

# **KENYAN INVESTMENT CLIMATE**

**Martin Mutuku  
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Kenya Investment Authority**

*Kenya Investment Climate*



# Outline

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- **Kenya Investment Authority**
  - **Kenya Investment Climate – A reality check**
  - **Business Reforms in Kenya**
  - **Opportunities**
  - **Looking Ahead**

# Kenya Investment Authority - KenInvest

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## **Mandate**

**KenInvest is charged with the responsibility of promoting and facilitating investments in Kenya**

## **Our Vision**

**“To make Kenya a Country of Choice for Investments”**

## **Our Mission**

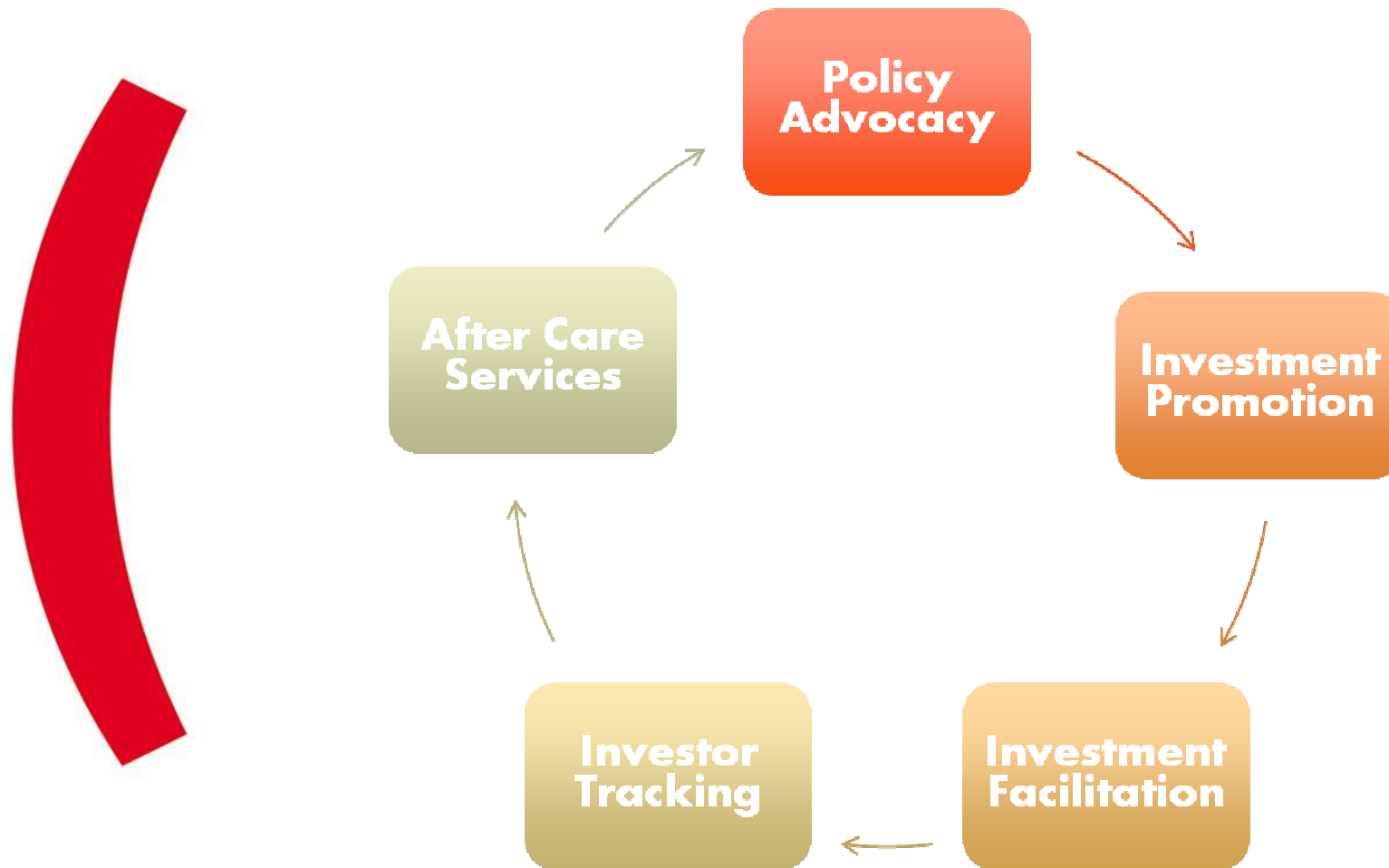
**“To attract, facilitate, retain and expand both domestic and international investments in Kenya through provision of quality service”**

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# Our Services

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# Investment Climate

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# Investment Climate

- Prevailing outlook and general mood of the investing public and institutions
- It depends largely on the current and anticipated economic situation but also shaped by political and social factors
- If the outlook is positive, the investment climate is said to be bullish; if it is negative the climate is bearish
- Some investors are willing to take on the high level of risk and volatility associated with investing in an unfavorable climate because of the potential that the high risk will be rewarded with high returns.

# Factors influencing

- Investment climate is composed of location-specific factors (incentives and opportunities) that determine if investors will risk their capital in financing a particular project.
  - Government Regulations
  - Infrastructure,
  - National Security,
  - Political Instability - Regime Uncertainty,
  - Taxes,
  - Rule of Law, Government Transparency and government accountability.
- Regulatory reform is often a key component of removing the barriers to investment.

# Ranking - Ease of doing business

<b>Kenya : Doing Business Rankings</b> <b>Out of 185 Countries</b>	<b>DB 2013 Rank</b>	<b>DB 2012 Rank</b>	<b>DB 2011 Rank</b>	<b>Change in Rank DB<sub>11</sub> DB<sub>13</sub></b>
<b>Doing Business Ranking Overall</b>	<b>121</b>	<b>109</b>	<b>106</b>	<b>-15</b>
<b>Starting a Business</b>	<b>126</b>	<b>132</b>	<b>128</b>	<b>+2</b>
<b>Dealing with Construction Permits</b>	<b>45</b>	<b>37</b>	<b>38</b>	<b>-7</b>
<b>Registering Property</b>	<b>161</b>	<b>133</b>	<b>133</b>	<b>-28</b>
<b>Getting Credit</b>	<b>12</b>	<b>8</b>	<b>8</b>	<b>-4</b>
<b>Protecting Investors</b>	<b>100</b>	<b>97</b>	<b>93</b>	<b>-7</b>
<b>Paying Taxes</b>	<b>164</b>	<b>166</b>	<b>163</b>	<b>-1</b>
<b>Trading Across Borders</b>	<b>148</b>	<b>141</b>	<b>141</b>	<b>-7</b>
<b>Enforcing Contracts</b>	<b>149</b>	<b>127</b>	<b>126</b>	<b>-23</b>

Source: World Bank



# Ease of Doing Business against Peer Nations

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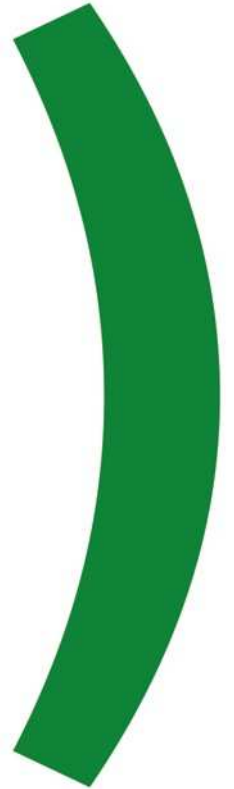
<b>COUNTRY out of 185</b>	<b>DB 2013 Rank</b>	<b>DB 2012 Rank</b>	<b>Change in Rank</b>
<b>Rwanda</b>	<b>52</b>	<b>45</b>	<b>-7</b>
<b>Botswana</b>	<b>59</b>	<b>54</b>	<b>-5</b>
<b>Namibia</b>	<b>87</b>	<b>78</b>	<b>-9</b>
<b>Uganda</b>	<b>120</b>	<b>123</b>	<b>3</b>
<b>Kenya</b>	<b>121</b>	<b>109</b>	<b>-12</b>
<b>Tanzania</b>	<b>134</b>	<b>127</b>	<b>-7</b>
<b>Burundi</b>	<b>159</b>	<b>172</b>	<b>13</b>

# **Global Competitiveness Index 2013**

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## ***Efficiency Enhancers Ranking***

- **Higher Education & Training**
- **Good Markets Efficiency**
- **Labour Market Efficiency**
- **Financial Markets development**
- **Technological readiness**
- **Market size**



# Global Competitiveness Index (GCI)-Efficiency enhancers

GIC- Out of 144 Countries	Higher education and training		Goods market efficiency		Labor market efficiency		Financial market development		Technological readiness	
	Rank	Score	Rank	Score	Rank	Score	Rank	Score	Rank	Score
<b>Mauritius</b>	65	4.29	27	4.8	70	4.38	35	4.65	63	3.98
<b>Rwanda</b>	117	3.21	39	4.54	11	5.10	49	4.44	113	3.04
<b>Botswana</b>	95	3.74	78	4.2	60	4.46	53	4.39	106	3.17
<b>Uganda</b>	127	3.66	103	3.95	23	4.83	62	4.14	117	2.93
<b>Kenya</b>	100	3.59	93	4.10	39	4.62	24	4.74	101	3.27
<b>Tanzania</b>	132	2.71	110	3.89	47	4.55	85	3.87	122	2.77
<b>Burundi</b>	143	1.98	139	3.28	112	3.97	144	2.31	144	2.22



# **Global Competitiveness Index 2013**

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## ***Efficiency Enhancers Ranking***



<b>Mauritius</b>	<b>62</b>
<b>Kenya</b>	<b>76</b>
<b>Rwanda</b>	<b>94</b>
<b>Uganda</b>	<b>104</b>
<b>Tanzania</b>	<b>112</b>
<b>Burundi</b>	<b>144</b>

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# **GCI-2013 - Innovation & Sophistication Ranking**

## ***- Business sophistication & Innovation***



<b>Mauritius</b>	<b>63</b>
<b>Kenya</b>	<b>56</b>
Rwanda	60
Uganda	101
Tanzania	92
Burundi	142



# **Business Reforms in Kenya**

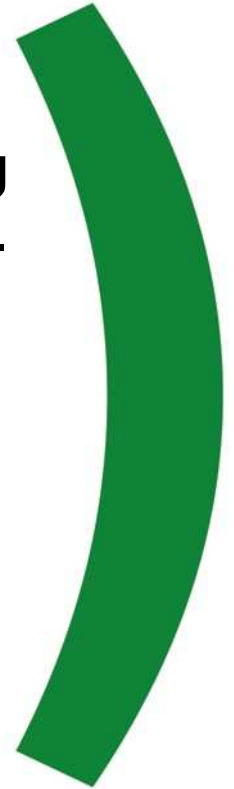


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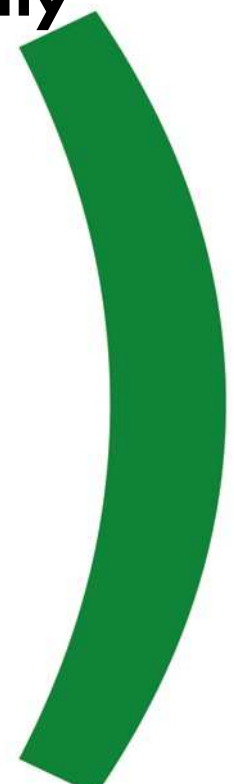
- **To gain investor confidence Governments must improve investment climate**
- **Continuous improvement of the business environment is important for economies seeking to benefit from increased trade and investment - especially through regional integration**



# Kenya - Investment Climate improvement

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- **Kenya has enjoyed economic leadership in East Africa as the largest and most advanced economy**
- **Market Liberalization- open market economy**
  - **Divestiture**
  - **Market-based reforms**
  - **Rationalizing and reducing import tariffs;**
  - **Revoking all export duties**
  - **No Exchange rate controls**
  - **Allowing residents and non-residents to open foreign currency accounts with domestic banks;**





## **... Cont.' Reforms**

- **Constitution of Kenya 2010**
  - **Progressive & pro-business-support investment growth and productivity.**
  - **Independent judiciary, legislature**
  - **National Land Commission**
- **The Private Public Partnership (PPP) Act 2013**
  - **Legal framework for private sector investments in government projects**
- **Anti-Counterfeit Act**
  - **Dedicated Anti-Counterfeit Agency and created a strong legal framework to combat the widespread trade in counterfeit goods**
- **Special Economic Zones (SEZ)**

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## **... Cont' Reforms**

- **Regulatory reforms - Licensing Act of 2007**
  - **Eliminated or simplified 694 licenses, and a 2008 reduction in the number of licenses required to set up a business from 300 to 16.**
  - **Establishment of a Business Regulatory Reform Unit within the Ministry of Finance to continue the deregulation process**
  - **A national e-Registry to ease business license processing and help improve transparency**
- **Business Regulation Bill**
- **Bilateral investment agreements (IPPA) signed:**
  - **Burundi, China, Finland, France, Germany, Iran, Italy, Libya, Netherlands, Switzerland, and the United Kingdom, Mauritius, among others**

# ... Cont' Reforms

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- **Avoidance of double taxation treaties (DTA)**
  - **Canada, China, Germany, France, Japan, Netherlands, and India, EAC among others**
- **Competition Act**
  - **Competitions Authority - Manage mergers & acquisitions - Prohibits restrictive and predatory practices**
- **Public-private sector dialogue**
  - **2008, Prime Minister quarterly round-tables**
  - **With business leaders to discuss what must be done to improve the country's business climate**
  - **Key outcome President Mwai Kibaki ordered that the Port of Mombasa be open 24/7,**

# ... Cont' Reforms

- **MSE Act**
  - **Institutional framework for support for SMEs**
    - **MSE Authority**
    - **Registrar of MSEs**
    - **MSE Development Fund**
    - **MSE Tribunal**
- **Incentives;**
  - **Investment allowance - 100% investment deduction within Nairobi, Mombasa and Kisumu and 150% outside towns**
  - **Import duty and VAT waiver on capital goods**
  - **TREO; MUB; Investment Certificate; EPZ scheme;**
- **Commitment & Support to regional integration**
  - **EAC Common Market**
  - **FTA Tripartite Negotiation – SADC-EAC-COMESA**



# Investment Opportunities

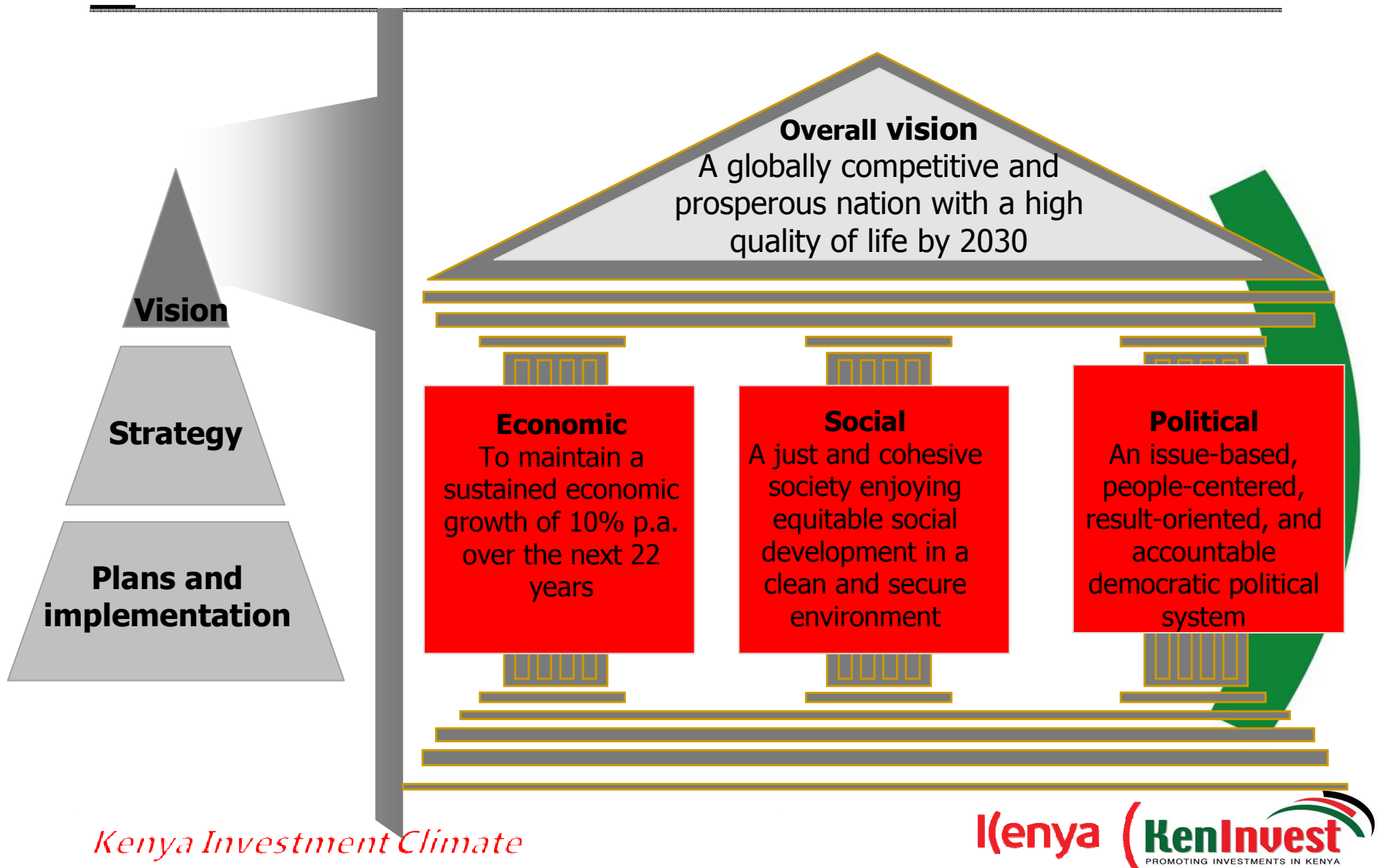


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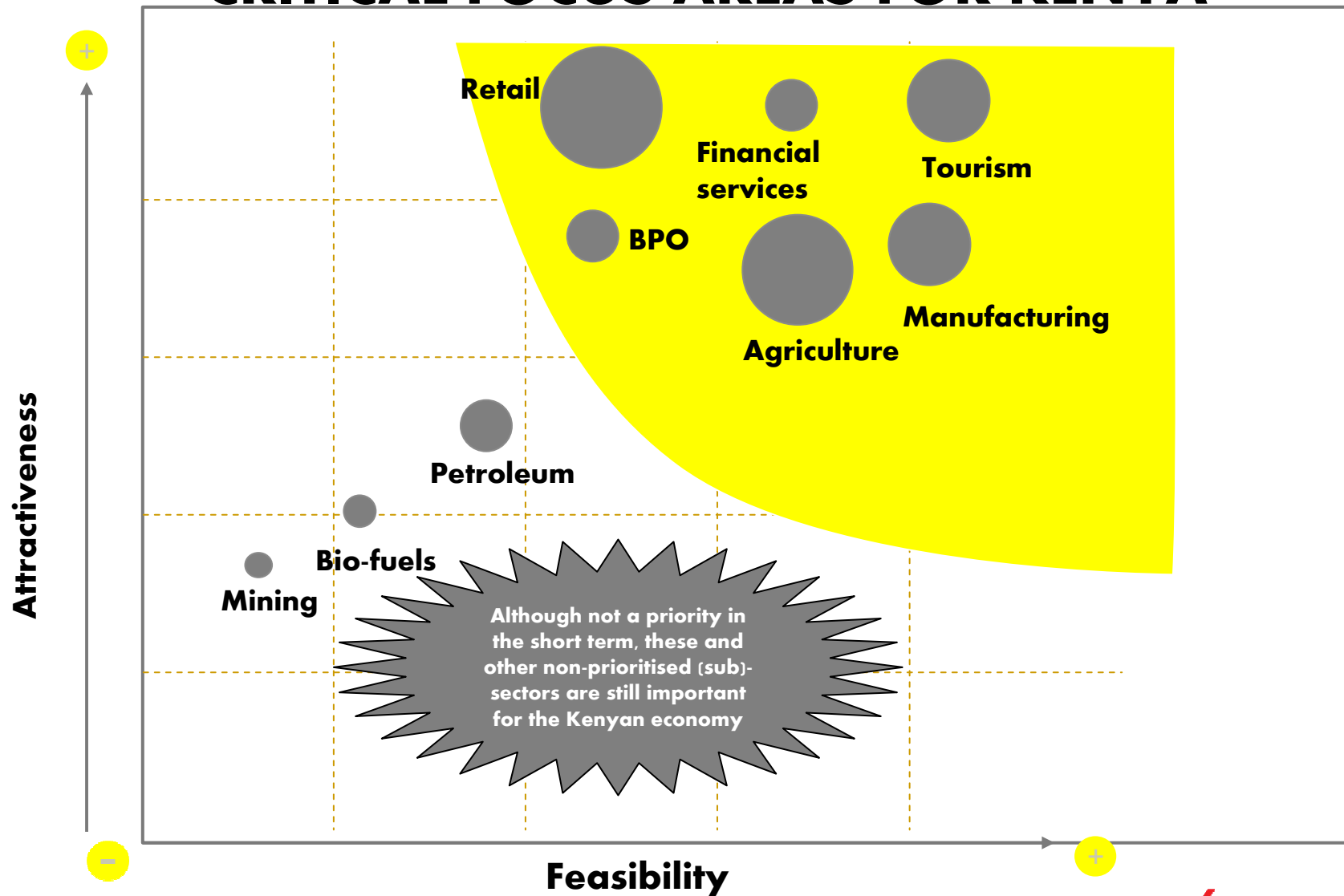
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# Kenya Vision 2030



# THE LEADING 6 SECTORS IDENTIFIED AS CRITICAL FOCUS AREAS FOR KENYA



# Key drivers

- **Gateway to Eastern, Central and Southern Africa**
- **Nairobi - Regional Financial and Transport hub**
- **Well developed human resources**
- **Fully liberalized economy-no price controls**
- **Huge middle income driving consumption and investments**
- **A relatively well developed infrastructure**



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# Conducive Political Environment



- **Peaceful elections – Moving on**
- **Renewed investor confidence**
- **Opportunity to do business**

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# Opportunities

- **New Government –**

- **Lean and focused – 18 from 42 – Reduction of waste**
- **Cabinet secretaries - Technocrats – private sector; vetted and Non-political – public confidence and more time**

- **Devolved Government business**

- **New frontiers for investment**
- **Governments' Business devolved/Procurement –Kshs, 230 billion budget**
- **Administrative incentives – Machakos – 4,000 acres**
- **Competent staff – huge opportunities**
- **Outsourced services – Consultancies**

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## **....Cont'd....Opportunities**

- **Stable Macro-economic environment**
  - **Inflation**
  - **Exchange rate**
  - **Interest rates**
- **EAC -Common market**
  - **Free movement of labour and capital**
  - **Efficient allocation of factors - increasing productivity/Bigger Market**
  - **Economies of scale, increased competitiveness and lower costs – profitability Greater market**
  - **Right of establishment**
  - **Harmonization of policies**

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# Looking Ahead

- **Since 2008 PEV – major challenges –**
  - But having had peaceful elections things looking up
- **Implementation of the Constitution**
  - Political goodwill
- **MTP 2 implementation – back to path to V<sub>2030</sub>**
- **Focus on the youth & meddle class to deliver**
- **Prospects for short and medium term great for Kenya**
  - Renewed confidence
  - Oil and gas discovery
  - Improved economic growth
  - Healthy competition of the County Govts
- **The future is great – Kenya the Country to be; the country to Watch!**



**THANK YOU  
FOR YOUR  
ATTENTION**



**Martin Mutuku  
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## Our Contacts

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