ICT SECTOR INVESTMENT PROFILE

KENYA

2016
ACKNOWLEDGEMENTS

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Special contributions to writing this report have been provided by:

ICT Authority
Konza Technopolis Development Authority (KoTDA)

Quality Assurance:
International Trade Centre (ITC), Trade Facilitation and Policy for Business Section (TFPB)
TCA Ranganathan, External consultant, Rajesh Aggarwal, Chief (TFPB), Andrew Huelin, Associate Programme Advisor (TFPB)

Author: Muriuki Mureithi
Design: Iva Stastny Brosig, Design plus
Editor: Guillaume Lamothe

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Acronyms

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<th>Acronym</th>
<th>Description</th>
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<tbody>
<tr>
<td>CA</td>
<td>Communications Authority of Kenya</td>
</tr>
<tr>
<td>COMESA</td>
<td>Common Market of East and Southern Africa</td>
</tr>
<tr>
<td>EAC</td>
<td>East African Community</td>
</tr>
<tr>
<td>EPZA</td>
<td>Export Processing Zone Authority</td>
</tr>
<tr>
<td>FDI</td>
<td>Foreign Direct Investment</td>
</tr>
<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
</tr>
<tr>
<td>ICT</td>
<td>Information and Communications Technologies</td>
</tr>
<tr>
<td>ICTA</td>
<td>ICT Authority</td>
</tr>
<tr>
<td>ITES</td>
<td>Information Technology Enabled Services</td>
</tr>
<tr>
<td>KenInvest</td>
<td>Kenya Investment Authority</td>
</tr>
<tr>
<td>KNBS</td>
<td>Kenya National Bureau of Statistics</td>
</tr>
<tr>
<td>KOTDA</td>
<td>Konza Technopolis Development Authority</td>
</tr>
<tr>
<td>KRA</td>
<td>Kenya Revenue Authority</td>
</tr>
<tr>
<td>LAPSSET</td>
<td>Lamu Port South Sudan Ethiopia Transport</td>
</tr>
<tr>
<td>MNC</td>
<td>Multinational Corporation</td>
</tr>
<tr>
<td>MVNO</td>
<td>Mobile Virtual Network Operator</td>
</tr>
<tr>
<td>SME</td>
<td>Small and Medium Enterprise</td>
</tr>
<tr>
<td>VAT</td>
<td>Value Added Tax</td>
</tr>
<tr>
<td>WB</td>
<td>World Bank</td>
</tr>
</tbody>
</table>
Kenya: An Overview

With a new Constitution promulgated in 2010 and under the auspices of the Kenya Vision 2030 plan, an ambitious blueprint to transform Kenya into a Newly Industrialised Country by 2030, Kenya is currently on a path to long-term and sustainable growth, which is a favourable environment for any investor. Indeed, with Kenya’s governance architecture and the individual roles of its executive, legislative, and judicial branches well-defined and established, investors can be secure in the knowledge that both the country’s national and local government organs will provide a stable environment for their long-term projects.

Of particular importance for investors, Kenya’s independent judiciary has been reformed to enhance speedy access to justice, with an emphasis on alternative dispute resolution. In the ICT sector, the 1998 Kenya Communications and Information Act has created an Appeals Tribunal to address disputes arising from its implementation. As such, and depending on the issues at hand, actors in the ICT sector have a variety of channels at their disposal to resolve disputes: the Appeals Tribunal, arbitration and, ultimately, the courts.

Three pillars

- **Economic** - 10% GDP growth rate
- **Social** - investing in quality lifestyle
- **Political** - Unity for the future

### Key facts

<table>
<thead>
<tr>
<th>Key facts</th>
<th>Details</th>
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</thead>
<tbody>
<tr>
<td>Capital</td>
<td>Nairobi</td>
</tr>
<tr>
<td>Area</td>
<td>581,309 km²</td>
</tr>
<tr>
<td>Population</td>
<td>44.86 mm (2014)</td>
</tr>
<tr>
<td>0–14 years</td>
<td>42.00%</td>
</tr>
<tr>
<td>15–64 years</td>
<td>55.00%</td>
</tr>
<tr>
<td>Labour force (over 15 years)</td>
<td>17.5 mm (2014)</td>
</tr>
<tr>
<td>Population growth</td>
<td>2.6% (2014)</td>
</tr>
<tr>
<td>Youth literacy rate (15–24 years)</td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>83.2% (2008–2012)</td>
</tr>
<tr>
<td>Female</td>
<td>81.6% (2008–2012)</td>
</tr>
<tr>
<td>Urban population</td>
<td>25% (2014)</td>
</tr>
<tr>
<td>GDP (nominal)</td>
<td>US$ 60.94 bn (2014)</td>
</tr>
<tr>
<td>GDP per capita (nominal)</td>
<td>US$ 1358.3 (2014)</td>
</tr>
<tr>
<td>GDP growth</td>
<td>5.3% (2014)</td>
</tr>
<tr>
<td>Inflation rate</td>
<td>6.9% (consumer price) (2014)</td>
</tr>
<tr>
<td>FDI inflow</td>
<td>US$ 944.33 mm (2014)</td>
</tr>
<tr>
<td>Exports</td>
<td>16.4% of GDP (2014)</td>
</tr>
<tr>
<td>Imports</td>
<td>33.9% of GDP (2014)</td>
</tr>
<tr>
<td>Exchange rate (per US$)</td>
<td>KES 99.73 (2015 est.)</td>
</tr>
<tr>
<td>Govt. expenditure</td>
<td>US$ 14.55 bn (2015 est.)</td>
</tr>
<tr>
<td>Govt. revenue</td>
<td>US$ 10.6 bn (2015 est.)</td>
</tr>
<tr>
<td>Currency</td>
<td>Kenyan shillings (KES)</td>
</tr>
<tr>
<td>Other major cities</td>
<td>Mombasa, Kisumu, and Nakuru</td>
</tr>
<tr>
<td>Language</td>
<td>English, Swahili</td>
</tr>
</tbody>
</table>

Source: KenInvest, 2015; World Bank, 2015; UN, 2013; CIA, 2016
Why Kenya?

A THRIVING ECONOMY

In 2014, Kenya had a GDP of $61 billion and a per capita income of $1358.3, which places the country at a middle-income status. It has a highly liberalized economy and external trade regime, with a few government enterprises operating in strategic areas.

Agriculture is the key driver of the Kenyan economy, contributing 75% of non-formal employment, 29% of the GDP and significant value addition to manufacturing (Figure 1).

Within the transport and logistics sector, ICT has made significant strides, and currently accounts for close to 2% of GDP. Of course, this excludes ICT’s significant impact as an enabler for a variety of other sectors of society.

Indeed, as illustrated in Figure 2, ICT is a high growth area that is catalysing the country’s overall economic progress. Quickly recovering from a temporary decline in 2012 due to the introduction of mandatory SIM card registration, the sector has exhibited consistently fast growth over several years.

COMPETITIVE ADVANTAGE IN INTERNATIONAL RANKINGS

Kenya’s continuing economic growth provides unique opportunities for investment in the ICT sector. This is reinforced by a string of global indexes, some of which are cited below, that depict the country as a leader in both Sub-Saharan Africa and the East African Community (EAC) in the areas of:

- labour market efficiency;
- innovation;
- financial market development; and
- business sophistication

Among lower-middle-income economies, Kenya is particularly notable for its resiliency and its ability to exploit opportunities. Indeed, not only does the 2015 Change Readiness Index highly rate its enterprise capacity to withstand shocks, it also ranks high on the mean years of schooling index for its students.

What’s more, Kenya ranks ahead of every other EAC country and well above the Sub-Saharan average on the Index of Economic Freedom, raising the country’s profile as an attractive investment destination. The city of Nairobi in particular has been named as one of the top 100 outsourcing destinations in the world.

To further support this progress, the Kenyan government has instituted a range of measures to fight corruption, with periodic educational campaigns aimed at re-commit staff to a high level of integrity at all levels.

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1 Kenya National Bureau of Statistics
3 Change readiness Index 2015 KPMG/Oxford Economics
4 Human Development Index 2014 UNDP
5 Top 100 outsourcing destinations Tholons

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Figure 1: Contribution to GDP

![Figure 1: Contribution to GDP](image)

*Source: KNBS, 2015

Figure 2: GDP Growth Rate Drivers

![Figure 2: GDP Growth Rate Drivers](image)

*Source: KNBS, 2015
RISING FOREIGN DIRECT INVESTMENT (FDI) DRIVING GROWTH

As Foreign Direct Investment (FDI) is a key driver of economic growth, the government has reached out to increase the amount of FDI entering Kenya. These efforts have seen great success, and thanks to its stable political system, growing economy and strategic location, in 2014, Kenya became the largest recipient of FDI in the EAC region, with almost $1 billion in invested funds. With key FDI sectors including energy, real estate, agriculture and manufacturing, opportunities for foreign investors in the country are only multiplying. Indeed, the Kenya Investment Authority expects the FDI to keep growing at a rapid pace in the coming years.

Kenya’s combination of stable government fostering business growth, fast growing young and innovative population and its strategic location is an attraction for international business investment. Global ICT companies have taken note of Kenya’s and have not only established offices in Nairobi, but also use the country as a base for their regional or Africa-wide operations. The long list of global ICT operators and vendors based in Nairobi, which includes IBM, Microsoft, CISCO, HP Bharti Airtel, Oracle, SAP, Google, Nokia Siemens, Huawei, and Samsung, is a recognition of the major strides which Kenya has made to create an attractive environment for FDI and investments in general. In the near future, the Kenya Investment Authority (KenInvest) is set to launch a “one stop shop” to enhance the ease of doing business and support speedy decision-making on investment.

A ROBUST BANKING AND FINANCIAL SECTOR

Kenya’s banking sector is robust with a wide range of intermediaries. As at June 30th 2015, the country had 43 commercial banks, 12 microfinance banks, 8 representatives of foreign banks and 36,080 banking agents providing wide range financial services.

In recent years, the sector has evolved tremendously, propelled by microfinance institutions and cellular banking, two innovations that have entrenched competition and deepened access to services across Kenya. Indeed, the advent of cellular banking in 2007 has radically changed access to finance, opening up access to new customers and new delivery channels for banks operating across the country’s territory (Table 1). Today, approximately 75% of the Kenyan population has access to financial services.

The Central Bank of Kenya (www.cbk.go.ke) is at the forefront of the country’s drive for financial inclusion through the development of innovative banking services and products. With the creation of sophisticated financial ICT products, such as the MPESA money transfer system, the country is driving changes in the financial inclusion of populations across the African continent, entrenching Kenya’s position as a financial hub for the East African region.

Table 1: Mobile Money transfer services
March 2015

<table>
<thead>
<tr>
<th>Item</th>
<th>Detail</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of operators</td>
<td>6</td>
</tr>
<tr>
<td>Total agents</td>
<td>126,622</td>
</tr>
<tr>
<td>Subscriptions</td>
<td>26,793,865</td>
</tr>
</tbody>
</table>

*Source: Communications Authority of Kenya


Table 1: Mobile Money transfer services
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</table>

*Source: Communications Authority of Kenya


7 Central Bank of Kenya – banking sector performance June 30th 2015
A YOUNG, LARGE AND EDUCATED POPULATION

With its youthful and mobile population, Kenya has a well-educated and multi-lingual professional workforce to which investors can easily connect. Having a population of 44.86 million,8 61% of which are below 25 years of age, Kenya is a youthful nation, whose 2.6% annual demographic growth rate puts the country a path to number upwards of 70 million by 2030. Although, at only 78 persons per km², the country’s average population density is low, the vast majority is easy to reach for investors, being concentrated in only 20% of the country’s territory.

This population provides a huge pool of actual and potential talent for ICT and ITES on which investors can draw. In fact, not only does the country have the highest literacy rate among youths aged 15 and over in the region (90%), the country’s 43 universities produce 60,000 graduates annually, including 10,000 graduates in ICT, with universities being located in almost every County in Kenya. Indeed, Kenya’s youth is helping the country drive innovation in key sectors of its economy, not only in its consumption patterns, but also in the development of new products. Kenya is today recognized as a leader in ICT innovation, with products such as MPESA® driving change in its financial inclusion strategy.

In addition, the working class currently stands at 47.5% of the total population, thus giving investors access to numerous professionals with diverse skill sets at competitive wages.

In fact, employment conditions in Kenya are governed by various laws which include the 2007 Employment Act, the 2007 Occupational Safety Act, the 2007 Work Injury Benefits Acts and the 2007 Labour Institutions Act,10 among others. These legal instruments are interpreted and enforced by the Industrial Court of Kenya. In principle, investors have the ability to hire foreign personnel, subject to the issuance of a permit issued for the employment of staff with the specific requisite skills. Minimum wages are mandated by law for low-level staff and periodically revised to reflect the costs of living. At present, the minimum wage for a telephonist (BPO agent) is USD168 per month in urban areas and USD 154 per month in rural areas.

English, finally, is one of Kenya’s official languages as well as the language of academic instruction. As such, despite its diverse ethnic makeup, the country has a large number of fluent English speakers with neutral accents; a sure advantage in the global communications and outsourcing industry.

ITES, and particularly the outsourcing business, require a young, flexible and skilled workforce that is ready to work to cater to demanding clients. Kenya has such a workforce!

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8 World Bank, 2015
9 A product by the biggest cellular operator for money transfer
10 KenInvest, Doing Business in Kenya 2012
A STAGING POINT FOR REGIONAL MARKETS

Kenya’s largest export destinations (Fig. 5) are its neighbouring EAC and COMESA member countries, with the country’s main exports consisting largely of agricultural products and extractive goods. Membership in regional trading blocs continues to give Kenya an advantageous position through its highly effective trading infrastructure which investors can leverage to enter the neighbouring markets and take advantage of the ecosystem of regional operators and trading protocols on market access, connectivity infrastructure, and regional financial systems based in Kenya.

[Diagram of Direction of Exports: 2014]

Kenya’s imports, meanwhile, largely come from Asia, Europe and rest of Africa. Major imported goods include crude petroleum and petroleum products, industrial machinery, iron and steel, and road motor vehicles.

By end of 2014, Kenya imported approximately three times as much as it exported\(^*\). However, the services sector exported almost twice as much as it imported. To address the country’s overall trade imbalance, the Kenyan Government is continuing to invest heavily in order to promote tourism and FDI, launching a transformational 10-year initiative in September 2015 to revamp the manufacturing sector. The overall strategy lies in increasing the contribution of the country’s manufacturing’s sector to its GDP to 15% from the current 11%; increase FDI five-fold, and put the country among the top 50 in ease of doing business rankings by 2020. This is long term strategy to address the adverse trade imbalance as illustrated in Figure 6.

The process for investing in Kenya has been simplified in effort to reduce barriers to entry.

Below as a tabulation as formulated by Kenya Investment Authority.

\(^*\) KNBS Kenya facts and Figures 2015

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[Diagram of Foreign Trade Trends (Ksh Millions)]

*Source: Central Bank Of Kenya
GROWING INFRASTRUCTURE AND LOGISTICS

Together with a high level of competence in logistics, Kenya’s rapidly improving communication and transportation infrastructure make the country, and the city of Nairobi in particular, an excellent regional logistics and transport hub for East Africa. Various international corporations have already made Nairobi their regional headquarters in order to facilitate access, not only to regional EAC markets, but also to the Common Market for Eastern and South Africa (COMESA).

Key areas of Kenya’s logistics infrastructure include:

- **A highly developed air transport hub:** Approximately 50 airlines use Jomo Kenyatta International Airport (JKIA), which is capable of processing up to 6 million passengers per year, and which links Nairobi directly with most capitals in Africa, Europe, the Middle East and Asia, with discussions ongoing to add connectivity to the Americas. In addition, a new greenfield airport with a yearly capacity of 20 million passengers is currently under construction.

- **A quickly growing rail infrastructure:** As part of the Northern Corridor infrastructure project, a high-speed railway line is currently being built from the port of Mombasa to Nairobi with completion expected by 2017. From there, the line will continue on to Uganda and Rwanda. Additionally, a new port, Lamu and an associated railway line linking it to the countries of South Sudan and Ethiopia is also currently under construction. All of this will not only open up new spaces for investment, but also entrench Kenya as central logistics and communications hub for the region.

- **A vastly enhanced road network:** Kenya’s road network is currently undergoing an overhaul, with an ambitious annuity programme aiming to add more than 10,000 km of paved roads across the country by 2017, thus vastly enhancing road connectivity across its territory.

- **A robust electrical infrastructure:** The Government of Kenya is currently implementing a plan to increase the country’s total electrical capacity to 5,538MW by 2017, all while reducing power costs to below $0.14/kWh in the short term, and to $0.09/kWh in the medium term. To help investors save on power costs, the government has decided to waive the usual 16% electricity VAT for enterprises operating in export processing zones, thus establishing Kenya as a competitive investment destination in terms of both power availability and cost.

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12 Includes IBM including its 12th laboratory and the first in Africa, Microsoft, CISCO, HP, Bharti Airtel, Oracle, SAP, Google, Nokia Siemens, Huawei, Samsung-

13 Tariff for the Small Commercial (240v) appropriate for office.
A FACILITATIVE TAX STRUCTURE

The Government of Kenya uses taxation as a tool to direct and create incentives for investment in order to achieve its long-term goal of job creation, wealth creation and skills transfer. Consequently, it has implemented a number of tax relief measures involving income tax, custom tax and VAT in order to encourage investment in key economic sectors. Thus, industrial zones and export processing zones have a range of tax incentives that cut across all of the country’s tax areas.

The range of taxation also varies (table 2), with the government applying taxation incentives as stimuli for specific sectors, such as ICT. Applied incentives include tax holidays, investment allowance, accelerated depreciation, investment subsidies and indirect taxes, all of which are intended to facilitate investment. Meanwhile, to support exports, export goods and services are currently zero-rated.

### Table 2: Income Tax Regime

<table>
<thead>
<tr>
<th>Tax</th>
<th>Personal</th>
<th>Corporate</th>
<th>Withholding tax</th>
</tr>
</thead>
<tbody>
<tr>
<td>Context</td>
<td>Applied on income generated from employment or from self-employment profits, dividends, etc.</td>
<td>This applies to limited liability corporate entities and is chargeable on their profit.</td>
<td>These taxes are deductible at source and include interest income, dividends, royalties and commissions. Other services include management and professional fees, consultancy and training fees.</td>
</tr>
<tr>
<td>Tax Rate</td>
<td>Tax bands apply to assess the tax due. The maximum rate is 30%.</td>
<td>Chargeable at 30% with no graduated structure. Non-resident rate is 37.5%.</td>
<td>Currently charged at 5%.</td>
</tr>
<tr>
<td>Comment</td>
<td>A number of relief measures are potentially available.</td>
<td>Export processing zones, have a 10-year tax holiday, with a 25% tax rate applicable for the next 10 years.</td>
<td></td>
</tr>
</tbody>
</table>

*Source: Kenya Revenue Authority*

Since ITES has been identified by the Government of Kenya as a key driver to realise the objective of the Vision 2030 Plan, a range of preferential taxation measures have been put in place under the EPZA and Konza Technopolis in order to support this emerging sector, as discussed further in this report.
INDUSTRIAL ZONES STRATEGY FOR INVESTMENT

Kenya’s industrial zones strategy is intended to cluster foreign investment in geographically-defined spaces, which can be either private or public, and some of which are dedicated to ICT and ITES.

The Export Processing Zone Authority (EPZA) has the mandate to administer Kenya’s export processing zone scheme and directly manage the largest such zones in the country. A range of incentives are available for investors in order to encourage investment in the zones. Examples of successful investors in export processing zones include Kencall (www.kencall.co.ke), a leading outsourcing company, and American Data Exchange Corporation (ADEC), an international operator, which launched back office operations in an EPZ in 2015.

**EPZA tax benefits**

- **10-year corporate income tax holiday** and a 25% tax rate for a further 10 years thereafter (except for EPZ commercial enterprises)
- **10 year withholding tax holiday** on dividends and other remittances to non-resident parties (except for EPZ commercial licence enterprises)
- **Perpetual exemption from VAT and customs import duty on inputs**: raw materials, machinery, office equipment, certain petroleum fuel for boilers and generators, building materials, other supplies. VAT exemption also applies on local purchases of goods and services supplied by companies in the Kenyan customs territory or domestic market. Motor vehicles, which do not remain within the zone, are not eligible for tax exemption.
- **Perpetual exemption** from payment of stamp duty on legal instruments
- **100% investment deduction** on new investment in EPZ buildings and machinery, applicable over 20 years.

*Source: Export Processing Zone Authority*
The ICT Sector in Kenya

A CENTRAL SECTOR FOR KENYA’S ECONOMY

Kenya has a robust and competitive ICT sector with international connectivity provided by multiple optic fibre submarine cables, a nationwide optic fibre cable linking the main towns and near-national cellular coverage provided by multiple operators. This competitive ICT supply has ensured that the services are not only of high quality, but also have among the lowest costs in Africa, with high capacities for both local and international services. Figure 3 illustrates the reduction of tariffs in response to the competitive supply of services.

The foundation for this thriving market lies in the reformed ICT policy and regulatory environment of the sector. Indeed, in a paradigm shift, the government reformed the ICT sector from narrowband to broadband in 2006. To entrench this new broadband environment, the government launched a National Broadband Strategy in 2013, calling for a nationwide high capacity broadband network with a minimum of 40Mbps in urban areas and 5Mbps in rural areas to be installed between 2013 to 2017. This broadband network will cement the foundation for the increased application of ICT in education, governance and agriculture, among other sectors. It forms a foundation to catalyse the Kenyan economy, premised on an enabling business environment addressing the policy, regulatory and licencing needs of both the population and investors.

To underscore the importance of the ICT in national development, the government has established the Ministry of Information Communications and Technology, dedicated to overseeing national ICT development. Through policy statements, administrative guidance and oversight over independent ICT entities, in recent years the ministry has catalysed the growth of the ICT sector. Two major policy statements have set the pace for growth: the 1997 reform of the sector, which ushered in a competitive ICT environment, and the 2006 move towards broadband applications, which set the stage for the National Broadband Strategy, launched in 2013.

Recently, the Ministry of ICT launched the ongoing National Optic Fibre Backbone Infrastructure (NOFBI), which aims to address the inland distribution of international bandwidth connected by submarine cables with a view to eventually connect all Counties in the country. Other focus areas include forming a legislative framework on data privacy, support for local governments in ICT, as well as regional policy coordination with neighbouring countries.

THE ICT AUTHORITY AS A CATALYST FOR ICT INVESTMENT

A key innovation by the government is the establishment of the ICT Authority (ICTA) (www.icta.go.ke), a public agency with a mandate to catalyse investment in the ICT sector in unique spaces in which the private sector has yet to venture. It also sets the standards for government services.

In its 2013-2017 Master plan, the Authority has set out a clear agenda detailing the ways in which it will drive ICT. This agenda prioritizes three broad areas, namely:

- e-government services to support national effort on productivity, efficiency, effectiveness, and governance

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*Source: ICTA/IDC, CAK, 2015

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14 Communications Authority of Kenya, National Broadband Strategy 2013
ICT industry drivers to transform various Kenyan economic sectors, particularly small and medium enterprises (SMEs)

- developing Kenyan ICT businesses to deliver products and services of exportable quality and help develop the local ICT sector\(^\text{15}\)

As the authority currently in charge of the County connectivity programme, ICTA supports the emerging ITES with initiatives to drive innovation, local content development, and shared services in government. Additionally, it is working to build the capacity of County governments to develop strategic plans for ICT.

For its part, the ICT regulator, the Communications Authority of Kenya (CA) (www.ca.go.ke) has reformed the ICT market structure into three broad areas: infrastructure, content and applications. Within these areas, investors have established businesses that are providing services under a competitive regime. Indeed, CA has several licenced operators, including Business Processing Outsourcing (BPO) services providers (Annex 2). Cognisant of the challenges for rural and disadvantaged areas, CA is implementing a programme on universal access, putting in place a spectrum of preferential cost schemes for enterprises operating in rural areas.

Kenya is a growth market for ICT, as can be seen by its increases in crosscutting telecommunications indicators (Table 3). Indeed, in the last two years, national cellular penetration has risen from 77% to 86%\(^\text{16}\). With Internet penetration now reaching 30% of the population, there are many opportunities for investment in broadband connectivity and applications, particularly in rural areas.

Thanks to its favourable business environment, Kenya has made major leaps in international bandwidth capacity through the laying of four underwater optic fibre cables, complemented by 20,000 km of terrestrial optic fibre which today link most parts of the country. Cellular networks (2G/3G) cover almost 90% of the population. Safaricom, one of Kenya’s mobile operators, is today implementing 4G technologies to increase capacity even further. Meanwhile, various other operators are providing effective ICT service both internationally and nationally, including in several rural areas.

In addition to these, CA has licenced three mobile virtual network operators (MVNO), one of which – Equitel – is linked with the largest bank in Kenya by customer numbers and through the delivery of financial services.

Other operators have built huge infrastructure networks made up of data storage systems with “top of the line” specifications. Local cloud computing is therefore a reality in Kenya. At the consumer end, ICT tools are now prevalent, propelled by increasing numbers of smart phones across the country. The Kenya ICT ecosystem provides opportunities for investment driven by the following features:

- national access to broadband
- increasing and widespread access to Internet
- widespread penetration of cellular phones
- supportive framework to increase reach to rural areas through a planned universal service fund managed by the Communications Authority of Kenya
- access to skills in support of the ICT infrastructure Industrial zones strategy for investment

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\(^{15}\) Breaking the barriers with technology: A special report on the Kenyan ICT Market; IDC /ICTA.

Investment Opportunities

The government has prioritized certain areas of investment for strategic growth over the next two years. Some priority areas in Kenya’s National Broadband Strategy and ICT Authority Master Plan\(^\text{17}\) are listed below.

**Infrastructure and Connectivity**

- **National Fibre Backbone**: to develop a robust ICT backbone infrastructure intended to
  - Extend the National Optic Fibre Backbone Infrastructure (NOFBI) to all County headquarters
  - National Data Centres: To host local content reliably and build two neutral national data centres
  - Increase investment by private sector to extend ICT Backbone Infrastructure to achieve target of 50,000KM of fibre optic cables across the country
  - Provide affordable and quality broadband to underserved areas and hotspots in both rural towns and public spaces

**Digitization of core Government Registries**

- Digitize core government registries in order to achieve the digital delivery of critical public service data and develop applications to enhance access to government services
- Digitize of Health networks - Integrated national health management system, integrating all health centres
- Development of a County Management Information System to develop a robust management information system for Counties

**Innovation**

- Establish open-access ICT Incubators in public universities and special economic zones across the country

**Capacity Building**

- Increase the number of Kenyans trained in ICT literacy to 10 million

In addition to the projects noted above, Kenya’s shared time zone with Western Europe means that the country also has several significant opportunities for BPO service providers, not only for the European market, but also for the American market, whose day traffic takes place during the Kenyan night hours. In fact, Kenya has established a Centre of Excellence for BPO based at the University of Nairobi in order to ensure a steady supply of high quality workforce for the sector. The country also boasts numerous training institutions for relevant skills in BPO, which have continually developed since the introduction of BPO operations in Kenya over a decade ago. Safaricom, to name but one organization, is currently operating a 1,600-agent captive call centre to service its customer base.

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STARTING BUSINESS OPERATIONS IN KENYA

Kenya Investment Authority provides guidelines to start business operations in Kenya as stated below.

The main types of business enterprises in Kenya are:

- Registered Companies (Private and Public),
- Branch offices of companies registered outside Kenya
- Partnerships
- Sole Proprietorships; and
- Societies

Company Registration

In order to register a company, it is necessary to:

- Reserve a company name and receive approval for it by the Registrar of Companies
- Prepare the Memorandum of Association and Articles of Association.
- Complete various forms including the Statement of Nominal Capital, Particulars of Directors and Shareholders, Situation of Registered Office as well as a Certificate from a Lawyer involved in the formation of the company,
- Stamp the Memorandum of Association and Articles of Association as well as the Statement of Nominal Capital at the Lands Office together with payment of stamp duty on Nominal Capital.
- File all the forms together with one stamped copy of the Memorandum of Association and Articles of Association with the Registrar of Companies.

The Registrar of Companies will then issue a Certificate of Incorporation. For public companies, in addition to the Certificate of Incorporation, the Registrar will issue a Trading Certificate.

Opening a branch office of a company registered outside Kenya

An company registered outside of Kenya 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 Secretaries of the company, giving full names, nationalities and any other senior positions held in companies registered 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 authorised to accept, on behalf of the company, service of notices required to be served on the company;
- The full address of the registered or principal office of the company in its home country and;
- The full address of the place of business in Kenya.

Register with KenInvest

Investors to Kenya can reduce the bureaucracy involved in licensing, immigration and the negotiation of tax incentives and exemptions from the relevant authorities by registering with KenInvest, the Kenya Investment Authority. To do this, the assistance of a Kenyan lawyer will be required.

After registration, the registered investor(s) will be issued an Investment Certificate upon the successful completion by their project of a series of environmental, health and security impact assessments.

Useful contacts

Below are the key contacts in Kenya for the ICT sector and for investment facilitation:

Ministry of Information, Communications & Technology
Telposta Towers, Kenyatta Ave. Koinange Street
P.O. Box 30025-00100, Nairobi Kenya
- Telephone: +254 492 0000
- E-Mail: info@information.go.ke
- Website: www.information.go.ke

Communications Authority of Kenya
P.O. Box 14448, Nairobi, 00800
- Mobile: +254 703 042000, +254 730 172000
- Telephone: +254 (20) 4242000 2441081-4
- Email: info@ca.go.ke
- Website: www.ca.go.ke

Export Processing Zone Authority
Administration Building, Viwanda Road, off Nairobi-Namanga Highway, Athi River, Kenya
P.O. Box 50563 Nairobi 00200 Kenya
- Telephone: +254 45 6621000
- Email: info@epzakenya.com
- Website: www.epzakenya.com

Kenya Revenue Authority
Times Tower Haile Selassie Avenue
P.O.Box 48240 - 00100 GPO Nairobi
- Telephone: 020-310900, 020-2810000
- Fax: 020-341342
- Email: callcentre@kra.go.ke
- Website: www.kra.go.ke

ICT Authority
Telposta Towers 12th Floor, Kenyatta Avenue
P.O. Box 27150- 00100 Nairobi Kenya
- Telephone: + 254 20 211960/61
- E-Mail: Communications@ict.go.ke
- Website: www.icta.go.ke

Konza Technopolis Development Authority (KoTDA)
Westlands, Capital West Business Centre 5th Floor, Opposite New Rehema House at the intersection of Rhapta Road & Lantana Road
P.O. Box 30519-00100 Nairobi, Kenya
- Telephone: +254(0) 204343013/4
- Email: konza@konzacity.go.ke
- Website: www.konzacity.go.ke

Kenya Investment Authority
Kenya Railways Headquarters, Block D, 4th Floor Workshop Road, off Haile Sellasie Avenue
P.O. Box 55704 - 00200 City Square Nairobi, Kenya.
- Telephone: +254 (730) 104-200
- Email: info@investmentkenya.com
- Website: www.investmentkenya.com

Kenya IT& outsourcing services
- Email: info@kitosafrica.org
- Website: www.kitosafrica.org
## Annexes

### ANNEX 1: GLOBAL RANKING

<table>
<thead>
<tr>
<th>Global index</th>
<th>Reference Year</th>
<th>Description</th>
<th>Ranking</th>
<th>Context</th>
</tr>
</thead>
<tbody>
<tr>
<td>Human Development Index(HDI)</td>
<td>2013</td>
<td>Measure of human development as demonstrated by life expectancy and education levels and all the supporting infrastructure</td>
<td>147 out of 187 economies</td>
<td>At HDI of 0.535, Kenya is higher than Sub Sahara average of 0.535. Kenya leads in EAC countries and has improved its ranking from 2012 to 2013 from 0.531. Within the Low Human Development category, it is among the leaders on the indicator – Mean years of Schooling. India ranks number 135, South Africa 118, Nigeria 152, and Ghana 138</td>
</tr>
<tr>
<td>Fragile States Index 2015 – The Fund for Peace</td>
<td>2014</td>
<td>Measures the stability of nations and the pressures they face based on 1) social indicators – demographic pressures, refugees &amp; Internally Displaced Persons(IDPs), group grievance, human flight and brain drain 2) economic indicators – uneven economic development, poverty and economic decline 3) political and military – state legitimacy, public services, human rights, &amp; rule of law, , security apparatus, factionalised elite, and external intervention</td>
<td>Alert category</td>
<td>At index 97.4, is in Alert Category All EAC countries are in this category apart from Tanzania in High Warning category The situation was rated as worsening over the decade 2006 to 2015. A key driver is the insecurity of neighbouring countries. India is recorded as worsening more than Kenya.</td>
</tr>
<tr>
<td>Change Readiness Index- 2015</td>
<td>2015</td>
<td>Measures capability of a country – its government, private and public enterprises, people and wider civil society – to anticipate, prepare for, manage and respond to a wide range of change drivers, proactively cultivating the resulting opportunities and mitigating potential negative impacts</td>
<td>65 out of 127</td>
<td>Very good ranking on enterprise capability (47) but poorer government capacity (84). Kenya ahead of EAC economies and is among the top ranked for Sub Saharan Africa and among the low-income economies. India is ranked 67</td>
</tr>
<tr>
<td>Ease of doing business - World Bank - Doing Business 2015</td>
<td>June 2014</td>
<td>Measures regulations affecting 11 areas of the life of a business. - starting a business, construction permits, getting electricity, registering property, getting credit, protecting minority investors, paying taxes, trading across borders, enforcing contracts, resolving insolvency</td>
<td>136 out of 189</td>
<td>In EAC , Rwanda ranks 46 India ranks at 142</td>
</tr>
<tr>
<td>The Global Competitive Index 2014-2015: WEF – The Global Competitiveness Report 2014-2015</td>
<td>2014/2015</td>
<td>Express competitiveness as the set of institutions, policies and factors that determine the level of productivity of country</td>
<td>90 out of 144</td>
<td>Has improved from 106 in 2012/2013. Kenya is way ahead on Innovation &amp; Sophistication factors (rank 40) and Efficiency Enhancers (Rank 66) but pulled down in Basic Requirements (Rank 115). The most problematic factors for doing business is Corruption, access to financing Labour market efficiency (25) Financial market development (24) and innovation (38) and business sophistication rank among the top. India ranks No 71</td>
</tr>
</tbody>
</table>
Table 4: positioning Kenya among the region

<table>
<thead>
<tr>
<th>Global index</th>
<th>Reference Year</th>
<th>Description</th>
<th>Ranking</th>
<th>Context</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015 Index of Economic Freedom – Heritage Foundation</td>
<td>2015</td>
<td>Measures rule of law, government size, regulatory efficiency and the open markets.</td>
<td>122 out of 178 economies graded Ranked 23 in Sub Sahara Africa</td>
<td>At an index of 55.6 Kenya is in the category of mostly unfree. It is however higher than Sub Sahara average (54.9) and ranks second last in EAC. India ranks 128, Nigeria 120</td>
</tr>
<tr>
<td>Foreign Direct Investment World Bank</td>
<td>2014</td>
<td>Measure of net inflows to acquire lasting management interest (over 10%) in an enterprise by non-Kenyans</td>
<td>Took leadership in EAC</td>
<td>Increased by up to three times from 2013 to reach close to USD1Billion</td>
</tr>
<tr>
<td>Top100 Outsourcing destinations Tholons</td>
<td>2015</td>
<td>Measure of outsourcing assessment based on proprietary criteria on outsourcing locations</td>
<td>Nairobi City 97</td>
<td>No change over 2014. The only other SSA cities in the top 100 are Accra (42) Cape Town (57) Johannesburg (21) Durban (100) Indian cities took 6 of the top 10 positions</td>
</tr>
</tbody>
</table>
ANNEX 2: INDICATIVE LISTS OF ICT OPERATORS

TELECOMMUNICATIONS OPERATORS:

**Safaricom Limited**
P.O. Box 66827, 00800 Nairobi
- Telephone: +254 722 00 3272
- Website: www.safaricom.co.ke

**Airtel Networks Kenya Limited**
P.O. Box 73146 Nairobi 00200
- Telephone: +254 734 110 000
- Fax: +254 734 111 114
- Website: http://africa.airtel.com/wps/wcm/connect/africarevamp/Kenya/

**Communications Authority of Kenya**
Telkom Plaza Ralph Bunche Road
P.O. Box 30301-00100
Nairobi, Kenya
- Website: www.orange-tkl.co.ke

OTHER OPERATORS AT:
Communications Authority of Kenya, 2014, Register of Unified Licensing Framework Licensees

BUSINESS PROCESSING OUTSOURCING:
Communications Authority of Kenya established licensing category for the BPO services providers with 40 are licensed as at June 2014. Below is an indicative list of some of the BPO service providers

**Digital Divide Data**
Paramount Plaza 7th Floor,
Off Globe Cinema Roundabout, Nairobi
P.O. Box 4282-00506, Nairobi, Kenya
- Telephone: +254 772 191 795
- Website: www.digitaldividedata.org

**Craft Silicon**
Waiyaki Way,
P.O. Box 13628-00800, Nairobi, Kenya
- Telephone: +254 755 777 111
  +254 755 777 333
- Website: www.craftsilicon.com

**Techno Brain Group**
P.O. Box 57666-00200
Eco Bank Towers, 4th Floor, Muindi Mbingu St, Nairobi, Kenya.
- Telephone: +254 20 224 6145
  +254 20 224 6154
- Website: www.technobraingroup.com

**AndestBites**
JNK Complex, Suite #5, Ruaka, Limuru rd
P.O. Box 849-00600 Nairobi, Kenya
- Telephone: +254 20 239 4420
  +254 724 164 346
- Website: www.andestbites.com

FULL LIST AS JUNE 2014 AT:
Communications Authority of Kenya, 2014, Register of Unified Licensing Framework Licensees