



UNITED NATIONS



International Chamber of Commerce  
*The world business organization*

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AN INVESTMENT GUIDE TO KENYA

Opportunities and conditions  
June 2005



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**UNCTAD**

The United Nations Conference on Trade and Development (UNCTAD) was established in 1964 as a permanent intergovernmental body. Its main goals are to maximize the trade, investment and development opportunities of developing countries, to help them face challenges arising from globalization, and to help them integrate into the world economy on an equitable basis. UNCTAD's membership comprises 192 States. Its secretariat is located in Geneva, Switzerland, and forms part of the United Nations Secretariat.

**ICC**

The International Chamber of Commerce (ICC) is the world business organization. It is the only body that speaks with authority on behalf of enterprises from all sectors in every part of the world, grouping together thousands of members, companies and associations from 130 countries. ICC promotes an open international trade and investment system and the market economy in the context of sustainable growth and development. It makes rules that govern the conduct of business across borders. Within a year of the creation of the United Nations, it was granted consultative status at the highest level (category A) with the United Nations Economic and Social Council. This is now known as General Category consultative status.

**Notes**

The term "country" as used in this study also refers, as appropriate, to territories or areas; the designations employed and the presentation of the material do not imply the expression of any opinion whatsoever on the part of the Secretariat of the United Nations concerning the legal status of any country, territory, city or area or of its authorities, or concerning the delimitation of its frontiers or boundaries. In addition, the designations of country groups are intended solely for statistical or analytical convenience and do not necessarily express a judgement about the stage of development reached by a particular country or area in the development process.

References to "dollars" (\$) are to United States dollars, unless otherwise indicated. References to "tons" are to metric tons.

While every reasonable effort has been made to ensure that the information provided in this publication is accurate, no business or other decision should be made by the reader on the basis of this information alone, without a further independent check. Neither UNCTAD nor ICC accepts any responsibility for any such decision or its consequences.

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## **Three good reasons to invest in Kenya**

- **People**

When one asks foreign investors in Kenya what they consider the country's greatest asset, the answer is almost always "People". Several of the FDI stories in Chapter III illustrate this point. One foreign investor in insurance, for example, speaks of the calibre of his workforce providing his company with the prospect of becoming a "world-class service provider". It is not uncommon to hear the Kenyan workforce described as "skilled, hard-working and enterprising", an assessment of employees rare elsewhere in Africa. This asset is one reason why Kenya has remained the leading economy in the region despite the difficulties it has faced over the 40 years since independence. It is also why Kenya has the potential to be the regional hub for a variety of services such as auditing, marketing, logistics and education.

- **Market access**

Kenya is one of the three members of the East African Community (EAC), the others being Tanzania and Uganda. The EAC has established an integration process that might see political federation by 2013. The EAC customs union came into effect on 1 January 2005, and internal trade will be fully free in five years in this market of 93 million consumers. Investing in Kenya also provides investors with access to the Common Market for Eastern and Southern Africa (COMESA), which has 385 million consumers. As a member of the African, Caribbean and Pacific States (ACP), Kenyan exports have privileged access as well to the European Union – as they do to the United States under the provisions of the African Growth and Opportunity Act (AGOA).

- **Opportunities**

Climate and soil are ideally suited in some parts of Kenya for the development of agricultural produce for export, and the country has established a track record in this area. Kenya is the world's second largest exporter of tea, and its horticulture sector is now its top export earner. The climate, says one foreign investor in horticulture, is the best thing about the country. The climate, along with the coastline and the abundance of wildlife, is also a great asset for tourism. Kenya has a fairly well-developed tourism infrastructure (hotels, lodges, tour operators, air transport), and the attractions of the Maasai Mara and the Mombasa coast are widely known, although many other areas with tourism potential remain unexploited. Yet other opportunities can be found in manufacturing, where Kenya has a well-established base for exports to the East African region, and in services, which can draw on the country's well-educated workforce.

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## Preface

The Millennium Development Agenda of the international community emphasizes the potential role of the private sector in helping countries reach their development goals and targets. Foreign direct investment is recognized as an important factor in this context, since it brings to host countries capital, technology, innovation, management know-how, as well as access to supply chains and new markets. Under the right policy conditions and institutional frameworks, it can thus contribute to economic development and growth.

The United Nations Conference on Trade and Development (UNCTAD) and the International Chamber of Commerce (ICC) launched this series of investment guides in 1998. The idea was to help bring together two parties with complementary interests: companies seeking new locations and countries seeking new investors. This is not necessarily a straightforward exercise, for firms are driven by their global strategies as much as by a search for specific commercial opportunities, while countries pursue broad economic and social objectives in which foreign investment is only one element among many in the complex process of upgrading competitiveness and enhancing livelihoods.

These investment guides are the products of dialogue, including that among and between the representatives of business and government during the workshops that accompany the preparation of the guides. The guides in their turn are meant to contribute to the dialogue, helping to strengthen and sustain it. In the long run, such dialogue can make a real difference to investment conditions.

*An Investment Guide to Kenya* is the thirteenth publication in this series. We hope that it will be useful in the efforts of the Government and the business community in Kenya to attract greater flows of investment and that the flows in turn will benefit the country.



Carlos Fortin  
Officer-in-charge  
UNCTAD



Maria Livanos Cattai  
Secretary-General  
ICC

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The cooperation of the Investment Promotion Centre (IPC), was essential to the success of this project. Our thanks are owed to Julius Kipngetch, its former Managing Director, and Luka Obbanda, its Acting Managing Director now. Our thanks are also owed to the Kenya Private Sector Alliance (KEPSA) and its former President, Manu Chandaria.

This guide was prepared, with the assistance of consultants and advisers both external and internal, by a project team led by Vishwas P. Govitrikar. Valuable input or feedback was provided by a number of people, including Quentin Dupriez, Sophie Frediani, Gayling May and Anne Miroux. Photographs were provided by Bata Shoe Company (Kenya), General Motors East Africa, Export Processing Zones Authority (Kenya), Kenya Tourism Board and Serena Hotels. Administrative support was provided by Katia Vieu. The guide was edited by Talvi Laev and designed and typeset by Nelson Vigneault. Karl P. Sauvart provided overall guidance.

## **Note to the reader**

This document is published as part of the UNCTAD–ICC series of investment guides. The publications in this series are intended for the use of foreign investors who are largely unfamiliar with the countries covered. They are thus designed to offer overviews of potential locations for investment, rather than to constitute exhaustive works of reference or provide detailed practical instruction. They do, however, offer pointers to sources of further information in the private as well as the public sector.

There are two other features of these publications that the reader will find worth noting. One is that they are third-party documents, intended to offer a balanced and objective account of investment conditions. Their principal advantage in drawing the attention of investors to the countries they cover is credibility. The other feature is that both their general structure and some of their specific content are the result of consultations with the private sector.

The executive summary is followed by a brief introductory chapter. Then come the three chapters that account for the bulk of the contents. “The operating environment” describes the general conditions in which investors must operate: macroeconomic conditions, infrastructure, human resources, etc. “Areas of opportunity” offers a description of areas of potential interest to foreign investors. “The regulatory framework” focuses on regulations governing investment and foreign direct investment in particular. The fifth and final chapter provides a summary of the perceptions of the private sector in the country, both foreign and domestic.

The primary source of further information for an investor wishing to explore investing in Kenya is the Investment Promotion Centre (IPC) – see the box on page 52. Contact details of selected sources of further information, including websites, are provided in appendix 3. Appendix 2 provides a list, including contact details, of some 70 major foreign investors in Kenya.

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**The UNCTAD–ICC series of investment guides****PUBLISHED**

- *An Investment Guide to Ethiopia*, 1999; revised edition in new format, 2004
- *Guide de l'investissement au Mali*, 2000; revised edition in new format, 2004
- *An Investment Guide to Bangladesh*, 2000
- *An Investment Guide to Uganda*, 2001; revised edition, 2004
- *An Investment Guide to Mozambique*, 2002
- *An Investment Guide to Nepal*, 2003
- *An Investment Guide to Cambodia*, 2003
- *Guide de l'investissement en Mauritanie*, 2004
- *An Investment Guide to Mauritania*, 2004
- *An Investment Guide to Kenya*, 2005
- *An Investment Guide to Tanzania*, 2005
- *An Investment Guide to East Africa*, 2005

(The first editions of the guides to Ethiopia and Mali were published in cooperation with PricewaterhouseCoopers.)

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Kenya and the East African region offer excellent investment opportunities in a wide range of sectors. GM has operated effectively in the region for over 27 years in an industry that has been totally transformed through liberalization and changes in consumer behaviour. The basis for our sustained success is a combination of factors in Kenya: an educated work force, a moderate climate, and recent improvements in banking and telecommunication. The formation of the East African Community in January 2005 provides even greater opportunities for those considering Kenya to invest in. Come to Kenya and invest in the future of Africa!

William Lay, Chief Executive Officer, General Motors East Africa

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