East Africa's commercial hub welcomes investors

Kenya's strengths offering vast business opportunities

Kenya has long recognized the benefits of inward investments and has welcomed overseas companies looking to do business in and with Kenya for decades. With its stable, pro-business government, and access to lucrative markets, Kenya is a perfect investment destination for Chinese investors.

As the strongest economy in East Africa, the safari kingdom offers a sizeable domestic market of more than 30 million people. A member of the East African Community (EAC), it is also within easy reach of a population of 120 million comprising five states and backed by a Customs Union protocol. The EAC came into effect in January 2005, and is expected to form a political federation by 2013.

Kenya is also a part of the Common Market for Eastern and Southern Africa, with a population of more than 385 million consumers. The country also celebrates a World Trade Organization-compatible Economic Partnership Agreement with the European Union, which provides instant access to European Markets, and the Tokyo International Conference on African Development for the Asian market.

As he looks forward to achieve the Vision 2030 goals, Wycliffe Oparanya, Minister of State for Planning, National Development and Vision 2030 invites investors, on behalf of the government, to look at what it has to offer.

"Vision 2030 is our window of opportunity to achieve transformation in Kenya and is about where we want to be in the future. There are ample opportunities available in key sectors of the economy."

Robust private sector

By African standards, Kenya has a well-established and mature private sector, including a significant number of foreign investors, and has been slated as one of the most resilient economies in the world.

The domestic private sector has been concentrated in certain kinds of manufacturing (mainly food-related) for both the domestic and the regional markets.

Foreign direct investment has played a key role in the horticulture industry (for export to the European Union) and certain service areas: transport, tourism and mobile communications, for example.

A strategic location

With a 536-km-long coastline on the Indian Ocean, and excellent air links, Kenya benefits from its geographical position within East Africa.

> **"Vision 2030 is our window of opportunity to achieve transformation in Kenya and is about where we want to be in the future. There are ample investment opportunities."**
>
> WYCLIFFE OPARANYA
> MINISTER OF STATE FOR PLANNING, NATIONAL DEPT AND VISION 2030

The country — and specifically Nairobi — stands as a major transport hub for East Africa, with Nairobi's Jomo Kenyatta International Airport (JKIA) the hub of East African air transport. JKIA has connections to many international cities, and with a convenient time zone (GMT+3), Kenya is well placed to position itself as a leading destination for call center, business process outsourcing (BPO), software development and other related activities.

Nairobi is the undisputed transportation hub of Eastern and Central Africa and the largest city between Cairo and Johannesburg.

Mombasa, Kenya's premier seaport, has also served as a major distribution hub for the lucrative East African market by providing connections to landlocked neighboring nations.

The port of Mombasa is linked to the world's major ports with over 210 sailings per week to ports in Asia, Europe, North and South America, the Middle East, Australia and rest of Africa, and is the most important deep-water port in the region, supplying the shipping needs of more than a dozen countries.

Kenya is connected to all the East African countries by the Transafrica Highway and has an extensive road network that connects to all the major commercial cities.

Liberal economy

Kenya has fully liberalized its economy by removing all obstacles that previously hampered the free flow of trade and foreign private investment.

Exchange controls, import and export licensing, and restrictions on remittances of profits and dividends, now no longer exist, creating the necessary environment to attract foreign investment. The government is taking further steps to create an enabling environment for both foreign and local investment.

Skilled workforce

Kenya prides itself on its large pool of professional workers, trained both within the country and at institutions in Europe, North America, Australia, and other parts of the world.

Kenya is known for producing well-educated professionals that are fluent in English and highly trained in various fields. The country also holds the distinction of having the highest number of university and college educated English-speaking professionals in East Africa.

This pool of educated and skilled manpower have made the country the manufacturing, commercial and financial hub in Eastern and Central Africa.

An artistic impression of Nairobi as it will look by the year 2030.

Kenya has a well-developed education system, with most of the teaching undertaken in English. There are 11 universities, 4 polytechnics, 41 technical training institutions, and several management-training institutions across the country.

Information technology (IT) degrees are offered by most of Kenyan universities, while diploma courses are also offered by both the public and private sector technical and management training institutions.

Kenya therefore has skilled personnel in the IT profession, including computer programmers, software developers, hardware maintenance engineers, systems analysts, and IT consultants. The Kenyan government has also started training its own staff on IT related subjects and proposes mainstreaming of IT training within all schools, colleges and universities.

High-ranked for business

The Vision 2030 objective focuses on a plethora of a new and lucrative investment opportunities and openings in agriculture, tourism, manufacturing, wholesale and retail trade, IT and BPO, financial services, energy, mining construction and infrastructure.

With business-friendly regulatory reforms — the 2008 World Bank Doing Business survey ranks Kenya among the top ten reformers in the world) for improving the regulatory framework — Chinese investors can rest assured that investing in Kenya is as safe and hassle-free as possible.

Investors are free to choose 100 percent ownership, although public private partnerships, particularly in certain infrastructural projects, are encouraged. Foreign investments in the telecommunications and insurance sectors may also be subject to specific requirements on the percentage of ownership.

Funded by the government, and headed by MD Susan Kikwai, Kenya Investment Authority (KenInvest) demonstrates the government's commitment to attracting inward investments by providing free, confidential services to prospective investors.

With a mission "to provide exceptional services to attract, facilitate, retain and expand investments in Kenya, KenInvest provides support to foreign and domestic companies looking to set up or expand in Kenya, by offering a fully integrated advisory service, assistance in acquiring licenses and requisite entry permits. It can also help with after-care support.

Specific services include:

- Key information on regulatory factors;
- Issuance of the investment certificate that facilitates immediate start of business, which is free of charge and takes around one to three days to administer, providing all business documents are present;

> **"Our team of accomplished and experienced experts can advise on sources of funding and land availability, and foreign companies may freely transfer profits after complying with tax regulations."**
>
> SUSAN KIKWAI
> KENYA INVESTMENT AUTHORITY MD

- Key information on location factors and business opportunities;
- Sector information and introduction to key sector networks;
- Support to build collaborative partnerships with Kenyan businesses;
- Continued support to companies once they have established.

The constitution of Kenya guarantees protection of the investment. Additionally, if the investment is from a country that has signed an investment promotion and protection agreement with Kenya, then there will be additional protection guarantees in the Agreement.

The Foreign Investment Protection Act guarantees against expropriation of private property by government. Kenya is a signatory to and Member of the Multilateral Investment Guarantee Agency, an affiliate of the World Bank, which guarantees investors against loss of investment to political problems in host countries.

Kenya is also a signatory to the International Center for Settlement of Investment Disputes, which is a channel for settling disputes between foreign investors and host governments.

"KenInvest's team of accomplished and experienced experts can advise on sources of funding and land availability, and foreign companies may freely transfer profits after complying with tax obligations," Kikwai said.

Setting up a company in Kenya also couldn't be easier, with the same procedures applied to local and international investors. There are four different types of Kenyan registered companies:

- Private company limited by shares — the members' liability is limited to the amount unpaid on shares they hold;
- Private company limited by guarantee — the members' liability is limited to the amount they have agreed to contribute to the company's assets if it is wound up;
- Private unlimited company — there is no limit to the members' liability;
- Public company limited by shares — the company's shares are offered for sale to the general public through a stock exchange and the members' liability is limited to the amount unpaid on shares held by them;
- Other business entities include: partnerships, limited partnerships, and limited liability partnerships.

Getting going

KenInvest will facilitate approvals of prospective investment projects which have the details submitted on a prescribed application form issued by the authority.

The project must comply with environmental, health and security standards set in the pertinent Kenyan laws. KenInvest will then issue an investment certificate to all projects that are ready to start operations and have complied with the standards above.

There are a number of tax-based incentives available in Kenya, mainly covering exemptions from duty and VAT on capital equipment and machinery to be used in the investment project.

Incentives are granted on a case-by-case basis and are approved by the Ministry of Finance.

New-Look NEPAD embraced by Kenyan officials

Having spent valuable time researching and re-evaluating its role, the New Partnership for Africa's Development (NEPAD) is now even newer, and back with a wider mandate and a clearer framework.

Grace Ongile, chief executive, NEPAD Kenya Secretariat

The development body, launched by the Organization of African Unity — an earlier version of the African Union (AU) — in 2001, has been given a complete overhaul and will now focus more prominently on sourcing funds and implementing economic, social and political projects.

The former Nepad organization was largely seen as unwieldy and difficult to manage, but the NEPAD Coordinating and Planning Agency, formed in February, aims to rectify this by bringing all 20 NEPAD member countries under its supervision.

As Grace Ongile, the NEPAD Kenya Secretariat's chief executive explains, NEPAD's newly defined powers will allow its directives to be more coordinated and inclusive and the NEPAD member countries to be more accountable and proactive.

"Now NEPAD is under the AU umbrella, working in harmony and not apart from the AU, it will be discussed at every AU meeting. It will be able to strengthen its knowledge, information, sharing and research, which means it will work more effectively with the international community, and therefore attract more funding.

"The new NEPAD will have muscles and teeth: it will be much stronger."

> **"The new NEPAD will work more effectively within the international community. It will have muscles and teeth: it will be much stronger."**
>
> GRACE ONGILE
> CHIEF EXECUTIVE, NEPAD KENYA SECRETARIAT

NEPAD's primary objectives are to eradicate poverty; to place African countries, both individually and collectively, on a path of sustainable growth and development; to halt the marginalization of Africa in the globalization process and enhance its full and beneficial integration into the global economy and to accelerate the empowerment of women.

Ongile notes: "If we don't get the governance right, everything we talk about will go down the drain. Given our mandate of poverty alleviation, marginalization of the continent, enhancing women's voices, this transformation needs to be put into a context of frank speaking, and remain relevant to the country, the region and Africa.

"Knowledge and information sharing are of key importance in terms of infrastructure and agricultural policy. We will be working across all ministries to achieve our Vision 2030 goals," Ongile states.

"The NEPAD Kenya Secretariat, which comes under the Ministry of Planning, has a new African Peer Review Mechanism with a 16-member council that will guide the process here."

In Kenya, the primary focus will be on agriculture, a sector that still receives less than the investment target of 10 percent of the national budget as mandated in 2004.

"Agriculture is critical to the development of the country, for our food security, and we must ally with Malawi to see how we can turn this around. Other practical programs in hand are connected to infrastructure.

"Whether we are talking about the Kenyan/Ugandan oil pipeline, the Port of Mombasa, Lake Victoria or highway linkage s to Ethiopia and Sudan from the north of Kenya, the future will rely on the economic regional community."

The CEO is hopeful about the potential for links with Chinese investors and businesses to make these projects a reality. "Business is very straightforward with China, but it is important that the skills and technology set is passed on to our people," she says. "I went to China last year, and was extremely impressed with the infrastructure there."

NEPAD lists the following as priority sectors: Agriculture & Food Security, Infrastructure (Water & Sanitation, Transport, Energy, ICT), Human Resources Development (Education and Health), Science and Technology, Trade and Market, Access Environment and Climate Change, and Culture and Tourism, Governance and Capacity Development and Gender Development.

NEPAD Kenya Secretariat
Liaison House 4th Floor, State House Avenue, P.O. Box 46270-00100, Nairobi
Tel: +254 20 2733735/42 | Fax: +254 20 2733725
info@nepadkenya.org | www.nepadkenya.org

NEPAD

Ten more reasons to invest in Kenya

1. Manufacturing Under Bond Program, guaranteeing 100 percent investment allowance and duty and VAT exemption on machinery, equipment and raw materials.

2. Export processing zones:
- 10-year tax holiday
- Duty and VAT exemption
- Single license
- Exemption from stamp duty
- Exemption for withholding tax
- 25 percent corporate tax for 10 years after the first 10 years expire
- 100 percent investment allowance.

3. Duty remission — exemption on duties and VAT on raw materials used to manufacture exports.

4. Liberal depreciation rates based on book value.

5. Capital expenditure, where
- Duties paid for capital expenditure in excess of $70,000 can be recovered from corporate tax.
- Capital goods and basic raw materials are zero-rated.

6. Tourism
- Investments in tourist hotels can apply for waiver of duties and VAT.
- 100 percent investment allowance for new investments in manufacturing and tourist hotels.

7. 25 percent corporate tax for companies issuing initial public offers in the Nairobi Stock Exchange.

8. The most developed stock market in the Eastern and Central Africa region including the NSE.

9. Great place to live: Kenya has a modern and vibrant social and economic fabric.

10. Kenyan people are known for being warm and hospitable, and English is widely spoken both in formal and informal situations.