DOING BUSINESS IN KENYA
2005

KENYA

EXPORT PROCESSING ZONES AUTHORITY

Export Processing Zones Authority
Administration Building
Athi River EPZ, Viwanda Road
Off Nairobi - Namanga Highway
P.O Box 50563, 00200 Nairobi
Kenya
Tel: 254 45 26421-6
Fax: 254 45 26427
Web: www.epzakenya.com
Email: info@epzakenya.com

For more information contact:

Evelyn Noah
Promotion Executive
Export Processing Zones Authority
Administration Building
Athi River EPZ, Viwanda Road
Off Nairobi - Namanga Highway
P.O Box 50563, 00200 Nairobi
Kenya
Tel: 254 45 26421-6
Fax: 254 45 26427
Email: enoah@epzakenya.com

Margaret Waithaka
Manager, New Investment Department
Export Processing Zones Authority
Administration Building
Athi River EPZ, Viwanda Road
Off Nairobi - Namanga Highway
P.O Box 50563, 00200 Nairobi
Kenya
Tel: 254 45 26421-6
Fax: 254 45 26427
Email: mwaithaka@epzakenya.com

This report was prepared by:

PKF Consulting Ltd Kalamu House, Waiyaki Way P.O. Box 47323, 00100 Nairobi, Kenya Tel: (254-20) 4446616-9 Website: www.klsa.net	International Research Network 4th Floor, Corner Plaza, Westlands P.O. Box 11445, 00400 Nairobi, Kenya Tel: (254-20) 3741342 Website: www.irn.co.ke

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Abbreviation

ACP	-	African, Caribbean and Pacific
AGOA	-	African Growth and Opportunities Act
APRM	-	African Peer Review Mechanism
BBC	-	British Broadcasting Corporation
BOP	-	Balance of Payment
CBIK	-	Centre for Business Information in Kenya
CCE	-	Central and Eastern Europe
CCK	-	Communication Commission of Kenya
CMA	-	Capital Markets Authority
CNN	-	Cable News Network
COMESA	-	Common Market for Eastern and Southern African
DRC	-	Democratic Republic of Congo
EAC	-	East African Community
EACB	-	East Africa Currency Board
EADB	-	East Africa Development Bank
EPC	-	Export Promotion Council
EPZA	-	Export Processing Zones Authority
ERB	-	Electricity Regulatory Board
EU	-	European Union
FDI	-	Foreign Direct Investment
FIPA	-	Foreign Investment Protection Act
FOB	-	Free on Board
FTA	-	Free Trade Area
GDP	-	Gross Domestic Product
GSP	-	Generalised System of Preferences
HBI	-	Housing Bond Interest
HIPC	-	Highly Indebted Poor Counties
ICDC	-	Industrial and Commercial Development Corporation
ICIPE	-	International Centre of Insect Physiology and Ecology
ICSID	-	International Centre for Settlement of Investment Disputes
IDF	-	Import Declaration Forms
IHS	-	International Harmonized System
IPC	-	Investment Promotion Centre
IPR	-	Intellectual Property Rights
ISO	-	International Standard Organisation
IT	-	Information Technology
JKIA	-	Jomo Kenyatta International Airport
KAM	-	Kenya Association of Manufacturers
KEBS	-	Kenya Bureau of Standard
KENGEN	-	Kenya Electricity Generating Company
KEPHIS	-	Kenya Plants Health Inspectorate Service
KIPI	-	Kenya Industrial Property Institute
KNCCI	-	Kenya National Chamber of Commerce & Industry
KPA	-	Kenya Ports Authority
KPLC	-	Kenya Power and Lighting Company
KRA	-	Kenya Revenue Authority
KShs	-	Kenya Shillings
KSMS	-	Kenya School Of Monetary Studies
KTDC	-	Kenya Tourist Development Corporation
KWS	-	Kenya Wildlife Services
LDC	-	Least Developed Countries
LPG	-	Liquid Petroleum Gas
M&A	-	Mergers and Acquisitions
MUB	-	Manufacturing Under Board
NARC	-	National Rainbow Coalition
NCPB	-	National Cereals and Produce Board
NEPAD	-	New Partnership for Africa's Development
NHIF	-	National Health Insurance Fund

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NSE	-	Nairobi Stock Exchange
PAYE	-	Pay As You Earn
PTA	-	Preferential Trade Area
RILO	-	Regional Intelligence Liaison Office
TNC	-	Transnational Corporations
TREO	-	Tax Remission for Exports Office
UNCTAD	-	United Nations Conference on Trade and Development
USA	-	United States of America
VAT	-	Value Added Tax
WCO	-	World Customs Organisation
WTO	-	World Trade Organisation

Annual Average Exchange Rates (KShs to US$)

Year	**Rate**
1999	70.3
2000	76.2
2001	78.6
2002	78.4
2003	75.9
2004	80.0 (As at 31st August 2004)

For latest rates click on http://www.centralbank.go.ke/cbk/FXrates/archives.html

KENYA

1 BRIEF OVERVIEW OF THE BUSINESS ENVIRONMENT

Located in East Africa, Kenya lies on the Equator bordered by Somalia, Ethiopia, Sudan, Uganda, Tanzania and the Indian Ocean. It covers an area of some 592,909 sq. km and has a population of approximately 30 million people. Much of the country, especially in the north and east, is arid or semi-arid. Kenya is essentially an agricultural economy mainly dealing in horticulture and crops like coffee and tea.

The country has been politically stable since it gained its independence in 1963, and the recent peaceful transition of power to the new administration has been widely praised as an impressive example of African democracy in action. The landslide victory of President Mwai Kibaki and the National Rainbow Coalition (NARC) in presidential and legislative elections in December 2002 marked the beginning of a new political era by ending almost four decades of one-party rule. The new administration has embarked on policies that focus on economic development, building up the country's infrastructure and generating employment. The peaceful transition in 2002 demonstrated Kenya's stability and political maturity. Further, a number of organizations and governments have based their regional headquarters in Nairobi.

Moves to liberalize the economy taken over the last ten years have laid the groundwork for an investment-friendly environment in Kenya. The economic recovery strategy is targeted to achieve an 8% growth rate and industrial status for Kenya by 2025, creating 500,000 jobs a year in the process. The Central Bank of Kenya has pledged to pursue "a stable monetary policy, which accommodates the highest economic growth rate possible", while keeping inflation low and stable.

Kenya is an important player in East Africa. Strategically placed, with a major port, Mombasa, and well-developed financial markets, the country has the makings of a regional services hub in banking, information and transportation.

The country's membership in the East African Community (with Tanzania and Uganda) and the Common Market for Eastern and Southern Africa (COMESA) makes it an attractive base for foreign investors and companies looking to access the East and Central African market. Through Kenya, an investor can access the COMESA market with over 380 million people.

Kenya and the three East African countries recently signed the protocol on the East African Customs Union creating a common external tariff to be applied to goods imported from outside the region and also harmonized the tariff rates between them. This is one of the 3 steps towards an eventual political union of the three East African countries.

Exports from Kenya also enjoy preferential access to both the United States and the European Union. Considerable effort has been made to take advantage of opportunities offered by the African Growth and Opportunity Act (AGOA) to penetrate the US market. Analysts say AGOA is responsible for over $125 million in new investments in Kenya and the creation of over 30,000 new jobs. Major Kenyan products that qualify for duty-free access under AGOA include textile, leather and processed agricultural products. Indeed, textile and apparel products have become Kenya's dominant export category to the United States, and more than tripled to $188 million in 2003 from $64 in 2001.

The Kenya government is taking various steps to create an enabling environment in order to encourage both foreign and domestic investment in line with the economic recovery strategy paper, which is based on the twin concepts of democracy and empowerment:

- Democracy shall be nurtured by upholding the rule of law, promoting a sense of inclusiveness in government policy and decisions and enhanced national security. This will serve to create an enabling environment for doing business in Kenya.

- Poverty leaves people vulnerable to political manipulation, accepting policies and practices injurious to their long-term interests. Economic empowerment makes them responsible for their destiny.

As a member of NEPAD (New Partnership for Africa's Development), Kenya has shown its commitment to good governance by being one of the first members of NEPAD to accede to the Peer Review Initiative of NEPAD. The African Peer Review Mechanism (APRM) is an instrument voluntarily acceded to by Member States of the African Union as an African self-monitoring mechanism. The primary purpose of the APRM is to foster the adoption of policies, standards and practices that lead to political stability, high economic growth, sustainable development and accelerated sub-regional and continental economic integration through sharing of experiences and reinforcement of successful and best practice, including identifying deficiencies and assessing the needs for capacity building.

As part of their efforts to increase Kenya's competitiveness as an investment destination, the Government has also embarked on rebuilding the dilapidated infrastructure to encourage both domestic and foreign investment. Parts of these efforts have involved streamlining the operations of each of the important sectors in the economy including transport, energy, road and railway infrastructure etc. Kenya still has one of the best-developed business infrastructures in the East and Central African region.

2 THE KENYAN ECONOMY

2.1 Key economic indicators

Table 1: Key Economic Indicators, 1999-2003

	1999	2000	2001	2002	2003
Real GDP growth rate (%)	1.4	-0.2	1.2	1.2	1.8
Real GDP (KShs m)	103,702	103,456	104,697	105,900	107,806
GDP @ factor price (KShs m)	637,362	686,159	772,893	850,910	968,423
GDP @market price (KShs m)	740,330	795,973	895,279	969,354	1,091,640
Total exports (KShs m)	122,559	134,527	147,590	169,283	183,153
Total imports (KShs m)	206,401	247,704	290,108	257,710	281,843
Balance of trade (KShs m)	-	-113,277	-142,518	-88,427	-98,690
Current Account (KShs m)	-6,875	-15,512	-24,969	4,727	4,856
Overall BOP (KShs m)	-411	-8,244	-13,072	-251	-31,236
GDP Per capita (KShs m)	22,207	22,943	22,093	26,998	30,075
Gross Fixed Capital Formation (KShs m)	112,961	116,368	123,078	124,313	136,566
Money Supply M3 (KShs m)	312,116	314,686	322,326	350,733	396,968
Mean exchange rate (KShs/ US$)	70.3	76.2	78.6	77.10	76.13

Source: Economic Survey 2004 prepared by Central Bureau of Statistics, Ministry of Planning & National development.

2.2 Structure of the economy

2.2.1 Agriculture

Agriculture accounts for about 24 per cent of the Gross Domestic Product and continues to dominate the Kenyan economy. The country has varied ecological zones; a wide range of crops are cultivated and livestock reared. Traditionally, the biggest foreign exchange earners have been tea and coffee, but tourism and horticulture are becoming increasingly important. Consignments of fresh vegetables, fruits and cut flowers are air freighted daily to various destinations around the world.

Table 2: Gross Domestic Product Sector Shares at Constant (1982) Prices, (1999 - 2003)

Percentages

	1999	2000	2001*	2002*	2003**
A. NON-MONETARY ECONOMY					
Forestry	0.7	0.7	0.8	0.8	0.8
Fishing	0.0	0.0	0.0	0.0	0.0
Building & Construction	1.6	1.6	1.6	1.6	1.6
Water Collection	0.6	0.6	0.6	0.6	0.7
Ownership of Dwellings	2.6	2.7	2.7	2.7	2.7
TOTAL NON-MONETARY ECONOMY	**5.6**	**5.6**	**5.7**	**5.7**	**5.8**
B. MONETARY ECONOMY					
1. **ENTERPRISES & NON-PROFIT INSTITUTIONS**					
Agriculture	24.5	24.1	24.1	24.0	23.9
Forestry	1.4	1.3	1.3	1.3	1.3
Fishing	0.3	0.3	0.3	0.3	0.3
Mining & Quarrying	0.2	0.2	0.2	0.2	0.3
Manufacturing	13.2	13.1	13.0	13.0	13.0
Building & Construction	2.4	2.4	2.4	2.3	2.4
Electricity & Water	1.0	1.0	1.0	1.0	1.0
Trade, Restaurants & Hotels	12.5	12.7	12.6	12.7	12.6
Transport, Storage & Communications	6.0	6.1	6.2	6.3	6.3
Finance, Insurance, Real Estate & Business Services	10.5	10.6	10.6	10.5	10.5
Ownership of Dwellings	5.5	5.7	5.7	5.7	5.7
Other Services	3.4	3.5	3.5	3.5	3.5
Less: Imputed Bank Service Charges	4.0	4.1	-4.1	-4.2	-4.0
TOTAL	**77.1**	**76.6**	**76.8**	**76.8**	**76.7**
MONETARY ECONOMY					
2. PRIVATE HOUSEHOLDS (DOMESTIC SERVICES)	2.8	2.9	2.9	3.0	3.0
3. PRODUCERS OF GOVERNMENT SERVICES	14.5	14.7	14.6	14.6	14.5
TOTAL MONETARY ECONOMY	**94.4**	**94.4**	**94.3**	**94.3**	**94.2**
TOTAL NON-MONETARY AND MONETARY ECONOMY	100.0	100.0	100.0	100.0	100.0

Source: Economic Survey 2004 prepared by Central Bureau of Statistics, Ministry of Planning & National Development.

* *Revised*
** *Provisional*

2.2.2 Manufacturing

Kenya's industrial sector has grown substantially over the years and contributed about 13 per cent of the Gross Domestic Product as at the year 2003. The manufacturing sector is composed of medium and large-scale enterprises with major foreign multinational companies from the European Union, United States of America, and Asia.

2.2.3 Tourism

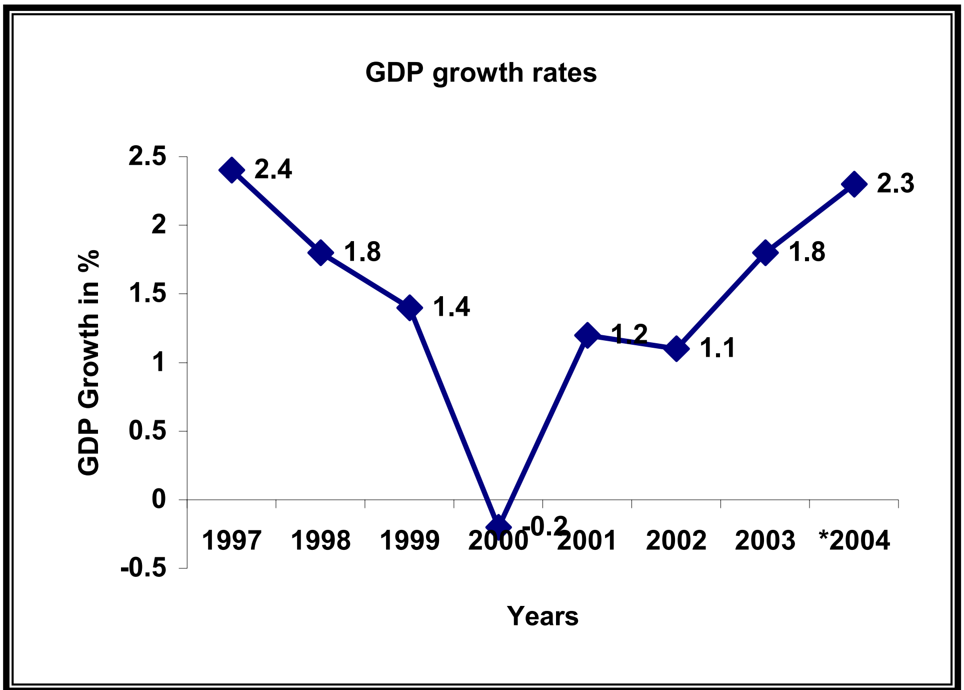
Kenya has rich tourist attractions and over the years, tourism has overtaken agricultural products (tea, coffee and Horticulture) to be the highest foreign exchange earner. Recently travel advisories, specifically by the United States of America, have largely been ignored and it is predicted that the number of tourists to the country will hit 1 million as a result of efforts by the government, the Kenya Tourist Board and the private tourism industry investors to aggressively market the country both locally and internationally, changing the traditional tourist sources to the far east and China. The earnings by tourism sector grew by 4.4% from KShs. 21,734 million in 2002 to 22,698 million in 2003.

2.3 Gross Domestic Product growth

After posting a GDP growth rate of 1.1 per cent in 2000 and 1.2 per cent in 2002, the Kenyan economy showed signs of recovery by posting a real growth of 1.8 and 2.6 per cent in 2003 as shown in *Chart 1*. The growth emanated mainly from the major sectors of the economy, namely agriculture, manufacturing, building and construction, Government services and finance, real estate and business services.

The economy is projected to grow at a rate of about 2.3 per cent in 2004 despite external setbacks, such as the high oil prices and drought, as the economic indicators are positive. This is supported by the fact that in the first ten months of 2004, cement consumption increased by 10 per cent, energy consumption went up by 8 per cent, while oil consumption rose by 9 per cent and private sector borrowing also increased by 18 per cent.

Chart 1: GDP Growth Trend, 1998 - 2004



*Source: Central Bureau of Statistics 2004 Economic Survey. *Projections*

Kenya enjoyed strong economic growth from independence until the 1970s. The average GDP growth rate declined from 6.5 % between the 1960s and the 1970s to 1.8 % in 2003, below sub-Sahara region's (outside South Africa) average of 3.6%.

Kenya's economy is reasonably diversified, though most employment is dependent on agriculture, which contributes approximately 24% of GDP. This sector recorded a positive growth of 1.5 % for the year 2003. Kenya is the second largest exporter of tea, which, together with horticultural products, contributed 50.8% of total export earnings for the year 2003. Tourism accounts for another 19% of Kenya's GDP, and is the second most important source of foreign exchange. The industrial sector contributes only 18% of GDP, and is a growing source of exports in the East African region.

A comparison of Kenya's GDP growth rate to selected African countries and regions is summarized in the Table 3 below.

Table 3: Real GDP and Consumer Prices for selected African Countries

	Real GDP					Consumer Price				
	2001	2002	2003	2004	2005**	2001	2002	2003	2004	2005**
Africa	4.0	3.5	4.3	4.5	5.4	12.0	9.7	10.3	8.4	8.1
Maghreb*	4.6	3.0	6.0	4.4	4.5	2.2	2.3	2.2	3.6	3.1
Sub-Sahara	3.9	3.6	3.7	4.6	5.8	15.0	12.1	12.9	9.9	9.6
Kenya	1.2	1.0	1.6	2.6	3.6	5.8	2.0	9.8	8.1	4.0
Tanzania	6.2	7.2	7.1	6.3	6.5	5.2	4.6	4.5	4.3	4.0
Uganda	4.9	6.8	4.7	5.7	6.0	-2.0	5.7	5.1	3.5	3.5
South Africa	2.7	3.6	1.9	2.6	3.3	5.7	9.2	5.8	2.6	5.7

Adopted from World Economic Outlook September 2004 (Statistical Appendix)
** Marghreb Countries are Morocco, Tunisia and Algeria **projected*

Countries in sub-Sahara Africa excluding South Africa recorded an impressive 3.7% growth in 2003. Though low for a developing region it was an indication that the region can perform better. The growth was occasioned by improved macro-economic policies, debt relief under Highly Indebted Poor Counties (HIPC) initiatives and improved commodity prices. Higher growth in the region is hampered by HIV / AIDS prevalence, adverse weather conditions, political instability and civil wars in a number of the countries, which affect the other neighbouring countries.

2.4 Macroeconomic framework

After years of economic stagnation, which increased poverty levels in Kenya, real growth is now being realized. Earlier (between 1997 - 2002) growth in GDP had averaged about 1.3% per annum. However the GDP growth for the year 2003 and 2004 was an impressive 1.8% and 2.6% respectively.

Investment and savings, which had previously been low and declining, have started an upward trend. Gross investment and savings as a percentage of the GDP rose from 13.1% in 2002 to 16.5% in 2003 and from 13.6% in 2002 to 14.9% in 2003% respectively.

Inflation has been falling, as have Treasury bill interest rates. Annual average inflation fell from 11.2 % in 1997 to 2% in 2002, but rose marginally to 9.8% in 2003. Three month Treasury bill rates fell from 8.6% in December 2002 to 3.6% in December 2003 due to reduced government borrowing from the domestic markets, thereby bringing down interest rates.

Public expenditure as a share of GDP is high but declining. Total government expenditure as a share of GDP declined from 31.8% in 1997/98 to 24.5% in 2001/02 but again rose to 26.1% in 2002/03 mainly due to free primary education. As a reflection of high levels of expenditure, Kenya mobilizes a higher level of tax revenue to GDP than the average for sub-Sahara Africa. Revenues, like expenditure, have been declining as a percentage of GDP. External grants provide only a small proportion (approximately 11%) of total finance for public expenditure.

Recurrent spending dominates total expenditure and development expenditure is low. Recurrent expenditure averaged 23.6% of GDP between 1997/98 and 2002/03, but has declined from 24% to 21.7% in 2003/04. Development expenditure averaged only 4.3% of GDP in 2002/03, mainly because of subdued external funding.

The fiscal deficit has been rising after being brought under control at the end of the 1990s. A budget surplus including grants of nearly 1% of GDP was recorded in 1999/00. By 2001/02 this had become a deficit of 2.4% of GDP and rose to 4% in 2002/03. However there has been a marked reduction in net domestic financing from an average of 4% in 2001/02 and 2002/03 to 2.8% of GDP in 2003/04.

The level of domestic debt to GDP has risen despite government's strategy to lower it. Rising from 25.2% in June 2001 to 28.4% by June 2003. Conversely, the level of external debt has been declining. External debt as a share of GDP declined from 46.9% in June 2001 to 39.3% by June 2003. The share of total public debt to GDP has been declining, from 72.5% to 67.7% over the same period.

Monthly Economic Review Reports Can be accessed on Central Bank of Kenya website – www.centralbank.go.ke

2.5 Physical and other infrastructure

The Government is making all efforts to improve the infrastructure by implementing reforms aimed at increasing the efficiency of existing facilities through improved maintenance, rehabilitation, upgrading and expansion.

2.5.1 Airports

Kenya has well-developed international and domestic air transport facilities. There are international airports in Nairobi, Mombasa and Eldoret, and more than 150 airstrips around the country. Nairobi's Jomo Kenyatta International Airport serves more than 30 airlines providing direct scheduled services to major capitals in Africa, Europe, the Middle East and Asia. Wilson Airport, which is also in Nairobi, handles light aircraft.

Passenger traffic through Nairobi, Mombasa and Eldoret airports rose significantly by 7.25% from 3,976,000 travellers in 2002 to 4,300,000 travellers in 2003. This was due to a rejuvenated tourism sector. The volume of cargo handled by all airports declined slightly by 2.1% from 222,540 tonnes in 2002 to 217,955 tonnes in 2003.

2.5.2 Seaports

Mombasa is the principal seaport of Kenya and one of the most modern ports in Africa, providing connections to landlocked neighbouring countries. The deepwater port with 21 berths, 2 bulk oil jetties and dry bulk wharves, handles all sizes of ships and all types of cargo. In addition, the port also has specialized facilities including cold storage and warehousing and its container terminal is one of the best equipped in the region.

The port of Mombasa is linked to the World's major ports with more than 200 sailings a week to Europe, North and South America, Asia, the Middle East, Australia, and the rest of Africa. Total freight handled through Mombasa increased to 14,384,000 tonnes in the year 2003 from 12,779,000 tonnes in 2002.

The Kenya Ports Authority, which manages port operations, is one of the strategic parastatals currently undergoing comprehensive restructuring aimed at enhancing efficiency and delivery of service.

2.5.3 Roads

Kenya has an extensive road network connecting most parts of the country. All weather roads connect major commercial centres. This transportation mode handles about 70 per cent of the freight traffic in Kenya. Freight rates are reasonable and negotiable.

Kenya and neighbouring countries - Uganda, Burundi, Rwanda, Sudan, and the Democratic Republic of Congo (DRC) - have established the Northern Corridor Transport Agreement, which facilitates transportation of goods to and from the port of Mombasa.

2.5.4 Railways

Kenya is served by a single-track railway system running from Mombasa through Nairobi to Uganda with branches to Nanyuki, Kitale and Kisumu. Another branch connects Kenya to Tanzania through Taita Taveta. The total revenue from passenger and freight decreased slightly from Kshs 4,667 million to Kshs 4,293 million, a decline of 8%. But this will improve due to the rigorous reforms being carried out by the Ministry of Transport, such as the re-introduction of the suspended passenger train services between Nairobi and Butere through Kisumu and between Karatina and Sagana. The institution has also benefited from the public transport reforms carried out in early 2003.

2.5.5 Telecommunications

The country has a well-established communication system. The Kenya Posts and Telecommunications Corporation was restructured under the Parastatals Reform Programme. As a result, services of postal, telecommunication and regulatory functions were separated, creating the Postal Corporation of Kenya, Telkom Kenya Limited, and Communications Commission of Kenya (CCK), respectively. The Government has so far licensed three mobile phone providers with two of them already in operation and the third in the process of setting up. Over seventy Internet Service Providers (ISPs) are currently licensed to operate in Kenya, while other applications are being considered.

The Parastatals Reform Programme has created enormous investment opportunities for private sector participation and there still exist opportunities to be exploited.

2.5.6 Electricity

Electricity is supplied at 240 volts, 50 cycles single phase, and at 415 volts, 50 cycles three phase. The Government is encouraging private sector participation in the generation of electricity. Under the Parastatals Reform Programme, the functions of generation and transmission as well as distribution were separated creating the Kenya Electricity Generating Company (KENGEN) and the Kenya Power and Lighting Company (KPLC), respectively.

The Electrical Power Act also established the Electricity Regulatory Board (ERB) whose functions, inter-alia, are setting of tariff rates and licensing of private sector applicants.

2.5.7 Water and sanitation

For industrial and domestic purposes, water is supplied by local authorities and other licensed suppliers. Major towns in Kenya provide sewerage and drainage systems for residential and business use. In view of increasing demand, the various local authorities are undertaking major investment for supply of water. The overall goal of the Government is to ensure that all Kenyans have access to safe drinking water. Currently, water policy focuses on providing an enabling environment and regulatory framework for all stakeholders in the water sector.

2.5.8 Media relations

Kenya has more than 30 monthly, bi-monthly and quarterly magazines and journals published locally. There are four English dailies, as well as a large selection of foreign newspapers and magazines. Radio and television broadcasts are in English, Kiswahili and other languages. The local television network is linked to international networks such as the British Broadcasting Corporation (BBC), Cable News Network (CNN), Sky News and Reuters.

Kenya also hosts an International Press Centre serving more than 150 international journalists.

2.5.9 Education

Kenya's education system provides for eight years of primary, four years of secondary and four years of university education. Kenya has a highly trained human resource. About 500,000 students complete education at various levels every year. The country has six public and ten private universities, several polytechnics, technical and technology institutes. Technical training is subsidised by an Industrial Training Levy paid by all companies operating in Kenya. There are a number of international schools offering various educational systems that conform to the American, British, French, German, Japanese and Swedish systems.

The Government policy is geared towards provision of universal primary education. Priority is given to access to basic education including special education, retention, quality, management, and provision of assistance in educating the girl child, the poor and the vulnerable.

3 TRADE REGIME

Kenyan businesses have long been over-regulated. Donor-initiated economic reforms and the need for trade liberalization, however, have dramatically reduced government interference with trade. Price decontrols, removal of foreign exchange and import controls, as well as limited deregulation of the grain sector, have become the hallmark of the Government of Kenya trade liberalization initiative, which has strongly enhanced the Kenyan business environment. To enhance the initiative, the Government of Kenya has embarked on rationalization of import duties, consistent lowering of tariffs and reduction of licensing requirements.

Although customs rules are still detailed and rigidly implemented, affecting smooth operation of such practices as manufacturing under bond, the gradual rationalization of import duties by the Government does make domestic businesses more competitive. These developments differ significantly from previous practices, which were considered to be strict constructionist approaches, resulting in serious delays in clearing both imports of inputs and exports of finished goods, and encouraging illegal payments at the customs offices.

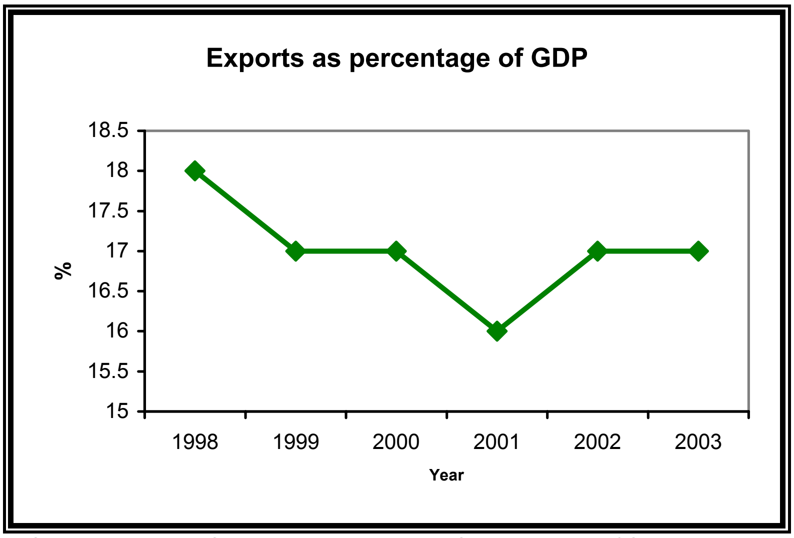
3.1 Exports

With globalisation, export-led growth strategy has become a major focus for many countries including Kenya. Although there have been efforts towards diversification of the export sector, Kenya's exports are still dominated by primary agricultural products.

However, it is important to keep in mind that investment as a proportion of GDP has been falling and markets for Kenyan exports are expanding beyond the traditional markets, particularly with advances in economic integration such as COMESA and EAC. With liberalization, some sectors such as coffee appear to have been adversely affected

Tea, horticulture and coffee continue to be the leading exports, jointly accounting for 52.7 % of the total earnings in 2002, compared with 50.9 per cent in 2001. Export earnings from tea almost remained at 2001 levels while those from coffee reduced by 12.3 %. Earnings from horticulture, which declined by 6.5 % in 2001, expanded by 42 % in 2002. Value of fish and cement exports edged up by 9.0 % and 12.2 per cent respectively. Other notable increases in export earnings were in tobacco products, articles of plastics, sugar confectionary and, animals and vegetable oils.

Chart 2: Exports as a Percentage of GDP, 1998-2003



Source: Economic Survey 2004 prepared by Central Bureau of Statistics, Ministry of Planning & National Development and own calculations.

Table 4: Trend in major exports, 1999 – 2003 (KShs million)

Commodity	1999	2000	2001	2002	2003
Fish & fish preparations	2,267	2,953	3,858	4,205	4,010
Maize (raw)	488	33	18	1,693	125
Meals & flours of wheat	423	201	155	32	6
Horticulture	17,641	21,216	19,846	28,334	36,485
Sugar confectionery	874	1,326	1,576	1,879	1,829
Coffee, unroasted	12,029	11,707	7,460	6,541	6,286
Tea	33,065	35,150	34,485	34,376	33,005
Margarine & shortening	1,309	246	245	306	383
Beer made from malt	202	69	29	483	75
Tobacco & tobacco mfs	1,554	2,167	2,887	3,454	2,982
Hides & skin (undressed)	311	494	635	445	551
Sisal	636	606	728	792	906
Stone, sand & gravel	166	123	85	65	78
Fluorspar	501	644	652	734	664
Soda ash	1,280	1,440	1,993	2,127	2,392
Metal scrap	147	153	123	98	147
Pyrethrum extract	656	704	993	798	813
Petroleum products	9,555	9,429	12,345	3,896	69
Animal & vegetable oil	2,186	1,1204	1,298	2,277	2,410
Pharmaceuticals	1,657	2,350	1,570	1,697	2,153
Essential oils	3,361	2,116	2,470	2,452	2,838
Insecticides & fungicides	501	465	523	353	255
Leather	387	486	576	601	1,018
Wood mfs	384	388	449	433	288
Paper & paperboard	618	713	784	647	777
Textile yarn	303	488	518	485	394
Cement	1,248	1,358	1,031	1,479	1,976

Commodity	1999	2000	2001	2002	2003
Iron & steel	2,757	2,605	3,673	4,122	4,047
Metal containers	193	97	121	144	204
Wire products	181	113	117	100	154
Footwear	1,121	1,140	1,204	1,549	1,457
Articles of plastics	1,573	2,104	2,572	2,990	2,598
All other commodities	15,831	15,476	16,415	22,271	25,323
Grand Total	**115,405**	**129,7 64**	**121,434**	**131,858**	**136,698**

Source: Economic Survey 2004 prepared by Central Bureau of Statistics, Ministry of Planning & National Development.

Exports by destination

Table 5: Export share by region, 1999 – 2003

	1998	1999	2000	2001	2002	2003
Africa	47.6%	46.8%	46.0%	49.3%	48.9%	46.2%
Europe	31.0%	32.4%	31.1%	28.8%	28.4%	30.9%
Asia	16.5%	16.9%	16.5%	17.2%	15.3%	15.2%
America	3.1%	2.7%	2.7%	2.9%	2.4%	2.1%
Australia & Oceanic	0.4%	0.5%	0.5%	0.6%	0.3%	0.4%
Others	1.4%	0.7%	3.2%	1.4%	2.3%	1.6%
Total Exports (KShs m)	**121,181**	**122,559**	**134,527**	**147,590**	**169,283**	**183,154**

Source: Economic Survey 2004 prepared by Central Bureau of Statistics, Ministry of Planning & National Development.

Africa region continued to be the dominant export market for Kenyan products followed by the European Union. The share of the exports to the Africa region in 2003 was 46.2% of the total exports, a 2.7% decrease from 2002. However, export earnings from the Africa region went up to KShs 84,653 million in 2003 from KShs 83,085 million in 2002, a 1.9% increase.

3.2 Imports

Table 6: Trends in major imports: 1999 – 2003 (KShs Million)

Commodity	1999	2000	2001	2002	2003
Wheat, unmilled	5,899	6,989	7,515	5,577	6,099
Rice	1,013	1,968	2,619	2,104	2,981
Maize	906	4,664	3,342	229	1,417
Wheat flour	194	180	636	237	168
Sugars, molasses & honey	1,468	2,730	6,648	3,074	4,334
Textile fibres & their waste	4,747	1,636	1,605	1,566	1,845
Second hand clothing	3,695	2,360	2,937	2,359	2,242

Commodity	1999	2000	2001	2002	2003
Crude petroleum	22,355	41,907	31,179	23,940	25,415
Petroleum products	18,433	21,773	26,035	22,065	39,493
Animal/vegetable fats & oils	9,184	8,016	10,125	14,333	13,332
Organic & inorganic chemicals	4,418	4,546	5,865	5,280	5,598
Pharmaceuticals	6,373	5,976	7,186	8,678	9,728
Essential oils & perfumes	1,652	1,583	1,984	3,791	3,741
Chemical fertilizers	5,488	5,448	6,307	5,497	6,524
Plastics in primary & non primary forms	7,083	8,446	9,131	8,816	11,211
Paper & paper board	2,305	2,613	3,978	3,319	5,409
Iron & steel	9,103	8,604	11,969	11,115	12,504
Non ferrous metals	2,153	2,404	3,601	2,977	3,615
Hand & machine tools	861	792	691	747	717
Industrial machinery	30,753	39,438	37,933	25,474	32,764
Agricultural machinery	1,247	966	1,270	1,310	1,526
Road motor vehicles	11,906	9,659	14,524	14,382	17,955
All other commodities	55,165	65,106	93,026	90,839	73,226
Grand total	**206,401**	**247,804**	**290,106**	**257,709**	**281,844**

Source: Economic Survey 2004 prepared by Central Bureau of Statistics, Ministry of Planning & National Development.

Percentage imports share by region

The main source of Kenya's imports was Asia with a 52% share of imports in 2003, a 7.4% increase from 2002, followed by Europe with a 27.5% share of imports.

Table 7: Imports share by region, 1998 - 2003

	1999	2000	2001	2002	2003
Africa	10.8%	9.2%	10.9%	11.2%	13.2%
Europe	33.8%	34%	27.4%	34.5%	27.5%
Asia	44.1%	49.5%	44.7%	45.6%	52.0%
America	9.2%	5.9%	15.7%	7.4%	13.2%
Australia & Oceania	1.4%	1.1%	1.2%	0.78%	0.6%
Others	0.7%	0.3%	0.02%	0.34%	0.14%
Total imports (KShs m)	**206,401**	**247,804**	**290,106**	**257,709**	**281,844**

Source: Economic Survey 2004 prepared by Central Bureau of Statistics, Ministry of Planning & National Development.

3.3 Trade regulation

Kenya is a member of Common Market for Eastern and Southern Africa (COMESA) - a developing free trade area in which, eventually, all internal tariffs and trade barriers will be removed and a common external tariff introduced. It is also a member of East African Community (EAC), which provides for the formation of an economic community and removal of trade barriers. EAC intends to enhance and promote economic, trade, and development programs within the East African region through integration of infrastructure; harmonization of inter-territorial trade and tariffs; and in the long term, currency alignment. Membership in these two regional blocs entails extending preferential tariffs to goods imported from EAC and COMESA member states subject to laid down rules of origin.

Internationally, Kenya has preferential market access arrangements with USA under the African Growth and Opportunity Act (AGOA), European Union under ACP-Cotonou Agreement and various other countries under Generalised System of Preferences (GSP). Kenya is also a signatory to major international trade agreements and also has bilateral trade agreements with Argentine, Bangladesh, Bulgaria, China, the former Czech and Slovak Republic, Djibouti, Egypt, Ethiopia, India, Iran, Lesotho, Nigeria, Pakistan, Poland, Romania, Rwanda, Republic of Korea, Sudan, Tanzania, Thailand, the former USSR, the former Yugoslavia, Zambia and Zimbabwe, and is also a member of the World Trade Organisation (WTO).

Customs and Excise Department of the Kenya Revenue Authority is the Government agency entrusted with the responsibility of monitoring and controlling imports and exports. The Department implements bilateral, regional and international trade arrangements, and supports global enforcement efforts against smuggling, the illegal importation and exportation of arms and drugs of abuse e.t.c. as mandated through various international legal instruments. The Department is a member of the World Customs Organization (WCO).

The Department hosts the World Customs Organization Regional Intelligence Liaison Office (RILO) for Eastern and Southern Africa. The office is a centre for gathering customs intelligence on drug seizures, methods of concealment of smuggled goods, money laundering, precursors e.t.c. and is networked to the WCO Secretariat through the worldwide Customs Enforcement Network.

3.3.1 Trade tariffs and non-tariff barriers

Kenya applies tariffs based on the international harmonized system (HS) of product classification. The Government maintains lower duties and value-added tax for selected items in certain priority sectors. Non-tariff barriers include the requirement to use a government-appointed inspection firm for imports. The Kenya Bureau of Standards requires that manufacture and expiry dates be marked clearly on imported consumer goods. The lack of certain intellectual property rights (IPR) protection on videos may also pose problems for foreign companies exporting to the country. Restriction of insurance of imported items to companies licensed in Kenya may also result in constraints.

3.3.2 Customs inspection and valuation

All imports with an FOB value exceeding $5000 must undergo pre-shipment inspection(PSI) for quality, quantity and price, and be issued with a Clean Report of Findings by one of the two Government of Kenya appointed inspection agencies (currently Cotecna Inspections S.A. and BIVAC International). Random inspections of shipments are also undertaken even for shipments with an FOB value below $5000. Customs valuation is based on the price determined by the inspection agency.
The customs department has proposed that the PSI be phased out in 2005 and replaced by customs valuation.

The pre-shipment inspection agents conduct inspections according to the regions and countries as set out below:

Cotecna Inspection S.A:

- **The American and Caribbean Countries:** Antigua, Argentina, Bahamas, Barbados, Belize, Bolivia, Brazil, Canada, Chile, Colombia, Costa Rica, Cuba, Dominica, Dominican Republic, Ecuador, El Salvador, Grenada, Guatemala, Guyana and French Guyana, Haiti, Honduras, Jamaica, Mexico, Nicaragua, Panama, Paraguay, Peru, Puerto Rico, St. Vincent and the Grenadines, St. Lucia, Suriname, Trinidad and Tobago, USA, Uruguay and Venezuela.

- United Kingdom and Ireland
- Japan and Korea
- **Australia and Pacific Islands:** Australia, Fiji, Kiribati, New Guinea, New Zealand, Solomon Islands, Tuvalu, Vanuatu, West Samoa
- **Africa (Excluding North Africa):** Angola**,** Benin, Botswana, Burkina Faso, Burundi, Cameroon, Cape Verde Islands, Central African Republic, Chad, Peoples' Republic of Congo, Democratic Republic of Congo, Djibouti, Equatorial Guinea, Eritrea, Ethiopia, Gabon, Gambia, Ghana, Guinea, Guinea Bissau, Ivory Coast, Liberia, Kenya, Lesotho, Malagasy (Madagascar), Malawi, Mali, Mauritania, Mauritius, Mozambique, Namibia, Nigeria, Reunion, Rwanda, Sao Tome, Senegal, Seychelles, Sierra Leone, Somalia, South Africa, Sudan, Swaziland, Tanzania, Togo, Uganda, Zambia, Zimbabwe.
- **South East Asia and other Asian Countries (Excluding Indonesia, Malaysia, Singapore, China, Hong Kong and Taiwan):** Burma, North, Korea, Philippines, Thailand and Vietnam

BIVAC International

- **Europe (Excluding United Kingdom and Ireland):** Albania, Austria, Belgium, Bulgaria, Cyprus, Czech Republic, Denmark, Finland, France, Germany Greece Greenland Hungary, Iceland Italy Luxemburg Malta Monaco Norway Poland Portugal, Romania, Slovakia, Spain, Sweden, Switzerland, The Netherlands, Countries that belonged to the former USSR, countries that belonged to the former Yugoslavia.
- **Middle East:** Bahrain, Iran, Iraq, Israel, Jordan, Kuwait, Lebanon, Oman, Qatar, Saudi Arabia, Syria, UAE, Yemen.
- **North Africa:** Algeria, Egypt, Libya, Morocco, Spanish Sahara, Tunisia.
- **South Asia & Selected Asian Countries:** Afghanistan, Sri Lanka, India, Pakistan, Bangladesh, Indonesia, Malaysia, Singapore, China, Hong Kong, Taiwan.

Goods subject to pre-shipment inspection

1. The following goods are subject to pre-shipment inspection regardless of value:

   - Used motor vehicles (other than duty free)
   - Used tyres
   - Refrigerators, refrigeration equipment and air conditioners
   - Worn or used clothing and footwear
   - Pharmaceutical, medical, dental and veterinary consumables
   - Fertilizers.

2. All goods of f.o.b. value exceeding US $5,000 shall be subject to pre-shipment Inspection.

3. The following goods shall be exempt from pre-shipment inspection:
   - New motor vehicles
   - Duty free motor vehicles
   - Goods imported by the government or its authorized agents except where the government has asked for inspection
   - Goods that are duty free in the First Schedule to the Customs and Excise Act except those that are specifically mentioned in item 1
   - Accompanied or unaccompanied personal baggage and personal effects imported by a person who qualifies for exemption under the Third Schedule to the Customs and Excise Act
   - Goods destined to approved duty free stores
   - Goods destined to approved Export Processing Zones enterprises
   - Goods destined to approved Manufacturing Under Bond enterprises

- Unset precious stones and precious metals in bullion form
- Objects of art
- Explosives and pyrotechnic products imported by the government
- Live animals
- Seeds for sowing and live plants
- Vegetable plaiting material and other vegetable products
- Gifts by foreign governments or international organizations to charities and foundations
- Gifts and supplies to accredited Diplomatic and Consular Missions and the United Nations Organization imported for their own use
- Commercial samples of no commercial value
- Petroleum products
- Electric current
- Personal gifts sent by foreign residents to their relatives in Kenya for their personal use excluding motor vehicles
- Parcel post not for trade purposes
- Small shipments with f.o.b. value not exceeding US $10,000 imported vide a licensed courier company
- Aircraft, aircraft parts
- Aircraft catering stores for use in aircraft owned or operated by a designated airline
- Currency notes, coins, travelers' cheques and bullion
- Equipment and parts for the rehabilitation of electric generation equipment exempted from duty
- Equipment for power generation for supply of power to the National Grid approved by the Permanent Secretary to the Ministry of Energy
- Current newspapers (daily, weekly, monthly)
- Goods for official Aid-Funded Projects

The following imports are subjected to:

Detailed quality inspection only

- Pharmaceuticals, medical, dental and veterinary consumables which are duty free
- Fertilisers which are duty free
- Imports imported free of duty by the Government of Kenya for which an inspection is requested
- Bulk grains (maize, wheat, barley, rice)

Comparative price determination only

- Alcoholic beverages
- New motor vehicles (other than duty free)
- Rail locomotives and wagons and containers
- Ships weighing 250 tonnes and above.

Full detailed inspection

- Pharmaceuticals (if not duty free) and cosmetics
- Foodstuffs for personal and animal consumption
- Worn and used clothing and footwear
- Used motor vehicles (other than duty free)
- All refrigerators, refrigeration equipment, and air conditioners
- Sugar

Destination inspection

- Imports traded on high seas
- Motor vehicles which are duty free
- Goods that have evaded proper PSI controls
- Other consignments as determined by KRA/CUSTOMS

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3.3.3 Product standards

The Kenya Bureau of Standards (KEBS) is a government regulatory body under Kenya's Ministry of Trade and Industry, mandated to ensure conformance to International Standards Organization (ISO) product standards and to the local Kenya standards. KEBS conducts product testing for individual product categories and undertakes certification. To indicate conformance with mandatory product requirements, a KEBS mark is placed on the certified product. It is a legal requirement that all locally manufactured consumer products bear the KEBS mark before they are presented for sale. The Kenya Bureau of Standards has legal authority to stop the sale of uncertified products and to prosecute the offending parties. KEBS conducts random checks on imported products to ensure they conform to ISO standards; those products that do not meet the standards are withdrawn from the market and the importer is prosecuted.

Manufacturers are required to indicate on the labels of all consumables both the date of manufacture and the expiry date. Weights and measures indicators must be in metric form or both metric and imperial forms. Labelling of pharmaceuticals should include therapeutically active substances, inactive ingredients, name and percentage of any bactericidal or bacteriostatic agent, manufacture and expiry dates, batch number, any warnings or precautions, name and business address of manufacturer, and registration number of the product.

3.3.4 Import/export controls and documentation

There is no import licensing except for a few items restricted for security, health or environmental reasons detailed in the Imports, Exports and Essential Supplies Act. Imports are, nevertheless, still subject to some paperwork and approvals. Imports of machinery and equipment classified as equity capital or loan purchases must receive prior exchange approval. Banks must not issue shipping guarantees for clearance of imports in absence of the approval. All imports procured by Kenyan based importers must be insured with companies licensed to conduct business in Kenya.

Importation of animals, plants, and seeds are subject to quarantine regulations. Certain pets require an import license. Cats and dogs are issued with an import license only after a veterinary surgeon has certified the animal to be vaccinated against rabies and to be free of symptoms of any contagious disease. The import license may be issued by Kenyan embassies / high commissions to allow importation.

It is illegal to import the following items unless exemption has been granted by the relevant Kenyan ministry: plants, soil, endangered species, arms and munitions, and non-pharmaceutical drugs. As the list of prohibited imports changes, importing firms should always check with the Commissioner of Customs and Excise at the Kenyan Customs Department.

Kenyan export regulations are generally liberal and contain few export restrictions. The country allows export of all items except for the following which are considered either of aesthetic value to the country or to have national security importance: military equipment and munitions; antiques and works of art; bullion and coins; archives; live animals other than livestock and pets; wood charcoal and lumber; ivory, rhino horn and transport equipment and automotive vehicles (e.g. armoured cars and tanks). Export of these items must receive prior authorization by the relevant Kenyan government ministry before an export license is issued.

All Kenyan imports are required to have the following documents: import declaration forms (IDF) and a clean report of findings from the pre-shipment inspection firm, and valid pro forma invoices from the exporting firm. Firms exporting from Kenya need to obtain Form C 29 from the Customs Department; and the following documents, which serve as certificates of origin, from Kenya's Ministry of Trade and Industry: GSP Form A for US-destined goods, EURO 1 for exports to the European Union, PTA Certificate of Origin for exports to COMESA and Ordinary Certificate of Origin for exports to all other parts of the world. The AGOA Visa can also be obtained from Customs Department for textile exports to USA.

Kenya allows duty-free entry into the country of goods destined for neighbouring countries or for trans-shipment. However, bonds must be executed. Such goods must be held in bonded warehouses designated by the Kenyan Customs Department. Release of the bonded goods into the Kenyan market is prohibited, unless statutory customs payments are made. Samples and exhibits/displays for trade fairs may be imported into the country duty free. It is a Customs Department requirement, however, that the items be re-exported or certified destroyed by a customs certification officer after use. An importing firm that fails to meet these requirements will be surcharged import duty and value added tax on the presumed value of the items.

4 INVESTMENT CLIMATE

Kenya’s attractiveness as an investment destination is supported by various factors that favour both local and foreign investment including:

- Political stability
- Stable economic policy environment
- Competitive investment incentives
- Guarantees to investors
- Strategic location and preferential access to regional and international markets
- Business friendly tax system
- Emerging financial market
- Simple investment procedures – The Government is in the process of passing the Investment Bill, which will provide for an investment code.
- Relatively developed social and physical infrastructure
- Abundant, highly developed and mobile human resource
- One-stop facilitation services by Investment Promotion Centre and Export Processing Zones Authority
- Abundant natural resources.

The Government of Kenya encourages both local and foreign direct investment. Multinational companies make up a large percentage of Kenya's industrial sector. It is Government policy to encourage investment that will produce foreign exchange, provide employment and promote backward and forward linkages and transfer of technology. The only significant sectors in which investment (foreign and domestic) is constrained are those where state corporations still enjoy a statutory or de facto monopoly. These are restricted almost entirely to infrastructure (e.g. power, mail service, fixed-line telecommunications and ports). Even in these sectors, ongoing commercialisation and economic reform is expanding the room for private business.

The Government has undertaken several measures to create an enabling environment, including:

- Abolishing exchange controls
- Removing price controls
- Freeing the Kenya Shilling exchange rate to be market driven
- Abolishing import licensing
- Opening up of the capital markets to foreign participation

Attractive incentives are availed to all investors through generous investment and capital allowances, tax remission, manufacturing under bond status (MUB), export processing zones status, double taxation agreements, protection and promotion of investment agreements, bilateral investment treaties and trade agreements

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Opportunities abound for investments in Kenya's agricultural, industrial, and commercial sectors e.g. horticulture, agro-processing, textiles and apparels, plastics and pharmaceuticals, tourism, ICT operations and financial services. In the recent past, mining has also proved to be an attractive investment opportunity as is the case with the mining of titanium in Coast province and the exploration for oil and gold by international companies.

The Kenyan government organized a National Investment Conference in November 2003 followed by the International Investment Conference in March 2004. These events were meant to showcase Kenya, as an ideal investment location so as to improve the much needed local and foreign investment. The International Investment Conference, promoted locally and internationally as “Kenya 2004”, focused on the Government of Kenya’s high priority areas of infrastructure development and agro-processing. Further information on the conference can be found at www.investinkenya.com.

4.1 Foreign Direct Investment (FDI) trends

Global inflows of foreign direct investment (FDI) declined in 2003 for the third year in a row, to $560 billion. This was prompted again by a fall in FDI flows to developed countries; at $367 billion, they were 25% lower than in 2002. Worldwide, 111 countries saw a rise in flows, and 82 a decline. The fall in flows to the United States by 53%, to $30 billion – the lowest level in the past 12 years – was particularly dramatic. FDI flows to Central and Eastern Europe (CEE) also slumped, from $31 billion to $21 billion. It was only developing countries as a group that experienced a recovery, with FDI inflows rising by 9%, to $172 billion overall. But in this group, the picture was mixed: Africa and Asia and the Pacific saw an increase, while Latin America and the Caribbean experienced a continuing decline. The group of 50 least developed countries (LDCs) continued to receive little FDI ($7 billion).

Prospects for 2004, however, are promising. Cross-border mergers and acquisitions (M&As) – still low at $297 billion in 2003 – began to pick up. They rose by 3% in the first six months of 2004 over the same period in 2003. This combined with other factors – higher economic growth in the main home and host countries, improved corporate profitability, higher stock valuations – points to a recovery of FDI flows in 2004. Reflecting higher profits, reinvested earnings – one of the three components of FDI flows – had already resumed growth in 2003, reaching a record high. Other components of FDI (equity and intra company loans) are also expected to pick up in 2004.
A recovery in FDI will further boost international production, presently carried out by at least 61,000 TNCs with over 900,000 foreign affiliates, representing an FDI stock of about $7 trillion. International production remains fairly concentrated: in 2002, the world’s 100 largest TNCs, representing less than 0.2% of the global universe of TNCs, accounted for 14% of sales by foreign affiliates worldwide, 12% of their assets and 13% of their employment. Following a period of stagnation, these TNCs resumed growth in terms of their assets, sales and employment in 2002.

FDI trends in Africa/Kenya

FDI inflows to Africa rose by 28%, to $15 billion, in 2003, but fell short of their 2001 peak of $20 billion. Thirty-six countries saw a rise in inflows, and 17 a decline. The recovery was led by investment in natural resources and a revival of cross-border M&As, including through privatizations. Morocco was the largest recipient of inflows. Overall, natural-resource rich countries (Angola, Chad, Equatorial Guinea, Nigeria, South Africa) continued to be the principal destinations, but a large number of smaller countries shared in the recovery. FDI in services is increasing, particularly in telecommunications, electricity and retail trade.

Africa’s outlook for FDI in 2004 and beyond is promising, given the region’s natural resource potential, buoyant global commodity markets and improving investor perceptions of the region. Continuing improvements in regulatory frameworks should facilitate FDI inflows into African countries. In 2003, a number of them further liberalized their FDI regimes, and some resumed privatization programmes. Several countries concluded or made progress in negotiations on free trade agreements (FTAs). The extension of the African Growth and Opportunity Act (AGOA) of the United States to 2015, through the AGOA Acceleration Act of 2004, should facilitate the expansion of international production in Africa.

Kenya received less than US$ 1 Billion, but the good news is that it was at least twice higher in 2003 than 2002. In terms of FDI inward stock, Kenya's share was 55% amongst the East African countries in the mid 1990s but declined to 18% in year 2003. The biggest beneficiary of this loss was Tanzania, which in mid 1990 had 24% but has risen to 46% in the year 2003 as tabulated below. It should, however, be noted that most of the FDI in the two East African Countries is from Kenya, to the tune of 60%.

Table 8: FDI inward stock, by host region and economy (Million of dollars)

Country /Year	Kenya	Uganda	Tanzania	EAC	Africa
1980	386.00	10.00	47.00	443.00	32,045.00
1985	476.00	8.00	91.00	575.00	33,811.00
1990	668.00	5.00	93.00	766.00	50,854.00
1995	732.00	276.00	325.00	1,333.00	77,334.00
2000	931.00	1,281.00	1,627.00	3,839.00	140,886.00
2002	964.00	1,759.00	2,335.00	5,058.00	149,919.00
2003	1,046.00	2,042.00	2,583.00	5,671.00	167,111.00

Source: World Investment Report 2004, United Nations Publication,

Due to the loss of competitiveness in attracting foreign direct investment, Kenya now ranks after Uganda and Tanzania in receipt of annual net inflows of foreign direct investment to the EAC countries.

4.2 Major investors in Kenya

Kenya is host to a number of Transnational Corporations (TNCs) and other international investors. Virtually all the sectors of the economy are covered by the international investors, majority of whom are from Britain. A list of the main investors, country of origin and the sector they operate in can be found in the Appendix I.

4.3 Investment policies, laws and regulations

The stabilization policies and broad economic reform being pursued by the Government are aimed primarily at strengthening investor confidence in the Kenyan economy, and at accelerating private-sector growth through attracting new foreign and domestic investment.

A pre-eminent role for the private sector, which today contributes more than 75% of Kenya's total GDP, represents the main thrust of Kenya's ongoing market-based reforms. To this end, the range of incentives on offer to foreign and local investors alike has been progressively widened over recent years, in the interests of encouraging private investors to take advantage of diverse business opportunities in Kenya.

The Kenya Government has undertaken, meanwhile, as part of the country's ongoing structural reforms, to divest from public-sector enterprises and to reduce dramatically its direct involvement in the local production of goods and services. Enterprises earmarked for privatisation include all major economic sectors and activities and vary in size from large corporations to small, localized concerns. Already, the privatisation process in Kenya is gaining momentum, and this in turn is creating additional opportunities for private-sector investors.

The Investment Promotion Centre - IPC (www.investmentkenya.com) continues to serve as the principal contact-point for companies and entrepreneurs wishing to explore investment opportunities in Kenya. The Centre's resource-base has been expanded and developed over the years to meet the information needs of potential investors. The Centre has been instrumental in streamlining investment project application procedures and approvals in addition to organising investment promotion activities and seminars, both in Kenya and abroad, aimed at sensitising the international business community to the comparative advantages of investing in Kenya.

The Export Processing Zones Authority (www.epzakenya.com) is the one-stop-shop for all export oriented industrial investment under the free zone program. The Authority approves and licences projects, administers the incentive scheme and provides investor support services to all EPZ investors in Kenya.

Kenyan regulations allow for the establishment of public and private corporations, as well as joint ventures and branches. Private foreign investment in Kenya is governed by Kenya's Foreign Investment Protection Act (FIPA). The Act is being reviewed in light of recent liberalization of foreign exchange and import controls, and as a result, a number of provisions are no longer applicable. For example, the previous requirement that foreign investors apply for a certificate of approved enterprise from the Treasury that allowed them to repatriate capital and profits has been removed. There are no formal requirements on minimum local participation in either equity or management under FIPA.

The Government of Kenya has proposed to adopt new investment rules that will cover local and foreign investment and govern the Investment Promotion Centre. The code is expected to set clear guidelines for processing investment applications and will incorporate the means to ensure transparency and accountability. It will provide information on various incentives to investors, including procedures for obtaining such information and how the incentives are implemented.

Incoming foreign investment through acquisitions, mergers or takeovers is governed by antitrust legislation that prohibits restrictive and predatory practices preventing the establishment of competitive markets. The legislation is also aimed at reducing the concentration of economic power by controlling monopolies, mergers and takeovers of enterprises. Mergers and takeovers are subject to the Companies Act, the Insurance Act (in case of insurance firms) or the Banking Act (in the case of financial institutions).

4.4 Investment opportunities

There are various investment opportunities in Kenya both in existing projects such as road construction where the government is exploring ways of having private sector participation to virgin projects such as the recent licensing of titanium mining in Kwale District by Tiomin from Canada. For local partnership, the Industrial and Commercial Development Corporation (ICDC) has been the Government's key conduit for joint venture investments and has made equity investments in numerous industrial and commercial ventures along with local and foreign partners. ICDC offers project and commercial financing.

The following are some of the investment opportunities that the government has put forward, but investors are at liberty to invest in projects of their choice provided they get approval from the relevant authority/government department.

4.4.1 Telecommunication and transport projects

Telecommunication and ICT - The ongoing liberalization and privatization present enormous investment opportunities to private investors particularly in the information technology and telecommunication sectors. Investment opportunities exist in Information Technology (IT), particularly software development due, in part, to Kenya’s large pool of educated English speakers. Most Kenyans have the requisite basic education for software development.

Construction of bypass to substitute the Likoni Ferry - Likoni Ferry in Mombasa presents a major transportation bottleneck. This is particularly so when one takes into account the traffic moving to and from the south coast. ICDC has intention to interested investors with the necessary technical know-how and finance to construct a road bypass to replace the Likoni Ferry. This is at proposal stage and no preliminary work has been done.

Road Sub-sector - With a view to ensuring that the future road network effectively supports the national socio-economic development, it is proposed that the network be improved undertaking the following projects which may be of interest to a private investor. The roads are heavily trafficked and levying of toll charges may justify the investment: -

- Improving the standards of the Mombasa - Nairobi - Kisumu/Eldoret - Uganda border which is the main artery of the road transport system in Kenya to ensure a high mobility and safety. The improvement will entail widening to dual carriage way some sections of the road and full controlling access to the road. There are plans to offer concessions on the same roads, where the constructors will recover by charging levies on all the road users.
- Developing bypass roads in Mombasa, Nairobi and Nakuru.
- Widening to 4 lanes some major roads like Mombasa - Kilifi and Makutano Junction to Embu.
- There is proposal to venture into the construction of underground transport system as is found in European cities. ICDC is willing to go into partnership with foreign investors who are interested in forming joint ventures in the development of infrastructure for urban transport including road, rails and tramways.

4.4.2 The energy sector

Oil

Presently, the Kenyan oil market whose total product sales volume is around 2.5 million cubic metres per annum is served by eight major private companies and a host of other small players. The sector has potential for more players.

The annual demand for Liquefied Petroleum Gas (LPG) is approximately 28,000 metric tons. It is expected that potential demand is likely to be twice this quantity in the near future. However, supply and distribution of LPG has been constrained by a number of factors including limitation of production from the Kenya Petroleum Refineries Ltd (KPRL), lack of adequate rail transport wagons, and lack of import handling and loading facilities. LPG supply and distribution is therefore an area where there are opportunities for investment.

The Government is also in the process of undertaking other investments in the petroleum sub-sector which include such projects as oil exploration expected to cost about US$ 10 million and oil pipeline (to Uganda) rehabilitation estimated at US$ 20 million.

Electricity sector

Kenya National Power Development Plan recommends that during the next 10 years geothermal generation should increase to 280 MW. This is because of the success of Olkaria geothermal project and the predicted abundance of geothermal energy resources in the country. The areas where the new development is planned are Olkaria North East, Olkaria West and Eburru. It is anticipated that the implementation of the above program will be financed by both public and private sectors. In this regard, the Government encourages private sector participation in power generation. As a first step, both Kipevu and Olkaria III have been set aside for promotion by private sector and tenders for the two projects have been received and are in the process of being evaluated.

Transformers

Kenya's current requirements for transformers are brought into the country. Joint venture partnership with the local power company in this venture are welcome for the manufacture of Electrical Distribution Transformers in the power range of 25KVA to 1600KVA.Transformers currently used in Kenya are all imported from Tanzania, Denmark, Germany, India and Japan. The ongoing programme on rural electrification within the country has increasing demand for distribution of transformers.

4.4.4 The manufacturing sector

Pharmaceutical industry

Possible areas for investment in this sub-sector, which still require further studies to determine viability, include:

- Multipurpose chemical plant for bulk production of intermediate inputs such as paracetamol, aspirin, etc.
- Chemical plant to manufacture the anti tuberculosis, anti-leprosy, antibiotic rifampicin from the penultimate state.
- Manufacture of Quinine by extraction from Cinchona bark and subsequent purification and synthesis to Quinine sulphate.
- Extraction of Hecogenin from sisal waste and synthesis of Betamethasone from Hecogenin.
- Salt Works

Tyres

The country currently has only one tyre manufacturing facility i.e. Firestone (E.A.) Limited. All other tyres are imported, and since there is market for non-Firestone tyres, another tyre manufacturing facility would be a feasible proposition.

Manufacture of aluminum cans

In Kenya and East Africa region, all cans for use in packaging of canned beers and soft drinks are imported. Consumption of canned beverages is becoming very popular. Export of Kenyan beers in bottles is being hampered by the limitations of glass, which include bulkiness and breakages. The production of beers and carbonated beverages in Kenya has grown tremendously over the years. Investors are advised to put up an aluminium canning plant, which can also cater for the needs of Uganda, Tanzania, Rwanda and Burundi.

Component manufacture

Opportunity exists in the design and local manufacture of components and parts for use in the steel plants with capacities of 10-30,000 tons per annum, which are very popular in the COMESA region. The rate of growth of steel mills in the region has been steadily rising pointing to an exiting business opportunity for whoever can supply such equipment with good spare-part back up and after sales service. Currently these plants are being imported complete from India. There is no reason why at least some of this equipment cannot be produced locally.

Production of high strength reinforcement bars

A hot rolled square bar of mild steel, subsequently twisted when cold to produce the required strength is used almost exclusively in Kenya for concrete reinforcement purposes. This technology has completely been phased out in major steel companies in the world and thus the market is assured especially to the firms that still use the technology todate.

Manufacture of ductile iron rolls

There is only one country (Egypt), which is currently producing such rolls in the region. Gauging by the over 20 mills in the country and the East Africa region at large, a great deal of business opportunity exists in this field.

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Production of casting sand / moulding

A majority of foundry industries in the country still employ sand casting techniques. Sand casting material is available in the country but has not been fully exploited for commercial purposes. Such a project would meet casting sand requirement for the whole spectrum of foundry industries in the country. Along with foundry sand is the design and production of dies and patterns. The import bill on spare-parts is still increasing due to inability of local plants to produce them. A study to take stock of both industrial and agricultural spare parts requirements would be necessary, as this would form the basis upon which to set up a center or an institute to start mass production of components and replacement parts.

Other Opportunities: -

- Forgings to manufacture wagon wheel, railway components, axles, etc
- Powder metallurgy components for auto-spares
- Foundry and shops for the manufacture of pumps and motors

Machine Tool Industry

There is a big market in Kenya for the production of the following products:

i. Industrial machinery and spares for agriculture, transport industry and workshop.

ii. Pumps for irrigation, domestic waste handling purposes.

iii. Equipment and hand tools for building sector metal and wood working machine tools.

4.4.4 Agribusiness

Fertilizer sub sector

There is potential for the following projects: -

- Establishment of a fertilizer plant in Mombasa to manufacture DAP, CAN, NPK using imported intermediate inputs.
- Establishment of a bio-fertilizer plant in western Kenya (Mumias Sugar Co. Ltd) to utilize bagasse and wastes from timber industries.
- Production of nitrogen fixing microorganisms such as Rhizobium which can be used in leguminous plants to increase crop yields.

Pesticide sub sector

- Kenya produces a lot of pyrethrum, which is exported in semi-processed form or as dried flowers, which fetch little money in the world market. This can be processed into the final product and in addition to imported ingredients; these can be formulated into insecticides locally and exported as finished products.
- There is also opportunities for the manufacture of fungicides using some imported ingredients and mixing with locally available filler materials such as soapstone, limestone, clay e.t.c.
- The processing of Neem tree extract as a source of a pesticide raw material should also be explored. The tree is being promoted by the International Centre of Insect Physiology and Ecology (ICIPE) in Kenya and it has been found that the extract has pesticidal properties. This is a very promising area since the extract is a natural organic substance that is biodegradable and hence poses less danger to the environment due to less persistency.

4.4.5 Commercial dairy farming

Artificial Insemination (A.I) services

Artificial Insemination plays an important role in development of the dairy sub-sector. The Government is in the process of privatizing these services, thus providing an opportunity for investment by the private sector.

Dipping services

Dipping services are important in control of tick-borne diseases that hinder the development of high quality beef and dairy products. In the past the Government has been providing the services, which are now being privatized.

Clinical services

Like dipping services, the Government is also privatising clinical services. This area requires large capital investment and is thus encouraged for private sector participation.

4.4.6 Food industry

Meat

- Beef processing units to be put up in major livestock production regions such as the Rift Valley Province.
- Areas like ostrich farming and crocodile farming under license from Kenya Wildlife Services (KWS) have already proved profitable.
- At present commercial poultry processing is almost under one monopoly. There is scope to set up a second large scale production and processing facility in order to supply chicken at affordable prices to the Kenyan consumers.
- There is investment potential in deep-sea fishing (for prawns, lobsters, Tuna etc) prawns/fish farming and fish filleting.
-

Oil crops

Most oil crops are well suited to Kenyan conditions, being drought resistant and without many serious plant diseases. These characteristics render, especially sunflower (but not maize) suitable for relay planting after the main crop (using residual soil moisture) and for planting during the short rainy season where bimodal precipitation occurs. Recent changes in imported oil costs indicated that sunflower may now be a financially attractive crop, and major expansion potential is believed to exist.

Potential also exists for a number of oil crops that have not previously been grown on a commercial scale in Kenya. These include oil palm and sunflower. However, insufficient information exists to predict whether these crops could be attractive for production but further field trials of suitable varieties would be worthwhile.

Cashew nuts

Cashew nut processing factory exists at Kwale in Kenya's South Coast; A facility with capacity to process up to 20,000 tons of raw nuts per year. Once re-opened, it is expected that up to 85% of the output will be for export. Presently, the bulk of cashew nuts are exported before they are processed.

Horticulture

There is ample scope for investing in processed horticultural produce which consists of a range of products. These include: -

(i) Frozen - French beans, snow peas, juice concentrates

(ii) Canned products - French beans, baby corn, juices, jams, marmalade, pineapple slices, pickles, cucumbers, mango slices, e.t.c.

(iii) Dehydrated products - Cabbages, onions, carrots, e.t.c.

Most of the processed products have been canned, dehydrated or preserved in brine water. However, the market trend is shifting from canned to frozen products. Facilities for freezing of popular fruits and vegetables for export by sea need to be introduced.

4.4.7 Textile sector

Opportunities for investment in the textile and related industries in Kenya abound and include:

- Cotton growing – it is estimated that over 400,000 hectares of land is suitable for cotton growing and presently only 24,955 hectares is under cotton. The current production of cotton is about 20,000 bales compared to demand by local mills of 90,000 bales annually. There is also an investment opportunity in cottonseed multiplication.
- Cotton ginning – the country has an installed capacity for ginning of about 140,000 bales per year. Currently, the ginning capacity utilization is 14%. If these ginneries were up and functional even at 50% utilization, then this would give rise to other related industries such as cooking oil extraction, animal feed processing e.t.c.
- Revival, development and or rehabilitation of some of the already closed textile mills ranging from spinning, weaving and garment production for local and export markets (e.g. Rivatex, Raymond Mills) and investment in joint ventures in areas like modernization of very old ginneries and textile mills.
- Spinning – the yarn installed production capacity is 30,000 metric tonnes. However, the actual annual production is 20,000 metric tonnes.
- Weaving and knitting – the local production of woven fabrics in the year 2001 was 15.5 million sqm compared to a local demand of about 29 million sqm the same year. The balance is imported.
- Garments Accessories – the local production of garment accessories (zippers, buttons, e.t.c.) is very limited in terms of variety and quality. Currently, most of the garment manufacturers import their accessories. The current number of pieces of garments exported in 2001 was about 20 million pieces by the end of 2003.
- Services – with setting up of apparel manufacturing factories, opportunities have arisen to provide the following services: buying houses, brokerage services, export marketing, training e.t.c.
- Secondary investment – There exist opportunities in secondary industry e.g. Cooking oil, soaps, animal feeds and other cotton by-products.

4.4.8 Tourism sector

Investors can singularly or in partnership with the Kenya Tourist Development Corporation (KTDC), a Government body, develop prime tourist sites that have been identified for new development. These projects include:

- Mombasa Port Cruise - Ship Project
- Bomas of Kenya Tourist Hotel and Amusement Park
- Nairobi Jomo Kenyatta International Airport Hotel
- Mombasa Beach Hotel
- Eldoret Airport Hotel
- Kitale Tourist Hotel
- Lake Victoria Hotel
- Mombasa Island Hotel
- Thika Fourteen Falls Lodge
- Hot Spas at Lake Bogoria

4.4.9 Privatization

There are a number of opportunities under the privatization programme. The programme covers Telecommunications, Ports, Roads, Railways, Power, Sugar Production, Tourism, Banking and Insurance.

4.4.10 Natural Resources

- Land - Kenya has a land area of 592,909sq km. Two thirds of which is arid and semi arid; presenting huge potential for food, cash crops, horticulture, oil crop production through irrigation.

- Ground water - Many parts of the country have ground water that can be exploited for human use and small irrigation projects.
- Mineral - There is potential for oil exploration. Deposits of material for manufacture of building materials such as cement, clay, and glass are found in Kenya. Titanium has also been discovered in the coastal part of the country.
- Hot climate existing in the Coast Province presents potential for large-scale salt production utilizing seawater.
- Forests in Kenya have diverse plant species some of which have medicinal value. Potential exists for investments in Research & Development to develop materials for use in the pharmaceutical, health care and beauty products.
- Geothermal potential in the Rift Valley region can be utilized for electric power generation and heating of green houses
- Solar power - Kenya experiences sunshine for many hours annually, presenting a potential for exploitation of this resource for rural electrification
- Wild life - different species of animals including the big five (lion, buffalo, leopard, elephant and rhino) are found in the country presenting attractive opportunities in development of tourism facilities.
- Good sceneries – These present opportunities for film making.

5 TRADE AND INVESTMENT AGREEMENTS

5.1 Bilateral and Multilateral Agreements

Kenya has the following trade and investment agreements with foreign countries, some of which are already in force while others are still under negotiations. Opportunities thus exist for export of Kenyan products into these markets: -

5.1.1 East African Community

The East African Community (EAC) is the regional intergovernmental organization of the Republics of Kenya, Uganda and the United Republic of Tanzania. EAC has a combined population of nearly 90 million people with a combined Gross Domestic Product (GDP) of $25billion. The EAC aims at widening and deepening co-operation among the partner states in, among others, political, economic and social fields for their mutual benefit. With a customs union established and signed by the three partner states, trade is considered to rise even further. Currently the community has adopted three-band common external tariff regime namely, zero percent for capital goods and raw materials, 10 per cent for semi-processed goods and 25 per cent for finished products.

5.1.2 COMESA (Common Market for Eastern & Southern Africa):

COMESA (as defined by its Treaty) was established 'as an organization of free independent sovereign states which have agreed to co-operate in developing their natural and human resources for the good of all their people' and as such it has a wide-ranging series of objectives which include in its priorities the promotion of peace and security in the region. However, due to COMESA's economic history and background, its main focus is on the formation of a large economic and trading unit that is capable of overcoming some of the barriers that are faced by individual states.

COMESA's current strategy can thus be summed up in the phrase 'economic prosperity through regional integration'. With its 19 member states, population of over 385 million and annual import bill of around US$32 billion, COMESA forms a major market place for both internal and external trading. Its area is impressive on the map of the African Continent and its achievements to date have been significant. Member countries of this group enjoy preferential tariff treatment for their import and exports.

Tariff structure within COMESA can broadly be divided into two.

(i) General tariff for COMESA

(ii) Free Trade Area (FTA).

General tariffs adhere to the general terms of trade by COMESA, while FTA has abolished tariffs for goods originating from the member countries; the FTA has not only gotten rid of customs tariffs but has also involved the relaxation and eventual elimination of quantitative restrictions and other non-tariff barriers.

The objective of the FTA is to create an integrated market for trade in goods and services and to increase the COMESA region's competitive advantage as a production base geared for the world market. The integrated enlarged market should attract investments much more effectively than the much smaller national domestic markets and thus stimulate growth and raise for COMESA member countries, the stakes in one another's purchasing power and economic progress. This, of course, does not mean that investments will necessarily flow into each member economy. Every country must compete for those investments by improving infrastructure, economic policy environment, peace, law, order, governance and labour productivity. Kenya is a member of the FTA within COMESA.

Countries included under the COMESA treaty are – Angola, Burundi, Comoros, Democratic Republic of Congo, Djibouti, Egypt, Eritrea, Ethiopia, Kenya, Madagascar, Malawi, Mauritius, Rwanda, Seychelles, Sudan, Swaziland, Uganda, Zambia and Zimbabwe with 11 of these countries implementing the FTA.

5.1.3 United States of America (USA), under the African Growth and Opportunity Act (AGOA).

The African Growth and Opportunity Act (AGOA) was signed into law on May 18, 2000 as Title 1 of The Trade and Development Act of 2000.

The Act offers tangible incentives for African countries to continue their efforts to open their economies and build free markets. A wide variety of products from eligible sub-Saharan African countries can now enter the US market duty- and quota-free. Two subsequent amendments have since been made to the original Act. The latest one was signed into law in July 2004 and extends preferential access for imports from beneficiary sub-Saharan African countries until September 30, 2015; extends third country fabric provision for three years, from September 2004 until September 2007; and provides additional Congressional guidance to the Administration on how to administer the textile provisions of the bill.

Under AGOA Kenya’s total exports to this market was US$ 249 million for the year 2003 up from US$126 million in the year 2001. Textile and apparel exports from Kenya contributed ¾ of the exports due to the preferential treatment accorded this category. Kenya was the first country to qualify for textile and apparel preferences in January 2001.

5.1.4 EU/ACP Cotonou Agreement

The Cotonou Agreement is a legal document that binds Europe and the African, Caribbean and Pacific (ACP) states in a long-term perspective. Both parties have committed themselves to promote the economic, cultural and social development of the ACP states as well as to a stable and democratic political environment. Non-compliance with the Agreement has consequences for both parties.

The Cotonou Agreement reshapes substantially the relationship between the ACP group and EU countries. Member countries outside the EU currently enjoy non-reciprocal tariff preferences offered to the ACP countries by the EU. However, this will from 2008 onwards, be replaced by reciprocal Economic Partnership Agreement (EPA) in line with WTO rules.

The Cotonou Agreement is part of the general globalization process. The fundamental objectives of the Agreement are the reduction and eradication of poverty, sustainable development and the integration of the ACP countries into the world economy.

Exports from Kenya entering the European Union are entitled to duty reductions and freedoms from all quota restrictions. Trade preferences include duty free entry of all industrial products and a wide range of agricultural products such as beef, cereals etc.

5.1.5 Generalized System of Preferences (GSP)

The GSP is a system whereby developed countries grant preferential treatment to eligible products imported from developing countries, so their exports would be competitive in the developed country markets. The preferential treatment is in the form of reduced import duty, and granted without reciprocal obligations on the part of the developing countries. The main preference giving countries under the GSP scheme are the United States and the European Union.

The GSP was negotiated under the auspices of UNCTAD (United Nations Conference on Trade and Development). The objectives of the GSP programme are to increase the export earnings of preference-receiving countries, promote their industrialization and to accelerate their rate of economic growth.

Kenya is a beneficiary country under the GSP scheme. Kenyan manufactured products are entitled to preferential duty treatment in USA, Canada, Japan, Switzerland, Norway, Sweden, Finland, Austria and most European countries, Australia, New Zealand.

5.1.6 Other

Kenya also has bilateral trade treaties with Canada, Denmark, Malawi, Norway, Sweden, the United Kingdom, and Zambia, while negotiations are underway with other countries. These treaties generally provide for avoidance of double taxation and reduction or waiver of withholding taxes.

5.2 Investment Protection Agreements - Guarantees to Investors

Kenya provides the following guarantees to local and foreign investors.

Guarantee against Expropriation

The Constitution of Kenya provides guarantees against expropriation of private property, which may occur for reasons of security or public interest. In such a case, a fair and prompt compensation is guaranteed.

Repatriation of Capital and Profits

Capital repatriation, remittance of dividends and interest are guaranteed to foreign investors under the Foreign Investment Protection Act (FIPA). Investors can repatriate:

- After tax profits, including retained profits, which have not been capitalized;
- The proceeds of the investment after payment of the relevant taxes;
- Principal and interest associated with any loan.

Other Guarantees

Kenya is a member of the World Bank-affiliated Multilateral Investment Guarantee Agency (MIGA), which issues guarantees against non-commercial risks to investors in member countries. Kenya is also a member of the International Centre for Settlement of Investment Disputes (ICSID), and of the Africa Trade Insurance (ATI) Agency, a multilateral export credit and political risk agency for COMESA member states

6 TRADE & INVESTMENT PROMOTION

The following organizations were set up by the Government of Kenya to promote exports and investment:

6.1 Investment Promotion Centre (IPC)

The Investment Promotion Centre is a statutory body established in 1986 through an Act of Parliament, with the main objective of promoting private investment in Kenya. IPC is responsible for facilitating the approval and licensing of new investment projects as well as organizing investment promotion activities both locally and internationally.

In approving investment projects, IPC works closely with all the government ministries to facilitate the acquisition of relevant approvals, licenses and permits. Upon approval, IPC issues a General Authority Certificate, which enables investors to commence immediate implementation of their project while obtaining the required licenses within a period of six months. IPC also processes applications for export-oriented projects under Manufacturing Under Bond (MUB) programme.

There are no legal requirements on the equity ownership level, although foreign firms are encouraged to go into joint ventures with Kenyan companies or entrepreneurs. Potential investors are required to submit their project applications to the IPC on prescribed application forms (obtained at the centre and on the website – www.investmentkenya.com) together with copies of the following documents:

- Certificate of Incorporation or Registration
- Articles and Memorandum of Association
- Joint Ventures, Royalty and Management Agreements (where applicable)

Through the information provided by the investors in the application form, IPC is able to identify the types of approvals and licenses required and facilitate their acquisition from Government departments as appropriate. IPC endeavours to complete this process within a period of four weeks upon the receipt of all the required information.

IPC operates a facilitation office at the Jomo Kenyatta International Airport (JKIA) to ease entry and exit of both existing and prospective local and foreign investors. In addition to providing necessary information on investing in Kenya, the office also arranges appointments and visits for investors and incoming missions.

6.2 Export Processing Zones Authority (EPZA)

The Export Processing Zones (EPZ) program came into existence in 1990 following the enactment of the EPZ Act, CAP 517 of the Laws of Kenya. As a result the Export Processing Zones Authority (EPZA) was established as the regulatory body.

The EPZ scheme promotes export oriented industrial investment in manufacturing/ processing, commercial activities or export services within designated zones. EPZ investors enjoy attractive fiscal incentives coupled with simplified operating procedures and superior infrastructure. Additionally, the EPZ Authority provides excellent facilitation and after-care services to new and existing investors. The EPZ Investors are thus assured of lower operation costs, faster set up and smoother operations.

Licensed EPZ companies, both developer/operators of zones and enterprises enjoy the following incentives, which are established in the EPZ Act: -

Fiscal Incentives:

- 10-year Corporate Tax holiday and 25% tax hereafter
- 10-year Withholding Tax holiday on dividends
- Duty and VAT exemption on raw materials, machinery and other inputs
- Stamp Duty exemption
- 100% Investment Deduction on capital expenditure within 20 years

Procedural Incentives:

- Rapid project approval and licensing (under 30 days)
- Operation under essentially one licence issued by EPZA
- No minimum investment level and unrestricted investment by foreigners
- Access to offshore borrowing
- Operation of Foreign Currency Accounts - no exchange controls
- Autonomous control of investment proceeds
- Exemption from Industrial Registration Act, Factories Act, Statistics Act, Trade Licensing Act, Imports, Exports and Essential Supplies Act
- Work permits for senior expatriate staff
- On-site Customs documentation and inspection
- One - Stop - Shop service by the EPZ Authority for facilitation and aftercare

Infrastructural Incentives:

- High quality zone infrastructure – ready factory buildings for rent or sale, serviced land, office premises, common services

The Kenyan EPZ program has over the past decade witnessed steady growth despite an increased competitive economic environment. An added impetus to the program came with the enactment of the African Growth and Opportunity Act (AGOA) in May 2000. AGOA is a US government initiative that allows duty & quota free access of exports into the US market from eligible sub-Saharan African countries. Kenya was the first country to be accredited under AGOA and is eligible to export textiles and apparel to the US duty and quota free, among other commodities.

Table 9: Selected Key EPZ Performance Indicators: 1999 - 2003

	1999	2000	2001	2002	2003	Growth 2002-2003 (%)
Gazetted zones (No.)	16	19	23	31	37	19.4%
Enterprises operating (No.)	22	24	39	54	66	22.2%
Employment – (Kenyans) [a]	5,077	6,487	13,444	26,447	38,199	44.4%
Employment - (Expatriates) [b]	83	133	314	701	912	30.1%
Total employment (No) = a+b	***5,160***	***6,620***	***13,758***	***27,148***	***39,111***	**44.1%**
Turnover (Kshs million)	3,814	4,392	6,499	11,040	14,817	34.2%
Exports (Kshs million)	3,020	3,635	5,962	9,741	13,812	41.8%
Domestic sales (Kshs million)	706	755	538	932	619	-33.6%
Imports (Kshs million)	2,126	2,349	3,990	7,043	9,920	40.8%
Investment (Kshs million)	5,941	6,107	8,950	12,728	16,716	31.3%
Local purchases (Kshs million)	163	279	718	1,127	1,176	4.3%
Total domestic expenditure (Kshs mill.)	955	1,187	2,235	3,651	4,969	36.1%

Source: EPZA annual report 2004

Additional information on the EPZ program can be obtained on www.epzakenya.com.

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6.3 Export Promotion Council (EPC)

The Export Promotion Council (EPC) was established in August 1992 vide a Kenyan Gazette Notice No. 4342 with the mandate to coordinate and harmonize export development and promotion activities in Kenya. The council works closely with both private and public sectors to discharge this responsibility and overcome bottlenecks facing the export sector. This would in turn lead to higher foreign exchange earnings for the country thereby creating employment opportunities and narrowing the gap in the balance of payments.

Functions of EPC

- Increasing foreign exchange earnings through introduction of legislation and associated measures as well as suggesting incentives for producers of export goods and services.
- Establishing targets for Kenyan exports and encouraging exporters to achieve them.
- Reviewing export performance continuously and advising the Government on additional measures to boost exports.
- Attracting investment and finance to the export sector.
- Identifying new markets for the Kenyan exporters and encouraging exports to those markets.
- Promoting public awareness of the need for export expansion.
- Assisting individual foreign exchange earners with any problems facing their operations.

To enhance its capacity in developing and promoting exports, the Council, which is registered as a company limited by guarantee and not having a share capital, operates independently but receives financial and logistical support from the Ministry of Trade and Industry and the Ministry of Finance.

6.4 Centre for Business Information in Kenya (CBIK)

The Centre for Business Information in Kenya (CBIK) operating under the auspices of the Export Promotion Council (EPC) provides business information and support services to the public, both local and international, at a nominal fee. Information can be obtained by making a request for the required information by Internet form (www.cbik.or.ke), e-mail, fax, telephone and post (see EPC contact under “key contacts”).

CBIK's mission is to be a world-class centre for the provision of business information and support services, designed to sustain the growth of Kenyan Businesses in both domestic and international markets.

6.5 Tax Remission for Exports Office (TREO)

The Government of Kenya through the Tax Remission for Exports Office encourages local manufacturers to export their products. This is achieved by remitting duty and VAT on raw materials used in the manufacture of goods for export.

For the purposes of this scheme, to manufacture includes any process by which a commodity is finally produced. This includes assembling, packing, bottling, repacking, mixing, blending, grinding, cutting, bending, twisting, joining or any other similar activity. This remission is, however, not granted for the importation of plant, machinery, equipment, fuel and lubricants, or in respect of suspended or dumping duty.

There are two types of exporters:

- Direct exporters: manufacturers who import raw materials, manufacture, then export the finished product.

- Indirect exporters: a manufacturer / producer who imports goods for use in the production of goods for supply to another manufacturer for use in the production of goods for export.

An application of remission under this programme must be supported by-:

- A bona fide export order / contract for specified export goods or a letter of credit
- A detailed production plan
- A list of goods imported including description
- Tariff classification, quantity, value and amount of duty / VAT to be waived

The value of imported goods for which remission is being requested must exceed one million Kenya Shillings. Remission of duty under the scheme is conditional on the applicant undertaking, in the application form, to pay duty on any imported goods that have not been used in the production of approved exports or indirect exports. Goods imported under this scheme shall be entered on the form and shall have a security bond posted, covering the taxes. This security bond shall be cancelled only after:

- The reconciliation declaration has been verified and approved by TREO, and any unused imported goods have been re-exported
- Duty has been paid

A reconciliation declaration shall be submitted to TREO in 3 copies within 9 months from approval date. The remission from duty may be renewed for another 9 months where fulfilment of an export or domestic sales order has been delayed or partially achieved and where production delivery for export can be established to be regular or ongoing.

6.5 Kenya Tourist Development Corporation (KTDC)

The Kenya Tourist Development Corporation, a Government body, has over the last 35 years spearheaded tourism development through networking investors and providing equity and loan funding to projects in Kenya.

Its mission statement is *"To develop and diversify Kenya's tourism industry by providing a range of advisory and financial services to investors in tourism related enterprises"* and has the following core functions:

- Research to identify opportunities, trends and priorities in the tourism sector
- Provision of bridge between the public sector and private sector in the development of tourism facilities
- Facilitation of information exchange among industry shareholders in order to promote development and diversification
- Provision of financial instruments in form of loans and / or equity participation to cover short and long term needs of investors
- Provision of legal, business and market advice to assist investors to identify and implement profitable ventures.

Since inception, KTDC has teamed up with Hotel Inter-Continental, Robinsons Baobab, Pollmans Tours and Travel, Serena Group of Hotels, Hilton International, Panafric Hotels and other foreign and local investors in joint ventures and strategic alliances. Moreover 200 budget hotels have also been developed in partnership with local councils and private players. These investments are subject to privatization - a grand investment opportunity for investors within the region.

7 LEGAL FRAMEWORK

7.1 Procedures for establishing a company in Kenya

Kenya's legal system is based on English law and practice and the principle types of businesses in Kenya, as listed below, reflect that:

- Registered companies (private and public)
- Branch offices of companies registered outside Kenya
- Partnerships
- Sole proprietorships
- Co-operatives

Companies are registered as limited liability companies and regulated by the Companies Act.

Company Registration

The initial step in forming a company is to register the proposed company name with the Registrar of Companies at the Attorney General's Chambers in Nairobi. The Memorandum and Articles of Association should be filed with the Registrar of Companies who, upon satisfaction, issues the Certificate of Incorporation.

Opening a branch office of an overseas company

An overseas company wishing to open a branch office in Kenya should deliver the following to the Registrar of Companies:

- A certified copy of the Charter, Statutes or Memorandum and Articles of Association of the Company, or other instruments defining the constitution of the company;
- A list of the directors and secretary of the company, giving full names, nationality and other directorships of companies in Kenya;
- A statement of all existing charges entered into by the company affecting properties in Kenya;
- Names and postal addresses of one or more persons resident in Kenya authorized to accept, on behalf of the company, service of notices required to be served on the company;
- Full address of the registered or principal office of the company in its home country; and,
- Full address of place of business in Kenya.

Both private and public companies may allot shares for considerations other than cash. Companies should inform the Registrar of Companies of such allotments and submit a written contract constituting the title of the allottee.

7.2 Land & property ownership

Kenya has a liberalized economy allowing any one to own or legally acquire land or property any where in the country. Title deeds are the legal documents provided by the Government providing proof of ownership of land and/or property.

Non-residents may invest in Kenyan property directly, or through a joint venture with a resident entity, or ownership of a resident entity. However, no non-resident can own agricultural land, or, in practice, beach property, without obtaining presidential approval. However, under the provisions of the Land Control Act, a public company incorporated in Kenya may own agricultural land, even if its shareholders are non-residents.

Land and property are bought or sold on a willing buyer, willing seller basis though all land transactions have to be sanctioned by the Ministry of Lands and Housing and District Land Boards.

7.3 Intellectual property

Patents are regulated by the Industrial Property Act and administered by the Kenya Industrial Property Institute (KIPI), while trademarks are regulated by the Trade and Service Marks Act and administered by the Registrar of Trademarks at KIPI. The duration of trademarks is seven years from the date of filing and renewable every 14 years.

7.4 *Work permits*

The Government allows investors to have key expatriate staff in senior management positions or where locals with specific skills are not available. Work permits for such expatriates are issued by the Immigration Department and are valid for one to two years, renewable on application (see "Immigration Requirements").

8 BANKING AND FINANCE

8.1 *Financial Sector*

Kenya has 49 commercial banks, 47 forex bureaus and 15 micro finance institutions, which play a critical role in alleviating poverty especially in the rural areas by providing cheap, affordable and accessible credit to the small-scale operators commonly referred to as the "Jua Kali Sector". There is also a host of other financial institutions, building societies and development banks such as the East Africa Development Bank (EADB) Industrial Development Bank and the Preferential Trade Area Bank (PTA).

Venture Capital financing is also available from a number of organizations.

The Central Bank of Kenya was established in 1966 through an Act of Parliament - the Central Bank of Kenya Act of 1966 to formulate and implement monetary policy directed to achieving and maintaining stability in the general level of prices as well as to foster the liquidity, solvency and proper functioning of a stable market based financial system. The establishment of the Bank was a direct result of the desire among the three East African states to have independent monetary and financial policies. This led to the collapse of the East Africa Currency Board (EACB) in mid 1960s.

The bank also aims to:

- Formulate and implement foreign exchange policy
- Hold and manage its foreign exchange reserves
- License and supervise authorized dealers in the money market
- Promote the smooth operation of payments, clearing and settlement systems
- Act as a banker and adviser to, and as fiscal agent of the Government; and
- Issue currency notes and coins

The Kenya School of Monetary Studies (KSMS), a premier capacity building institution of the Central Bank of Kenya, runs a wide range of training programmes aimed at promoting efficient operations, innovative thinking and optimal economic management of financial sector institutions both locally and within the region. Since inception in 1997, the School has endeavored to maintain leadership in provision of practical oriented training programmes in the fields of economics, banking, finance, information technology and management.

8.2 *Nairobi Stock Exchange*

The Nairobi Stock Exchange, one of Africa's most active capital markets, was started in the 1920s but was formalized through incorporation into a company in 1954.

As a capital market institution, the Stock Exchange plays an important role in the process of economic development. It helps mobilise domestic savings thereby bringing about the reallocation of financial resources from dormant to active agents. Long-term investments are made liquid, as the transfer of securities between shareholders is facilitated. The Exchange has also enabled companies to engage local participation in their equity, thereby giving Kenyans a chance to own shares.

NSE enhances the inflow of international capital and is also a useful tool for privatisation programmes. Securities traded at the Exchange include over 50 different types of shares and over 60 different types of bonds. Through shares and bonds, the Government, small and big companies, cooperative societies and other organizations can raise money to expand their business activities, make a profit, create employment and generally help the economy to grow.

The Exchange recently adopted an electronic trading and payment system. For further information on the Nairobi Stock Exchange please visit www.nse.co.ke

8.3 Taxation

The income tax legislation is contained in the Income Tax Act, of the laws of Kenya, which is the principal legislation with schedules and subsidiary legislations. Taxable income includes all business income, employment income, dividends, interests and property income.

The organization charged with the responsibility of collecting revenue on behalf of the Government is the Kenya Revenue Authority (KRA). Their key role is to make assessments, collection and administration of laws and regulations relating to taxes in Kenya. The tax regimes currently applicable in Kenya include:

8.3.1 Company tax

All resident companies are subject to tax on their incomes at the rate of 30%. Branches of non-resident companies pay tax at the rate of 37.5%. Taxable income is generally defined as income sourced in or from Kenya. Companies newly listed at the Nairobi Stock Exchange (NSE) are taxed at 25% for a period of five years following the date of listing.

Firms under the Export Processing Zones (EPZ) program are exempt from company tax for the first ten years and pay 25% for the next ten.

8.3.2 Personal income tax

Income tax is charged on the income earned by any person resident in Kenya. A resident is defined as someone who has a permanent home in Kenya, and has spent any part of the working year in the country; or someone who, without a permanent home in Kenya, has spent 183 days or more, working in the country in the year of assessment. A foreign employee in a non-Kenyan firm who is resident in Kenya is subject to tax on all emoluments.

However, non-Kenyans working for regional headquarters are entitled to a deduction equal to one third of their income if they are absent from work for at least 120 days per annum. To qualify, they must reside in Kenya only for the purpose of working at the headquarters, and their salary costs may not be recharged to a local branch or subsidiary.

Tax allowances are provided for all individual taxpayers. Kenyan residents working abroad are given credit of foreign tax paid on the salaries earned in those countries.

Table 10: Individual Rates of Tax, 2004

Taxable Income (k£)	Tax rate (%)
0 - 5,808	10
5,809 - 11,280	15
11,281 - 16752	20
16753 - 22,224	25
Over 22,225	30

Source: Kenya Gazette Supplements, The Financial Bill, 2004 and Kenya Revenue Authority website www.kra.go.ke - 1K£= KShs. 20

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8.3.3 Value Added Tax (VAT)

Value Added Tax (VAT) is a tax on consumer expenditure introduced in Kenya in January 1990 to replace Sales Tax, which had been in operation since 1973. VAT was introduced as a measure to increase Government revenue through the expansion of the tax base, which hitherto was confined to sale of goods at manufacturing and importation level under the sales tax system. VAT is levied on consumption of taxable goods and services supplied or imported into Kenya and is collected by registered persons at designated points who then remit it to the Commissioner of VAT. Registered persons only act as VAT agents in collecting and paying the tax since the tax is borne by the final consumer of goods and services.

VAT is levied on goods or services imported into or manufactured in Kenya. For you to qualify for registration you must attain or expect to attain a taxable turnover of the following amounts (KShs):

- 12 months - 3,000,000
- 9 months - 2,400,000
- 6 months - 1,800,000
- 3 months - 1,200,000

The standard VAT rate is 16%. Restaurants pay 14% plus 2% catering levy. VAT remission is granted on capital goods, including plant and machinery and equipment for new investment, expansion of investment and replacement. VAT on certain goods such as pharmaceutical, surgical equipments, printed books and exercise books is 0% rated. Firms under the EPZ and MUB programs are exempted from VAT on all production inputs.

For more details on VAT in Kenya visit http://www.kra.go.ke/vat

8.3.4 Import Duty

Goods imported into Kenya are subject to import duties at various rates as per the East African Community newly adopted three-band common external tariff regime namely, zero percent for capital goods and raw materials, 10 per cent for semi-processed goods and 25 per cent for finished products.

Duty remission is granted on capital goods, plant, machinery and equipment for investment, including equipment for generation and distribution of electricity. Firms under the EPZ and MUB programs are exempted from import duty on imported production inputs though vehicles and some fuels are not exempted.

8.3.5 Excise duty

Excise duty is a tax imposed on specific local and imported goods. Excise duty on imports is collected at the time of importation together with other import taxes like import duty and VAT. On the other hand, local excise duty is collected monthly. Some of the goods subject to payment of excise duty include wines and spirits, beer, bottled water, soft drinks, cigarettes, motor vehicles and petroleum products.

8.3.6 Withholding tax

Withholding tax is deducted at source from the following sources of income: interest, dividends, royalties, management or professional fees, commissions, pension or retirement annuity, rent, appearance or performance fees for entertaining, sporting or diverting an audience. The EPZ companies are exempted from withholding tax for 10years.

The different rates as tabulated in table 11below:

Table 11: Withholding Tax rates

Withholding tax rates	Resident - %	Non-Resident - %
Artistes & entertainers	-	20
Management & professional fees	-	20

Withholding tax rates	Resident - %	Non-Resident - %
Royalties	5	20
Dividends	5	10
Interest	15	15
Housing bond interest (HBI)	10	15
Two Year Govt bearer bond interest	15	15
Other bearer bonds interest	25	25
Rents - land & building	-	30
Rents - others except (aircraft)	-	15
Pensions / provident schemes	-	5
Insurance commissions	10	20
Consultancy & agency (w.e.f. 01.07.2003)	5	20
Contractual (w.e.f. 01.07.2003)	3	20

Adopted from the Quick Tax Guide Kenya 2003 –2004 Brochure by PKF

8.3.7 Stamp duty

Stamp duty is currently at Kshs. 2 and is levied for any transaction of which a receipt is issued with a value of or exceeding KShs. 100. The following are some of the documents on which Stamp Duty must be paid by affixing Adhesive Revenue Stamp: letters of guarantees, letters of indemnity, receipts for any business transaction of Ksh.100 or above, bonds, instruments of cancellation, application for registration of documents, liquor license, policies of insurance e.g. life insurance, marine insurance e.t.c. lease for terms not exceeding one year, Trust Land Act and instruments registered under the Chattels Act Cap. 28.

Affixing of the stamp is mandatory on all receipts issued irrespective of the number of transactions. Persons, i.e. individuals & business concerns issuing large numbers of receipts, for instance for payment of water, electricity, purchases from supermarkets, payment for medical bills e.t.c. must affix adhesive revenue stamps as long as the receipt value is Ksh.100 or above. Adhesive revenue stamps are to be affixed per receipt but not per item.

Firms under the EPZ program are exempted from stamp duty.

8.3.8 Double- Taxation Agreements

The Income Tax Act provides for agreements that govern double taxation with other countries. The agreement provides relief for tax already paid in the other country with reciprocal effects and sets lower rates of tax to apply to certain specific income.

Currently Kenya has signed double taxation treaties with Uganda, Denmark, all COMESA countries, Tanzania, Italy, United Kingdom, Norway, Germany, Switzerland, Sweden, Malawi, Canada and Zambia, while negotiations are underway with other countries. These treaties generally provide for avoidance of double taxation and reduction or waiver of withholding taxes.

8.3.9 Tax remission for export office(TREO)

The Government of Kenya, through the Tax Remission for Exports Office encourages local manufacturers to export their products and remit duty and VAT on raw materials used in the manufacture of the export goods. For further information on this scheme please see page 32 or visit www.revenue.go.ke/customs/customstaxremission.html.

8.4 Accounting policies

Kenya uses the International Financial Reporting Standards. More information about the standards can be obtained from the Institute of Public Accountants of Kenya at their web site www.icpak.com, or the International Accounting Standards Board www.iasb.org.uk.

The depreciation rates are calculated on reducing balances. The existing depreciation rates are: Heavy Machinery 37.5%, Cars 25%, Other machinery 12.5%, Industrial buildings 2.5%, Hotels 4%, Computers, Calculators and Copiers 30%.

Investment Deduction on the cost of industrial building and machinery is 60%.

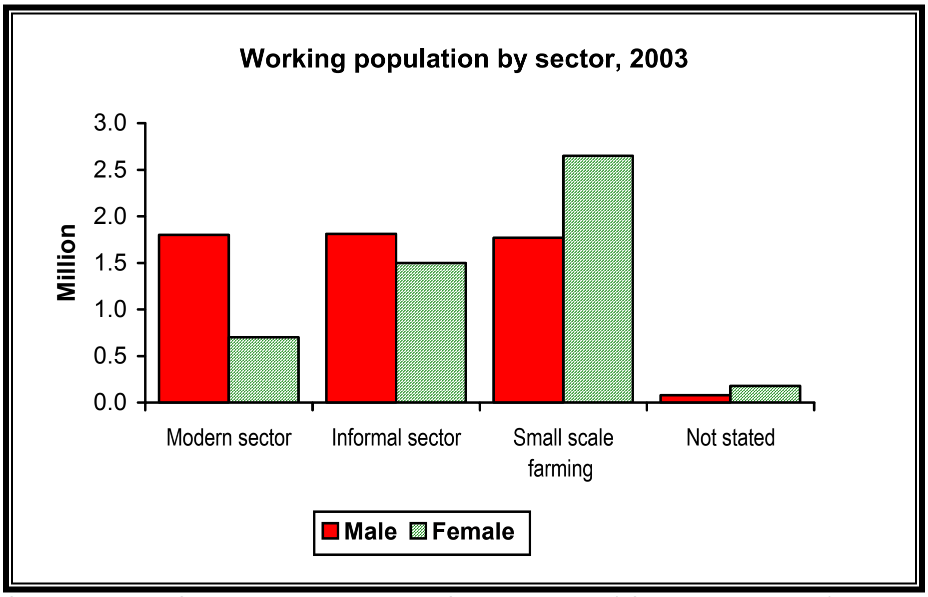
8.5 Exchange Controls

The Exchange Control Act has been repealed. The Central Bank is responsible for supervision of the currency. Residents may hold foreign currency accounts. Foreign exchange for eligible transactions is purchased from the commercial banks or Foreign Exchange Bureaus without any control. Eligible transactions include payments in respect of dividends, capital and interest on loans, current account transactions and proceeds on disposal of investments. There are no controls on foreign exchange rates or interest rates on loans and overdrafts. Exchange rates are driven largely by market supply and demand.

9 HUMAN RESOURCES

Kenya has a population of approximately 30 million. There are 15.9 million persons aged between 15-64 (the working population) of which 77.4 per cent are economically active. The number of employed persons is currently at 10.5 million. Rural areas absorbed 70.1 per cent of the employed persons. Females dominated rural based small-scale farming and pastoralist activities. Self-employed persons constituted 23.8 per cent of the employed.

Chart 3: Working population aged 16-64 by gender and sector, 2003



Source: Labour Survey 2003, prepared by Central Bureau of Statistics, Ministry of Planning & National Development

The three main sectors of the economy are the small-scale farming and pastoralist activities, the informal sector and the modern sector. Small-scale farming and pastoralist activities engaged 42.1% of all workers. The informal sector absorbed 31.6%, while the formal or modern sector absorbed 26.3% of the total workforce.

9.1 Employment trends

Employment in Kenya is predominantly rural and majority of the employed are engaged in small-scale subsistence farming and pastoralist activities. Poor performance of the Kenyan economy in the recent past adversely affected employment creation though this is on a recovery path. Total persons employed in both formal and informal sectors in 2003 was 7,338,500, a 6.6% increase from year 2002. Out of this, the informal sector accounted for 74.2%. Nominal average earnings in the modern sector per person increased from KShs 228,540 per annum in 2002 to KShs 258,325.2 per annum in 2003. Real average earnings in modern sector rose by 2.9% from KShs 171,114 per annum in 2002 to KShs.176,126.80.

Table 12: Wage Employment by Industry and Sector, 1999 – 2003 ('000's)

	1999	2000	2001	2002	2003*	% Change (02-03)
PRIVATE SECTOR						
Agriculture & Forestry	249.6	251.3	254.7	256.3	259.6	1.3
Mining and Quarrying	4.5	4.6	4.6	4.6	4.7	2.2
Manufacturing	184.0	182.9	183.1	196.4	208.7	6.3
Electricity and Water	1.5	1.5	1.6	1.7	1.8	5.9
Building and Construction	52.2	52.3	52.4	52.5	53.1	1.1
Wholesale & Retail Trade, Restaurants & Hotels	147.3	149.1	150.8	151.4	156.7	3.5
Transport and Communications	43.7	44.5	46.2	47.7	49.3	3.4
Finance, Insurance, Real Estate, Business Services	68.1	68.8	68.8	68.8	69.1	0.7
Community, Social and Personal Services	239.4	247.3	256.5	261.5	265.6	1.6
TOTAL PRIVATE SECTOR	**989.9**	**1,002.9**	**1,018.7**	**1,041.0**	**1,068.6**	**2.7**
PUBLIC SECTOR						
Agriculture & Forestry	62.9	60.9	57.8	57.3	56.5	-1.4
Mining and Quarrying	0.7	0.7	0.6	0.6	0.7	16.7
Manufacturing	36.3	35.8	33.5	33.5	33.0	-1.2
Electricity and Water	21.6	21.2	19.8	19.6	19.3	-1.5
Building and	27.0	26.3	24.4	24.0	23.5	-2.1

	1999	2000	2001	2002	2003*	% Change (02-03)
Construction						
Wholesale & Retail Trade, Restaurants & Hotels	6.4	6.4	6.1	6.1	6.1	-0.0
Transport and Communications	40.9	39.7	38.1	37.8	37.6	-0.5
Finance, Insurance, Real Estate, Business Services	16.7	16.2	15.0	14.6	14.2	-2.7
Community, Social and Personal Services	486.3	485.3	463.1	465.5	468.2	0.6
TOTAL PUBLIC SECTOR	**698.8**	**692.5**	**658.4**	**658.8**	**659.1**	**0.0**

*Source: Economic Survey 2004 prepared by Central Bureau of Statistics, Ministry of Planning & National Development - * Provisional*

Table 13: Wage Employment in the Public Sector, 1999 - 2003 ('000's)

	1999	2000	2001	2002	2003**	Annual % Change 2003/2002
PUBLIC SECTOR						
Central Government***	224.0	222.9	195.7	194.9	195	0.1
Teachers' Service Commission	242.3	236.8	231.3	234.3	234.8	0.8
Parastatals Bodies+	105.2	104.1	101.6	99.0	97.3	-1.7
Majority Control by the Public Sector++	48.5	48.0	47.5	46.7	46.4	-0.7
Local Government	78.8	80.7	82.3	83.9	85.6	2.0
TOTAL	**698.8**	**692.5**	**658.4**	**658.8**	**659.1**	**0.0**

Source: Economic Survey 2004 prepared by Central Bureau of Statistics, Ministry of Planning & National Development
** *Provisional*
*** *Covers all civil servants on Government payroll plus casual workers in various ministries*
+ *Refers to Government wholly-owned corporations*
++ *Refers to institutions where the Government has over 50% shares*

Table 14: Wage Employment by Province, 1999 - 2003 ('000's)

	1999	2000	2001	2002	2003*	% Change 2003/2002
PROVINCE						
Nairobi	424.6	425.4	419.9	425.6	433.6	1.9
Coast	208.6	209.5	207.7	210.8	214.3	1.7
North Eastern	15.5	15.5	15.5	15.7	15.9	1.3
Eastern	140.9	141.4	139.8	141.9	144.1	1.6
Central	241.6	242.7	240.3	242.7	246.0	1.4
Rift Valley	377.7	379.9	376	381.7	388.2	1.7
Nyanza	168.5	169.2	167.4	169.1	171.3	1.3
Western	111.4	111.8	110.5	112.2	114.2	1.8
TOTAL	**1,688.7**	**1,695.4**	**1,677.1**	**1699.7**	**1,727.6**	**1.6**

Source: Economic Survey 2004 prepared by Central Bureau of Statistics, Ministry of Planning & National Development
** Provisional*

Table 15: Wage Employment by Industry and Gender: 2002 and 2003 ('000's)

	Males		Females		Total	
	2002	2003*	2002	2003*	2002	2003*
INDUSTRY						
Agriculture & Forestry	235.8	237.5	77.9	78.5	313.7	316.0
Mining and Quarrying	4.2	4.2	1.1	1.2	5.3	5.4
Manufacturing	189.8	199.6	40.0	42.1	229.8	241.7
Electricity and Water	17.5	17.3	3.8	3.8	21.3	21.1
Building and Construction	71.5	71.7	5.0	4.9	76.5	76.6
Trade, Restaurants & Hotels	115.2	119.1	42.3	43.6	157.5	162.7
Transport and Communications	68.1	69.3	17.6	17.6	85.4	86.9
Finance, Insurance, Real Estate, Business Services	61.7	61.7	21.6	21.6	83.3	83.3
COMMUNITY, SOCIAL & PERSONAL SERVICES						
Public Administration	96.9	94.2	57.2	55.6	154.1	149.8
Education Services	179.0	185.1	136.3	141.0	315.3	326.1

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	Males		Females		Total	
	2002	2003*	2002	2003*	2002	2003*
Domestic Services	61.2	58.8	40.6	39.0	101.8	97.8
Other Services	95.4	98.1	60.3	62.1	155.7	160.2
TOTAL PUBLIC SECTOR	**1,196.3**	**1,216.6**	**503.4**	**511.0**	**1,699.70**	**1,727.6**
Regular	979.5	995.8	401.6	394.7	1,381.0	1,390.5
Casual	216.8	220.8	101.8	116.3	318.6	337.1

*Source: Economic Survey 2004 prepared by Central Bureau of Statistics, Ministry of Planning & National Development - * Provisional*

9.2 Guide to Labour Laws

a) *Employment contract*

This is an agreement, whether oral, in writing, expressed or implied to employ the services of an employee for a specified period of time. There are 3 broad types of working contracts in Kenya: monthly (regular or permanent), daily and hourly.

b) *Types of employment*

- Permanent employment
- Casual contract
- Temporary or seasonal employment

Permanent contract - Is a long-term contract of employment given by an employer to an employee.
Casual employment - Is a contract between an employer and employee whereby the employee is paid wages at the end of each day and is not engaged for a longer period than twenty-four hours at a time. When an employee is paid after 24 hours to 1- 2 weeks, he ceases to be a casual employee.
Term contract - These are contracts of employment limited by a specified length of time e.g. 3 months contract, 9 months contract e.t.c.
Seasonal/temporary contract – A contract may be temporary in that the work to be performed is of a temporary period or seasonal nature. No person shall be employed on temporary or seasonal terms of employment for a period exceeding six months.

c) *Restriction on employment*

Subject to the Employment Act, no person shall employ a child, whether gainfully or otherwise, in an industrial undertaking. Its also illegal to employ women or juveniles to work between the hours of 6.30 p.m. and 6.30 a.m. in an industrial undertaking.

d) *Letters of appointment*

Every contract of service for a period of more than six months or more shall be in writing. The employer shall issue each employee who is not on a casual 'daily' basis with a letter or document of appointment.

The following details should be indicated in the letter of appointment.

- The name and address of the employer
- The name of the employee
- Date of engagement
- The nature of work or occupation

e) *Wages*
The wages to be paid to employees is contained in the Collective Bargaining Agreement for unionized employees. For those workers who are not unionized - the basic minimum wages to be paid to employees is contained in the minimum wage guidelines, which are issued and revised yearly by the Ministry of Labour. These guidelines outline the occupations and the rate of payment on monthly/daily/hourly basis.

On a monthly basis the wages to be paid are on days worked as outlined below:

45 hours per Week

8 hour day	5 days	Monday to Friday
5 hours	1 day	Saturday
1 rest day		Sunday

If the wages are to be paid on hours worked then the hourly rate should apply. Although Saturday has 5 working hours, it is considered a whole day for purposes of payment. If an employee works for more than five hours on Saturday, they are entitled to overtime. Work on Sunday is also considered to be overtime.

When wages are due
- Piece work - on completion of work
- Casual work - end of the day
- Period of more than one day and not exceeding a month - end of period
- Period exceeding a month - end of each month

Deductions from wages
- Provident fund scheme
- Lawful deductions (e.g. taxes, hospital insurance, social security)
- Deductions of wages for each day an employee absents himself/herself unlawfully or without leave
- Any deductions requested by the employee in writing e.g. co-operative dues.
- Loan repayment to an employer/cooperative - not exceeding 50% of wages payable to employee
- Reasonable amount for damages, loss of property in lawful custody/possession of employee which he has willfully to take care of
- Any other prescribed by the Minister (e.g. Union dues and levies)

f) *Hours of work*
The normal working week is outlined by the specific wage regulations order for the given industry but is not more than 52 hours spread over six days of the week, which is for security personnel. 45 hours in a week, is the general hours of work, spread over six days of the week. It consists of, unless otherwise agreed, five days of eight hours per day and one day of five hours of work.

Overtime
Any worker, other than security personnel and agricultural workers, who work more than 45 hours in a week should be paid overtime as indicated below:

- Hours done in excess of the normal number of hours per week is at one and one - half (1½) times the normal hourly rate.
- For time worked on the employees' normal rest day or public holiday at twice (2) the normal hourly rate.
- Overtime plus time worked in normal hours per week shall not exceed **116 hours** in a period of two consecutive weeks.

Weekly rest day

Every employee shall be entitled to at least one rest day in every period of 7 days.

Holidays with full pay

Employees are entitled to 11 holidays with full pay. These are: -

Holiday	Date	Holiday	Date
New Year's Day	1st January	Good Friday	World Calendar
Easter Monday	World Calendar	Labour Day	1st May
Madaraka Day	1st June	Idd-Ul-Fitr	Muslim Calendar
Kenyatta Day	20th October	Christmas Day	25th December
Boxing Day	26th December	Moi Day	10th October
Jamhuri day	12th December		

g) *Work leave*

Annual leave

Where a worker has remained in continuous employment with the same employer for 12 months of service, he is entitled to a minimum of 21 days leave with full pay.

Pro-rata leave

Where an employee does not take his leave, he shall be paid for the leave days due to him. Where employment is terminated after the completion of two or more consecutive months of service during any twelve months leave earning period, he shall be paid an amount equal to two day's leave plus full pay for each completed month of service.

Sick leave

After two months of continuous service, an employee is entitled to 30 days sick leave with full pay.

Maternity leave

A woman employee shall be entitled to two months maternity leave with full pay.

h) *Housing allowance*

An employee on a monthly contract who is not provided with free housing by his employer, in addition to the basic minimum wage, shall be paid housing allowance equal to fifteen per cent of his basic minimum wage.

i) *Keeping of records*

The Company's Act requires that every employer keep a written record of all employees employed by him with whom he has entered into contracts.

It should contain among others the following information: -

- Name of employee and identification
- Date employed
- Nature of work

j) *Right to Organize (Unions)*

In Kenya, including in the Export Processing Zones (EPZs), the workers have the right to organize and belong to a Trade Union and enter into collective bargaining with employers.

k) *Workman's compensation*

The Workman's Compensation Act provides for compensation to workmen for injuries suffered in the course of employment.

All employers are required to have an Insurance Policy to cover this, as per Legal Notice 462 of 1963. Whether minor or serious, injuries must be reported to the nearest labour office in the prescribed L.D 104 Form as soon as is practicable.

l) *Statutory Deductions*

Employment statutory deductions include the following:

- Income Tax: Pay As You Earn (PAYE) is the income tax paid by an employer to the Kenya Revenue Authority (KRA) after deducting from an employee's gross monthly income. It is paid on incomes above the stated minimum of KShs 11,135 (as per 2004).
- Medical: Another statutory deduction from an employee's gross income is the compulsory medical cover submitted to the NHIF (NATIONAL HOSPITAL INSURANCE FUND). This cover entitles an employee to a limited medical cover in accredited health facilities. Rates are progressive ranging from KShs 30 – 320 and apply to incomes of KShs1000 and above.
- Under statutory deductions, the employer is also supposed to deduct a specified amount to be submitted to the NSSF (NATIONAL SOCIAL SECURITY FUND) as a social security for retirement benefits: Maximum contribution is KShs 400 out of which the employer may recover KShs 200 as the employee's share.

10 IMMIGRATION REQUIREMENTS

All visitors to Kenya are required to have valid passports. Visas are required from all but the following countries:

- Citizens of the Commonwealth
- Other countries - Germany, Denmark, Norway, Ethiopia, San Marion, Sweden, Finland, Spain, Turkey, Uruguay.

However since requirements may change, it is advisable to check with *Kenya Embassies or High Commissions* in your country.

10.1 Visas

Visas are requested from Kenyan diplomatic and consular offices abroad.

a. Transit visa**:** valid for 7 days.
b. Entry visa**:** valid for 3 months.
c. Residence permit**:** valid for 6 months
d. Citizens of the European Union, Japan, USA and Canada can obtain visas at the point of entry.

10.2 Entry permits

Issued to foreign citizens wishing to seek employment with or invest in Kenya. Class A are issued to expatriates and class H to investors. The processing usually takes about 2 months.

Table 15: Entry permit requirements

Requirements for application	
Class A & H	1. 2 passport size photos 2. Duly completed form 3 and form 22 (bought for KShs 40 from Department of Immigration)

Requirements for application	
	3. C.V. & academic certificate copies (certified by commissioner of oaths) 4. Copies of passport (certified by commissioner of oaths) 5. Cover letter from employer 6. Letter of **"No Objection"** for class A if previously holding an entry permit under another firm
Class H (Additional)	7. Proof of capital in excess of KShs 10 million to be invested locally e.g. local bank statement or in form of Kenya Government Securities/Treasury Bills 8. In case of renewal, copy of audited accounts for immediate past financial year 9. Copy of firm's Personal Identification Number (PIN) 10. Copy of certificate of incorporation and EPZ licence (certified by commissioner of oaths) 11. Evidence of employment of locals in case of renewal
Requirements for issue	
Class A	KShs 25,000 per year & Security bond of KShs 100,000. This is valid for three years.
Class H	KShs 30,000 per year & Security bond of KShs 100,000. This is valid for three years.

10.3 Alien registration

It is mandatory for foreign citizens who have been resident in Kenya for more than 90 days to obtain an Alien registration certificate by completing **form A1**, attaching KShs 2,000 application fee and availing themselves for the initial processing.

10.4 Re-entry pass

Re-entry permits may be obtained by completing **form 16** and at a cost of KShs 200 p.a. This enables holders to re-enter Kenya without paying the mandatory US$ 50 for a visa.

10.5 Dependant passes

These may be obtained by completing **form 6** and at a cost of KShs 1,000 with security bond of KShs 100,000. Proof of and nature of relationship is usually required in the form of marriage certificate (spouse) and birth certificate (child). Members who are not immediate family members pay KShs 5000.

10.6 Special pass

Issued to foreign citizens seeking to do installations or similar work in any company for a period of 3 months (not renewable). The applicant completes **form 10** and attaches copies of his/her passport. Processing usually takes about 1 week. The fee payable is KShs 12,500.

10.7 Multiple visas

Issued to foreign citizens seeking to enter the country for business purposes e.g. attending meetings, specific interests such as representing buyer's interests. It is issued for a period of 1 year (renewable). The applicant completes **form V. 1** and avails his/her passport. Processing usually depends on the citizenship of applicant and may take a minimum of 2 weeks. The fee payable is US$ 110.

10.8 Residence permit

For a stay in Kenya exceeding 6 months, one must obtain a residence permit that can be delivered during the first stay, valid for one year. It must be renewed each time the work contract is renewed.

Other requirements:

Foreign currency

There is no restriction on the import and export of local or foreign currency. However, documentation stating the source and purpose of the currency is required for amounts equivalent to US$5000 and above.

Personal belongings and passenger car

Any foreign person residing in Kenya because of business can import his personal belongings, his house furniture and a passenger car for personal use. Personal effects may be imported duty free. The importation of firearms and game trophies is restricted, and indecent literature is prohibited. Domestic animals and pets may be imported provided they have valid veterinary certificates. Plants require phytosanitary certification.

When cleared through customs, these personal belongings, house furniture and passenger car can be duty free or liable to rights and duties by means of phased payments. They may not be transferred in return for payment or free-of-charge before they are sorted out with the Customs Authority and a foreign trade license is provided, if the case arises.

The Kenyan tax law adapts advantages and procedures according to the beneficiary's status.

11 KEY CONTACTS

11.1 Government Ministries

Ministry/Office	Contact
Kenya Government	Websites: www.kenya.go.ke www.statehousekenya.go.ke
Office of the President	Harambee House, Harambee Avenue P.O. Box 30510, 00100 Nairobi, Kenya Tel. 254-20-227411 Website: www.officeofthepresident.go.ke
Office of the Vice President & Ministry of Home Affairs	Jogoo House, "A" Taifa Road P.O. Box 30520, Nairobi, Kenya Tel. 254-20-228411 Fax: 254-20-218811 Website: www.homeaffairs.go.ke
Ministry of Agriculture	Ministry of Agriculture & Rural Development Kilimo House, Cathedral Road P.O Box 30028 Nairobi, Kenya Tel: 254-20-2718870 Fax: 254-20-2720586 Website: www.agriculture.go.ke
Ministry of Co-operative Development & Marketing	Social Security House (NSSF) Building, Eastern Wing, Block "A", P.O. Box 30547, 00100 Nairobi, Kenya Tel: 254-20-2731531-9 Website: www.co-operative.go.ke
Ministry of East African and Regional Co-operation	Old Treasury Building, Harambee Avenue, 1st floor P.O. Box 30551, Nairobi, Kenya Tel. 254-20-310310 Fax: 254-20-310365 Website: www.regionalco-op.go.ke
Ministry of Education, Science & Technology	Jogoo House "B", Harambee Avenue P.O. Box 30040, Nairobi, Kenya Tel. 254-20-334411 Email: info@education.go.ke Website: www.education.go.ke
Ministry of Energy	Nyayo House, Kenyatta Avenue P.O. Box 30582, Nairobi, Kenya Tel. 254-20-333551/330048/330502 Fax: 254-20-228314 Website: www.energy.go.ke
Ministry of Environment & Natural Resources	Maji House, Ngong Road P.O. Box 30126, Nairobi, Kenya Tel. 254-20-2716103/229261 Fax: 254-20-2727622 Website: www.environment.go.ke
Ministry of Finance	Treasury Building, Harambee Avenue P.O. Box 30007, Nairobi, Kenya Tel. 254-20-252299

Ministry/Office	Contact
	Fax: 254-20-330426 Website: www.treasury.go.ke
Ministry of Foreign Affairs	Old Treasury Building, Harambee Avenue P.O. Box 30551, Nairobi, Kenya Tel. 254-20-334433, 252615 Fax: 254-20-240066,335494 Email: mfapress@nbnet.co.ke Website: www.mfa.go.ke
Ministry of Gender, Sports, Culture & Social Services	NSSF Building, Block "A", Eastern wing P.O. Box 16936, Nairobi, 00100 Nairobi Tel. 254-20-2727980-4 Fax: 254-20-2734417 Website: www.culture.go.ke
Ministry of Health	Afya House, Cathedral Road P.O. Box 30016, Nairobi, Kenya Tel: 254-20-2717077 Fax: 254-20-2713234 Web: www.health.go.ke
Ministry of Information & Communication	Telposta Towers, Kenyatta Ave. P.O. Box 30025, Nairobi Tel. 254-20-221376 Website: www.information.go.ke
Ministry of Justice & Constitutional Affairs	Sheria House, Harambee Avenue P.O. Box 56057, Nairobi, Kenya Tel. 254-20-227461 Website: www.justice.go.ke
Ministry of Labour & Human Resource Development	Social Security House, Bishop Road P.O. Box 40326, 00100 Nairobi, Kenya Tel. 254-20-2729800 Website: www.labour.go.ke
Ministry of Lands & Housing	Ardhi House, Ngong Road P.O. Box 30450, 00100 Nairobi Tel. 254-20-2718050 Fax: 254-20-2721248 Website: www.ardhi.go.ke
Ministry of Livestock & Fisheries Development	Kilimo House, Cathedral Road P.O. Box 30028, Nairobi Tel: 254-20-27118870 Fax: 254-20-2711149 Website: www.livestock.go.ke
Ministry of Local Government	Jogoo House, "A" Taifa Road P.O. Box 30004, Nairobi, Kenya Tel: 254-20-217475 Website: www.localgovernment.go.ke
Ministry of Planning & National Development	Treasury Building, Harambee Avenue P.O. Box 30007, Nairobi, Kenya Tel: 254-20-252299 Website: www.planning.go.ke

Ministry/Office	Contact
Ministry of Regional Development Authorities	NSSF Building P.O. Box 10280, 00100 Nairobi, Kenya Tel: 254-20-2733745 Fax: 254-20-2737693 Website: www.regional-dev.go.ke
Ministry of Roads & Public Works	Ministry of Works Building, Ngong Road P.O. Box 30260, Nairobi, Kenya Tel: 254-20-2723101, 2723188, 2723155, 2723111-6, 2723135, 2723582/87 Website: www.publicworks.go.ke
Ministry of Tourism & Wildlife	Utalii House, Off Uhuru Highway P.O. Box 30027, Nairobi, Kenya Tel. 254-20-333555, 313010 Fax. 254-20-318045 Website: www.tourism.go.ke
Ministry of Trade & Industry	Telposta Towers, Kenyatta Avenue P.O. Box 30418, 00100 Nairobi, Kenya Tel: 254-20-315001-7, 331030 Fax: 254-20-315011, 213508, 219680 Website: www.tradeandindustry.go.ke
Ministry of Transport	Transcom House, Ngong Road P.O. Box 52692, 00100 Nairobi, Kenya Tel. 254-20-2729200 Email: motc@insightkenya.com Website: www.transport.go.ke
Ministry of Water Resources Management & Development	Maji House, Ngong Road, P.O. Box 49720, Nairobi, Kenya Tel. 254-20-2716103, 229261 Fax: 254-20-2727622 Website: www.water.go.ke

11.2 Other organizations

Organisation	Contact
Kenya Revenue Authority (KRA)	Times Towers Bldg., Harambee Ave. P.O. Box 48240, 00100 GPO Nairobi, Kenya. Tel: 254-20-310900/315553 Email: info@kra.go.ke Website: www.kra.go.ke
Central Bank of Kenya (CBK)	Haile Selassie Ave. P.O. Box 60000, 00200 Nairobi, Kenya Tel: 254-20-226431 Fax: 254-20-340192 Email: info@centralbank.go.ke Website: www.centralbank.go.ke

Organisation	Contact
Investment Promotion Centre (IPC)	National Bank Building, 8th Floor, Harambee Avenue P.O. Box 55704-00200 Nairobi, Tel: 254-20-2211401-4 Fax: 254-20-336663 Email: info@investmentkenya.com Website: www.investmentkenya.com
Export Processing Zones Authority (EPZA)	Administration Building Athi River EPZ, Viwanda Road Off Nairobi - Namanga Highway P.O Box 50563, 00200 Nairobi, Kenya Tel: 254 45 26421/6 Fax: 254 45 26427 Email: info@epzakenya.com Website: www.epzakenya.com
Kenya Ports Authority (KPA)	P.O. Box 95009 Mombasa, Kenya Tel: 254-41-312211, 220255 Fax: 254-41-311867 Email: md@kpa.co.ke; info@kpa.co.ke Website: www.kenya-ports.com
Nairobi Stock Exchange (NSE)	1st Floor, Nation Centre, Kimathi House P.O. Box 43633, 00100 Nairobi, Kenya Tel: 254-20-230692 Fax: 254-20-224200 Email: info@nse.co.ke Website: www.nse.co.ke
Capital Markets Authority (CMA)	Reinsurance Plaza, Taifa Rd, 5th Floor P.O. Box 748000, 00200 Nairobi Tel: 254-20-221910/221869 Fax: 254-20-216681/228254 Email: corporate@cma.or.ke Website: www.cma.or.ke
Export Promotion Council (EPC)	Anniversary Towers, 16th Floor University Way P.O. Box 42047 Nairobi, Kenya Tel: 254-20-228534/8/9 Fax: 254-20-218013/228539 Email: chiefexe@epc.or.ke Website: www.cbik.or.ke
Kenya National Chamber of Commerce & Industry (KNCCI)	P.O. Box 47024, Nairobi, 00100, Kenya Tel: 254-20-220866/7,334412/3 Fax: 254-20-334293,340664
Kenya Association of Manufacturers (KAM)	Mwanzi Rd, Off Peponi Rd, Westlands P.O. Box 30225, Nairobi 00100, Kenya Tel: 254-20-3746005/7, 3746021/22 Fax: 254-20-3746028/30 Email: info@kam.co.ke Website: www.kam.co.ke

Organisation	Contact
Communication Commission Kenya (CCK)	Longonot Place, Kijabe Street P.O. Box 14448, Nairobi 00800, Kenya Tel: 254-20-4242000 / 4349111 Fax: 254-20-4451866/4348204 E-mail: info@cck.go.ke Website: www.cck.go.ke
Postal Corporation of Kenya	Posta Road, Off. Kenyatta Ave. P.O. Box 34567 Nairobi, Kenya Tel: 254-20-243434 Website: www.posta.co.ke
Telkom Kenya Ltd.	Telposta Towers, Kenyatta Ave. P.O. Box 30301, 00100 Nairobi GPO, Kenya Tel: 254-20-3232000 Website: www.telkom.co.ke
Kenya Tourist Board (KTB)	P.O. Box 30630, Nairobi 00100, Kenya Tel: 254-20-2711262 Fax: 254-20-2719925 Email: info@kenyatourism.org Website: www.magicalkenya.com
Kenya Plants Health Inspectorate Service (KEPHIS)	Waiyaki Way P.O. Box 49592, 00100 GPO Nairobi, Kenya Tel: +254-20-884545/882308/882933 Fax: +254-20-882265 Email: kephis@nbnet.co.ke Website: www.kephis.org
Kenya Tourist Development Corporation (KTDC)	Utalii Hse, 11th Floor P.O. Box 42013, GPO Nairobi (00100), Kenya Tel: 254-20-229751- 4, 223488, 330820-6 Fax: 254-20-227815 Email: info@ktdc.co.ke Website: www.ktdc.co.ke
Kenya Bureau of Standards (KEBS)	Bellevue Area, Off Mombasa Rd P.O Box 54974 City Square Fax: 254-20-503293 Tel: 254-20-502210/502211 Email: info@kebs.org Website: www.kebs.org
National Cereals and Produce Board (NCPB)	Head Office - Nafaka House Machakos Rd., Industrial Area P. O. Box 30586, Nairobi, Kenya Tel: 254-20-536028 Fax: 254-20-54224 Email: cereals@africaonline.co.ke
Dept. of Immigration	Tel: 254-020-333551

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12 SOURCES OF INFORMATION & GLOSSARY

CIA World Fact Book 2003
World Bank Report on Kenya, by Country Director Moktar Diop -2002
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Ministry of Planning & National Development - www.planning.go.ke
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Central Bureau of Statistics – Economic Survey 2004
Central Bureau of Statistics – Statistical Abstract 2003
Department of foreign affairs and international trade-Canada/The Canadian Trade Commission Services (www.infoexport.gc.ca)
Export Promotion Council – www.cbik.or.ke
KIPPRA - www.kippra.org
World Investment Report 2004 – United Nations Conference on Trade & Development (UNCTAD)
Country Profile of Kenya - Indian Ocean Rim Countries – www.iornet.com
Africa Foreign Investors Survey 2003 – United Nations Industrial Development Organization (UNIDO)
Labour Survey by Central Bureau of Statistics - 2003
Kenya Revenue Authority - www.kra.go.ke
Central Bank of Kenya – www.cbk.go.ke
Ministry of Finance – www.treasury.go.ke
TREO department Ministry of Finance
Department of Investment Registry - Ministry of Finance
Director of External Trade – Ministry of Trade & Industry
Ministry of Trade & Industry – Information Department
Common Market for Eastern and Southern Africa (COMESA) – www.comesa.int
The East African Community – www.eac.int
World Trade Organization – www.wto.org
Export Processing Zones Authority – www.epzakenya.com

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2. Statistical Abstract 2003 by Central Bureau of Statistics
3. Economic Survey 2003 by Central Bureau of Statistics
4. Labour Survey 2003 by Central Bureau of Statistics
5. World Bank Country Data Table 2003- Kenya
6. Africa Foreign Investors Survey 2003 – United Nations Industrial Development Organization
7. World Bank Report on Kenya, by Country Director Moktar Diop
8. Stimulating Investment in Kenya – A presentation by Andrew K. Mullei Governor of Central Bank at the National Investment Conference November 2003
9. Central Bank of Kenya Annual Report 2004
10. Central Bank of Kenya Monthly Economic Report August – October 2004

APPENDIX I

Foreign Investors / TNCs in Kenya

Company	Country	Product
Bata Shoes Co (K) Ltd	Canada	Shoes
Tiomin Resources Inc	Canada	Mining
China		
China Jiangsu International Economic – Technical Cooperation Corporation	China	Manufacturing & exporting
China National Aero-Technology Import – Export Corp	China	Manufacturing & merchandise trading
China Overseas Engineering Corp	China	Engineering
China Road & Bridge Corporation	China	Construction
Chinese Technical Cooperation	China	Infrastructure construction
Sietco Development Corp	China	Construction
Sinotaco	China	Maritime organization
Netherlands		
Airlink Ltd	Netherlands	Aviation
Anova Food BV	Netherlands	Fish Supplies & Exports
Anova East Africa (ANEA)	Netherlands	Fresh and Frozen Fish Products
Christchurch Holdings	Netherlands	Transport
Dreamcoat Automotive Refinishing Products Ltd	Netherlands	Manufacturing
Fairview Hotel	Netherlands	Hotel
Fourteen Flowers	Netherlands	Horticulture
Grabowsky & Poort (Arcadis)	Netherlands	Consulting Engineers & Architect
Groundwater Survey (Kenya) Ltd	Netherlands	Ground Water Consultants
Happy Cow Limited	Netherlands	Dairy Products
Indu Farm EPZ Ltd	Netherlands	Horticulture processing
Jet Travel Ltd	Netherlands	Travel Agency
Kenya Shell & BP	Netherlands	Petroleum products
KLM Royal Dutch Airlines	Netherlands	Aviation
Logistic Container Centre	Netherlands	Logistics
Martinair Holland BV P & O Nedlloyd	Netherlands	Shipping & Logistics
Philip Medical Systems	Netherlands	Electronic Medical Equipments
Procter & Gamble	Netherlands	Food products, cereals
Regina Seeds	Netherlands	Agriculture
SDV Transami	Netherlands	Cargo agents/Freight forwarders

Company	Country	Product
SERA Software East Africa	Netherlands	IT
Sher Flowers	Netherlands	Floriculture
TNT Express Worldwide	Netherlands	Courier
Van Leer East Africa Ltd	Netherlands	Packaging
WEC lines Ltd	Netherlands	Shipping
France		
D.T. Dobie (Kenya)	France	Motor Vehicles
Peugeot Kenya	France	Motor Vehicles
Total Kenya ltd	France	Petroleum products
Germany		
BASF	Germany	Manufacturing and marketing of a wide range of chemical products
Bayer East Africa Ltd	Germany	Pharmaceuticals
Henkel Kenya Ltd	Germany	Chemicals
Pfizer Laboratories Ltd	Germany	Pharmaceuticals
Siemens	Germany	Tele-com, Electrical Equipments etc
Schenker Ltd	Germany	Logistics services
India		
Air India	India	Aviation
Bank of Baroda	India	Banking
Bank of India	India	Banking
Bruce Trucks Ltd – Iveco trucks	India	Motor Vehicles
Cadila Pharmaceuticals ltd	India	Pharmaceutical
CMC (Maruti)	India	Motor Vehicles
Kenindia Assurance company ltd	India	Insurance
Kingsway Motors (Eicher)	India	Motor Vehicles Dealers
Lakshmi Textiles Exports ltd	India	Textile
Manugraph Kenya Ltd	India	Printing
Marshalls EA (Tata)	India	Motor Vehicles
Orient Paper Mills (Pan African Paper Mills)	India	Paper
Praj Industries Ltd	India	Engineering & Fabrication, Alcohol & Brewery plants
UB Pharma ltd	India	Pharmaceutical
Italy		
Auto Italia / Car & General (agents for Alfa Romeo & Piaggio)	Italy	Motor Vehicles Dealers
Chimaco East Africa (agents fro	Italy	Chemical dealers

Company	Country	Product
Enichem)		
Fila East Africa	Italy	Sports wear
Framin Kenya Ltd (agents for Farmitalia)	Italy	Pharmaceutical
Kenya Motors (agents for IVECO)	Italy	Motor Vehicles Dealers
Kirdam Consortium	Italy	Drilling
New Holland – Fiat Spa	Italy	Motor Vehicle Dealers
Pirelli Tyre	Italy	Tyres
Technogym	Italy	Fitness and rehabilitation equipment
Japan		
Asahi Shimbun Nairobi Bureau	Japan	Media
Asami Motor Services	Japan	Motor Vehicle Dealers
Chiyo & Company	Japan	Watches manufacturer
Construction Project Consultants	Japan	Construction
Escape Ltd	Japan	IT
Falcon Travel services	Japan	Tours & Travel
Itochu Corporation	Japan	Trading Company
Japan African Culture Interchange Institute	Japan	Cultural Exchange Programs
Japan External trade Corporation	Japan	Foreign Trade Promotions
Japanesse International Cooperation Agency (JICA)	Japan	International Assistance & Corporation
Kajima Corporation	Japan	General Contracting firm
Kenya Tenri Society	Japan	Foreign Development Agency
Kyodo News Services	Japan	Media
Matsushita Electric Industrial	Japan	Electrical & electronics components
Metameta Office	Japan	IT – Web Design
Mitsubishi Corporation (Rep Office)	Japan	Motor vehicles
Mitsui & Co ltd	Japan	Widespread – exploration, power etc
Nec Corporation	Japan	Electronics
Nippon Koei Ltd	Japan	General Engineering & Consulting
Nissan (KVA)	Japan	Motor Vehicle – Urvan (Caravan)
Nissho Iwai Corporation	Japan	Heavy Construction machinery & Equipment
Osaka Motors Company	Japan	Used motor vehicles Dealers
Overseas Courier Company	Japan	Courier services
Sanyo Armco	Japan	Electronic, Home Appliances etc
Sumitomo Corporation	Japan	Widespread

Company	Country	Product
Toyota Kenya	Japan	Motor Vehicles
Korea		
Daewoo Corporation	Korea	Motor Vehicles
Hwan Sung Industries (Kenya) Ltd	Korea	Furniture
Hyundai Corporation	Korea	Motor Vehicles
LG	Korea	Electronics
Safari Park Hotel	Korea	Hotels
Samsung	Korea	Electronics
Sweden		
Alfa Laval Regional Office	Sweden	Ship technology
Atlas Copco	Sweden	Manufactures compressors, generators, industrial tools etc
EARS group Kenya	Sweden	Guarding & Alarms
Kenya Grange Vehicle Industries	Sweden	Motor Vehicles
Photomap (Kenya) ltd	Sweden	Mapping
Riverdell Gardens	Sweden	Hotel
Sandvik (Kenya)	Sweden	Hand Tool Manufacturer
Scala (EA) Ltd	Sweden	Computers-Software& Services
Skanska	Sweden	Construction services
SKF (Kenya) Ltd	Sweden	Manufacturing bearings
Technical engineering ltd	Sweden	Engineering
Tetra Pak Ltd	Sweden	Integrated processing, packaging and distribution line
Tour Africa Safaris	Sweden	Tourism
Ulf Ashcan Safaris	Sweden	Tourism
Water & Drilling Consultancy Ltd	Sweden	Water Consultancy
Switzerland		
ABB Asea Brown Boveri Ltd	Switzerland	Power and automation technologies
African Safari Club	Switzerland	Hotels
Airside Ltd	Switzerland	Aviation
Andre Promotion & Consulting Co. Ltd	Switzerland	Consulting Agents
Baobab Farm Ltd	Switzerland	Wildlife Conservatory & Tour Site
Ciba Geigy	Switzerland	Pharmaceuticals
Express Kenya	Switzerland	Cargo Agents / Freight Forwarders
Heritage All Insurance Ltd	Switzerland	Insurance
International Cementia	Switzerland	Cement
Nestle	Switzerland	Processed food products

Company	Country	Product
Pollmans Tours	Switzerland	Tour Companies
Private Safaris	Switzerland	Tour Companies
Roche Products	Switzerland	Pharmaceutical Company
Schindler	Switzerland	Manufactures, maintains, and modernizes elevators, escalators etc
SGS Kenya Ltd	Switzerland	Custom Inspection & Valuation
Texchem Ltd	Switzerland	Textile Chemical Products
Yellow Wing Air Services Ltd	Switzerland	Air Charter Services
UK		
Abercrombie & Kent Tours Ltd	UK	Tourism – Hotels & Tour Companies
African Consulting Engineering	UK	Engineering
African Highland Produce Co Ltd	UK	Agriculture
Avery Kenya Ltd	UK	Petroleum Equipment dealers
Bacho United Printers	UK	Printing
Barclays Bank (K) Ltd	UK	Banking
Barker & Barton (K) Ltd	UK	Hotels
Baumann (K) Ltd	UK	Investment
Bee Health Propolis Ltd	UK	Bee Glue / Propolis
Berger Paints	UK	Paints
Blackwood Hodge	UK	2nd Hand Spares for heavy machinery
BOC Kenya Limited	UK	Industrial gases
Bonar EA ltd	UK	Plastic Bag Dealer
Booker Tate	UK	Professional management services
BP Solar	UK	Solar Panels & Batteries
Brackla Nodor Ltd	UK	Dartboards
British Airways	UK	Aviation
British American Tobacco	UK	Tobacco/Cigarettes
British Broadcasting Corporation	UK	Media
British Leyland	UK	Motor Vehicle, especially military
Cadbury Kenya	UK	Beverages
Carnaud Metalbox Kenya Ltd	UK	Metal packaging
Chancery	UK	Investment
Chloride Exide	UK	Car Batteries
Church Orr & Associates	UK	PR Agency (tourism)
Coates Bros (EA)	UK	Chemicals

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Company	Country	Product
Commonwealth Development Cooperation	UK	Investment
Crown Paints	UK	Paints
Cussons & Co Ltd	UK	Toiletries
De La Rue	UK	Security printing firm
Deloitte & Touché	UK	Auditors
Dunlop Kenya	UK	Rubber, Tyres & tubes
Eastern Produce Kenya	UK	Coffee & Tea
Elgon Chemicals Ltd	UK	Chemicals
Ernst & Young	UK	Auditing
George Williamson	UK	Agriculture
Gestetner	UK	Office Equipments
GlaxoSmithkline Beecham (GSK)	UK	Pharmaceuticals
Guinness PLC	UK	Brewery
ICL Kenya Ltd	UK	IT
Inchcape Shipping Services	UK	Shipping
Intercontinental Hotels	UK	Hotels
Kenya Supply & Logistics	UK	Shipping Logistics
Knight Frank	UK	Estate Agents
KPMG Peat Marwick	UK	Auditors
La Farge Cement UK (East Africa Portland Cement)	UK	Cement
Mackenzie Maritme Ltd	UK	Shipping
Magadi Soda	UK	Soda Ash
Minet ICDC Insurance Brokers	UK	Insurance
Nairobi Hilton Hotel	UK	Hotels
Next Technology	UK	IT
Otis Elevators	UK	Elevators & Lifts
Pricewaterhouse Coopers	UK	Auditors
Rea Vipingo Plantations	UK	Agriculture – Sisal
Rectitt Benkiser	UK	Toiletries & Domestic Chemicals
Rentokil Ltd	UK	Pest Control / Fumigation
Reuters	UK	Media
Ryden International	UK	Property Consultant
Securicor	UK	Guarding, Courier & Alarms services
Shell-British Petroleum	UK	Petroleum products
Silentnight	UK	Furniture
Sir Isaac Pitman	UK	Secretarial Shorthand Exams

Company	Country	Product
Sollatek electronics	UK	Power Protection Products
Standard Chartered Bank	UK	Banking
Stem cor Kenya	UK	Steel products
Thomas Cook Group Ltd	UK	Travel Agents
Tibett & Britten Kenya	UK	Warehousing & distribution (logistics) company
Unilever E.A.	UK	Vegetable oils & toiletries, agriculture & beverages
Vitafoam	UK	Foam mattresses
Vodafone (Safaricom)	UK	Tele-com
Watson Wyatt Worldwide Actuaries	UK	Consulting Firm
Wilken Communications Ltd	UK	Communication Equipments
World Cargo	UK	Cargo
USA		
Caltex Oil (Kenya) Ltd	USA	Oil Refinery Products
Coca Cola	USA	Soft Drinks
Colgate Palmolive	USA	Toiletries
Firestone East Africa	USA	Tyres
Fresh Del Monte	USA	Canned Fruits
General Motors	USA	Vehicle Assembly
IBM	USA	IT
Mobil Oil Kenya ltd	USA	Refinery products
The Wrigley Company (EA) Ltd	USA	Confectionery
DHL	USA	Courier
Microsoft	USA	IT