POTATO AND CASSAVA SECTORS
INVESTMENT PROFILE

KENYA

2020
ACKNOWLEDGEMENTS

This sector profile was designed and produced under the framework of the Partnership for Investment and Growth in Africa (PIGA) project. PIGA is part of Manufacturing Africa (MA), a flagship programme of the United Kingdom of Great Britain and Northern Ireland’s Foreign, Commonwealth and Development Office (FCDO) facilitating foreign direct investment with high development impact into selected African countries.

Under MA, PIGA aims to contribute to job creation and sustainable growth in Ethiopia, Kenya, Mozambique and Zambia by supporting these countries to attract foreign direct investment, specifically Chinese investment, in the agro-processing and light manufacturing sectors. PIGA is also designed to enhance the capacity of these countries for effective investment promotion.

PIGA is implemented by the International Trade Centre (ITC) in cooperation with the China Council for the Promotion of International Trade (CCPIT) and the China–Africa Development Fund (CADFund).

Special contributions to writing this report have been provided by:
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The views expressed in this report are those of the authors and do not represent the official position of the International Trade Centre, KenInvest and the Government of the United Kingdom.

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Unless otherwise specified, all references to dollars ($) are to United States dollars, and all references to tons are to metric tons.

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
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<tbody>
<tr>
<td>ADC</td>
<td>Agricultural Development Corporation</td>
</tr>
<tr>
<td>AFA</td>
<td>Agriculture and Food Authority</td>
</tr>
<tr>
<td>AGOA</td>
<td>African Growth and Opportunity Act</td>
</tr>
<tr>
<td>CBK</td>
<td>Central Bank of Kenya</td>
</tr>
<tr>
<td>CIP</td>
<td>International Potato Center</td>
</tr>
<tr>
<td>EAC</td>
<td>East African Community</td>
</tr>
<tr>
<td>EPA</td>
<td>Economic Partnership Agreement</td>
</tr>
<tr>
<td>EPZ</td>
<td>Export processing zone</td>
</tr>
<tr>
<td>FDI</td>
<td>Foreign direct investment</td>
</tr>
<tr>
<td>GDP</td>
<td>Gross domestic product</td>
</tr>
<tr>
<td>HCD</td>
<td>Horticultural Crops Directorate</td>
</tr>
<tr>
<td>ITC</td>
<td>International Trade Centre</td>
</tr>
<tr>
<td>KALRO</td>
<td>Kenya Agricultural &amp; Livestock Research Organization</td>
</tr>
<tr>
<td>KAVES</td>
<td>Kenya Agricultural Value Chain Enterprises</td>
</tr>
<tr>
<td>KEBS</td>
<td>Kenya Bureau of Standards</td>
</tr>
<tr>
<td>KEFPHIS</td>
<td>Kenya Plant Health Inspectorate Service</td>
</tr>
<tr>
<td>KNBS</td>
<td>Kenya National Bureau of Statistics</td>
</tr>
<tr>
<td>KRA</td>
<td>Kenya Revenue Authority</td>
</tr>
<tr>
<td>NHIF</td>
<td>National Hospital Insurance Fund</td>
</tr>
<tr>
<td>NPCK</td>
<td>National Potato Council of Kenya</td>
</tr>
<tr>
<td>NSSF</td>
<td>National Social Security Fund</td>
</tr>
<tr>
<td>PIN</td>
<td>Personal identification number</td>
</tr>
<tr>
<td>SEZ</td>
<td>Special economic zone</td>
</tr>
<tr>
<td>SGR</td>
<td>Standard gauge railway</td>
</tr>
<tr>
<td>TEU</td>
<td>Twenty-foot equivalent unit</td>
</tr>
<tr>
<td>UNCTAD</td>
<td>United Nations Conference on Trade and Development</td>
</tr>
<tr>
<td>USAID</td>
<td>United States Agency for International Development</td>
</tr>
<tr>
<td>VAT</td>
<td>Value-added tax</td>
</tr>
</tbody>
</table>
Kenya: An Overview

The Republic of Kenya is located on the eastern coast of Africa along the Indian Ocean. Its geographical neighbours are the United Republic of Tanzania to the south, the Republic of Uganda to the west, the Republic of South Sudan to the north-west, the Federal Democratic Republic of Ethiopia to the north and the Federal Republic of Somalia to the east.

Kenya is a mature democracy and has enjoyed political and economic stability since her independence. In 2010, the country promulgated a new constitution that brought with it a robust and independent judiciary, a bicameral legislature and devolution with a national government and 47 semi-autonomous counties governed by elected governors. In Sub-Saharan Africa, Kenya is the 5th largest economy, with strong growth prospects supported by an emerging urban middle-class population with an increasing appetite for high-value goods and services. It is the dominant economy in the East African Community (EAC), contributing more than 40% of the region’s gross domestic product (GDP).

The country’s development blueprint, Vision 2030, launched in 2008, aims to transform Kenya into a newly industrializing, middle-income country providing a high quality of life to all its citizens by 2030 in a clean and secure environment. Over the last 10 years, significant progress has been made in fulfilling this vision. In order to accelerate the achievement of the aspiration of Vision 2030, President Uhuru Kenyatta conceptualized and launched the Big Four Agenda in 2017, focusing on four priority sectors of the government until 2022: manufacturing, food security, affordable housing and universal health coverage.

**Table 1: Country key facts**

<table>
<thead>
<tr>
<th>Metric</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital city</td>
<td>Nairobi</td>
</tr>
<tr>
<td>Area</td>
<td>582,646 km²</td>
</tr>
<tr>
<td>Population</td>
<td>52.57 million (2019)</td>
</tr>
<tr>
<td>Population growth</td>
<td>2.2% (2019)</td>
</tr>
<tr>
<td>Working age population</td>
<td>25 million</td>
</tr>
<tr>
<td>Literacy rate (15+ years)</td>
<td>81.5% (2018)</td>
</tr>
<tr>
<td>GDP</td>
<td>$95.5 billion (2019)</td>
</tr>
<tr>
<td>GDP growth</td>
<td>5.4% (2019)</td>
</tr>
<tr>
<td>GDP per capita</td>
<td>$1,816 (2019)</td>
</tr>
<tr>
<td>FDI inflow (current US$)</td>
<td>$1.33 billion (2019)</td>
</tr>
<tr>
<td>FDI growth</td>
<td>26% (2018)</td>
</tr>
<tr>
<td>Total exports (current US$)</td>
<td>$11.49 billion (2018)</td>
</tr>
<tr>
<td>Total imports (current US$)</td>
<td>$20.409 billion (2019)</td>
</tr>
<tr>
<td>Currency</td>
<td>Kenyan shilling</td>
</tr>
<tr>
<td>Exchange rate (per USD)</td>
<td>KSh 101.9 (2019)</td>
</tr>
</tbody>
</table>

WHY INVEST IN KENYA?

THRIVING ECONOMY

STRONG GDP PERFORMANCE

Kenya continues to experience sustained and resilient economic growth supported by strong public and private sector investment. GDP growth has been at an average of 5.6% over the last 10 years. Real GDP expanded by 5.4% to $95.5 billion in 2019 compared to 4.9% growth recorded in 2017, attributable to increased agricultural production, accelerated manufacturing activities, sustained growth in transportation and a vibrant service sector.

Manufacturing is the 3rd largest contributor to the GDP, with the processing of agricultural produce a key factor in its growth.

Agroprocessed products contribute 41% of the total manufacturing output. There is a direct correlation between agricultural sector output and manufacturing sector growth. However, still, the growth in the manufacturing sector and, therefore, its contribution to GDP, remains relatively low due to little or no value addition on most agricultural produce, most of which are exported as raw material for eventual processing. The government is, therefore, intent on attracting and facilitating investment of at least $2 billion in value-added agroprocessing to address this weak performance.

Among the government’s measures include: fight against illicit trade to increase the market share, development of the Integrated National Export Development and Promotion Strategy (which seeks to ensure that Kenyan products are competing on a global platform) and development of industrial parks for small to medium-sized enterprises (SMEs).

Table 2: Sectoral performance – percentage contribution to GDP (2012–19)

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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>26.1</td>
<td>26.4</td>
<td>27.5</td>
<td>30.2</td>
<td>32.0</td>
<td>31.5</td>
<td>34.2</td>
<td>34.2</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>11.0</td>
<td>10.7</td>
<td>10.0</td>
<td>9.4</td>
<td>9.1</td>
<td>8.4</td>
<td>7.7</td>
<td>7.5</td>
</tr>
<tr>
<td>Construction</td>
<td>4.5</td>
<td>4.5</td>
<td>4.8</td>
<td>4.8</td>
<td>5.0</td>
<td>5.8</td>
<td>5.4</td>
<td>5.6</td>
</tr>
<tr>
<td>Wholesale and retail trade</td>
<td>7.8</td>
<td>8.1</td>
<td>8.0</td>
<td>7.5</td>
<td>7.3</td>
<td>7.6</td>
<td>7.4</td>
<td>7.5</td>
</tr>
<tr>
<td>Transport and storage</td>
<td>8.0</td>
<td>7.8</td>
<td>8.6</td>
<td>8.1</td>
<td>7.8</td>
<td>7.7</td>
<td>8.0</td>
<td>8.5</td>
</tr>
<tr>
<td>Finance and insurance activities</td>
<td>5.9</td>
<td>6.6</td>
<td>6.8</td>
<td>6.7</td>
<td>7.0</td>
<td>7.5</td>
<td>6.3</td>
<td>6.0</td>
</tr>
<tr>
<td>Information and communication</td>
<td>1.6</td>
<td>1.4</td>
<td>1.2</td>
<td>1.5</td>
<td>1.4</td>
<td>1.4</td>
<td>1.3</td>
<td>1.2</td>
</tr>
</tbody>
</table>

REGIONAL FINANCIAL HUB

Kenya has 43 commercial banks,¹ more than any other country in the region, with global brands such as Barclays (Absa), Citibank and Standard Chartered offering a wide range of services. Home-grown commercial banks such as Kenya Commercial Bank, Equity Bank and Commercial Bank of Africa have also expanded operations to the East and Central Africa region. The Central Bank of Kenya (CBK) is the regulating authority, operating under clearly defined statutory regulations, and creates further guidelines that allow for comprehensive oversight. New credit lines and products to support short-term and medium-term investments have been developed. As a result, the sector is one of the most sophisticated and strongest in the East African region and the African continent at large.

The country has nine representative offices of foreign banks, 13 microfinance institutions, three credit reference bureaus (CRBs), 19 money remittance providers (MRPs) and 76 foreign exchange (forex) bureaus. Out of the 43 banking institutions, 40 are privately owned and the government has majority ownership in three institutions. Further, there are five development finance institutions (DFIs) owned by the government, which all provide long-term development finance in various sectors. The International Finance Corporation (IFC), together with the Trade and Development Bank (TDB), both with regional offices in Nairobi, provide financial resources to private sector projects. There are 55 licensed insurance companies² and five licensed re-insurance companies in Kenya. Kenya is also home to the Africa Reinsurance Company, PTA Reinsurance Company and the Africa Trade Insurance Agency (ATIA), which are regional insurance organizations that operate under the various regional charters.

EFFECTIVE MONETARY POLICY AND INFLATION STABILITY

Kenya adopted an accommodative monetary policy in 2016 that aims to support a non-inflationary credit expansion into key sectors of the economy and promote stability in the foreign exchange market. Pursuant to the objective of price stability and to boost output, the Central Bank of Kenya (CBK) reviewed the Central Bank Rate (CBR) in 2019 to 8.5% from 9%. The easing of monetary policy aims to reduce the cost of borrowing, particularly for the private sector. Further to this, the CBK repealed the interest rate caps on commercial banks whose maximum lending rate had previously been set at no more than 4% above the base rate. This, together with the deployment of innovative credit products, has seen the commercial banks’ credit grow by 5.9% from $33.45 billion as at end of 2017 to $35.44 billion as at end of 2018. Consequent to this, Kenya ranks 4th out of 191 economies in the ease of getting credit according to World Bank’s Ease of Doing Business Report, 2019.

The country’s annual inflation rose from 4.7% in 2018 to 5.6% in 2019 due to increase in production cost and increased demand for goods relative to supply in 2019. The monetary policy stance is focused on maintaining inflation within the government’s range of approximately 2.5% of the 5% medium-term target. Overall inflation is expected to remain within the target range in the near term due to government’s commitment to lower food prices following improved weather conditions, and lower electricity prices.

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Table 3: Performance of key macroeconomic indicators (2014–18)

<table>
<thead>
<tr>
<th>INDICATOR</th>
<th>UNIT</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inflation</td>
<td>%</td>
<td>6.6</td>
<td>6.3</td>
<td>8.0</td>
<td>4.7</td>
<td>5.2</td>
</tr>
<tr>
<td>CBK interest rate</td>
<td>%</td>
<td>11.5</td>
<td>10.0</td>
<td>10.0</td>
<td>9.0</td>
<td>8.5</td>
</tr>
<tr>
<td>Current account as percentage of GDP</td>
<td>%</td>
<td>-6.9</td>
<td>-5.8</td>
<td>-7.2</td>
<td>-5.8</td>
<td>-5.8</td>
</tr>
<tr>
<td>GDP per capita</td>
<td>USD</td>
<td>1451.8</td>
<td>1558.8</td>
<td>1802.0</td>
<td>1917.8</td>
<td>2047.8</td>
</tr>
<tr>
<td>KES/USD exchange rate</td>
<td>KES</td>
<td>98.2</td>
<td>101.5</td>
<td>103.4</td>
<td>101.3</td>
<td>101.9</td>
</tr>
</tbody>
</table>

INCREASING FOREIGN DIRECT INVESTMENT

Kenya’s foreign direct investment (FDI) inflow has maintained a steady rise over the years. Business facilitation measures and investment-ready export processing zones (EPZs) and industrial parks contribute to the trend. According to the United Nations Conference on Trade and Development’s (UNCTAD’s) World Investment Report 2019, inflows to Kenya increased by 26% to $1.6 billion in 2018. Major recipients of FDI include manufacturing, financial services, information and communications technology, and business support services. Traditionally, the United Kingdom of Great Britain and Northern Ireland (UK), the United States of America (USA), the Republic of India, the Republic of Mauritius, the Republic of South Africa, and Japan have been the major sources of FDI to Kenya.

More recently, however, FDI has grown from other countries such as the People’s Republic of China, the Kingdom of Belgium, the Federal Republic of Nigeria, the French Republic (France) and the Federal Republic of Germany.

Kenya has opened itself to foreign investors with increased leeway in ownership and access to market and information. The law allows for 100% foreign ownership in most sectors such as manufacturing and agriculture. The government’s focus on improving the business environment makes Kenya a destination of choice for foreign investors and multinational companies that have made Kenya their African headquarters.

![Figure 2: FDI inflows in USD (millions) (2015–18)](source: UNCTAD World Investment Report, 2019; Country fact sheet)

IMPROVED BUSINESS ENVIRONMENT

To ensure a conducive business environment, the government has instituted key reforms and infrastructural frameworks that support investment, such as:

a) Presidential roundtables to address emergent issues in the business arena, championed by Kenya Private Sector Alliance (KEPSA);

b) An established cabinet committee on ease of doing business to follow up on investors’ concerns;

c) Business environment delivery unit to address challenges facing investors in the country, which focuses on reducing the bureaucratic steps related to setting up and doing business in the country;

d) A one-stop centre for facilitation of investors is also operational at Kenya Investment Authority (KenInvest) to provide pre-establishment support to investors;
INVESTMENT GUARANTEE

Kenya is a liberal economy with no foreign exchange controls as guaranteed in the Foreign Investment Protection Act (FIPA), allowing for full repatriation of profits, capital or interests after payment of the relevant taxes, principal and interest associated with any loan. Further to the explicit protection against expropriation of private property as provided for in the Constitution of Kenya, the country is also a signatory to several investment protection schemes, such as the International Centre for Settlement of Investment Dispute (ICSID), Multilateral Investment Guarantee Agency (MIGA) and the African Trade Insurance Agency (ATIA), which guarantee the safety of investment.

WIDE MARKET ACCESS

Kenya has signed preferential trade agreements with a total population of more than 1.4 billion people and a market value of more than $29 trillion. Kenya is a signatory and beneficiary to trade-enhancing schemes that include the African Growth and Opportunity Act (AGOA) with the USA, the Economic Partnership Agreement (EPA) with the European Union and the Generalized System of Preferences (GSP) scheme that grants preferential duty treatment to more than 3,000 of Kenya’s export products across different markets. Under the provisions of AGOA, more than 6,000 Kenyan products are allowed duty-free, quota-free access into the USA. Under the EPA, Kenyan products to the European Union have improved considerably in the World Bank’s Ease of Doing Business ranking, from position 170 in 2012 to position 56 out of 190 economies globally, and 3rd in Sub-Saharan Africa after Mauritius and the Republic of Rwanda.

*Rank out of 190 countries globally.

Union are entitled to duty reductions or exemptions and freedom from all quota restrictions. Trade preferences include duty-free entry of all industrial products and a wide range of agricultural products.

Kenya has ratified double taxation agreements with Canada, the Kingdom of Denmark, France, Germany, India, the Islamic Republic of Iran, the Kingdom of Norway, the Kingdom of Sweden, the United Kingdom, the United Arab Emirates (UAE), the Republic of Zambia, and South Africa. In Africa, Kenya is a signatory to a tripartite agreement integrating three of Africa’s regional economic blocs: EAC–COMESA–SADC, with a membership of 26 countries and a population of more than 650 million people. The recently ratified African Continental Free Trade Area (AfCFTA), upon commencement from July 2020, will create a single continental market of more than 1.3 billion people, with a combined annual output of $2.2 trillion, encouraging intra-African trade.

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**Figure 4: Kenya’s values of exports and imports ($), 2015-19**

- **Exports**
- **Imports**
- **Balance of Trade**

<table>
<thead>
<tr>
<th>Year</th>
<th>Exports</th>
<th>Imports</th>
<th>Balance of Trade</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td></td>
<td>-20</td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2019</td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>

Source: Kenya Export Promotion & Branding Agency.

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**Figure 5: Kenya’s top export markets (2019)**

- Uganda: 10.7%
- USA: 8.7%
- Nigeria: 8.0%
- Japan: 7.6%
- UK: 6.7%
- China: 6.5%
- Egypt: 5.6%
- Rwanda: 3.5%
- Tanzania: 3.2%
- Others: 2.5%
- All Other: 36.6%

Source: Kenya Export Promotion & Branding Agency.

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**Figure 6: Kenya’s top export products (2019)**

- Coffee: 10%
- Tea: 9%
- Horticulture: 8%
- Pharmaceuticals: 7%
- Refined Petroleum: 6%
- Articles of Apparel: 5%
- Iron & Steel: 3%
- Tobacco products: 2%
- Metalliferous ores: 2%
- Others: 9%

Source: Kenya Export Promotion & Branding Agency.
RENOWNED TALENT POOL

Kenya prides itself on its large pool of highly educated, skilled and sought-after workforce in Africa, trained from within the country and institutions around the world. According to the 2018 Human Capital Index report by the World Bank, Kenya is ranked 4th in Africa and 94th globally. With an average population growth rate of 2.2% in 2009–19 and a population density of 82 people per km², and a greater concentration of the youthful, productive workforce in the urban centres, Kenya offers a ready talent pool for investors.

The country has one of the highest literacy rates at 81.5% among youth aged 15 years and above in the region. Its 43 universities produce 60,000 graduates annually (KNBS, 2018). The country is also improving the youth population’s technical skills that could transition into wage and salaried jobs in the formal sector. There are approximately 1,417 registered technical and vocational education and training (TVET) institutions (http://www.tveta.go.ke/institutions/). The working class in Kenya currently stands at 47.5% of the total population, thus giving investors access to numerous professionals with diverse skill sets at competitive wages. Investors looking for an innovative, well-educated and multilingual professional workforce can easily find it in Kenya.

LABOUR CONDITIONS IN KENYA

Kenya is a member of the International Labour Organization. Investors can engage Kenyan employees through casual employment, fixed-term employment, permanent employment or contracts of service. Employers are also required to register with the National Hospital Insurance Fund (NHIF) and the National Social Security Fund (NSSF) in order to promote their employees’ social welfare. Please see Annex VII for procedure to obtain NHIF and NSSF registration.

Every employee has the constitutional right to join a trade union. The Central Organization of Trade Unions (COTU-K) is the sole national trade union centre in Kenya. The organization has concentrated on negotiating improvement in salaries, workplace safety, fringe benefits and generally better terms and conditions of employment for the workers it represents in the formal sector. The government has put in place a minimum wage for skilled workers of $143 per month, which is periodically revised to reflect the costs of living. Please see Annex VI for labour laws in Kenya.

It is an employer’s duty to apply for and obtain a work permit or a relevant pass for foreign nationals before granting them employment. It is an offence to employ a foreign national who has entered Kenya illegally, or whose status does not authorize him or her to engage in employment or on terms and conditions or in a capacity different from those authorized in such foreign national status. Please see Annex VIII on procedure to obtain a special pass and work permit.

FACILITATIVE TAX STRUCTURE

Taxes in Kenya are categorized as direct (income tax) and indirect taxes (excise duty, Customs duty and levies, and value-added tax (VAT)). Companies operating in the country pay a charge on their total income to the Kenya Revenue Authority (KRA). Locally incorporated companies are charged 30% corporate income tax, and branches of non-resident companies are charged 37.5% on their taxable profits. The government applies general and sector-specific taxation incentives as stimuli for investment. Applied incentives include tax holidays, investment allowance, accelerated depreciation and investment subsidies, all of which are intended to facilitate investment.

International trade has been on the rise for some time in Kenya, boosted by the expansion of the manufacturing entities in the country. Customs duty includes import duties (0% for basic raw materials, 10% for intermediate products and 25% for finished products), excise duty (0%–130%), VAT (0% or 16%), import declaration fee (2%) and railway development levy (1.5%). These duties are charged at the point of importation. The importers are required to accurately compute and pay the taxes based on the applicable charges. For more information, please visit https://www.kra.go.ke/en/business/companies-partnerships/companies-partnerships-pin-taxes/companies-partnerships-file-pay.
FAVOURABLE INCENTIVES

The Kenya Revenue Authority implements the issuance of fiscal incentives. The tax incentives are mainly in the form of capital deductions.

EXPORT PROMOTION INCENTIVES

The Government of Kenya has the undernoted export promotion incentive schemes in place:

i. Manufacturing under Bond: This incentive is extended to manufacturers’ imported plants, equipment, machinery and raw material for exclusive use in the manufacture of goods and services for export. Enterprises operating under this programme enjoy exemption from import duty and VAT on imported raw materials and other imported inputs. Bonded manufacturing enterprises can be licensed to operate within a 30km radius of a Customs office, administered by the Kenya Revenue Authority.

ii. Duty remission facility: The Government of Kenya, through the EAC Duty Remission Scheme, encourages local manufacturers to export their products. This is achieved through remitting duty and VAT (duty drawback) on raw materials used in the manufacture of goods for export by applying to the National Treasury through the Kenya Association of Manufacturers (KAM) and effected by Kenya Revenue Authority. For one to qualify for this scheme, the value of imported goods for which remission is being requested must exceed KSh 1 million.

INVESTMENT PROMOTION INCENTIVES

These can be in the form of investment tax credit and allowances, where companies are allowed to make deductions against their tax liabilities to physical or capital stock:

i. Investment deduction allowance: It is claimable on the capital investment once manufacturing operations commence. It is currently pegged at 100% in the three major cities, Nairobi, Kisumu and Mombasa. An additional 50% is available for investments valued at $2 million or more made outside these three cities. Investors make the deduction against their tax liabilities at the end of the financial year when computing the company’s gains/profits until they recoup their initial investments.

ii. Industrial building allowances: It applies to the capital expenditure incurred on the construction of an industrial building to be used in a business carried out by them or their lessee. This allowance is claimed by the owner of the building who incurred the capital expenditure and the building must be used for the purpose of the registered business only until the investor recoups the initial investment.
INDUSTRIAL ZONES STRATEGY FOR INVESTMENTS

1) Export processing zones\(^3\) (EPZs)

These are designated areas of Kenya that are aimed at promoting and facilitating export-oriented investments and developing an enabling environment for such investments. These zones are managed by the Export Processing Zones Authority (EPZA). One is eligible to invest in the EPZs as a zone developer, operator or an enterprise, provided the business is locally incorporated and has an export orientation; more than 80% of sales should be made to countries outside EAC partner states. See Annex XI for operational costs of the export processing zones.

2) Special economic zones (SEZs)\(^4\)

An investor intending to carry on business as an SEZ developer, operator or enterprise must apply to the Special Economic Zones Authority (SEZA) for the appropriate licence or for a renewal of the same. SEZs differ from EPZs, as they include an option of selling their products locally or exporting without quota restrictions.

EPZ and SEZ schemes are offering several fiscal incentives (see Table 4). Detailed information can be found in the Tax Compliance Guide for Foreign Investors - Kenya. See https://epzakenya.com/epz-program/ and https://www.industrialization.go.ke/images/downloads/Special-Economic-Zones-Act-2015.pdf.

Table 4: Fiscal incentives under EPZ and SEZ schemes

<table>
<thead>
<tr>
<th>Normal tax aspect</th>
<th>EPZ incentive</th>
<th>SEZ incentive</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value-added tax (VAT) – 16%</td>
<td>The supply of taxable goods and services to EPZs is zero rated from VAT.</td>
<td>The supply of taxable goods and services to SEZs is zero rated from VAT.</td>
</tr>
<tr>
<td>Excise duty – varying rates</td>
<td>Importation of goods and services exempt from excise duty.</td>
<td>Importation of goods and services exempt from excise duty.</td>
</tr>
<tr>
<td>Income tax – 30%</td>
<td>Corporate income tax holiday of 10 years from the date of first sale, then at a rate of 25% for the next 10 years and thereafter 30% from the 21(^{st}) year.</td>
<td>Corporate income tax at 10% for the first 10 years of operation, then 15% for the next 10 years and thereafter 30% from the 21(^{st}) year.</td>
</tr>
<tr>
<td>Withholding tax – 5%-20%</td>
<td>10-year withholding tax holiday on remittances to non-residents. Thereafter, withholding tax for non-residents applies as follows:</td>
<td>10-year withholding tax holiday on remittances to non-residents. Thereafter, tax for non-residents applies as follows:</td>
</tr>
<tr>
<td></td>
<td>Interest: 15% Dividend: 10% Management and professional fees: 20% Royalties: 20%</td>
<td>Interest: 5% Dividend: 0% Management and professional fees: 5% Royalties: 5%</td>
</tr>
<tr>
<td>Import declaration fee – 2%</td>
<td>Goods destined to EPZs are exempt from import declaration fees.</td>
<td>Goods destined to SEZs are exempt from import declaration fees.</td>
</tr>
<tr>
<td>Stamp duty – nominal to 4%</td>
<td>Perpetual exemption from payment of stamp duty on legal instruments.</td>
<td>Perpetual exemption from payment of stamp duty on legal instruments.</td>
</tr>
<tr>
<td>Railway development levy – 1.5%</td>
<td>Applicable on importation.</td>
<td>Applicable on importation.</td>
</tr>
</tbody>
</table>

Source: Kenya’s Finance Act, 2020; Kenya Revenue Authority.

\(^3\) https://epzakenya.com/epz-program/.
Other non-fiscal benefits offered in the designated EPZs and SEZs include:

- Operation under essentially one licence issued by EPZ and SEZ authorities;
- All zones have a resident Customs office for on-site Customs documentation and clearance;
- Unrestricted investment by foreigners, allowing for 100% foreign ownership;
- One-stop shop service for facilitation and aftercare, by assisting new companies with staff recruitment, labour regulations, work permits, import–export logistics, application for utility connections and registration with tax authorities, etc.;
- Serviced land and ready factory buildings are available for sale or lease to licensed companies.

Most of the EPZs and SEZs are strategically located around cassava- and potato-growing belts, providing a plug and play set-up for processors, with improved connectivity to the Port of Mombasa and the four international airports.

**Figure 7: Geographical distribution of industrial zones and potato- and cassava-growing belts**

**Source:** KenInvest, Export Processing Zones Authority (EPZA) Annual Performance Report, 2017.
STRATEGIC GEOGRAPHICAL LOCATION AND INFRASTRUCTURAL DEVELOPMENT

Kenya’s strategic location offers it preferential access to regional and international markets. The country has relatively well-developed physical infrastructural facilities, including four international airports, an extensive road and railway network, an expanding and liberalized energy sector and well-established digital telecommunications networks. The Jomo Kenyatta International Airport (JKIA) functions as an effective air hub that directly connects Africa to Europe and Asia, and recently to the USA, which are the largest markets for Kenya’s agricultural exports. Approximately 50 airlines use this airport, which is capable of processing up to 6 million passengers per year. Apart from JKIA, Kenya has three other international airports, in the three major towns, namely Moi International Airport in Mombasa, Eldoret International Airport in Eldoret and Kisumu International Airport in Kisumu, for efficient connectivity within the country and the region. These airports and other airstrips are well linked to the established potato- and cassava-growing regions, coastal region, eastern region, central region and western region.

Kenya also has the largest port in the region, the Port of Mombasa, which is also the 5th largest port in Africa with a capacity of 1.2 million twenty-foot equivalent units (TEUs) and a throughput of 22 million TEUs per annum. It is capable of handling bulk and other containerized cargo and serves as a gateway to the East and Central Africa regions. The port provides direct connectivity to more than 80 ports worldwide and is linked, by road, to a vast hinterland comprising Uganda, Rwanda, the Republic of Burundi, the eastern Democratic Republic of the Congo, Northern Tanzania, the Republic of South Sudan, Somalia and Ethiopia. Both Nairobi and Naivasha have inland container depots, owned and operated by the Kenya Ports Authority and linked by a standard gauge railway to the Port of Mombasa. The Nairobi inland container depot is located within the city’s industrial area, with a throughput of more than 180,000 TEUs per annum, handling both containerized and loose cargo. The Naivasha inland container depot, next to the Naivasha Industrial Park, has a loading capacity of 2 million tons a year, meeting the needs of cargo transfer from potato- and cassava-growing belts to the EAC region. As a result, Kenya continues to develop as an economic, commercial and logistics hub of the East and Central African regions.

The standard gauge railway (SGR) project has cut transit time in the 480km Mombasa–Nairobi route from 8 hours to 4 hours of transportation time. The railway has been built with an axle load of 25 tons and is expected to move up to 22 million tons per year at the speed of 80–100km/hr for freight trains. Phase 2 of the SGR from Nairobi to Naivasha is also complete and operational, linked to the Naivasha inland container depot through railway sidings. With the 14 cargo trains operating, the SGR has eased transportation of goods and increased market access due to an expanding network of trading routes within Kenya, the region and globally. Notably, from Figure 7, the SGR connects different potato- and cassava-growing belts to industrial zones and markets across the country, therefore enhancing the supply chain and value chain networks. The country remains the main transport and logistics hub in the region, with an expansive road network of approximately 117,800km, and was ranked among the top 5 countries in Africa in the Logistics Performance Index (LPI) global ranking in 2018.

RELIABLE ELECTRICITY SUPPLY

Kenya has experienced an impressive expansion of access to electricity, and now has the highest electricity access rate in East Africa: total access stands at 75% both from grid and off-grid solutions, according to the recent Multi-Tier Framework Energy Access Survey Report. Kenya has a low carbon and diverse energy mix, with geothermal and hydropower as the main sources of electricity supply. According to the Kenya National Bureau of Statistics, the total installed electricity capacity increased by 13.7% to 2,711.7 MW in 2018. Total effective capacity increased by 16.5% to 2,637.8 MW in 2018, with green energy constituting 86.2% of total electricity production. In 2018, total electricity generation increased by 7.9% to 11,182.0 GWh, with the peak demand increasing by 3.5% to 8,702.3 GWh. Currently, therefore, power supply exceeds the demand, which provides opportunities for investment in high-power-dependent projects to consume the surplus power.

The increased capacity of the distribution network in most of the agricultural zones in Kenya, especially through the Last Mile Connectivity project, has contributed to improving the living environment of the populations and growth of industries across the potato- and cassava-growing belts.

The schedule of tariffs as approved by the Energy and Petroleum Regulatory Authority, effective from August 2018, is available from https://kplc.co.ke/img/full/R6kP4e4oBapV_Schedule%20of%20Tariff%20-%202018.pdf. 

Please see Annex IX for procedure to obtain an electricity connection.
IMPROVED WATER SUPPLY
The Kenyan Government and development partners have significantly increased overall spending on water and sanitation to improve on access to clean water as espoused under the social pillar of Vision 2030. According to the Economic Survey Report 2019, total water abstraction under permit increased by 18.2% to 40.8 million cubic metres in 2018; surface water abstracted increased from 34.3 million cubic metres in 2017 to 40.5 million cubic metres in 2018. Similarly, groundwater abstraction rose to 218.8 million cubic metres in 2018 from 173.5 million cubic metres in 2017. Please see Annex X for procedure to obtain a water connection.

Table 5: Electricity tariffs in Kenya

<table>
<thead>
<tr>
<th>TARIFF</th>
<th>CHARGES (KSH)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Energy charge (per kWh)</td>
</tr>
</tbody>
</table>
| DC (domestic, 240 V) and IT (domestic water heating) | 10 kWh or less: 12.00  
More than 10 kWh: 15.80 | N/A                         |
| SC (small commercial, 240 V)                | 15.60                          | N/A                         |
| CI1 (commercial and industrial, 415 V)      | Peak: 12.00  
Off peak: 6.00  | 800                         |
| CI2 (commercial and industrial, 11 kV)      | Peak: 10.90  
Off peak: 5.45  | 520                         |
| CI3 (commercial and industrial, 33 kV)      | Peak: 10.50  
Off peak: 5.25  | 270                         |
| CI4 (commercial and industrial, 66 kV)      | Peak: 10.30  
Off peak: 5.15  | 220                         |
| CI5 (commercial and industrial, 132 kV)     | Peak: 10.10  
Off peak: 5.05  | 220                         |

Source: Kenya Power.

FAVOURABLE LIVING CONDITIONS
Kenya has a diverse multicultural, multilingual composition with a modern and vibrant socioeconomic fabric. The country has affordable, decent housing and adequate health facilities of international standards, particularly in the urban areas, and a high quality of education in public and private schools, with overseas curricula offered in most of the international schools. English is widely spoken both in formal and informal set-ups. Kenya offers world-class entertainment and hospitality facilities and has a diverse restaurant culture. Culinary experiences range from food stalls to five-star dining establishments, with a collection of gourmet restaurants offering local and international cuisine. Nairobi, the top entertainment destination on the continent, has been dubbed the safari capital of the world, where accommodation is an experience of lavishness and comfort. Nairobi hosts the headquarters of the United Nations office in Africa, and continues to host a number of the international community. Most of the regions known for potato and cassava growing in Kenya (western region, Central Kenya and the coast region) enjoy favourable tropical weather with a cosmopolitan population.
OVERVIEW OF THE POTATO VALUE CHAIN

Potato (Solanum tuberosum) is one of the most consumed food crops in Kenya, coming second to maize, and accounts for 23.5% of the total value of horticultural produce. It is a staple food crop as well as a cash crop for many rural and semi-urban households, playing an important role in improving national food security and income generation.

Availing more and better planting varieties, fertilizers and other inputs to the farmers and finding ways to link them more directly to markets are among the key thrusts of the Government of Kenya’s current sector development strategies. More broadly,

Kenya’s Vision 2030 aims in part to transform the country’s agriculture from subsistence to a more competitive and commercially oriented sector, one that can meet the country’s objective towards 100% food and nutrition security, expand exports and become a key engine for forward growth.

The industry is guided by the Crops (Irish Potato) Regulations, 2019 that guides the development, promotion and regulation of production and trade of Irish potatoes in Kenya.

Figure 8: Potato value chain in Kenya

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According to the Agriculture and Food Authority’s (AFA’s) Seed Potato Production and Certification Guidelines, the basic seed production begins at tissue culture, where meristem tissues are multiplied in a controlled environment to produce in vitro plantlets. These plantlets are transferred to glass vessels for hardening. Afterwards, they are planted in pots, aeroponics or hydroponics to produce minitubers at the KALRO-Tigoni Research Centre. The minitubers are planted and certified to produce pre-basic seed and multiplied to basic seed. Upon testing and certification by Kenya Plant Health Inspectorate Service (KEPHIS) for specific quality standards and tolerances for diseases and pests, the basic seed is sold to authorized seed multipliers for production of further classes of certified seed. The seeds are mostly multiplied in five cycles to reach substantial quantities a farmer can use to grow ware potato. Further multiplication could lead to degeneration of seed health.

PRODUCTION OF POTATOES IN KENYA

Kenya produces both seed potato and ware potato; however, the seed potato sector is quite small compared to the ware potato sector. The Ministry of Agriculture in Kenya estimates the current production of certified seeds to be 6,700 tons annually. This is against the annual national demand of 30,000 tons. Notably, most small-scale farmers in Kenya recycle part of the harvests from the previous seasons to use as seed, which are of low-quality, therefore leading to the potato shortages that the country occasionally faces, and therefore importing from countries such as Tanzania. An opportunity exists to bridge this gap by investing more in seed production with varieties suitable for processing.

The formal sources of seed potato are public institutions (Kenya Agricultural & Livestock Research Organization (KALRO) and the Agricultural Development Corporation (ADC)), private seed companies (Kisima Farm Ltd, Agrico E.A. Ltd, Syngenta E.A. Ltd and Suera Flowers) and registered individual seed growers. Such seed must be certified by the Kenya Plant Health Inspectorate Service (KEPHIS). KALRO-Tigoni Research Centre, in collaboration with the International Potato Center (CIP) (a Consultative Group on International Agricultural Research® Centre) and local universities, undertakes the National Potato Research Programme for testing and evaluation of potato varieties. Given the increasing demand of seed potatoes by most farmers, and the shortage thereof, rooted apical cuttings have recently been introduced in order to complement certified seed production. The technology has been endorsed by KEPHIS and integrated into the seed potato certification protocol. A great investment opportunity still exists in introducing accelerated breeding methods for improved, high-yielding potato varieties.

There are approximately 56 potato varieties grown in Kenya, which differ in shape, size, colour, flavour and starch content. An overview of current varieties available in Kenya and their growth characteristics is given in the National Potato Council of Kenya (NPCK) Potato Variety Catalogue (NPCK, 2019) at https://npck.org/Catalogues/NPCKOnlineDocument. pdf. The catalogue also contains an updated list of certified seed merchants. Shangi, Tigoni and Dutch Robijn varieties are the most grown in the major potato-growing counties due to consumer preference. For instance, the USAID–KAVES Potato Survey, 2014 indicates that every county had a dominant potato variety grown. In Bomet, 96% of producers were growing the Dutch Robijn variety while 99% of producers in Nakuru, 100% of producers in Nyandarua and 64% in Elgeyo Marakwet were growing the Shangi variety. According to the Ministry of Agriculture in Kenya, approximately 2 million to 3 million tons of ware potatoes worth approximately $400 million to $500 million are produced each year and engage approximately 3 million Kenyans across the value chain.

![Figure 9: Production trend of potatoes in Kenya](image-url)


* Consultative Group on International Agricultural Research (CGIAR) is a consortium of international agricultural research centres with operations in Kenya through CIP.
In Kenya, Irish potatoes are mostly grown in high altitude areas between 1,500 metres and 3,000 metres above sea level by approximately 800,000 small-scale farmers on more than 160,000 hectares, and a few large-scale farmers who specialize in commercial production. There are 13 major potato-growing counties in Kenya: Nyandarua, Nakuru, Elgeyo Marakwet, Meru, Nyeri, Kiambu, Taita Taveta, Narok, Bomet, Trans Nzoia, Bungoma, Uasin Gishu and West Pokot. Other potato-producing counties include Kisii, Nyamira, Kirinyaga, Murang’a, Baringo, Nandi, Laikipia and Kericho. Please refer to Figure 7. These regions receive regular rainfall of 1,200–1,800mm per annum. According to AFA, the top three producing counties by volume are Nyandarua, Nakuru and Kiambu, accounting for 22%, 14% and 13% respectively of the total potato value produced in Kenya.

Table 6: Production of Irish potatoes in selected counties (2016–17)

<table>
<thead>
<tr>
<th>County</th>
<th>2016</th>
<th>2017</th>
<th>% of total value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nyandarua</td>
<td>539 985</td>
<td>601 825</td>
<td>22%</td>
</tr>
<tr>
<td>Nakuru</td>
<td>403 080</td>
<td>396 174</td>
<td>14%</td>
</tr>
<tr>
<td>Kiambu</td>
<td>119 809</td>
<td>193 182</td>
<td>13%</td>
</tr>
<tr>
<td>Narok</td>
<td>141 542</td>
<td>268 193</td>
<td>12%</td>
</tr>
<tr>
<td>Elgeyo Marakwet</td>
<td>289 487</td>
<td>362 940</td>
<td>10%</td>
</tr>
<tr>
<td>Meru</td>
<td>80 662</td>
<td>163 926</td>
<td>6%</td>
</tr>
<tr>
<td>Nyeri</td>
<td>175 905</td>
<td>90 166</td>
<td>5%</td>
</tr>
<tr>
<td>Baringo</td>
<td>57 437</td>
<td>56 197</td>
<td>4%</td>
</tr>
<tr>
<td>Murang’a</td>
<td>35 081</td>
<td>39 081</td>
<td>3%</td>
</tr>
<tr>
<td>Bungoma</td>
<td>12 850</td>
<td>29 392</td>
<td>2%</td>
</tr>
<tr>
<td>Bomet</td>
<td>79 262</td>
<td>41 780</td>
<td>2%</td>
</tr>
<tr>
<td>Kisii</td>
<td>29 591</td>
<td>45 205</td>
<td>2%</td>
</tr>
<tr>
<td>Laikipia</td>
<td>5 410</td>
<td>31 670</td>
<td>2%</td>
</tr>
<tr>
<td>Uasin Gishu</td>
<td>11 880</td>
<td>13 656</td>
<td>1%</td>
</tr>
<tr>
<td>Nandi</td>
<td>16 643</td>
<td>6 115</td>
<td>0%</td>
</tr>
<tr>
<td>Embu</td>
<td>4 340</td>
<td>5 005</td>
<td>0%</td>
</tr>
</tbody>
</table>

MARKETING AND DISTRIBUTION OF POTATOES

In Kenya, potato farmers are price takers and play very little role in farm-level marketing. The actual marketing activities of pricing, promotion and search for buyer are carried out by a local broker. Research findings done by USAID–KAVES (Potato Processing Study, 2014) indicate that the majority of farmers sold their produce at the farm gate, where 56% sold through the local brokers and 32% directly to traders. Bomet is the only county with the majority of farmers selling their produce directly to processors. It is also the county with the least farmers selling to brokers. The majority of Elgeyo Marakwet farmers sell their produce to brokers. The Crops (Irish Potato) Regulations of 2019 stipulate that the selling and buying of Irish potatoes for commercial purposes be done at registered collection centres and designated markets.

For growers of ware potatoes, the market is oligopolistic, while for consumers it is, to some extent, polyopsonist. The marketing structure has a number of intermediaries. The farm brokers collect potatoes from farms, and they work hand in hand with transporters, who in turn work with market brokers. There are barriers to entry at the urban market centres, where cartels of brokers provide the link between wholesalers and retailers. As is characteristic of the retail market in Kenya, traders could be on the roadside targeting motorists or in shops and kiosks. In many cases, brokers and transporters determine the market price for each potato consignment delivered, accounting for the purchase price, cost of assembly and transportation costs, and thus, to some extent, hold the market power (Abong’ 2010; Mutunga, 2010; Wang’orome, 2008).

In order to efficiently collect and disseminate information on seed and ware potatoes, the NPCK launched the Viazi Soko digital marketing platform in 2017. Through this web-based mobile phone platform, potato farmers are able to query availability of particular seed potato varieties and consequently receive an instant response on their phones with information on availability, price per kg and the available stock. It also gives the phone number of the seed merchant, which the farmer can use get in touch with the seed company.

Through the Viazi Soko platform, farmers can also market their potatoes and receive frequent advisory messages from the NPCK and its partners. For more information on how to register on the platform, please visit https://npck.org/learn-about-viazi-soko/.

Figure 10: Marketing and distribution structure

![Marketing and distribution structure diagram](image)

1 Oligopolistic: Characterized by few farm brokers and transporters; due to this, there is limited competition, which influences the high pricing for eventual consumers.

2 Polyopsonist: Characterized by many market brokers at retail level, with a limited number at wholesale level.
Pricing of Potatoes in Kenya

Potato in Kenya is traded in unstructured marketing systems where value addition is minimal at producer level despite the huge potential. According to the statistical abstract report published by the KNBS, the price of potatoes rose sharply since September 2017, reaching 67.88KSh/kg in September 2019 as shown in Table 7.

As has previously been the case, most farmers have been exploited by brokers who determined the farm gate price of potatoes with less regard for the package weight. This led to instability of prices. However, with the enactment of the Crops (Irish Potato) Regulation in 2019, the farmers will see huge savings of up to 50%, as the regulations require farmers and traders to pack the potatoes into a maximum weight of 50kg for each single package, eliminating exploitation. Due to lack of proper storage facilities, the farmers opt to sell the potatoes directly from the farms to the traders as opposed to selling directly to the market. Investment in appropriate storage facilities and technology would help farmers to avoid farm losses and exploitation from direct dealings with unscrupulous brokers and traders. The price differences between producers and consumers range as high as up to 300% in nearby cities such as Nairobi and up to 1,000% in distant cities such as Mombasa. Also, the margins between wholesale and retail prices in urban areas are high due to inefficient distribution systems (Janssens et al, 2013) and the influence of brokers in between the supply chain. To get up-to-date potato market prices in select consumer towns, please visit https://www.npckviazisoko.com/prices.

To ensure the implementation of the Crops (Irish Potato) Regulations, the Agricultural Council of Kenya (AgCK), in collaboration with the Alliance for a Green Revolution in Africa (AGRA), is running a two-year project until 2021 dubbed “Strengthening the Enabling Environment for Transforming the Potato Value Chain” (SEETPVC). According to the Agricultural Council of Kenya, the project will work with an initial six potato-growing counties (Nakuru, Narok, Nyandarua, Meru, Bungoma and Elgeyo Marakwet) to support efforts towards institutionalization of the potato regulations and inform implementation of the regulations at local, national and regional level.

Table 7: Average retail market prices of potatoes (2015–19)

<table>
<thead>
<tr>
<th>Year</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Price in KSh/kg</td>
<td>34.46</td>
<td>34.11</td>
<td>39.56</td>
<td>38.91</td>
<td>55.96</td>
</tr>
</tbody>
</table>

PROCESSING OF POTATOES IN KENYA

In Kenya, potatoes are either sold in processed or unprocessed form. The main products of potato processing are ready-cut fresh and frozen chips, crisps, flakes and starch. KEPHIS indicates that there are 10 potato varieties suitable for processing into chips and crisps. According to the Potato Survey (2014) conducted by USAID–KAVES, there are more than 200 companies that process potatoes in Kenya. These processors are categorized into large-scale and cottage processors based on their processing capacity. Large-scale companies process on average 240 tons per month and source potatoes from contracted farmers and others either directly or through supply agents. Cottage industries, on the other hand, process on average three tons of potatoes per month and source directly from retail markets. Notably, local processors operate at less than 50% of the installed capacity. It is estimated that there are more than 40 local processors of crisps, and Nairobi alone has more than 800 restaurants selling potato chips.

An annual growth rate of 14% has been experienced over the years on the volume of potatoes processed into crisps. The report projects the volume of potato processed to rise to 135,200 tons in 2024, and the domestic and export demand for potato crisps is projected to be 34,206 tons in 2024. The findings of the survey further point out that the average yield rate of potato crisps is 25.3%, 88% of which are processed locally and 12% imported. Investors setting up in the EPZs are required to have an export orientation (more than 80% of their sales should be made to countries outside EAC partner states) and SEZs have no quota restrictions on sales.

The USAID–KAVES 2014 survey further found that the demand for ready-cut fresh chips has been growing at 10% since 2004, increasing from 799 tons in 2004 to 2,118 tons in 2014. The report projects the demand to rise to 5,594 tons in 2024. On the other hand, the survey noted an increasing growth in importation of ready-cut frozen chips at a rate of 67% since 2004, rising from 2 tons in 2004 to 329.5 tons in 2014, with a projection of 54,015 tons in 2024.

Note: The growth in importation of ready-cut frozen chips is mainly attributed to the fact that most of the marketed potatoes do not meet the required quality standards of emerging upmarket franchised hotels and restaurants. Hence, the gap is being filled mainly by importation of ready-cut frozen chips from countries such as the Arab Republic of Egypt, South Africa and Europe.
CONTRACT FARMING

Most processors engage in contract farming for better integration with the outgrower farmers. This guarantees the farmers a ready market. The processors provide the farmers with certified seeds of desired varieties for processing and other inputs, together with technical assistance to ensure ultimate quality of the ware potatoes. This practice is common in Bomet County, where most of the potatoes produced are meant for processing into crisps. Institutional support such as the supply of certified seeds by KEPHIS and infrastructural developments have been key drivers in incorporating contract farming practices. The local large-scale processors of crisps include Norda Industries, Deepa Industries and Propack Kenya Ltd., and processors of ready-cut fresh and frozen chips are Njoro Canning Factory Ltd., Midlands Ltd., Sereni Fries Ltd. and Supa Gaea Foods Ltd.

PACKAGING OF POTATOES IN KENYA

The Crops (Irish Potato) Regulations 2019 cushions the farmers against exploitation by middlemen and traders. According to the regulation, farmers and traders are required to pack the potatoes into a maximum weight of 50kg for each single package as opposed to extended bags that could weigh as much as 150kg as was common in the market. In this regard, all farmers, small-scale to large-scale, should register with the Agriculture and Food Authority (AFA). Further, Irish potatoes for commercial purposes, as per the regulations, are transported in natural and synthetic fibre sacks, mounted plastic boxes and paper or plastic film sacks.

TRADE (IMPORT AND EXPORT) OF POTATOES IN KENYA

Given that only a small fraction of its total production enters foreign trade, and mainly as processed products, potatoes in Kenya have been cushioned from international price shocks. Thus, the prices of potatoes are highly determined by local demand and supply conditions (Food and Agriculture Organization (FAO), 2013). Table 8 and Table 9 show the trends in Kenya’s export and import of fresh/chilled potatoes and seeds in 2014–18 as presented by ITC.

Table 8: Kenya’s export trend of potatoes (2015–19)

<table>
<thead>
<tr>
<th>Year</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Volume (tons)</td>
<td>1 553</td>
<td>2 517</td>
<td>16 732</td>
<td>1 585</td>
<td>3 511</td>
</tr>
<tr>
<td>Value (USD ‘000)</td>
<td>733</td>
<td>1 055</td>
<td>5 199</td>
<td>788</td>
<td>820</td>
</tr>
</tbody>
</table>

Source: ITC Trade Map.

Table 9: Kenya’s import trend of potatoes (2015–19)

<table>
<thead>
<tr>
<th>Year</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Volume (tons)</td>
<td>4 847</td>
<td>441</td>
<td>3 808</td>
<td>1 660</td>
<td>126</td>
</tr>
<tr>
<td>Value (USD ‘000)</td>
<td>1 023</td>
<td>324</td>
<td>810</td>
<td>507</td>
<td>121</td>
</tr>
</tbody>
</table>

Source: ITC Trade Map.
Kenya’s seed potatoes are mostly imported from the Kingdom of the Netherlands, which supplied 286 tons of seed potatoes to Kenya in 2018 alone, while Tanzania remains the largest supplier of fresh/chilled potatoes to Kenya, having exported 1,365 tons to Kenya in 2018. The imports from Tanzania mostly cover the deficit during periods of inadequate local supply of ware potatoes. In 2019, the government issued a circular directing imports of potatoes, among others, to have a Pre-Export Verification of Conformity (PVoC) certificate from country of origin with the lead clearing agent at the port of entry being the Kenya Bureau of Standards (KEBS).

Uganda, on the other hand, has been the largest destination market of Kenya’s fresh and chilled potatoes for the past five years and Somalia is the largest importer of seed potatoes from Kenya. Table 10 and Table 11 show the major destinations and sources of Kenya’s fresh/chilled potatoes and seeds in 2014–19 as presented by ITC.

### CONSUMPTION OF POTATOES

Kenya’s potatoes are mostly consumed locally, with increasing demand, especially in the urban towns at an average rate of almost 30kg per capita annually. For this reason, and due to negligible imports and exports, consumption can almost be estimated by the total local production. According to AFA, Irish potatoes are commonly consumed in the fresh forms, but change of eating habits, especially in the urban centres, has led to increased consumption of processed products. Consumption pattern is mostly influenced by income levels and other socioeconomic factors, especially in supermarkets and restaurants. It is approximated that more than 60% of the fresh produce grown and traded by urban traders in Kenya is absorbed by fast-food outlets such as restaurants and street market stalls. This growing demand has seen the total land area under potato cultivation rise by 12.3% in the last five years.

Households, restaurants, fast-food outlets and street market stalls are the major consumers of ware potatoes. Shangi and Tigoni varieties are the most preferred by consumers due to their relatively shorter cooking time that saves on energy and related costs.

### Table 10: Major export markets of Kenya’s potatoes (volume in tons)

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Uganda</td>
<td>882</td>
<td>1,958</td>
<td>16,204</td>
<td>1,014</td>
<td>2,893</td>
</tr>
<tr>
<td>Somalia</td>
<td>569</td>
<td>528</td>
<td>484</td>
<td>537</td>
<td>529</td>
</tr>
<tr>
<td>Djibouti</td>
<td>28</td>
<td>4</td>
<td>25</td>
<td>18</td>
<td>-</td>
</tr>
<tr>
<td>South Sudan</td>
<td>10</td>
<td>13</td>
<td>17</td>
<td>11</td>
<td>6</td>
</tr>
</tbody>
</table>

**Source:** ITC Trade Map.

### Table 11: Major import sources of Kenya’s potatoes (volume in tons)

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tanzania</td>
<td>4,210</td>
<td>–</td>
<td>3,620</td>
<td>1,365</td>
<td>–</td>
</tr>
<tr>
<td>Netherlands</td>
<td>594</td>
<td>413</td>
<td>18</td>
<td>286</td>
<td>125</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>1</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>1</td>
</tr>
<tr>
<td>France</td>
<td>–</td>
<td>–</td>
<td>1</td>
<td>3</td>
<td>–</td>
</tr>
</tbody>
</table>

**Source:** ITC Trade Map.

Potato and potato products intended for the export market must meet the quality standards set by the Kenya Bureau of Standards (KEBS). Please see Annexes XII and XIII for the requisite licences, certificates and clearances to export and import potatoes in Kenya respectively.
OVERVIEW OF THE CASSAVA VALUE CHAIN

Cassava is a tuber crop grown in tropical and subtropical areas whose starchy tuberous roots and leaves are consumed. In Africa, cassava is grown for food and, in Asia, it is mainly grown for industrial purposes, including the production of ethanol. On the other hand, in Latin America and the Caribbean, its main use is feeding animals. There are sweet and bitter varieties; bitter cassava has cyanogenic glycosides that emit hydrogen cyanide and must be processed before consumption, whereas sweet varieties can be eaten directly. (Gaffney, Kpaka, Slakie & Anderson, 2012) The degree of toxicity is altered by plant breeding, agriculture practice, environmental conditions and methods of food preparations.

In Kenya, Cassava (Manihot esculenta) is mostly grown at the coast and in the western, eastern and central regions of Kenya. It is an invaluable drought-resistant crop, ranking second in importance to Irish potato, among other root crops. Its outstanding ecological adaptation, low labour requirement, ease of cultivation, reasonably high yields under marginal conditions and its potential as an industrial crop in the manufacture of starch, baked products, paper, alcohol and animal feeds gives it greater potential than other food crops. It does best in elevations below 1,500m above sea level, in temperatures ranging from 25°C–29°C and in the rainfall range of 1,000–1,500mm/year. It grows well in light sandy soils. Cassava in Kenya is grown from stem cuttings at the rate of 10,000 cuttings/ha and can be grown as a rotation crop with cereals. Early maturing varieties are ready for harvesting at seven months, while late-maturing types take 9–20 months. Average yields are estimated at between 7.5 tons/ha and 10 tons/ha, but can be as high as 25 tons/ha with proper management (United States Agency for International Development (USAID), 2010).

### Figure 13: Various stages of the cassava value chain

<table>
<thead>
<tr>
<th>Crop attributes and inputs</th>
<th>Pre-production</th>
</tr>
</thead>
<tbody>
<tr>
<td>Drought-tolerant, resilient “food security” crop</td>
<td></td>
</tr>
<tr>
<td>Early water stress and inadequate soil fertility limit production</td>
<td></td>
</tr>
<tr>
<td>Breeding improvements target nutritional content, disease resistance and yields</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Pre-harvest production</th>
</tr>
</thead>
<tbody>
<tr>
<td>Labour is the most critical input for smallholder farmers</td>
</tr>
<tr>
<td>Viral diseases severely constrain yields</td>
</tr>
<tr>
<td>Early planting, plant spacing, monocropping, weeding and delayed harvesting can increase yields</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Post-harvest storage and transportation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fresh cassava roots deteriorate rapidly and are heavy to transport</td>
</tr>
<tr>
<td>Low-cost storage technology increases shelf life to 2-3 weeks. Farmers in Kenya lack storage facilities</td>
</tr>
<tr>
<td>Further research in storage technology called for. This presents a great investment opportunity</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Value-added processing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Processing reduces cyanide content, decreases weight and increases consumption</td>
</tr>
<tr>
<td>Value addition in Kenya is relatively minimal.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Marketing and trade</th>
</tr>
</thead>
<tbody>
<tr>
<td>African countries trade little cassava internationally</td>
</tr>
<tr>
<td>China receives two-thirds of global exports, mainly for industrial use</td>
</tr>
<tr>
<td>Kenyan cassava starch, flour and chips have international trade potential</td>
</tr>
</tbody>
</table>

### Drought-tolerant, resilient “food security” crop

- Early water stress and inadequate soil fertility limit production
- Breeding improvements target nutritional content, disease resistance and yields

### Labour is the most critical input for smallholder farmers
- Viral diseases severely constrain yields
- Early planting, plant spacing, monocropping, weeding and delayed harvesting can increase yields

### Fresh cassava roots deteriorate rapidly and are heavy to transport
- Low-cost storage technology increases shelf life to 2-3 weeks. Farmers in Kenya lack storage facilities
- Further research in storage technology called for. This presents a great investment opportunity

### Processing reduces cyanide content, decreases weight and increases consumption
- Value addition in Kenya is relatively minimal.

### African countries trade little cassava internationally
- China receives two-thirds of global exports, mainly for industrial use
- Kenyan cassava starch, flour and chips have international trade potential
Figure 14: Cassava value chain in Kenya

- KALRO: research centres
- Institutions and farmers selling improved cutting (multiplication)
- Farmers
  - Farm broker
- Traders
  - Wholesale market
  - Micro-trader, food kiosks
- Processors
  - Supermarkets, restaurants
- Retailing
  - Imports
- Consumers
**PRODUCTION OF CASSAVA**

The area under cassava production has been declining over the years from 73,144 ha in 2012 to 40,422 ha in 2018. Consequently, production declined over the same period, also due to susceptibility to cassava mosaic disease (CMD), until 2017 when there was considerable increase in production to a record high of 1.112 million tons, attributed to availability of high-yielding planting materials and incorporation of good agronomic practices.

In a recent research study (Githunguri, Gathehu & Rangwe, 2017) conducted across major cassava-growing regions in Kenya, it was noted that:

1) Cassava production at the coast region is done manually using simple tools with no mechanization. In most areas, farmers sell fresh cassava directly to end consumers, mostly households, with no value addition. Processing could, therefore, influence the adoption of various improved cassava varieties in this region. The main varieties grown in the coast region are Kaleso (46106/27), Guzo (5543/156), Karembo, Karibuni, Nzalaaka, Shibe, Siri, Tajirika, KME 1, KME 2, KME 3, KME 4, KME 61, Mucericeri and Kibanda Meno.

2) In the eastern region of Kenya, both the production and marketing of cassava is inadequate and, therefore, there is a lack of a constant supply of cassavas to meet the growing demand. The main varieties grown in the eastern region and some parts of Central Kenya are KME 1, KME 2, KME 3, KME 4, KME 61, Mucericeri and Ex-Ndovu.

3) In the western region of Kenya, there is increased production of cassava. Processing of quality cassava products, however, still remains a major constraint. The main varieties grown in Western Kenya are 12200, Tereka, Serere, Adhiambo Lera, CKI, TMS 60142, BAO, SS4, Migyera, 192/0427, MM 96/7688, MH 95/0183, MH 96/4466, MM 96/5280, MM 96/9308, MM 96/7151, TME-14, MM 96/9362, MM 96/4684, MM 96/1871 and MM 96/4884.

KALRO research centres supply basic seed to seed multipliers upon certification by KEPHIS and other support institutions, such as Egerton University and Jomo Kenyatta University of Agriculture and Technology (JKUAT), also offer research and extension services and provide necessary training to enhance the productivity of cassava. On-farm drying is practised by some farmers, who then sell the dried cassava chips to traders in the markets.

**Figure 15: Production trend of cassava in Kenya (2012–19)**

![Graph showing production trend of cassava in Kenya (2012–19)](image)

Source: KNBS Economic Survey.

**Table 13: Supply and demand pattern of cassava in Kenya**

<table>
<thead>
<tr>
<th>Year</th>
<th>Domestic supply ('000 tons)</th>
<th>Domestic usage ('000 tons)</th>
<th>Per capita usage (kg)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Production</td>
<td>Imports</td>
<td>Exports</td>
</tr>
<tr>
<td>2017</td>
<td>1,112</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>2018</td>
<td>948</td>
<td>8</td>
<td>0</td>
</tr>
<tr>
<td>2019</td>
<td>973</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

Source: KNBS Economic Survey.
Kenya seeks large investments in industries using cassava as a raw material (e.g. food, feed, ethanol and starch) to foster demand for cassava, e.g. through public-private partnerships (PPP) in select cassava-growing areas. Approximately four tons to five tons of cassava roots are normally required to produce one ton of cassava starch, but the ratio may be as high as 10:1, depending on the quality of the root. Most of the cassava starch industries are located in Asia. In that region, processing of cassava into starch is carried out by large-scale factories in China, the Kingdom of Thailand and the Socialist Republic of Viet Nam. However, a major constraint to the industry is the unavailability of a regular flow of raw cassava materials for processing. The cassava growing belts have large parcels of agricultural land available for investors. Pre- and post-harvest mechanization through adoption of labour-saving devices in cassava production and processing would also ensure more efficient and better services to field production.

CONSUMPTION OF CASSAVA IN KENYA

The average per capita consumption of cassava and cassava products decreased by 15.3% from 23.1kg in 2017 to 19.8kg in 2018. In Kenya, cassava leaves are consumed as vegetables and consumers like them due to their nutritive value, while fresh cassava roots are consumed as a snack. Both urban and rural consumers of fresh cassava roots prefer sweet, medium-sized cassava roots that deteriorate slowly and are easy to peel.

With urbanization comes the demand for processed cassava products such as cassava crisps and fried chips. Due to its nutritional value, cassava flour has also gained popularity among a select populace, especially in baking and preparing household meals. The government is intent on improving the quantity and quality of cassava products for diversified uses, which is seen to greatly attract urban consumers and industries, create demand for the crop, stimulate increased production and provide more income for producers, processors and traders.

PROCESSING OF CASSAVA IN KENYA

Value addition of cassava is quite minimal in Kenya, partly due to the consumption preference and also due to lack of advanced technology for processing. Cassava flour is milled from both fermented and unfermented dried cassava chips. It has great demand in the baking and confectionery industry. Extraction of starch from cassava is still underexploited in Kenya. Cassava starch finds its application in the manufacture of sandpaper, cardboard, charcoal, briquettes, dolls, flashlights, batteries, moulded plastic toys and photographic films. Cassava starch is also much preferred in laundry and textile industries. The World Bank estimates that trade in cassava flour and starch represents approximately 30% of overall cassava trade and continues to expand, compensating in part the contraction in the international market for cassava chips and pellets. The major cassava starch and flour importers are China, Japan, Malaysia, the Republic of Indonesia, the Republic of Singapore, the United States and the Republic of the Philippines, with 70% of the global supply coming from Thailand. With this large market, investors in Kenya can maximize on the available resources and tap into this global value chain.

Usage of cassava in animal feeds is still low in Kenya. Kenya has the 3rd largest livestock herds in Africa after Ethiopia and the Republic of Botswana. With the advanced dairy and poultry industry in the country, cassava chips have the potential to replace 10%–30% of maize grains in animal feed rations. Currently, there is very little value addition in this regard. Kenya has more than 40 animal feed manufacturing units with a capacity in excess of 800,000 tons, and these can use cassava products. Kenya has more than 160 milling units, which can also use cassava.
The quality of the cassava roots deteriorates rapidly after 24 hours of harvesting. Therefore, they need to be cooked or processed as soon as they are harvested. A typical cassava root is composed of 70% moisture, 24% starch, 2% fibre, 1% protein and other elements that amount to 3%. Cassava processing is mainly undertaken in Mombasa and Nairobi by a few processing facilities producing chips, crisps and flour. Cassava chips and crisps are the most sold among the processed products due to consumer preference. According to the World Bank, demand for cassava food products is anticipated to remain the leading force underpinning the sector, thus providing impetus for creating new export or niche markets, since much of the growth in demand is likely to parallel a shift of consumption from fresh roots to non-perishable, processed, value-added food products. Emerging demand for biofuels could also be a future growth market for cassava, as evidenced recently in China.

These are areas that still remain untapped in Kenya, and investors are welcome to leverage on this potential through large-scale production of cassava for such industries to capture such markets as the EU, USA and most of Asia.

**MARKETING AND DISTRIBUTION OF CASSAVA IN KENYA**

The marketing structure, just like in the potato industry, is characterized by intermediaries, with the brokers and traders playing a major role in price control and distribution. The farm brokers collect potatoes from farms, and they work hand in hand with traders and transporters. The market brokers provide the link between wholesalers and retailers that then supply supermarkets, restaurants and processors.

**TRADE (EXPORT AND IMPORT) OF CASSAVA IN KENYA**

Cassava and cassava products are mostly consumed locally, with little export activities. The imported quantity is to complement local production in times of scarcity of cassavas and when there is high local demand. The largest importer of cassava and cassava products from Kenya is the United Kingdom, while Uganda is the largest exporter of mostly fresh cassava to Kenya.

The bulk of world trade in cassava is in the form of pellets and chips for feed (70%) and the balance is mostly in starch and flour for food processing and industrial use. Very little is traded in the form of fresh root, given the product’s bulkiness and perishable nature.

Globally, it is estimated by recent market surveys that most of the traded cassavas are imported by China, which shares 72.3% of the cassava import market. Other importers include Thailand (16.4%) that manufactures the commodity to resell and the United States (4%) where cassava-based dishes are gaining popularity. Please see Annexes XII and XIII for the requisite licences, certificates and clearances to export and import cassava in Kenya, respectively.

| Table 14: Kenya’s export trend of cassavas (2015–19) |
|---|---|---|---|---|---|
| **Year** | 2015 | 2016 | 2017 | 2018 | 2019 |
| Volume (tons) | 1.9 | 1.4 | 1.2 | 0.7 | 2 |
| Value (USD ‘000) | 4 | 3 | 1 | - | 6 |

**Source:** ITC Trade Map.

| Table 15: Kenya’s import trend of cassavas (2015–19) |
|---|---|---|---|---|---|
| **Year** | 2015 | 2016 | 2017 | 2018 | 2019 |
| Volume (tons) | 860 | 135 | 900 | 7 560 | 21 |
| Value (USD ‘000) | 518 | 25 | 175 | 1 468 | 1 |

**Source:** ITC Trade Map.
INVESTMENT OPPORTUNITIES IN POTATO AND CASSAVA VALUE CHAINS

1) Adaptive research and implementation of rapid multiplication technologies for in vitro, minituber, and field generation seed categories, and equitable business models to stimulate the seed sector through public–private partnership (PPP). Low productivity of potatoes and cassava in Kenya is partly attributed to limited access to certified seeds by farmers. Imported seed needs to be multiplied locally to reduce cost price and make it affordable for small-scale growers. This requires a number of specialized large-scale seed producers. A market potential of certified seed of 22,000 tons in the long term has been calculated. This potential needs to be well exploited.

2) Import substitution through value addition, mainly in the processing of crisps and ready-cut frozen chips to meet demand of the rapidly expanding middle-class population and thriving tourism sector. The USAID–KAVES (2014) survey projects that Kenya’s total domestic demand for ready-cut frozen chips and crisps will increase to 89,338 tons by 2024. Out of these, the total imports will be 58,117 tons by 2024 as the remaining demand is met by local processors. This huge gap can be bridged by local production and processing.

3) Provision of cold chain facilities (pre-cooling, refrigerated storage and refrigerated transport) to farmers, especially in the rural settings which are majorly the first mile of distribution, so as to overcome the challenge of post-harvest losses (37% of these losses occur during handling and storage), prolong the shelf life of their produce and fetch good prices, which are often distorted by gluts in the market. This could be complemented by other value-addition services like sorting, grading, washing and packaging.

4) Contract farming for investors focused on local processing, to better integrate with the farmers. This guarantees the farmers a ready market and, therefore, the willingness to invest more in inputs to improve their produce. The processors are also able to get raw materials they need for production that matches the market demand and quality standards.

5) Supplying machinery, equipment and technical know-how for cassava and potato growing, harvesting and processing at different scales of production.
CASE PROJECTS

1. POTATO PROCESSING PLANT

Promoter: County Government of Nyandarua
Estimated investment size: $20 million
Model: Public–private partnership
Location: Ol Kalou town, Nyandarua County
Stage of implementation: Feasibility study complete
For more information, contact Kenya Investment Authority: info@invest.go.ke

The purpose of the project is to commercialize potato farming through co-operatives. This will be achieved through establishment of processing infrastructure, structured collection channels, improved marketing and distribution, and capacity building for farmers. Investment opportunities exist in establishing a processing plant that will comprise a cooling, grading and packaging facility as well as a sales outlet in Ol Kalou town, Nyandarua County. There is also potential for similar investment in other parts of the county.

2. POTATO COLD STORAGE

Promoter: County Government of Nyandarua
Estimated investment size: $3 million
Model: Public–private partnership
Location: Nyandarua County
Stage of implementation: Feasibility study complete
For more information, contact Kenya Investment Authority: info@invest.go.ke

There are no ware potato cold storage facilities in the county to prolong the shelf life of the produce, so farmers run into huge economic losses at times of harvest. The county proposes to put up five cold storage facilities (one facility per sub-county) with capacity of 1,000 tons each. The estimated cost of each is $0.6 million.

3. CASSAVA PROCESSING PLANT

Promoter: County Government of Homa Bay
Estimated investment size: $0.32 million
Model: Joint venture
Location: Homa Bay County
For more information, contact Kenya Investment Authority: info@invest.go.ke

This project seeks the construction of a cassava processing plant that includes land, building and machinery. This project will improve the living standards of cassava-growing farmers and the community, and will increase revenue generation.
### SWOT Analysis of the Potato and Cassava Industries in Kenya

#### Strength
- Favourable climatic conditions for potato and cassava production.
- Potato and cassava are the most consumed root tuber crops in Kenya.
- Facilitative institutional framework, the Kenya National Potato Farmers Association (KENAPOFA) and the Kenya National Farmers’ Federation (KENAFF), the NPCK and the Horticultural Crops Directorate (HCD) (value chain coordination), AFA and KEPHIS (for licensing and certification).
- Availability of registered seed multipliers; KALRO, the ADC, Kisima Farm Ltd, Agrico E.A. Ltd, Syngenta E.A. Ltd, Suera Flowers and registered individual seed growers.
- Supportive regulatory environment for seed certification, production, marketing and trade of potatoes.
- Two potato growing seasons with high productivity per unit area.
- High expertise across the potato and cassava value chains.
- Wide market access within the EAC, the Common Market for Eastern and Southern Africa (COMESA), AICFTA, AGOA and EPA trade agreements.

#### Weakness
- Inadequate supply of quality seed of preferred varieties for processors.
- Post-harvest losses due to lack of cold storage by farmers.
- Low adoption of regulation on standardized package and weight for ware potatoes and even cassavas.
- High cost of farm inputs, especially to small-scale farmers.
- Unpredictability in market and price of cassava and potatoes.
- Inefficient distribution systems and the influence of brokers in the supply chain.
- Underdeveloped infrastructure in some potato- and cassava-growing regions, especially in the rural areas, leading to high cost of transportation and, therefore, high market price.
- Multiple taxation in the counties (inter-county cess).
- Minimal value addition at farm level; grading, sorting and cleaning of tubers.

#### Opportunity
- Increasing demand for good-quality potato and cassava by the available local processors and the export market.
- Increasing population, urbanization and changing eating habits in favour of potato and cassava products in most fast-food restaurants.
- Great prospects for employment creation.
- Integration with farmers through contract farming for quality potato varieties.
- The expanding tourism and hospitality industry provides a ready market for quality potato and cassava products.

#### Threat
- Exploitation of farmers by traders and brokers.
- Competition from imported processed potatoes of higher quality than the locally available ones.
- Pests and diseases.
- Effects of climate change causing irregular rainfall patterns, leading to crop failure in areas without irrigation.
- Inadequate farmland due to urbanization that has led to fragmentation of the land.
### MAJOR STAKEHOLDERS IN THE POTATO AND CASSAVA INDUSTRIES IN KENYA

<table>
<thead>
<tr>
<th>Institution</th>
<th>Role in the potato value chain</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ministry of Agriculture, Livestock and Fisheries (MoALF)</td>
<td>Coordinating the formulation and implementation of policies; release of new potato varieties; capacity building farmers on best agricultural practices and incorporation of technology.</td>
</tr>
<tr>
<td>Kenya Agricultural &amp; Livestock Research Organization (KALRO) – Tigoni Research Centre</td>
<td>Testing and breeding of varieties to ensure provision of quality seed potatoes to multipliers; conduct research on pest and disease management.</td>
</tr>
<tr>
<td>Kenya Plant Health Inspectorate Services (KEPHIS)</td>
<td>Seed certification; soil and irrigation water analysis; inspection of potatoes for export and import.</td>
</tr>
<tr>
<td>Agricultural Development Corporation (ADC)</td>
<td>Multiplication of basic seeds to produce certified seed for supply to farmers; technology transfer and capacity building on quality seed production.</td>
</tr>
<tr>
<td>International Potato Center (CIP)</td>
<td>Capacity building on ware and seed potato production; development and dissemination of technologies; pest and disease diagnostics for potatoes.</td>
</tr>
<tr>
<td>Kenya Bureau of Standards (KEBS)</td>
<td>Developing, maintaining and ensuring standards involving production, processing and marketing.</td>
</tr>
<tr>
<td>Agriculture and Food Authority (AFA)</td>
<td>Registration, licensing and regulation of the industry players; liaise with county governments to enforce compliance; develop and promote marketing chains at national, regional and international levels.</td>
</tr>
<tr>
<td>National Potato Council of Kenya (NPCK)</td>
<td>Planning and coordination of potato value chain activities through creation of linkage platforms for potato industry development.</td>
</tr>
<tr>
<td>Kenya Investment Authority</td>
<td>Pre- and post-investment facilitation of investors across the value chains and policy advocacy.</td>
</tr>
<tr>
<td>County governments</td>
<td>Provision of extension services; policy implementation.</td>
</tr>
<tr>
<td>Kenya Industrial Research and Development Institute (KIRDI)</td>
<td>Research and design of processing technologies; business incubation and capacity building of processors.</td>
</tr>
<tr>
<td>Ministry of Health (MoH)</td>
<td>Protection of potato consumers in Kenya from health risks of contaminated produce and processed products; custodians of food safety regulations.</td>
</tr>
<tr>
<td>National Environment Management Authority (NEMA)</td>
<td>Development, management and enforcement of regulations on environmental management, on farmland and processing facilities.</td>
</tr>
<tr>
<td>Financial institutions (e.g. Agricultural Finance Corporation (AFC), commercial banks and insurance companies)</td>
<td>Providing banking, insurance and credit facilities to all the players across the value chain.</td>
</tr>
<tr>
<td>Pest Control Products Board (PCPB)</td>
<td>Regulating importation, manufacture, distribution and use of agrochemicals (pest control products).</td>
</tr>
<tr>
<td>Agricultural Council of Kenya (AgCK)</td>
<td>Engaging in sector policy analysis and research; public–private policy dialogue, participatory governance and capacity building.</td>
</tr>
<tr>
<td>Kenya National Farmers’ Federation (KENAFF)</td>
<td>Represent and advocate for farmers’ interests; capacity building of the farmer organizations.</td>
</tr>
<tr>
<td>Kenya National Potato Farmers Association (KENAPOFA)</td>
<td>Advocating and lobbying for farmers’ interests; collective marketing and market intelligence; dissemination of market information to its members.</td>
</tr>
<tr>
<td>Non-governmental organizations (NGOs) (e.g. USAID–KAVES)</td>
<td>Providing technical support and training and collaboration with industry stakeholders.</td>
</tr>
<tr>
<td>Local potato processors</td>
<td>Potato and cassava processing/value addition; providing market for potato and cassava produce.</td>
</tr>
</tbody>
</table>
ANNEX I: STARTING A BUSINESS IN KENYA

1. Registering a branch of a foreign company

The Companies Act under Section 995 provides for registration of foreign companies. A foreign company is a company that has been incorporated outside Kenya. Registration is done online through the eCitizen portal:

   a) Register with the eCitizen portal: [http://www.ecitizen.go.ke/](http://www.ecitizen.go.ke/).

   b) Apply and pay for foreign company registration. The applicant will be required to fill in the eCitizen online forms and then download them for the directors of the company to sign, then scan them back into the system together with:

      i. Certified copy of certificate of incorporation – duly certified by a notary public from the country of origin;
      ii. Certified memorandum and articles of association – duly certified by a notary public from the country of origin;
      iii. Passport – for each foreign director and the local representative if foreign;
      iv. Passport photo – for each foreign director and the authorized local representative.

   c) Next, the certificate of compliance must be obtained. The applicant will be issued with the certificate of registration and the list of shareholders (CR12) after 3–5 days.

   The cost of registration of a foreign company is KSh 8,650.

2. Registering a local company

   a) Register with the eCitizen portal using a director’s account or the agent’s account (lawyer or secretary): [http://www.ecitizen.go.ke/](http://www.ecitizen.go.ke/) (business registration service).

   b) Apply and pay for company registration. The applicant will be required to pay KSh 10,650 for the company registration, then fill in the eCitizen online forms in the portal and download them for signing, and then upload them back into the system. These forms include:

      i. Proposed company name;
      ii. Objectives of the company. The nature of business/activities the company shall undertake;
      iii. Full names of the shareholders;
      iv. Full names of the directors if different from the shareholders;
      v. Postal addresses, e-mail addresses and telephone numbers of the shareholders and directors. The address of the directors can be foreign or Kenyan depending on the residence of the investor;
      vi. Number of shares to be held by each shareholder.
      vii. Proposed Kenyan physical address of the company and the directors, since the company shall be operating in Kenya. If the investor doesn’t have a physical address at the time of incorporating the company, he or she can procure the services of an advocate to help in incorporating the company, then use the advocate’s physical address as the initial physical address;
viii. Copy of ID or passport biodata page of the shareholders and directors if they are foreigners;

ix. Passport photos of the shareholders and directors.

c) Obtain certificate of incorporation and CR12 form with a list of shareholders.

ANNEX II: INVESTOR REGISTRATION AND OBTAINING INVESTMENT CERTIFICATE FROM KENINVEST

Kenya Investment Authority (KenInvest) is a state corporation established under the Investment Promotion Act (2004) mandated with promoting and facilitating private investment in Kenya. The pre-establishment support offered at KenInvest’s one-stop centre include:

<table>
<thead>
<tr>
<th>Company Registration</th>
<th>Tax/PIN Registration</th>
<th>Obtaining a Work Permit</th>
<th>Obtain an EIA certificate</th>
<th>EPZ or SEZ Set Up</th>
</tr>
</thead>
<tbody>
<tr>
<td>Registration of Land</td>
<td>Power Connection</td>
<td>Social Security Registration</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Kenya Investment Authority

For effective pre-establishment and post-establishment facilitation, the investors are encouraged to register their investment with the authority through the below steps:

a) Apply to be a registered investor at KenInvest with the following requirements:
   i. Filled and signed investment application form, which can be downloaded from KenInvest’s website: http://www.invest.go.ke/wp-content/uploads/2016/10/Investment-Application-Form-2018.pdf;
   ii. Cover letter with company’s letterhead addressed to the Managing Director of Kenya Investment Authority indicating the company’s activities;
   iii. List of shareholders (CR12);
   iv. Company registration certificate.
   v. Proof of investment of at least $100,000, which can be through money already in a Kenyan bank or assets purchased or imported towards initiating the project. In case of a bank statement, it should be in the sole names of the applicants or the company.

   Upon submission of the application to be registered as an investor, KenInvest reviews the application and issues the applicant with an acknowledgment letter within 1–2 days.

b) Apply for an investment certificate by writing a request letter to the authority – the letter should be addressed to the Managing Director of the Kenya Investment Authority requesting an investment certificate.

c) Inspection of premises. KenInvest will inspect the premises to ascertain the existence of the project or the company and whether the housing use of the registered premises is consistent with the operation activities of the enterprise. Before the inspection, the authority notifies the investor of the scheduled date of the visit. (The investor can lease premises from the industrial parks or private persons or even buy land. See Annex V.)

d) Obtain investment certificate: KenInvest issues the applicant with the certificate after 1–2 days.
ANNEX III: FOREIGN TAXPAYER (PIN) REGISTRATION THROUGH KENINVEST

Kenya Investment Authority has a desk officer from the Kenya Revenue Authority sitting at the one-stop centre. All investors are required to file and submit tax returns by 30 June, before the end of each financial year. Kenya Revenue Authority (KRA) issues the personal identification number (PIN) to citizens and investors to enable them to make transactions such as opening accounts with financial institutions and investment banks, importation of goods and Customs clearing and forwarding, registration of titles, stamping of documents and paying of taxes. Below is the procedure for tax PIN registration.

a) **Apply for a director’s PIN online at iTax**: [https://itax.kra.go.ke/KRA-Portal/](https://itax.kra.go.ke/KRA-Portal/). Upon completing the online form, the applicant will obtain a KRA acknowledgment receipt. This will take 5–15 minutes. The investor will be required to submit passport number and contact details such as e-mail address and physical address.

b) **Apply for investor facilitation and request PIN facilitation at KenInvest**. The application will be assessed by KenInvest and the investor will be issued with an acknowledgment letter with the following requirements:
   i. Investment application form, which can be downloaded from KenInvest’s website (http://www.invest.go.ke/);  
   ii. PIN acknowledgment receipt;  
   iii. over letter addressed to the Managing Director of the Kenya Investment Authority requesting for investor registration and foreign taxpayer PIN facilitation;  
   iv. Company/business registration certificate;  
   v. Memorandum and articles of association;  
   vi. Passport showing biodata and visa page;  
   vii. Proof of investment of at least $100,000, which can be through money already in a Kenyan bank or assets purchased towards initiating the project. In case of a bank statement, it should be in the sole names of the applicants or the company and must show that the amount to be invested by a foreign investor is at least $100,000 or the equivalent in any other currency. See Annex IV;  
   viii. List of shareholders (CR12).

**In addition, for representatives;**
   i. Agent’s current practicing certificate – the agent can be an advocate or an auditor;  
   ii. Letter of authority – for the designated representative of the branch – signed by the CEO or similar of the foreign company.

c) **Obtain endorsement letter from KenInvest**. This is issued within 1–4 days upon the authority vetting the application. The applicant will then collect the endorsement letter and submit to the KRA for PIN processing. Applicants can be physically present or contract a Kenya Revenue Authority tax agent to submit the application for them. Tax agents are licensed representatives who are authorized to present documents for PIN processing and even file tax returns for the company. Upon submitting the required documents, applicants will be issued with an individual PIN free of charge, which will allow them to apply for the company PIN.

d) **Apply for company PIN online through the iTax portal**: [https://itax.kra.go.ke/KRA-Portal/](https://itax.kra.go.ke/KRA-Portal/). The applicant will be issued with a PIN acknowledgement receipt. Requirements include:
   i. Director’s PIN  
   ii. Certificate of incorporation/compliance of the company.

e) **Obtain Company PIN**. The PIN is sent to the applicant’s registered e-mail.
ANNEX IV: OPENING A BANK ACCOUNT

a) Identify the bank with which one wants to open an account. A list of banks operating in Kenya can be found on the Kenya Bankers Association website: http://www.kba.co.ke/members.php. International banks offering China banking desks in Kenya include:
   - Stanbic Bank: https://www.stanbicbank.co.ke/kenya/Business/China-Desk;
   - Standard Chartered Bank: https://www.sc.com/ke/business-global-banking/chinese/;
   - Absa Bank Kenya Plc: https://www.absabank.co.ke/business/

b) Identify the type of account one intends to open by paying a visit to the respective bank and submitting an application for account opening.

<table>
<thead>
<tr>
<th>Business account requirements</th>
<th>Personal account requirements</th>
</tr>
</thead>
<tbody>
<tr>
<td>i. Certificate of incorporation/certificate of compliance</td>
<td>i. Copies of passport/identity cards</td>
</tr>
<tr>
<td>ii. Company’s KRA PIN</td>
<td>ii. Passport photo</td>
</tr>
<tr>
<td>iii. Copies of directors’ identity card/valid passport</td>
<td>iii. Individual’s KRA PIN</td>
</tr>
<tr>
<td>iv. Directors’ passport photos</td>
<td>iv. Contact details</td>
</tr>
<tr>
<td>v. Memorandum and articles of association (CR2)</td>
<td></td>
</tr>
<tr>
<td>vi. Contact details</td>
<td></td>
</tr>
</tbody>
</table>

ANNEX V: LAND PROCEDURES

Land in Kenya is categorized as:

- **Public land:** Held by the national and county governments and administered by the National Land Commission;
- **Private land:** Held by legal persons (company or an individual) either by leasehold tenure or freehold tenure;
- **Community land:** Held by communities.

Under the laws of Kenya, non-citizens can only hold land on a leasehold basis, and the lease should not exceed 99 years. However, the company is required to be legally registered, with a company PIN. Dealings in agricultural land are controlled in Kenya by the Land Control Act, from which consent must be obtained from the Land Control Board of the area where the land is situated, for any transaction involving the sale, transfer, lease, mortgage, exchange, partition or other disposal of or dealing with any agricultural land.

The Ministry of Lands is responsible for registration of interests in land. Below is the procedure for land transfer:

a) **Identify the land the company wants to buy.** Negotiate the price with the seller and get a copy of the title deed.

b) **Contract an advocate to conduct due diligence on the land:** [http://online.lsk.or.ke/](http://online.lsk.or.ke/).

c) **The advocate will then proceed to conduct an official land search** at the Ministry of Lands and Physical Planning offices to identify the owner of the land and check whether the land has any encumbrances.

d) **The directors of the company and seller will then execute (sign) the sale agreement.**

e) **Obtain land registration documents from the seller.** The seller and his advocate are required to give the buyer’s advocate the following documents:
   - Consent to transfer land. This consent is issued by the Ministry of Land and Physical Planning (for leaseholds) or the appropriate land control boards if the land being transferred is freehold.
   - Land rate clearance certificate issued by the county government;
   - Land rent clearance certificate from the Ministry of Lands and Physical Planning.
f) **Execution (signing) of land transfer document by both the seller and the buyer (company).**

The seller is required to sign the transfer document and forward it to the buyer’s advocate, together with the following: the original title of the parcel of land, land consent, certificate of incorporation/compliance of the company (if the seller is a company), company PIN and the directors’ PINs (see Annex III), identification document/passport for the directors of the company/individual, and three colour passport photos for each director.

*Note: Non-citizens need to have a KRA PIN in order to effectively transfer the land.*

g) **The buyer’s advocate will then submit the transfer document for valuation by the Ministry of Lands and Physical Planning offices.** A government valuer will value the land, then the buyer will be required to pay stamp duty. Stamp duty is charged at the following rates:

- **For leasehold land:** 4% of the valued amount;
- **For freehold land:** 2% of the valued amount.

h) **Submit the transfer document to the Ministry of Lands offices for franking.**

This can take 1–3 days.

i) **Upon franking of the documents,** the buyer’s advocate will submit them for registration upon payment of KSh 500. The registration of the transfer takes 7 days.

j) **Upon registration of the transfer,** the certificate of title/lease will bear the name of the buyer/investor, who will be considered as the legal and beneficial owner of the land.


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**ANNEX VI: LABOUR LAWS IN KENYA**

Employment in Kenya is governed by the Employment Act, 2007, Work Injury and Benefits Act and Occupational Safety and Health Act. The forms of employment in Kenya include the following:

a) **Casual employment:** Where the employee is engaged for not more than 24 hours at a time and wages are paid on a daily basis. However, the contract will convert into a monthly contract if the casual employee works continuously for a period or a number of continuous working days in the aggregate of not less than one month or if the employee performs work that cannot reasonably be expected to be completed within a period of three months.

b) **Fixed-term/temporary employment:** Where an employee is employed for a period of more than a day and for a specific term.

c) **Permanent employment:** Where an employee is employed for an indefinite period or until a set retirement age. The employee will be paid at the expiration of each month. This kind of employment is usually preceded by a probationary employment for six months, which can be extended by a further period of six months only with the agreement of the employee.

d) **Contracts for services:** Where the employer may hire the services of a consultant or independent contractor to execute some work. The consultant or independent contractor will supply the necessary labour and the employer will not be involved in anything to do with the employment contracts of workers under such a relationship.

**Guidelines for employment:**

i. A contract for service, whether oral or written, must conform to the requirements of employment. These requirements constitute minimum terms and conditions of employment.

ii. An employee can be engaged in an oral or written contract, provided that a contract for a period of more than three months must be put in writing.

iii. It is upon the employer to prepare the contract and to have the employee signify consent by signing the contract within two months of starting work.
The payment of the worker will depend on the negotiations between the employer and the employee. The government has, however, provided for minimum rates of remuneration or conditions of employment for certain industries, e.g. the agriculture and construction industries. These minimum rates are established in a Wages Order, published under a gazette notice by the Cabinet Secretary in the Ministry of Labour: https://cotu-kenya.org/wp-content/uploads/2019/02/Legal-Notice-No.-1-wages-2-1.pdf. They constitute a term of employment of any employee to whom the wages order applies and may not be varied by agreement.

**Pension and benefits**

Kenya has a mandatory statutory National Social Insurance Pension Scheme for employers engaging Kenyan citizens, which provides the employee with a lump sum retirement benefit. Under the National Social Security Fund (NSSF) Act, employers are required to register with the fund and remit employees’ contributions monthly using an employer’s code. Deductions have to be remitted by the 15th of the following month or last working day before the 15th where this falls on a Saturday, Sunday or public holiday.

**Working hours**

The normal working hours in a week are 52 for day employees and 60 for night-duty employees. In addition, the employee is entitled to at least one day of rest per week.

**Overtime**

Employers are at liberty to engage employees for extra hours, but with compensation. The Regulation of Wages (General) Order provides for the criteria of calculation of the additional wages (overtime pay). This is paid at the rates of one and one-half times the basic hourly rate on weekdays, and twice the basic hourly rate on rest days and public holidays. The overtime plus time worked in normal hours for employees engaged in night work should not exceed 140 hours per week and 116 hours for all other employees in any two consecutive weeks.

**Employees’ leave**

In every 12 consecutive months of service, an employee is entitled to 21 working days (excluding public holidays) of leave with full pay. In addition to annual leave, female employees are entitled to three months of maternity leave with full pay. Male employees are entitled to two weeks of paternity leave with full pay. After two consecutive months of service, an employee is entitled to sick leave of not less than seven days with full pay and thereafter another seven days with half pay, in each period of 12 consecutive months of service. Compassionate leave of up to five days may also be taken without pay.

**Dismissal of employees**

Before the employee can be dismissed, the employer is required to give a notice of termination in accordance with the contract of service, except for casual employment, which can be terminated without notice at the close of any day. Probationary contracts may be terminated with a seven-day notice. In case of termination or resignation without notice, the employer/employee is required to pay in lieu of notice according to the terms stipulated in the contract.

**Dispute resolution in employment**

Disputes between an employer and employee may be resolved through conciliation. As a last resort, a complaint or suit may be lodged in the Employment and Labour Relations Court, which is the only court that is mandated to hear and determine matters of this nature. It may, therefore, be futile to attempt an arbitration or mediation if the matter could still possibly end up in the Employment and Labour Relations Court.
ANNEX VII: REGISTRATION FOR NSSF AND NHIF

Registration for National Social Security Fund (NSSF).

a) Apply for NSSF employer registration: https://www.nssf.or.ke/employers/. The application can be submitted to the Huduma Centres (one-stop centres for government services) or the NSSF offices (http://www.nssf.or.ke).

b) Obtain NSSF certificate of registration. The certificate will contain an employer’s code where the employer will be able to remit contributions for his Kenyan employees.

Duration: 1 day.

Cost: Nil.

Registration for National Hospital Insurance Fund (NHIF).

Kenya also has a mandatory statutory National Hospital Insurance Fund (NHIF) to which everyone with an income (except those excluded by national or international laws) should be registered as a contributing member. Employers engaging Kenyan citizens are required to register with the fund and remit employees’ contributions to the fund monthly. All contributions are due by the 9th of the following month or the last working day before the 9th where this falls on a Saturday, Sunday or public holiday.

Procedure of registration with NHIF;

a) Apply for NHIF employer registration: http://www.nhif.or.ke/healthinsurance/registeronline/.

b) Obtain employer’s code with which the employees’ contributions shall be remitted by the employer based on income, by cheque or through e-banking.

Duration: 1–2 days.

Cost: Nil.

In most cases, the medical benefits from the fund can only cover a fraction of the actual medical costs. Hence, most companies provide employees with private medical insurance. The provision of other benefits as a minimum requirement under the law, such as water, food, housing and medical attention, is the employer’s responsibility.
ANNEX VIII: IMMIGRATION LAWS ON HIRING OF FOREIGN NATIONALS

The Department of Immigration Services has partially automated application of work permits through the electronic Foreign Nationals Services (eFNS) portal: https://fns.immigration.go.ke/. Investors are able to apply and pay for the processing fees online, then submit the application to the Department of Immigration Services offices for processing. The requirements and related fees for different classes of permits (Class B for investors in agriculture, Class F for special manufacturing, and Class D for expatriate employees, special passes and alien cards) can be obtained within the eFNS portal upon logging in. Foreign employees on short-term assignments not exceeding six months should obtain a special pass to enable them to carry out their employment functions. Foreign employees intending to work for a longer period will need work permits. Apart from obtaining permits directly from the Immigration Department, investors can also be facilitated by Kenya Investment Authority.

Note: All citizens of the East African Community (Uganda, Tanzania, Rwanda and Burundi) are exempt from payment of the processing and permit fee.

Where the holder of a work permit ceases to engage in employment in respect of which the permit was issued, the employer specified in the work permit shall, within 15 days from the date of such cessation, inform the Department of Immigration.

Disclaimer:

▪ Processing fee is non-refundable;
▪ Incomplete applications will not be accepted;
▪ Engaging in any form of business or employment without a requisite permit or pass is an offence;
▪ Application print-outs must be presented to the immigration headquarters.

Work permit and special pass facilitation through Kenya Investment Authority (KenInvest)

In order to streamline the process of obtaining work permits and special passes for foreign investors in Kenya, the one-stop centre at KenInvest has an immigration officer who assists with facilitating and obtaining these permits. The investor will first be required to register with the authority and then request the work permit or special pass facilitation. (See Annex II.)

The investor will then submit the application to KenInvest for work permit or special pass facilitation and processing with all the required documents as listed above for each segment. KenInvest will notify the investor once the work permit or special pass application has been approved and request the investor to pay the required fees. Once the fees are paid, the investor will then be called or e-mailed to collect the work permit or special pass from KenInvest’s offices.

Duration: For special pass facilitation: 3–5 days. For work permit facilitation: 21–40 days.

Facilitation cost: Nil.

Wayleave is a permission granted to Kenya Power by the land owner to enable them to construct and lay electric poles on the land.
ANNEX IX: ELECTRICITY CONNECTION

a) Submit application for supply of electricity to Kenya Power offices:
   i. Filled-in application form for supply of electricity, downloaded from the institution’s website: https://www.kplc.co.ke/img/full/GOSS9XbKP72N_ENQUIRY%20FOR%20SUPPLY%20OF%20ELECTRICITY.pdf;
   ii. Copy of ID or passport;
   iii. Copy of PIN certificate;
   iv. Route sketch map to the facility;
   v. Copy of title deed and land search documents for owner of property (to support wayleaves9 consent);
   vi. Signed supply contract form, which can be downloaded from the institution’s website: https://kplc.co.ke/img/full/U88i0Y93YK22_Supply%20Contract.pdf;
   vii. Wiring certificates. The investor will need to contract a licensed electrical technician who will install electrical cables in the building. A list of licensed technicians is available from the Energy and Petroleum Regulatory Authority’s (EPRA) website: https://www.epra.go.ke/services/electricity/electricians-register/. The cost of installation depends on the negotiations made between the investor and the technician.

b) Visit site to survey and design quotation: Kenya Power locates the building using geographic information system (GIS) technology and makes the site visit in order to design the price quotation.

c) Pay the quoted amount or estimate.

d) Await the completion of the external works, meter installation and connection to supply.

Duration: On average, it takes 97–165 days to get power supply.

Cost: The cost is dependent on the demand (kVA) required and the proximity of the premises to the existing electricity network. The cost will be determined after the application is made and a site visit is carried out.

Electricity connection through facilitation by Kenya Investment Authority (KenInvest)

Kenya Investment Authority operates a one-stop centre facility that has an officer from Kenya Power whose mandate is to facilitate investors in obtaining power connection. This is done at nil costs. The procedure to obtain a power connection is similar as outlined above, only that, under KenInvest facilitation, the investor will be required to first apply for investor registration (see Annex II) and request the power connection by submitting the documents to the Kenya Power officer at KenInvest. The Kenya Power officer will proceed to facilitate the process of obtaining the power connection, which would now take 72–159 days to get the power supply.

ANNEX X: WATER CONNECTION

a) Submit application for water connection at the Nairobi City Water and Sewerage Company offices (https://www.nairobiwater.co.ke/index.php/en/) with the following requirements:
   i. Application form, which can be obtained from the Nairobi City Water and Sewerage Company. The investor will be required to pay KSh 2,500 for a survey and attach the stamped receipt of payment to the application form;
   ii. Company’s certificate of registration;
   iii. Company PIN;
   iv. Land ownership documents.

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9 Costs as at 2019 by the Export Processing Zones Authority.
b) **Visit site to assess the connection cost.**
   Two to three weeks after the application has been received, Nairobi City Water and Sewerage Company will send a team to assess the connection cost.

c) **Payment of the quoted connection price.**
The connection fee for industrial customers is KSh 50,000.

d) **Obtain water connection.** Once payment has been made, it will take an estimated 30 days to have a water connection.

### ANNEX XI: EPZ OPERATIONS COST SUMMARY

#### 1. FEES:

<table>
<thead>
<tr>
<th>EPZ LICENSES</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Application fees</td>
<td>$250 for EPZ licences, both developer/operator and enterprise licence</td>
</tr>
<tr>
<td>License fees</td>
<td>$1,000/year for enterprise licence</td>
</tr>
<tr>
<td></td>
<td>$5,000/year for developer/operator licence</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>EPZ BUSINESS SERVICE PERMITS</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Application fees</td>
<td>KSh 2,000 for sole proprietorship</td>
</tr>
<tr>
<td></td>
<td>KSh 6,000 for partnership</td>
</tr>
<tr>
<td></td>
<td>KSh 20,000 for company</td>
</tr>
<tr>
<td>Permit fees</td>
<td>KSh 6,000/year for sole proprietorship</td>
</tr>
<tr>
<td></td>
<td>KSh 10,000/year for partnership</td>
</tr>
<tr>
<td></td>
<td>KSh 20,000/year for company</td>
</tr>
</tbody>
</table>

#### 2. COST OF LAND & BUILDINGS:

**Athi River EPZ:**
- **Industrial Buildings:**
  - Annual rent of $2.50–$3.50/sq. ft. (0.092903 sq. m) + 15% service charge
  - Length of lease: 6 years
- **Serviced Plots:**
  - Initial payment of $10,000/ha (10,000 sq. m)
  - Annual rent of $6,000/ha + 15% service charge
  - Length of lease is a minimum 30 years (renewable)
- **Un-serviced plots:**
  - Initial payment $8,000/ha (10,000 sq. m)
  - Annual rent of $4,000/ha
  - Length of lease is a minimum 30 years (renewable)

**Kipevu EPZ**
- **Un-serviced plots:**
  - Initial payment $8,000/ha (10,000 sq. m)
  - Annual rent of $4,000/ha
  - Length of lease is a minimum 30 years (renewable)

**Other Zones i.e. Samburu, Kinanie & Homa-bay**
- **Serviced Plots:**
  - Initial payment of $8,000/ha (10,000 sq. m)
  - Annual rent of $4,000/ha + 15% service charge
  - Length of lease is a minimum 30 years (renewable)
- **Un-serviced plots:**
  - Initial payment $6,000/ha (10,000 sq. m)
  - Annual rent of $4,000/ha
  - Length of lease is a minimum 30 years (renewable)
ANNEX XII: PRELIMINARY REGULATORY REQUIREMENTS FOR EXPORT OF POTATOES AND CASSAVA

1. Farm inspection: The farm where the produce is grown must be inspected by AFA Horticultural Crops Directorate (HCD) (http://horticulture.agricultureauthority.go.ke/), which checks to ensure Good Agricultural Practices have been complied to prior to the process of exporting. Once inspection is done and upon full compliance, HCD issues a farm inspection report.


3. Register with HCD for the export licence: The AFA Horticultural Crops Directorate (HCD) is mandated with regulation of horticultural nurseries, production, post-harvest handling and marketing of horticultural crops and produce in compliance with local and international standards. Traders must, therefore, register with AFA HCD, who issue an export licence that is valid for one financial year. For more information on registration for the export licence, please visit https://infotradekenya.go.ke/procedure/1838?l=en&includeSearch=true.

4. Register with Kenya Plant Health Inspectorate Service (KEPHIS) to be issued with phytosanitary certificate: Fresh and dry produce is regulated by KEPHIS, which issues a phytosanitary certificate for each consignment for export. Traders are required to obtain a phytosanitary certificate for each consignment, and are expected to know the market requirements of their export market. For more information, please visit https://www.kephis.org/index.php/2014-03-25-12-07-38/2014-04-01-09-57-26?start=3.

5. Register with the KRA’s Rules of Origin section (https://infotradekenya.go.ke/procedure/1808?l=en&includeSearch=true) with the below requirements:
   i. Certified copy of Certificate of incorporation;
   ii. Certified copies of memorandum and articles of association for limited companies/CR2 form;
   iii. Copies of identity cards of all the directors if locals, or photocopies of passports and valid work permits (certified by the Ministry of Interior and Coordination of National Government) if directors are foreigners;
   iv. Copy of KRA PIN and tax compliance certificate;
   v. Copy of respective county government business permit or unified permit;
   vi. Duly filled-in application forms (typed) 1A and 1B, available from the website (www.afa.go.ke);
   vii. Valid membership certificate from the relevant horticulture association such as Fresh Produce Exporters Association of Kenya (FPEAK) and Fresh Produce Consortium of Kenya (FPC KENYA).

   All these documents need to be put in order as per the Vetting Checklist (available online from www.afa.go.ke).

   ▪ Registration fee: KSh 5,000/= per year
   ▪ Cess deposit fee: KSh 5,000/= for new applicants
   ▪ Late registration penalty: KSh 2,500/= (only applicable for late renewal).

6. Register for Kenya Bureau of Standards (KEBS) Mark of Quality: The standardization (S) mark is a mandatory product certification scheme for locally manufactured products provided for under Section 10 of the Standards Act, Cap. 496, upon conformity to set standards by KEBS. For the procedure and requirements to acquire the S mark, please visit https://www.kebs.org/index.php?option=com_content&view=article&id=170&Itemid=462.
ANNEX XIII: PRELIMINARY REGULATORY REQUIREMENTS FOR IMPORT OF POTATOES AND CASSAVA


2. Register with Kenya Plant Health Inspectorate Service (KEPHIS), who issues a plant import permit for each consignment for import. The plant import permit is valid for six months from the date of issue.

3. Import health certificate required for the import of all commodities that are for human consumption. Issuance of the certificate is regulated by Port Health Services and is required for each consignment.

4. Import declaration form (IDF): Before applying for the IDF, traders are advised to obtain clearance from the respective regulating agencies for the consignment of import. Also, application for the IDF should be done before goods leave the country of origin.

5. Import standardization mark (ISM): A mandatory requirement for all imported products intended for sale in the local market. The Kenya Bureau of Standards (KEBS) regulates issuance of the ISM. Traders are advised to apply for the ISM sticker once the goods have arrived, and the Customs entry has been verified and passed by Kenya Revenue Authority (KRA).
REFERENCES


