



KENYA: AN OVERVIEW

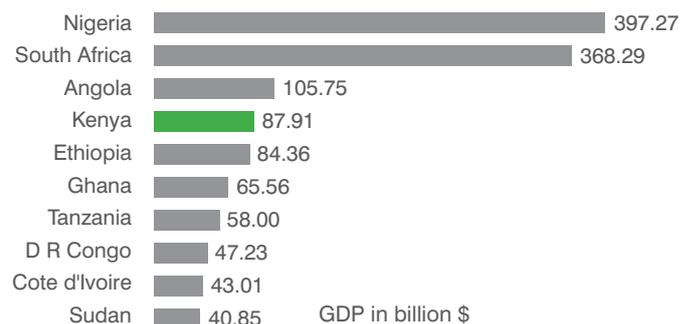
The Republic of Kenya is regarded as the regional hub for trade and finance in East Africa. Mombasa, Kenya's main port, is the largest seaport in East Africa that serves as gateway to many other East and Central African nations as well, many of which are landlocked.

Key facts	
Capital:	Nairobi
Area:	580 370 km ²
Population:	51.4 million (2018)
Literacy Rate	
<i>Male:</i>	85%
<i>Female:</i>	78%
GDP (nominal):	\$88 billion (2018)
GDP growth:	6.3% (2018)
FDI inflow:	\$1.4 billion (2017)
Exports:	\$6.03 billion (2018)
Imports:	\$17.34 billion (2018)
Govt. expenditure:	\$29.8 billion (2018)
Govt. revenue:	\$18.5 billion (2018)
Currency:	Kenyan shillings (KES)
Language	English, Swahili

*Sources: AfDB, 2018; KNBS, 2018; International Trade Centre, 2018; Trading Economics, 2018; World Bank, 2018

Kenya has a strong banking sector, and its legal, regulatory and accounting systems are transparent and consistent with international norms. There are no exchange controls after the 1994 liberalization, which removed all restrictions. Kenyan banking sector comprised 42 commercial banks, 1 mortgage finance company, 13 microfinance banks, 9 representative offices of foreign banks, 72 foreign exchange bureaus, 19 money remittance providers and 3 credit reference bureaus as at December 31, 2018.

Kenya is the largest East African and fourth largest Sub-Saharan economy



*Source: World Bank, 2018

SECTOR OVERVIEW

The cotton, textiles and apparel (CTA) industry is the second biggest manufacturing activity in Kenya, providing livelihood to approximately 200,000 households.

Raw material scenario

- Kenya has 385,000 ha of land suitable for cotton cultivation, but only fraction of it is under cotton cultivation.
- Current production of cotton lint in Kenya is approximately 7,000 tons versus a potential production of 200,000 tons of lint or 750,000 tons of seed cotton.
- In Kenya, cotton is mainly cultivated under rain-fed conditions.
- Kenya also produces fibres like wool and sisal, but in small quantities.

Manufacturing value chain

■ Ginning:

There are 23 ginneries in Kenya, with an installed capacity to gin approximately 140,000 bales annually, but only eight of them are operational and the equipment in the ginning units are outdated.

■ Textiles:

Kenya's installed capacity is approximately 140,000 ring spindles and 900 open-end (OE) rotors. However, most of the installed capacity is quite old and is only partially operational. Yarn is mostly imported from Asian countries. There are very few fabric production mills that mostly cater to domestic and regional markets.

■ Apparel:

Kenya has approximately 170 large-scale and 75,000 smallscale and micro apparel manufacturers. Out of these, 37 units are export-oriented that contribute to the bulk of the sector's exports revenue. Kenya imports roughly 93% of its fabric supply, mainly from Chinese Taipei, Hong Kong, the People's Republic of China, the Islamic Republic of Pakistan and the Republic of India.



WHY KENYA?

Kenya's global and regional market access

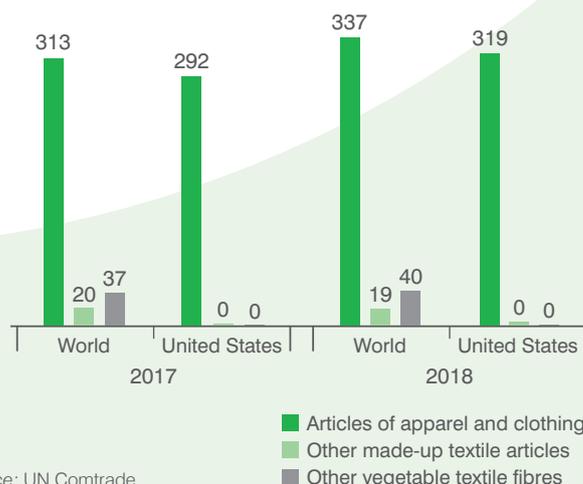
Kenya's global and regional market access	
Market access under:	Markets
African Growth and Opportunity Act (AGOA)	United States of America
Trade and Investment Framework Agreement (TIFA)	United States of America
Everything But Arms (EBA)	European Union
African Caribbean Pacific European Union (ACP-EU) Partnership Agreement (Cotonou Agreement)	European Union
East African Community (EAC)	Regional market of 6 countries: Burundi, Kenya, Rwanda, South Sudan, the United Republic of Tanzania and Uganda
Common Market for Eastern and Southern Africa (COMESA)	Regional market of 21 countries and 16 are members of COMESA's Free Trade Area
Northern Corridor Transit and Transport Agreement (NCTTA)	Regional market of 6 countries: Kenyan Port of Mombasa and the landlocked countries Burundi, Democratic Republic of Congo, Rwanda, Uganda and South Sudan
World Trade Organization (WTO)	More than 90% of world markets under most favored-nation treatment
African Continental Free Trade Area (AfCFTA)	Regional market and world's largest trade zone: The agreement was signed by 52 and ratified by 22 African Union member states.

*Source: World Bank, 2014

Kenya trade scenario

- Major CTA categories sector exports from Kenya have grown from US\$ 371 million in 2017 to US\$ 398 million in 2018.
- The United States of America is the largest market, accounting for almost 91% of Kenya's CTA exports. Total apparel exports from Kenya to US increased marginally by 0.03% in year 2017 to stand at US\$ 339.7 million from US\$ 339.6 million recorded in 2016.

Kenya exports to US and the World for major CTA categories (in million USD)



*Source: UN Comtrade

Business environment

LEGAL AND REGULATORY FRAMEWORK

- The key corporate and investment laws applicable in Kenya are the Companies Act (Cap 486) and the Investment Promotion Act, 2004.
- Kenya's Government has introduced a new competition law, Public Partnership Act and capital markets regulations to increase the market competitiveness and to attract foreign investment.
- Government has also reduced the number of licenses required to set up a business from 300 to 11 in order to promote investment.
- New Kenyan Companies Act, 2015
- EPZ/SEZ Acts offer incentives focused on exports and regional markets.

LOGISTICS AND CONNECTIVITY

- Kenya is the gateway to East Africa.
- There are three sea ports in Kenya – Mombasa, Lamu and Malindi.
- Improvement in roads infrastructure is in progress, and recent improvements have reduced the transit times from 18 days to five days from Nairobi to Mombasa port.
- There are four international airports in Kenya – Mombasa International Airport (MOI), Jomo Kenyatta International Airport, Kisumu Airport and Eldoret International Airport.
- Freight traffic more than tripled from 1,147 thousand tonnes in 2017 to 3,544 thousand tonnes in 2018, mainly due to introduction of freight transportation services on the Standard Gauge Railway (SGR).
- Total cargo throughput handled at the Mombasa Port increased by 2% from 30.3 million tonnes in 2017 to 30.9 million tonnes in 2018.

MANPOWER SCENARIO

- There is abundant availability of a relatively well-educated population.

POWER SCENARIO

- Kenya has a well-established power sector. Total installed capacity increased by 13.7% to 2,711.7 MW in 2018.
- Kenya's reliance on renewable energy sources that are significantly less input intensive and favourable to the sector's performance continued to grow in 2018 with the introduction of additional power from wind and solar to the national grid.
- In 2018, the proportion of electricity from renewable sources stood at 86% compared to 75.5% in 2017.

GOVERNMENT SUPPORT FOR CTA SECTOR

- Support is provided to smallholder farmers by providing planting seeds, and advisory service through research and extension service.
- The Kenyan Government supports irrigation scheme rehabilitation to restore production of irrigated cotton over the course of the next five to 10 years.
- Kenya Investment Authority (KenInvest) facilitates implementation of new investment projects, providing aftercare services for new and existing investments.

- Incentives are provided to investors under EPZs, including tax incentives and holidays, VAT exemption, business allowance and investment deductions.
- The Kenyan Government is planning the establishment of industrial parks in Naivasha, Mtwapa, Samburu and Voi.

ADVANTAGE KENYA

Cotton, textile and apparel sector investors in Kenya can benefit from the following:

- **Preferential market access**
- **Labour availability**
- **Good infrastructure**
- **Strong buyer linkages**
- **Stable political climate**
- **Investor-friendly policies**
- **Open banking systems**
- **International instruments to protect FDI**
- **Availability of factory space**

Naivasha Textile City:

The Government of Kenya has launched a project to build a textile city in Naivasha area. This region has access to uninterrupted geothermal power at just five cents a kWh and inexpensive steam, making it an extremely attractive location for textile projects – spinning, fabric manufacturing and processing.

Government plans to develop the entire city with complete support infrastructure to attract domestic and foreign investors to the zone.



INVESTMENT OPPORTUNITIES

▪ Apparel manufacturing:

Apparel manufacturing in Kenya is the most attractive investment option for global investors, as Kenya has duty-free access to the USA under AGOA and to the EU under EPA. Kenya has well-developed export channels, infrastructure and linkages with large USA buyers, which can prove beneficial for new investors.

▪ Textile (yarns and fabrics) manufacturing:

The present textile manufacturing set-up in Kenya is underdeveloped and unable to meet industry demands. New investments in this segment can easily get access to ready markets not only in Kenya, but also in other neighbouring countries where apparel exports are growing.

▪ Apparel accessories:

East Africa's apparel exports are increasing continuously, but there is almost nil production of apparel accessories like labels, buttons, zippers or hooks, etc. An investment targeted at manufacturing and import substitution of such items can be a good proposition.

▪ Services:

With growing production of textile and apparel-manufacturing factories, opportunities will arise to provide associated services like buying houses, testing houses, technical consultancy, brokerage services, export marketing and training, etc.



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