ICDs, thereafter up to the date container is nominated or withdrawn	USD 20	USD 30
9	Shut-out export containers, first 2 consecutive days	Free	Free
10	Shut-out export containers, thereafter up to the date container is re-nominated or withdrawn	USD 20	USD 30
11	Domestic import containers through ICDs, first 11 consecutive days	Free	Free

12	Domestic import containers through ICDs, first 11 thereafter up to the date container is removed from the Port or is customs warehouse due	USD 20	USD 30
13	Transit Import containers through ICDs, first 15 consecutive days	Free	Free
14	Transit Import containers through ICDs, thereafter up to the date container is removed from the depot or is customs warehouse due.	USD 20	USD 30
15	Transit export containers, first 21 consecutive days	Free	Free
16	Transit export containers, thereafter up to the date container is nominated or withdrawn	USD ١٦	USD 24
17	Dangerous cargo, from date of receipt or landing (export/ import)	USD 40	USD 60
18	Out of Gauge containers (export/ import), first 2 consecutive days	Free	Free
19	Out of Gauge containers (export/ import), thereafter up to the date container is removed from the Port or shipped	USD 40	USD 60
20	FCL Containers unmanifested/ unknown status from date of landing up to the date status is known	USD 25	USD 37.50
21	Change of Status/ destination (C10), from arrival of the vessel up to the date charges are secured	USD 25	USD 37.50
22	Empty import containers, first 2 consecutive days from stripping day	Free	Free
23	Empty import containers, thereafter, until the container is removed from the Port or loaded onto a vessel.	USD 15	USD 22.50
24	Empty export containers, from date of receipt, first 4 consecutive days	Free	Free
25	Empty export containers, thereafter, until the container is removed from the Port or loaded onto a vessel	USD 15	USD 22.50
26	Transshipment full container, first 30 consecutive days from arrival of the vessel	Free	Free
27	Transshipment full container, thereafter up to the date container is re-shipped	USD 20	USD 30
28	Transshipment full container, thereafter up to the date container is re-shipped	Free	Free
29	Empty transshipment containers, thereafter up to the date container is re-Shipped	USD 15	USD 22.50
30	Over landed full container, from first day of landing to the date of re-shipment	USD 25	USD 37.50
31	Empty over landed containers from the date of landing	USD 15	USD 22.50

Source: KPA

Port Authorities

		20'	**40'**
1	Re-Marshalling charge		USD 165
2	Storage local containers first 3 days/ per day	USD 30	USD 60
3	Storage local containers next 8 days/ per day	USD 35	USD 70
4	Storage local containers next 9 days/ per day	USD 40	USD 80
5	Storage local containers thereafter/ per day	USD 45	USD 90
6	Storage transit containers, first 2 days/ per day	USD 30	USD 60
7	Storage transit containers, next 7 days/ per day	USD 35	USD 70
8	Storage transit containers, next 6 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 7 days	USD 4.00 to USD 10.00	USD 8.00 to USD 20.00
11	Shipping lines, container demurrage charge, next 7 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	

11.5. Utilities/ Electricity

Indicator	Kenya	Sub-Saharan Africa	OECD
Procedures (number)	6.0	5.5	4.7
Time (days)	158.0	138.3	76.8
Cost (% of income per capita)	1,020.2	4,348.5	73.2

Storage – rate per day or part thereof

No.	Procedure	Time to Complete	Associated Costs
1	Submit application to Kenya Power and Lighting Company Ltd (KPLC) and await site inspection	28 calendar days	KES 0
2	Receive site visit from KPLC and await estimate	21 calendar days	KES 0
3	Customer pays estimate and signs supply contract	1 calendar day	KES 860,000
4	Customer calls utility and collects meter and meter number	13 calendar days	KES 0
* 5	Customer obtains excavation permit from City Council and submits to utility	5 calendar days	KES 7,500
6	KPLC conducts external connection works, meter installation and electricity starts flowing	95 calendar days	KES 0

Source: World Bank Doing Business 2014

Tariff	Charges (KES)		
	Fixed charge	Energy charge (per kWh)	Demand charge (per kVA)
DC (Domestic, 240 V)	150	First 50kWh: 2.50 50 to 1 500kWh: 13.68 Thereafter:21.57	N/A
SC (Small Commercial, 240 V)	150	14.00	N/A
CI1 (Commercial, 415 V)	2 000	9.45	800
CI2 (Commercial, 11 kV)	4 500	8.25	520
CI3 (Commercial, 33 kV)	5 500	7.75	270
CI4 (Commercial, 66 kV)	6 500	7.55	220
CI5 (Commercial, 132 kV)	17 000	7.35	220
IT (Domestic water heating)	150	13.75	n/a

11.6. Water Tariffs

According to the Water Services Regulatory Board, below are the key 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 m3 • 7 – 60 m3 • More than 60 m3	• Flat fee: KES 200 • KES 56 • KES 90	• Flat fee: KES 204 • KES 52 • KES 64
	Schools and Institutions • 0 – 6 m3 • 7 – 60 m3 • More than 60 m3	• Flat fee: KES 200 • KES 56 • KES 90	• 0 – 600 m3 – KES 48 • 600 – 1200 m3 – KES 55 • More than 1200 m3 – KES 60
	Flats and Gated Communities	KES 60/ m3	KES 53/ m3

11.7. Starting a Business

Indicator	Kenya	Sub-Saharan Africa	OECD
Procedures (number)	10.0	7.8	4.8
Time (days)	30.0	27.3	9.2
Cost (% of income per capita)	42.7	56.2	3.4
Paid-in min. capital (% of income per capita)	0.0	95.6	8.8

No.	Procedure	Time to Complete	Associated Costs
1	Reserve a unique company name at the Companies Registry	1 day on average	KES 100 per name reservation
2	Stamp the memorandum and articles of association, and a statement of the nominal capital	5 days	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 a designated bank	1 day	KES 100 for bank commission
4	Sign the Declaration of Compliance before a commissioner of oaths or a notary public	1 day	KES 200
5	Register with the Registrar of Companies at the Attorney General Chambers in Nairobi	12 days on average	KES 7,360
6	Register for taxes at the Kenya Revenue Authority	1 day	no charge
7	Apply for a business permit	5 days	KES 15,000
8	Register with the National Social Security Fund (NSSF)	1 day	no charge
9	Register with the National Hospital Insurance Fund (NHIF)	1 day	no charge
1.	Make a company seal	2 days	between KES 2,500 and KES 3,500

Source: World Bank Doing Business 2014

11.8. Construction Permits

Indicator	Kenya	Sub-Saharan Africa	OECD
Procedures (number)	8.0	13.5	11.9
Time (days)	125.0	155.7	149.5
Cost (% of warehouse value)	9.3	6.2	1.7

Source: World Bank Doing Business 2014

No.	Procedure	Time to Complete	Associated Costs
1	Submit architectural plan for approval and obtain provisional building permit	30 days	KES 335,439
2	Submit and obtain structural plan approval and final building permit	10 days	no charge
3	Obtain a project report from an environmental expert	5 days	KES 50,000
4	Obtain approval of the environmental impact study	30 days	KES 2,126
5	Request and receive final inspection by the Municipal Authority after construction	5 days	no charge
6	Obtain occupancy certificate	14 days	no charge
7	Apply for water and sewerage connection	1 day	KES 1,100
8	Pay water and sewerage installation costs and obtain connection	30 days	KES 6,000

Source: World Bank Doing Business 2014

11.9. Registering Properties

Indicator	Kenya	Sub-Saharan Africa	OECD
Procedures (number)	9.0	6.3	4.7
Time (days)	72.0	57.2	24.0
Cost (% of property value)	4.3	9.1	4.2

Source: World Bank Doing Business 2014

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 and 3)	no cost
* 2	Apply, pay and obtain Rates Clearance Certificate from the Nairobi City Council	5 days (simultaneous with Procedure 1 & 3)	KES 10,000
* 3	Apply for a search on the title at the Lands Office	3 days (simultaneous with Procedures 1 and 2)	KES 500
4	Apply and obtain consent to transfer from the Commissioner of Lands	9 days	KES 1,000
5	File the transfer instrument at the Lands Office and obtain appointment for valuation	4 days	KES 500
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 600 (charge for Banker's check) + 4% of property value (stamp Duty)
9	Lodge stamped transfer document for registration and receive duly registered documents	12 days	KES 500

Source: World Bank Doing Business 2014

11.10. Taxes

Tax or mandatory contribution	Payments (number)	Notes on Payments	Time (hours)	Statutory tax rate	Tax base	Total tax rate (% profit)	Notes on TTR
Corporate income tax	5		43	30%	taxable profit	30.80	
Standards levy	2			0.2%	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	
Land rates	1			0.6%	land value	0.30	
Road maintenance levy	0	paid jointly		KES 9 per liter	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	paid jointly		KES 0.4 per liter	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 added tax (VAT)	1	online filing	108	16%	value added	0.00	not included
Fuel tax - excise duty	1			KES 10.31 per liter	fuel consumption	0.00	small amount
Stamp duty on contracts	1			various rates	type of contract	0.00	small amount
Employee paid - Social security contributions (NSSF)	0	paid jointly		5%	gross salaries	0.00	withheld
Employee paid - National hospital insurance fund (NHIF)	0	paid jointly		various rates	gross salaries	0.00	withheld
Totals:	30.0		201.5			38.1	

Source: World Bank Doing Business 2014

11.11. Trading Across Borders

Indicator	OECD
Documents to export (number)	8
Time to export (days)	26.0
Cost to export (US$ per container)	2,255.0
Cost to export (deflated US$ per container)	2,255.0
Documents to import (number)	9
Time to import (days)	26.0
Cost to import (US$ per container)	2,350.0
Cost to import (deflated US$ per container)	2,350.0

Source: World Bank Doing Business 2014

Nature of Export Procedures	Duration (days)	US$ Cost
Documents preparation	12	305
Customs clearance and inspections	4	375
Ports and terminal handling	6	375
Inland transportation and handling	4	1,200
Totals	26	2,255

Source: World Bank Doing Business 2014

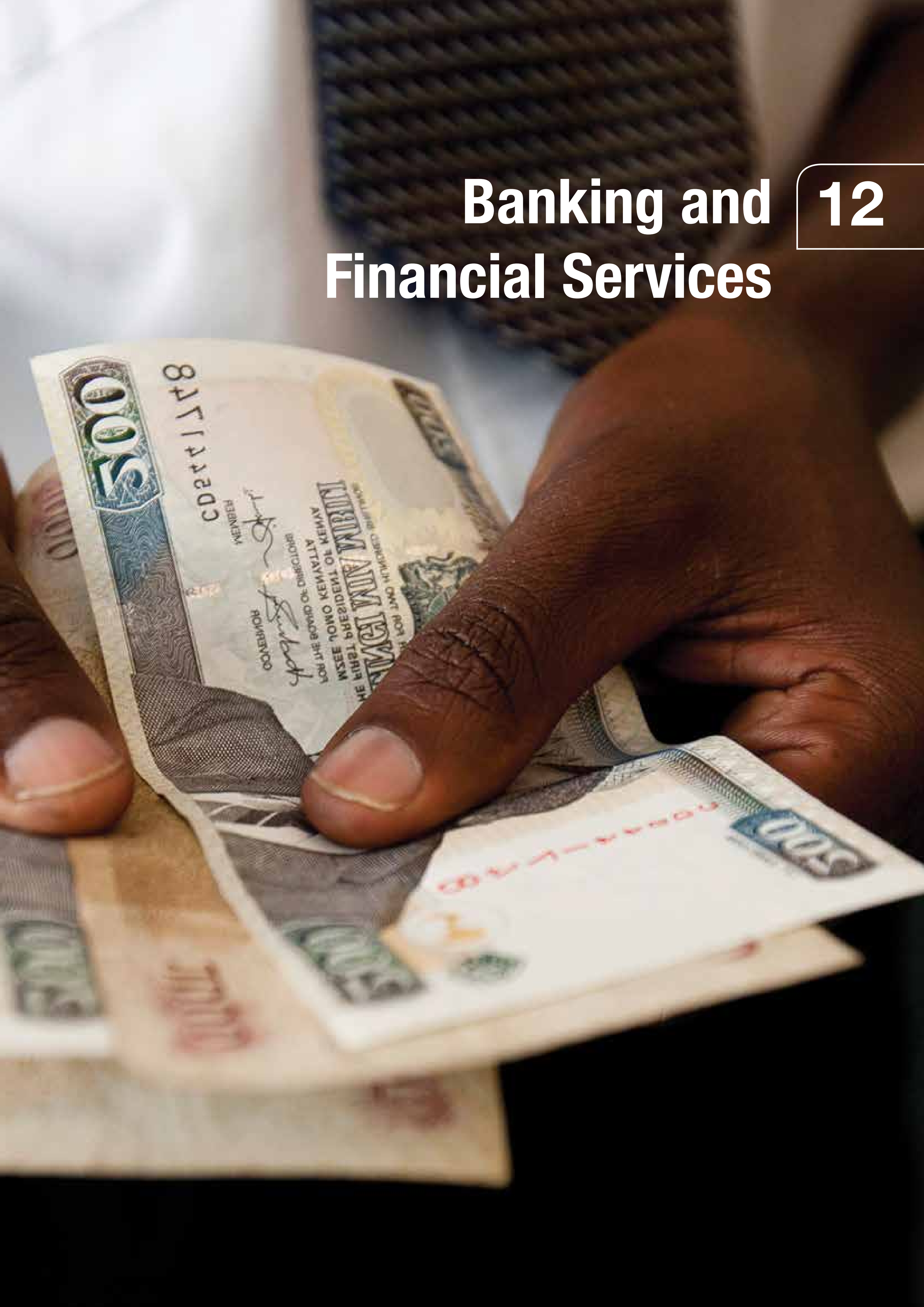
Nature of Import Procedures	Duration (days)	US$ Cost
Documents preparation	11	250
Customs clearance and inspections	3	510
Ports and terminal handling	8	390
Inland transportation and handling	4	1,200
Totals	26	2,350

Source: World Bank Doing Business 2014

Export documents
Bill of lading
Cargo delivery order
Certificate of origin
Commercial Invoice
Customs export declaration
Inspection report
Packing List
Terminal Handling receipts

Import documents
Bill of lading
Cargo release order
Certificate of Conformity
Commercial invoice
Customs import declaration
Delivery order
Packing list
Proof of payments of Customs Duties
Terminal handling receipts

Source: World Bank Doing Business 2014



Banking and Financial Services

12

12. Banking and Financial Services

13.1. General Information

The Financial Services Sector (FSS) in Kenya comprises of Banking, Insurance, Capital markets, Pension Schemes and Quasi-banking institutions such as: Savings and Credit Cooperative Societies (SACCOs); Microfinance Institutions (MFIs); Building Societies, Kenya Post Office Savings Bank (KPOSB) and Development Finance Institutions; (DFIs). A notable development in Kenya's financial sector is the mobile banking. Kenya was the first country in the world to launch mobile money, dubbed "M-PESA;" an innovation which allows users to transfer cash using mobile phones. Based upon its success in Kenya, M-PESA is currently under replication in a number of countries across the globe. This makes Kenya is the financial hub of the East African region, helped both by its history as a regional centre and its market size

13.2. Commercial Banks

The Kenyan-banking sector comprised of 44 banking institutions as at end of December 2013 and 130 foreign exchange bureaus.

Performance of the Kenyan banking sector in 2013 was as follows: total assets grew by 15.9%, customer deposit base increased by 13.5%, net advances increased by 18.2%, while profit before tax rose to 16.6%. Commercial banks available in Kenya include Kenya commercial Bank (KCB), Equity, Barclays, Standard chartered, Cooperative, Diamond Trust, HSBC, Citi Bank and Eco Bank among others. The Central Bank of Kenya provides the overall supervisory and regulatory services to financial institutions in the country

The number of bank branches increased from 1,272 in 2012 to 1,342 in 2013, which translated to an increase of 70 branches. The counties that registered increased number of branches include Nairobi, which registered an increase of 12 branches, Kiambu 11 branches and Mom¬basa 10 branches as indicated in Appendix XIII. A total of 25 out of 47 counties registered an increase in the number of bank branches indicating increased demand for financial services partly occasioned by increased economic activities following introduction of the county government system.

Commercial Banks Market Share Analysis (Ksh. M)

Peer Group	Weighted Market Size	No. of Institutions	Total Net Assets	Customer Deposits	Capital & Reserves
Large	52.4%	6	1,388,641	972,066	239,484
Medium	39.1%	16	1,083,250	789,114	157,633
Small	8.5%	21	231,503	174,481	35,061
Total*	**100.0%**	**43**	**2,703,394**	**1,935,661**	**432,178**

Source: Central Bank of Kenya 2014

Banking Sector Performance

Banks	Profit Before Tax (KES billion)	Net Assets (KES billion)	Return On Assets (1/2) %	Shareholders Equity (KES billion)	Return On Equity (1/4) %
Equity Bank Ltd.	18,233	238,194	7.7%	972,066	36.0%
Kenya Commercial Bank Ltd.	17,746	323,312	5.5%	789,114	28.4%
Standard Chartered Bank (K) Ltd.	13,316	220,524	6.0%	174,481	37.0%
Barclays Bank of Kenya Ltd.	11,921	207,010	5.8%	32,371	36.8%
Co-operative Bank of Kenya Ltd.	10,705	228,874	4.7%	35,652	30.0%

Source: Central Bank of Kenya 2014

Banking Sector Market Share – December 2013 – Ksh. M

	Market Size Index	Net Assets	% Of The Market	Total Deposits	% Of The Market	Total Capital	% Of The Market	Total Number Of Deposit Accounts (Millions)	% Of The Market	Total Number Of Loan Accounts (Millions)	% Of The Market
Weighting		**0.33**		**0.33**		**0.33**		**0.005**		**0.005**	

Large Peer Group>5%											
Kenya Commercial Bank Ltd	12.83%	323,312	12.0%	237,213	12.3%	62,391	14.4%	1.721	7.90%	0.208	6.7%
Equity Bank Ltd	9.79%	238,194	8.8%	158,527	8.2%	50,687	11.7%	7.392	33.92%	0.840	27.1%
Co-operative Bank of Kenya Ltd	8.61%	228,874	8.5%	174,776	9.0%	35,652	8.2%	2.313	10.61%	0.348	11.2%
Standard Chartered Bank (K) Ltd	8.09%	220,524	8.2%	154,720	8.0%	36,030	8.3%	0.196	0.90%	0.051	1.6%
Barclays Bank of Kenya Ltd	7.65%	207,010	7.7%	151,122	7.8%	32,371	7.5%	1.240	5.69%	0.285	9.2%

Source: Central Bank of Kenya 2014

Gross loans of subsidiaries were worth KES. 149.6 billion against KES. 127.3 billion in 2012.

- Subsidiaries operating in Tanzania accounted for 44.3% of the total loans;
- Subsidiaries operating in Uganda accounted for 30.5% of the total loans;
- Subsidiaries operating in South Sudan accounted for 8.5% of the total loan

12.3. Bank Supervision Department

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

- Development of legal and regulatory frameworks to foster stability, efficiency and access to financial services. The Department achieves this objective through:
  - √ Continuous review of the Banking Act, Microfinance Act, Building Societies Act, Regulations and Guidelines issued thereunder which 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;
  - √ Continuous review of Regulations for Credit Reference Bureaus licensed under the Banking Act.

- Processes licenses of Commercial Banks, Non-Bank Financial Institutions, Mortgage Finance Institutions, Building Societies, Foreign Exchange Bureaus, Microfinance Banks and Credit Reference Bureaus.

- Conducts onsite evaluation of the financial condition and compliance with statutory and prudential requirements of institutions licensed under the Banking Act, Microfinance Act and Foreign Exchange Bureaus licensed under the Central Bank of Kenya Act.

- Carries out offsite surveillance of institutions licensed under the Banking Act, Microfinance Act and Foreign Exchange Bureaus licensed under the Central Bank of Kenya Act through the receipt and analysis of returns received periodically. The Department also processes corporate approvals for banking institutions in regard to opening and closing of places of business, appointment of directors and senior managers, appointment of external auditors, introduction of new products/services, increase charges.

12.4. Money Remittance Regulations 2013

The salient features of the Money Remittance Regulations 2013 are:

- All persons wishing to transact in money remittance business shall be licensed by the Central Bank of Kenya;
- The minimum core capital shall on commencement of operations be Ksh.10 million and be increased to Ksh 20 million by 31st December 2014;
- 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 amount will be held as security for performance of obligations to customers who deposit money for remittance purposes.
- Money remittance providers will be required to maintain a sound information system and adequate records including identification documents used to verify the identity of customers, transaction receipts and the source of funds among others;
- The Money Remittance Providers will be required to comply with the Proceeds of Crime and Anti-Money Laundering Act, 2009 and relevant Regulations;
- The Central Bank of Kenya will have powers to regulate and supervise all licensed money remittance providers to ensure compliance with the laws of Kenya.

12.5. International Finance Corporation (IFC)

IFC is an affiliate of the World Bank and finances private sector investment projects in agriculture, manufacturing, infrastructure and tourism. IFC extends long-term loans and makes equity investment in projects entailing investment of more than USD 20 million. The term loans are generally made in foreign currencies. IFC also manages the Africa Enterprise Fund which can support projects with lower project costs from the SME sector.

12.6. Development Bank of Kenya (DBK)

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

12.7. East African Development Bank (EADB)

EADB was established in 1967 with its headquarters in Kampala, Uganda. The bank's shareholding is held primarily by the governments of Kenya, Uganda and Tanzania. The EADB provides medium and long-term loans designated in foreign currencies. EADB finances projects and offers a broader range of finance services in member states with a view to strengthening regional economic cooperation.

12.8. Eastern and Southern African Trade and Development Bank (PTA Bank)

The PTA Bank was established in November 1985 to provide financial and technical assistance to projects and trade activities which have the potential of promoting economic growth and integration in the COMESA sub-region. The PTA Bank provides financial resources to both public and private sector projects in manufacturing, agro-industry, mining, infrastructure and tourism.

12.9. Insurance

Insurance industry contributes to national development through providing broader insurance products and services, fostering entrepreneurial attitudes, encouraging investment, innovation, market dynamism and competition, offering social protection alongside the state, releasing pressure on public sector finance; enhancing financial intermediation, creating liquidity and mobilizing savings. The insurance industry in Kenya has continued to register significant growth prospects. The growth has been both quantitative and qualitative with increases in the number of industry players and range of services offered.

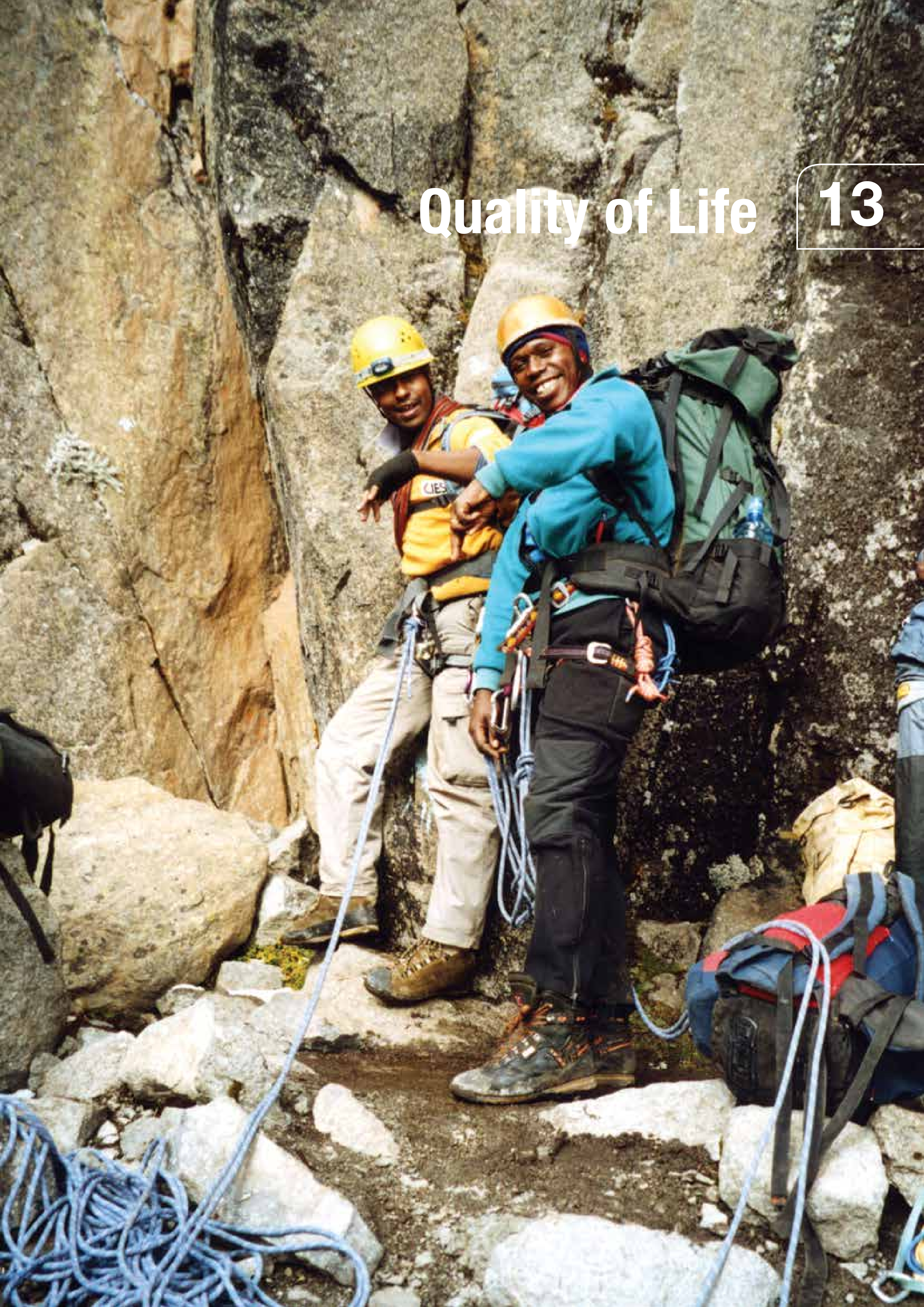
There has been rapid uptake in life, medical and new micro-insurance which has seen lower-earning citizens gain coverage. However, the insurance sector in Kenya is still dominated by the short term motor segment. As of 2013 there were 47 operating insurance companies in Kenya including 24 non-life businesses, 11 life businesses and 12 mixed businesses firms. No single company dominates the sector; the larger ones include AIG, APA, Blue Shield, the Jubilee, Kenindia and UAP. The insurance industry is governed by the Insurance Act and regulated by the Insurance Regulatory Authority.

12.10. Capital Markets

The Nairobi Stock Exchange (NSE) is Sub-Sahara Africa's fourth largest by Market capitalization. It trades both equities and bonds with a growing participation of local investors. NSE has four market segments namely Main Investment Market Segment (MIMS), Alternative Investment Market Segment (AIMS), Fixed Income Securities Market Segment (FISMS) and Growth Enterprise Market Segment (GEMS).

In 2014, the Nairobi Stock Exchange (NSE) listed through an initial public offering on the Main Investment Market Segment (MIMS), completing the journey of demutualization by converting into a public, listed company, whose shares are traded on the Exchange and are available to all Kenyans. During the same period, the NSE also celebrated the launch of its new brand to reposition itself as a more inclusive brand with the aim of encouraging an investment culture amongst Kenyans that fully embraces the capital markets. Since 2006, NSE has operated an electronic trading system and since 2007, a wide area network has enabled brokers to place orders from their offices. Clearing is performed by the Central Depository and Settlement Corporation. Currently there are 64 listed companies of which two are listed under the Growth Enterprise Market Segment (GEMS) while the rest on Main Investment Market Segment (MIMS).

13 Quality of Life



13. Quality of Life

Nairobi is one of the busiest and fast growing cities in Africa, to many visitors, it is a city they are sad to leave and one to which they vow to come back to. The city is the home to more than 3 million people and a bubbling melting point for most of Kenya's 40-plus ethnic groups. The name "Nairobi" comes from the Maasai phrase Enkare Nyrobi, which translates to "cold water", the Maasai name of the Nairobi river, which in turn lent its name to the city. However, it is popularly known as the "Green City in the Sun" and is surrounded by several expanding villa suburbs.

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

Nairobi is home to several museums, sites, and monuments. The Nairobi National Museum is the country's National Museum and largest in the city. It houses a large collection of artifacts portraying Kenya's rich heritage through 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 include 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 also the place where the first Kenyan flag was raised at independence. It is located along Langata road near the Wilson Airport.

Nairobi is nicknamed the Safari Capital of the World, and has many spectacular hotels to cater for safari-bound tourists. Five star hotels in Nairobi include the Nairobi Serena, Laico Regency (formerly Grand Regency Hotel), Windsor (Karen), Holiday Inn, Nairobi Safari Club (Lilian Towers), The Stanley Hotel, Safari Park & Casino, InterContinental, Panari Hotel, Hilton, and the Norfolk Hotel. Other newer ones include the Crowne Plaza Hotel Nairobi in Upper Hill area, the Sankara Nairobi in Westlands, Tribe Hotel-Village Market, House of Wayne, The Eastland Hotel, Ole Sereni, and The Boma located along Mombasa Highway. Upcoming establishments include The Best Western Premier-Nairobi, Radisson Blu and Kempinski which are near completion. International chains apart from the Hilton, the Intercontinental group, and Serena Hotels are also setting up prime properties in Nairobi city.

Shopping malls in Nairobi include; The Yaya Centre (Hurlingham), Sarit Centre (Westlands), Westgate Shopping Mall (Westlands), ABC Place (Westlands), The Village Market (Gigiri), Junciton 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 located around the city including one at the Jomo Kenyatta International Airport. 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 investment guru. Kenyan tea and coffee are very popular both locally and internationally and one can purchase premium gourmet blends at any of these outlets.

Nairobi's night life is very popular with tourists, both young and old. From a collection of gourmet restaurants offering local and international cuisine, Nairobi has something to offer to every age and pocket. Most common known food establishments include The Carnivore and The Tamarind Restaurants which have outlets in Langata, City Centre, and the Village Market. For those more discerning travellers, one can choose from a wide array of local cuisine, Mediterranean, fast food, Ethiopian, and Arabian. The city's nightlife is mostly centred along friends and colleagues meeting after work especially on Fridays - commonly known as "Furahiday" (Happy Day), theme nights, events and concerts, and of late a new trend - "herbal bubble" or "Shiisha". The most popular clubbing spots are centred in upmarket Westlands which has come to be known as "Electric Avenue", Karen, Langata, Hurlingham, and "uptown" venues in the city centre. Nairobians generally go out every day of the week and most establishments are open till late.

Currency

Kenya's unit of currency is the shilling (KShs) (slang: Bob). There are no currency restrictions into or out of Kenya for currency transactions. Forex bureau are available both at the airport and at the city center with various currencies being traded.

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, they include, Yellow Fever, Typhoid, Hepatitis A and Diphtheria.

It is also recommended to be up to date with your polio and tetanus vaccinations.

Tipping

Tipping is appreciated. Most hotels and restaurants include and 10% service charge.

Business Hours

08.30 to 12.30 and 14.00 to 17.30 mon-Sat. Many businesses work Saturday mornings.

Electricity

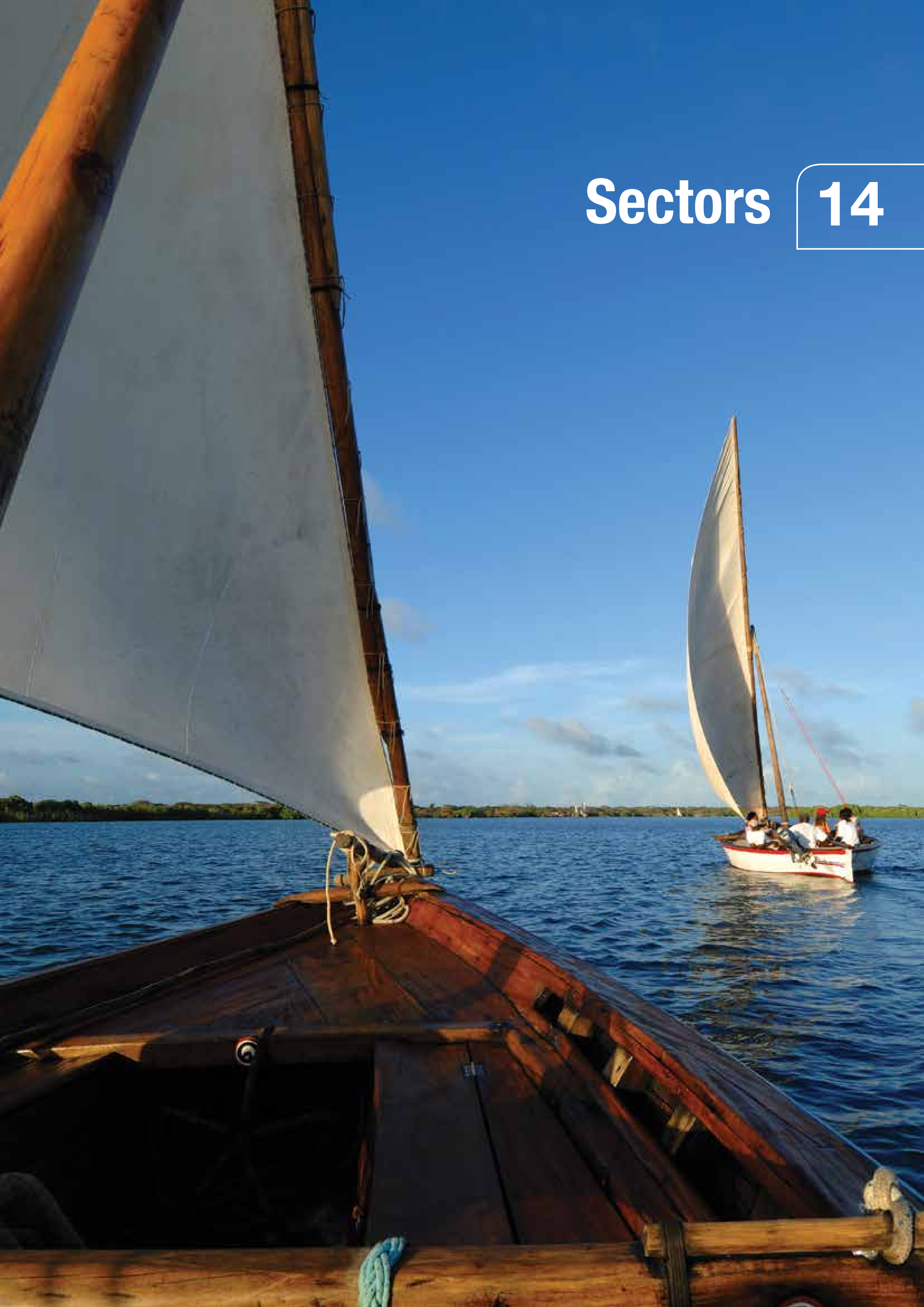
220-240 volts ac, with standard 13-amp three square-pin plugs.

Water

Bottled water is readily available

Source: Kenya Airport Authorities Website and UN

Sectors 14



14. Sectors

14.1. Introduction

Kenya is endowed with investment opportunities from Agriculture and agro-processing, Tourism, Manufacturing, ICT, energy, infrastructure and more recently mineral and hydrocarbons. To ensure this potential is harnessed and to promote economic growth and development, the governments of Kenya continue to promote friendly business environment by ensuring macroeconomic and political stability. The growth has been attributed to ; banking industry which has shown resilient and strong growth in the past years, a relatively well developed stock market which ranks 4th in SSA in market capitalization and mobile banking.

14.2. Financial Services

The overall objective of financial sector as outline in the Vision 2030 is creation of "a vibrant and globally competitive financial sector that drives high levels of savings to finance Kenya's investment needs" and makes Kenya the regional financial services hub. The financial sector has defied the broader economic difficulties of the recent past to post a continued higher rate of growth than the economy as a whole.

The banking sector recorded a 15.9 percent growth in total assets, 18.3 percent growth in loans advances and 16.6 per cent in profit before tax in 2013. Market capitalization as of early 2014 stood at USD 21.5 billion compared to USD 15.4 billion the previous period. With annualized returns standing at 36.0 per cent, the NSE is the second best performing market on the continent. In 2013, the assets of insurance sector amounted to KSh 358.0 billion representing a growth of 18.4 per cent compared to the previous year. The assets of life insurance business increased by 24.1 per cent to KSh 195.9 billion

Opportunities:
Increase banking scale through consolidation and mergers of the small to enhance capital base- Out of the 44 commercial banks only 6 are classified as largest banks (controlling 52.4 percent) the rest are small and have limited rich which has reduced competition:

- With financial services increasingly becoming globalized, particularly cross-border financial services where one or more counterparties are not domestic, the Government plans to set up Nairobi International Finance centre (NIFC) – a flagship project under vision 2030;
- Listing through Initial Public Offer to raise additional capital, share buying and investment in both treasury and corporate bonds;
- Development of new insurance products-though the uptake of insurance is on increase in Kenya, the penetration rate is still low hence room for development of new product to meet the needs of those who do not enjoy insurance services.

14.3. Tourism

Tourism is one of Kenya's most important sub-sectors under services. Notably the sector has strong linkages to transport, food production, retail trade, and entertainment industry. Over the years, Kenya has remained one of the world's most popular tourism destinations attracting millions of tourists due to her attractive tourist sites (beaches and wildlife), rich culture, striking geographical diversity and landscapes which make it ideal for investment in hospitality. The most popular tourist attractions in Kenya are the wildlife and beaches. Others include museums, snake parks and historical sites. However, many of these resources remain largely unexploited.

Currently Kenya receives over 1.5 million tourist annually and tourist earning of over KSH 95 billion making it one of largest foreign exchange earners for Kenya others being Tea and diaspora remittances. Europe has remained the major tourist source for Kenya over the years accounting for more than 50.0 percent of total tourists in the last five years. The main markets for Kenyan tourism in descending order of visitor numbers are the united Kingdom, the US, Italy, Germany and France. Emerging markets are growing in importance as evidences by continue increase of tourist arrivals from India and China.

The government to increase tourism arrivals from 1.8 million in 2012 to 3 million visitors and tourism earnings from KSh. 96.0 billion in 2012 to KSh. 200 billion in next 5 years through diversification of tourist sources and tourism product.

Opportunities:

- Construction of International Hotel Chains- there is unmet demand for and high occupancy rates in key tourist areas. With normal tourist arrivals, the demand for accommodation exceeds the available bed capacity thus creating a demand for additional bed capacity;
- Investment in Conference Facilities-Kenya has only one large international conference centre (KICC) and given the ever increasing demand for conference and exhibitions, Kenya will require investment in this niche product in within her 3 cities;
- Film Industry; The vast open spaces, under clear blue sky, starry nights and misty moonlights and inviting camp fires offer prime destination for Holly Wood and global film fans. Many world famous films such as Born Free, Walking With Lions, Lion King, among others have so far been shot in the Arid and Semi-Arid Land (ASAL) areas in Kenya;
- Water Sport; Waterways in Kenya have not been fully exploited and developed as a leisure product. Investment is required in the Western Kenya Circuit where the massive Lake Victoria connects the EAC countries and in the coastal region in the Indian Ocean waters;
- Vision 2030 flagship projects: three resort cities, two new resort cities on the coast (North and South) and third one in Isiolo.

14.4. Agriculture and Agro-processing

Agriculture is the mainstay of the economy contributing an annual average of 25 percent GDP and providing livelihood to approximately 75 percent of the population. Agricultural products accounts for 65 percent of Kenya's total exports and accounts for 18 percent of formal employment. Agriculture output grew by 2.9 percent in 2013 against a growth of 4.2 per cent in 2012 as a result of depressed rainfall reducing production of maize, beans, cut flowers and fruits. Kenya's agricultural exports include traditional agricultural exports (tea and coffee) and non-traditional agricultural exports (horticulture). There is considerable scope for diversification and expansion of the agricultural sector through accelerated food crop production, value addition and increase in non-traditional exports.

The second Medium Term Plan (MTPII) of the Vision 20130 will give top priority to increased acreage under in irrigation in order to reduce the country's dependence on rain fed agriculture. A total of 404,800 hectares will be put under irrigation during the plan period. Measures will be taken to mechanize agricultural production, revive cooperatives and farmers unions, and subsidize farm inputs to raise productivity.

Opportunities:

- Establishment of Disease Free Zones (DFZ): Four DFZ will be established to facilitate access of Kenyan meat, leather and leather products to local, regional and international markets. The fi rst zone will be established at the Coast, covering the counties of Kwale, Mombasa, Kilifi , Tana River, Lamu and parts of Taita-Taveta outside the Tsavo National Park. The other three zones will be established in the Laikipia-Isiolo complex and Uasin Gishu and Garissa Counties;
- large irrigation schemes – Irrigation: 404,800 hectares will be put under irrigation by 2017 especially in the Arid and Semi -Arid area in Turkana and Tana Delta;
- Value addition of fruits, cash crop and vegetables – Kenya's competitive advantage as an investment location for the coffee and tea industry.

14.5. Manufacturing

The Vision 2030 recognizes the manufacturing sector as one of the key players in Kenya economic development, not only in terms of its contribution to total output and export earnings, but also in employment creation. Initially the sector was developed under the import substitution policy; there is now a shift to export oriented manufacturing as the main thrust of Kenya's industrial policy. The sector is mainly agro based and plays an important role in adding value to agricultural output and providing forward and backward linkages with agricultural sector. The sector currently accounts for 10 per cent of Gross Domestic Product (GDP).

The sector grew by 4.8 per cent in 2013 (Economic Survey, 2014). The growth was associated with peaceful 2013 general election, stable exchange rate and lower interest rates. The volume of the output grew by 2.6 % in 2013. As at 2013, formal employment in the sector stood at 280,300 people which represents 12.4 % of the total formal employment with additional 2 million people employed in the informal side of the Industry (Economic Survey, 2014)

To achieve the objectives of Vision 2030, a set of key target areas have been identified and specific goals and targets set to steer industrial growth. These include the development of Special Economic Zones (SEZs), Industrial Parks, Industrial Clusters, promotion of small and medium scale manufacturing firms, development of niche products and attraction of strategic investors in strategic sectors, i.e. iron and steel industries, manufacture of fertilizer, agro-processing, machine tools and machinery, motor vehicle assembly and manufacture of spare parts.

The Manufacturing sector is an area where a wide range of investment opportunities exist for direct and joint-venture investments. The identified opportunities abound in agro-processing, manufacture of garments, assembly of automotive components and electronics, manufacture of plastics, paper, chemicals, pharmaceuticals, metal and engineering products for both domestic and export markets.

14.6. Information Communication Technology (ICT)

The 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 national economy of a country. The installation of a broadband backbone connected to three undersea fibre-optic cables (Seacom, TEAM System and EASSY) has significantly improved Kenya's connectivity and prospects for the ICT sector, be it in business process outsourcing (BPO) or the development of IT-enabled services (ITeS). The Government of Kenya has identified Information and Communication Technology (ICT) as a key enabler to the attainment of the goals and aspirations of the Vision 2030. The thrust of the vision with regard to the ICT sector is to transform Kenya into a knowledgeable and information based economy by enabling access to quality, affordable and reliable ICT services in the country.

In 2013, the ICT sector remained vibrant especially in the mobile and internet subsectors. The number of mobile connections rose from 30.4 million in 2012 to 31.2 million in 2013 while that of internet subscriptions rose from 8.5 million in 2012 to 13.3 million in 2013. The amount of money transacted through the mobile money transfer service grew remarkably from KSh 672 billion as at June 2012 to KSh 914 billion as at June 2013. Domestic calls traffic, which entails total call minutes made locally, rose from 27.6 billion in 2012 to 30.0 billion in 2013. Total broadband subscriptions have grown immensely over the last four years owing to the increase in the active mobile broadband, which accounted for 94.0 per cent of the total subscriptions in 2013. Total broadband penetration increased from 2.5 per cent in 2012 to 3.4 per cent in 2013 which are below the African average of 7.4 per cent.

Kenya has enormous potential investment opportunities in the BPO sector:

- Front office including call centers and contact centers;
- Back office including data hosting & archiving, data processing, software development, maintenance & customization and e-commerce;
- KONZA Techno Park, a Vision 2030 flagship project.

14.7. Energy

Energy has been identified as one of the infrastructural "enablers" of the three pillars of Vision 2030. The country is expected to use more energy in the commercial sector as the country moves towards becoming a middle income country by the year 2030. As income increases and urbanization intensifies, household demand for energy will also rise. To meet this demand, several programmes have been put in place by the government.

Kenya's main sources of energy are wood fuel, hydropower, other biomass and fossil fuel. Commercial energy in Kenya is dominated by petroleum and electricity as prime movers of the modern sector of the economy, while wood fuel provides energy needs of the traditional sector including rural communities and urban poor. It is estimated that biomass account for about 70 percent of total primary energy consumption in Kenya. Electricity remains the most sought after energy source by Kenya society. The current sources of electrical power generation are hydro accounting for more than 50 percent, thermal oil, geothermal and wind. The government plans to add 5,000MW of energy in the next five years. As part of this the government has just added 140 MW of electricity generated from geothermal.

Kenya had no known commercial reserves of petroleum until March 2012 when oil was discovered in Northern Kenya, leading to a lot of interest in the sector. A discovery of natural gas was made in Block L8, Lamu, though it was not found to be commercially viable.

Opportunities:

- Generation of electricity using renewable energy such as geothermal, hydro, solar, wind, biomass, biofuels, biogas and municipal waste;
- Energy generation using coal- huge deposits of coal has been discovered in Mui Basin of Kitui;
- Petroleum exploration both on-shore and off-shore;
- Building of hydrocarbon processing and distribution structures such the oil pipeline along LAPSSET.

14.8. Infrastructure

Kenya is banking on infrastructure including roads, rail network, sea ports airports and pipeline to spur private investment. Under Vision 2030 second Medium Term Plan (MTP II), the government seeks to deploy a world class infrastructure facilities and services to reduce the cost of doing business, improve productivity and enhance overall competitiveness of the country. Closing the country's "infrastructure deficit" is an important part of the Jubilee's government plan to attract quality foreign direct investment and expand opportunities for domestic enterprises and Kenyans.

While significant gains have been realized in development of infrastructure over the last 5 years, Kenya global competitiveness is still weak. To address such challenges, the government is pursuing a number of broad goals including accelerating ongoing infrastructure development among others.

Opportunities:

- Expansion of the port of Mombasa;
- Construction of the new Lamu Port in Manda Bay;
- Expansion of the major airports (Nairobi Green terminal, Mombasa, Malindi, Kisumu);
- Building new Airports (Isiolo, Turkana);
- Development of light rail Nairobi and its suburbs;
- Development of LAPSSET;
- Road construction- Government plans to tarmac 10,000 kilometers of Roads across the country in 5 years' through Annuity Financing Framework;
- Upgrade of urban water systems in various towns.

14.9. Wholesale and retail trade

The Trade sector has been identified as one of the key engines of the economy due to its immense contribution to Kenya's GDP and employment creation through trade and investments. The sector's contribution to GDP averaged 10.1 per cent and employed on average 190,000 jobs over the four years. The industry continued to experience considerable growth attributed to increased purchasing power among Kenya's middle class and upper class populations. Other key factors include improved infrastructure, which has facilitated the movement of goods and meant higher quality at lower prices. In addition, the sustained property boom had allowed retailers to establish outlets prime locations near residential neighbourhoods, offering more convenience to consumers. Further, the government has also undertaken licensing reforms by reviewing the regulatory regimes that resulted in the elimination, simplification, consolidation and harmonization of business licenses.

Aggressive competition has promoted great innovation among Kenyan supermarkets. In a bid to promote consumer loyalty and increase revenues, Kenya's nascent supermarket chains are packaging and branding their own private label products. A recent increase in the adoption of online retailing platforms and the enduring popularity of home shopping represent innovative ways in which retailers are maintaining and increasing their value shares. The retail sector is mostly dominated by Kenya companies including Nakumatt, Uchumi, and Naivas among others

Opportunities for investment include;

- Development of Vision 2030 flagship projects such as Building wholesale hub markets and Building Tier-1 retail markets
- Opening of retail shops in Kenya such as supermarkets, hypermarkets and luxury retail (clothing, cosmetics)
- Establish a world class trade centre and a modern exhibition and convention centre
- Internet Retailing
- Establishment of trade logistics such as warehouse

14.10. Transport and logistics

Over the Kenya has seen significant growth in trade volumes. The growing cargo volumes coming into or leaving Kenya through the airports and sea ports is providing a huge opportunity for players in the freight, storage, distribution and clearing and forwarding market. The value of total merchandise exports grew by 48 per cent between 2008 and 2012 while imports increased from KSh. 770.7 billion in 2008 to KSh. 1.37 trillion in 2012 representing 78.3 per cent increment. Most of the imports are capital goods or raw materials for industrial production while exports consist of agricultural products. In addition, the government continues to invest heavily on transport infrastructure to improve the efficiency of moving goods across the country and into the region

This has attracted multi-billion Shilling investments in Kenya's transport and logistics industry in the past years, opening a turf war between local and international firms seeking a share of the growing business. With continued development of roads, railway, water and air transport networks and growth in trade, it is expected that more players would be attracted into logistics industry. Currently, Kenya Airways, SAUDI Airlines Cargo Company, Aramex, Transglobal Cargo Centre, Swissport Cargo Services and DHL are among the big players in the logistics business. Opportunities exist in:

- Set up cargo handling facilities
- Airline freight routes targeted at the Kenyan market
- Cargo storage warehouses

- Road cargo transport to serve the LAPSSET corridor
- Railway cargo transport especially with the completion of the standard gauge railway
- Acquisition of local courier firms

14.11. Mining and minerals

Though Kenya is not generally known as a mining investment destination, recent developments have proven that the country actually holds a significant potential for mineral development, and is largely unexplored. Kenya mining industry is dominated by production of non-metallic minerals such as soda ash, fluorspar, cement, coloured gemstones and gold among other minerals, the two later mainly from artisan mining activity.

Major mineral sand deposits like titanium ores – titanium, ilementine and zircon – have been discovered along the coast. Significant concentrations of Coal deposits exist in the Mui Basin. Recent discoveries of oil in the Tertiary Rift Basin and gas in one of the offshore wells of Lamu Basin indicate the existence of viable quantities of oil and gas and the potential of the country becoming an oil and gas producing nation. To this end extortion and exportation of titanium started with first shipment being done in 2014.

The sector currently accounts for a very small part of Kenya's annual GDP at 1 per cent and 3 percent of export revenues. In 2013, mineral output expanded by 4.7 per cent from 1,454.8 thousand metric tonnes in 2012 to 1,522.7 thousand metric tonnes in 2013. Soda ash production rose by 4.2 per cent to 468,215 tonnes in 2013 spurred by increased external demand. The Kenya Government is currently putting in place a Mining Policy and revising its outdated Mining Act in order to encourage development of the mineral industry in the country.

Opportunities include:

- Petroleum exploration both on-shore and off-shore
- Mineral exploration and extraction
- Investment in mining logistics and related infrastructure

14.12. Health Sector

The Constitution through the Bill of Rights puts a heavy responsibility on the health sector to ensure realization of right to health. The goal for the health sector is to provide equitable, affordable and quality health care to all citizens. As part of efforts to develop the sector, the government has developed the Health Sector PPPs Strategy. The Strategy provides a number of investment opportunities in health service provision involving a private sector partner having management control of public hospital in order to get return on investment at rate that does not hamper access.

The Vision 2030 recognizes role of private sector in improving the delivery of health care in partnership with the public sector. With support of private sector, Kenya intends to become the regional provider of choice for highly-specialized health care, thus opening Kenya to 'health tourism'. Kenya growing middle class population which is increasingly able to pay for better health services and pharmaceutical products has contributed significantly in development of the sector. The health sector has experienced remarkable development in recent years with the country spending about 7% of the GDP on health. In addition Kenya earns an estimated 30 million U.S. dollars from 3,000 foreigners who visit the country annually to seek medical services. Likewise, an estimated 10,000 Kenyans spend 100 million dollars on specialized treatment overseas annually.

OPPORTUNITIES FOR INVESTMENT IN THE HEALTH SECTOR IN KENYA

The government of Kenya is has developed the Health Sector PPPs Strategy. The Strategy provides a number of investment opportunities in health service provision involving a private sector partner having management control of public hospital in order to get return on investment at rate that does not hamper access.

Other PPPs -related investment opportunities are telemedicine; referral or sharing of medical resources; local manufacture of generic drugs, adjusting products to meet unmet demand; creating new model for mobile; remote and home based health care; and creating new opportunities around rapid penetration of mobile phone technology.

Kenya earns an estimated 30 million U.S. dollars from 3,000 foreigners who visit the country annually to seek medical services. Likewise, an estimated 10,000 Kenyans spend 100 million dollars on specialized treatment overseas annually.

- Make Kenya a regional health services hub
  The Vision 2030 recognizes role of private sector in improving the delivery of health care in partnership with the public sector. With support of private sector, Kenya intends to become the regional provider of choice for highly-specialized health care, thus opening Kenya to 'health tourism'. The term health tourism includes spa and gym, naturopathy, yoga, meditation and many other mental and physical exercises and treatments that are beneficial for health and rejuvenation. Kenya has plenty of geothermal mineral water springs (in Rift Valley province and parts of Western province) whose mineral contents have the potential for the development of health spas to serve as curative centers as well as tourist attractions. The most significant hot water springs are found in the following places: around lakes Bogoria and Baringo. The two lakes are 345 Km from Nairobi and are within National Game Parks; around Lake Turkana which sits at the borders of Kenya, Ethiopia and Sudan; Olkaria and Eburu near Lake Nakuru which is famous for flamingos; and Simbi on the shores of Lake Victoria. The area is close to Maasai Mara Game Reserve renowned for its wildlife. Beside health tourism, there is medical tourism. Medical tourists are broadly defined as people who seek quality treatment abroad, or in a neighboring state where the cost is significantly lower, leaving them with enough money to tour the host country as part of their recuperation. Kenya is steadily catching up with development of new medical facilities; a local private hospital is already pioneering medical tourism in Kenya and has upgraded infrastructure and equipment, and is now able to perform, at a fraction of the cost, many procedures that previously could only be done in South Africa, the West or India.

- Pharmaceutical and medical equipment manufacturing
  The Kenyan pharmaceutical market is booming as a result of a growing population that is increasingly able to pay for

better health services and pharmaceutical products. The health sector has experienced remarkable development in recent years with the country spending about 7% of the GDP on health. The rapid growth of the pharmaceutical market in the region has presented the need to increase quantity of production, and also increase the export ratio for quality products. More prospective opportunities lie in the expansion of product portfolio, search for new markets, and support for medical research. The rapid growth of the pharmaceutical market in the region has presented the need to increase quantity of production, and also increase the export ratio for quality products. Kenya is currently the largest producer of pharmaceutical products in the Common Market for Eastern and Southern Africa region, supplying about 50% of the region's market. Out of the region's estimated 50 recognized pharmaceutical manufacturers, 30 are based in Kenya. The industry has a strong multinational heritage, with many foreign firms maintaining significant operations.

- Health services provision
  The private sector's complements the government in improving access to health care. There are 6,190 health facilities in Kenya, 48% of these facilities are manned by government while 34% by private enterprises. In essence, the country has the largest private health care segment in the region and holds significant potential for financial returns. Opportunities can be found in inpatient and outpatient 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 attracts patients as well as experienced staff. High volume, low cost hospitals usually located in high density areas targeting low income earners also offer high returns.
  Private hospitals can achieve local accreditation as training institutions for nurses, midwives and laboratory technicians; and large multidiscipline universities.

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

14.13. Education Sector

Kenya views Education and Training (E&T) as the primary means of upward social mobility, national cohesion and socioeconomic development. Kenya Vision 2030 places great emphasis on the link between E&T and the labour market, the need to create entrepreneurial skills and competencies, mainstreaming natural values in E&T and strong public and private partnerships. As part of development of education sector in Kenya, free primary education was introduce in the year 2003. This has seen the number of pupils increase from 8.56 million in 2008 to 9.97 million in 2012. The number of secondary schools increased from 6,566 in 2008 to 8,197 in 2012. Enrolment grew from 1.3 million in 2008 to 1.9 million below the target of 2.2 million in 2012.

Kenya's university education system continues to evolve through on-going reforms and other emerging issues in the provision of education. Challenges and opportunities created by the internationalization and cross-border university education are already impacting on the education sector. Accredited universities in Kenya include 22 public universities, 9 public constituent colleges, 17 private chartered universities, 5 private university constituent colleges and 13 institutions with letter of interim authority.

The national blueprint, Vision 2030 and the National Constitution places emphasis on management of knowledge, raised productivity and efficiency, with the aim of transforming Kenya to knowledge based economy. Free primary education was introduce in the year 2003 to increase literacy levels. In 2014 2014 the government initiated the laptop project to class one pupils. Some of the key opportunities in the education sector in Kenya are highlighted below:

- Establishing of the Open Distance Education in existing Universities
- Expanding facilities and training equipment in newly created University colleges
- Training of faculty staff at Masters and PhD levels especially in Science Technology and Innovation
- Expansion of TVET at National, County and Constituency level particularly; technical training institutes, institutes of technology, Vocational Training Centres, national polytechnics and technical universities.
- Provision of ICT equipment, software's and expertise relevant for integration to ICT
- Establishes of specialized Technical Training College in areas of National priority ie petroleum, mining
- Establish centre's of Excellence in Biotechnology Research
- Developing core technologies and innovation to drive economy growth
- Establishment of National Physical Science Research Laboratory for Engineering and New Production technologies
- Rolling out of the Space Science and Technology Kenspace programme
- Establishment of a Centre for Nuclear Research for Peaceful applications

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